

Yapı ve Kredi Bankası A.Ş.

**Publicly announced unconsolidated financial statements and
related disclosures at March 31, 2017 together with
auditor's review report**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") at 31 March 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. at 31 March 2017 and the results of its operations and its cash flows for the three-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

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

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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.

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

Halûk Yalçın, SMMM
Partner

Istanbul, 27 April 2017

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

**THE UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
YAPI VE KREDI BANKASI A.Ş. AS OF MARCH 31, 2017**

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

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

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

Y. Ali KOÇ
Chairman of the
Board of Directors

H. Faik AÇIKALIN
Chief Executive Officer

Massimo FRANCESE
Chief Financial Officer

B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President

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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Section One - General Information

1. 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.

2. 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 March 31, 2017, 18,20% of the shares of the Bank are publicly traded (December 31, 2016 - 18,20%). The remaining 81,80% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one 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%.

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

As of March 31, 2017, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements as of March 31, 2017**

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

Board of Directors Members:

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

Audit Committee Members:

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

General Manager and Deputy General Manager:

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

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Feza TAN	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Massimo FRANCESE	Financial Planning and 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
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of March 31, 2017

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

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

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

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

5. Summary information on the 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 March 31, 2017, the Bank has 930 branches operating in Turkey and 1 branch in overseas (December 31, 2016 - 935 branches operating in Turkey, 1 branch in overseas). As of March 31, 2017, the Bank has 18.371 employees (December 31, 2016 – 18.366 employees).

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

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

According to Communiqué 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.

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

None.

Unconsolidated financial statements as of March 31, 2017 and December 31, 2016

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Current Period (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	1.1	5.273.176	27.460.575	32.733.751	9.051.431	23.329.135	32.380.566
II. Financial assets at fair value through profit or (loss) (net)	1.2	2.203.906	408.552	2.612.458	2.652.903	365.380	3.018.283
2.1 Trading financial assets		2.203.906	408.552	2.612.458	2.652.903	365.380	3.018.283
2.1.1 Government debt securities		33.225	27.325	60.550	18.888	17.825	36.713
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		2.170.681	381.227	2.551.908	2.634.015	347.555	2.981.570
2.1.4 Other marketable securities	1.3	-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	1.4	44.206	1.310.304	1.354.510	33.331	1.415.361	1.448.692
IV. Money markets		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from BIST		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. Financial assets available-for-sale (net)	1.5,6	17.385.885	3.201.647	20.587.532	15.170.100	3.110.106	18.280.206
5.1 Share certificates		6.330	73.179	79.509	6.330	62.288	68.618
5.2 Government debt securities		16.678.534	1.593.479	18.272.013	14.431.742	1.602.330	16.034.072
5.3 Other marketable securities		701.021	1.534.989	2.236.010	732.028	1.445.488	2.177.516
VI. Loans and receivables	1.7	112.988.606	66.437.223	179.425.829	106.608.228	66.015.989	172.624.217
6.1 Loans and receivables		110.969.395	66.437.223	177.406.618	104.490.268	66.015.989	170.506.257
6.1.1 Loans to bank's risk group		1.570.719	1.228.018	2.798.737	1.608.906	811.272	2.420.178
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		109.398.676	65.209.205	174.607.881	102.881.362	65.204.717	168.086.079
6.2 Loans under follow-up		8.633.912	-	8.633.912	8.706.143	-	8.706.143
6.3 Specific provisions (-)		(6.614.701)	-	(6.614.701)	(6.588.183)	-	(6.588.183)
VII. Factoring receivables		-	-	-	-	-	-
VIII. Held-to-maturity investments (net)	1.8	4.823.633	5.980.095	10.803.728	4.804.968	5.859.583	10.664.551
8.1 Government debt securities		4.823.633	5.980.095	10.803.728	4.804.968	5.859.583	10.664.551
8.2 Other marketable securities		-	-	-	-	-	-
IX. Investments in associates (net)	1.9	4.503	478.615	483.118	4.503	437.143	441.646
9.1 Consolidated based on equity method		-	-	-	-	-	-
9.2 Unconsolidated		4.503	478.615	483.118	4.503	437.143	441.646
9.2.1 Investments in financial associates		-	478.615	478.615	-	437.143	437.143
9.2.2 Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X. Subsidiaries (net)	1.10	2.459.031	1.901.919	4.360.950	2.476.582	1.756.442	4.233.024
10.1 Unconsolidated financial subsidiaries		2.451.731	1.901.919	4.353.650	2.469.282	1.756.442	4.225.724
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	7.300	-	7.300
XI. Joint ventures (net)	1.11	18.131	-	18.131	18.114	-	18.114
11.1 Accounted based on equity method		-	-	-	-	-	-
11.2 Unconsolidated		18.131	-	18.131	18.114	-	18.114
11.2.1 Financial joint ventures		18.131	-	18.131	18.114	-	18.114
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	1.12	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. Derivative financial assets held for hedging	1.13	1.233.836	136.638	1.370.474	1.055.832	113.104	1.168.936
13.1 Fair value hedge		208.962	-	208.962	205.519	-	205.519
13.2 Cash flow hedge		1.024.874	136.638	1.161.512	850.313	113.104	963.417
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	2.612.083	-	-	2.612.083	2.653.825	-	2.653.825
XV. Intangible assets (net)	1.528.301	-	-	1.528.301	1.523.961	-	1.523.961
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		548.808	-	548.808	544.468	-	544.468
XVI. Investment property (net)	1.14	-	-	-	-	-	-
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)	1.15	155.586	-	155.586	159.974	-	159.974
18.1 Held for sale purposes		155.586	-	155.586	159.974	-	159.974
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	1.16	1.728.226	2.358.807	4.087.033	1.486.403	2.619.328	4.105.731
Total assets		152.459.109	109.674.375	262.133.484	147.797.967	105.021.571	252.819.538

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

Unconsolidated financial statements as of March 31, 2017 and December 31, 2016

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

1. Balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Deposits	2.1	81.188.128	78.574.102	159.762.230	84.648.505	69.626.351	154.274.856
1.1 Deposits of the Bank's risk group		9.317.759	16.063.570	25.381.329	8.221.813	14.113.290	22.335.103
1.2 Other		71.870.369	62.510.532	134.380.901	76.426.692	55.513.061	131.939.753
II. Derivative financial liabilities held for trading	2.2	1.961.473	324.809	2.286.282	2.162.389	363.137	2.525.526
III. Funds borrowed	2.3	516.816	29.957.577	30.474.393	543.244	27.451.618	27.994.862
IV. Money markets		2.128.722	1.693.758	3.822.480	4.294.113	1.563.675	5.857.788
4.1 Funds from interbank money market		943.242	-	943.242	-	-	-
4.2 Funds from BIST		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		1.185.480	1.693.758	2.879.238	4.294.113	1.563.675	5.857.788
V. Marketable securities issued (net)	2.3	1.337.383	8.221.982	9.559.365	1.719.641	7.525.077	9.244.718
5.1 Bills		1.012.959	265.404	1.278.363	1.399.791	86.665	1.486.456
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		324.424	7.956.578	8.281.002	319.850	7.438.412	7.758.262
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		9.273.376	1.813.848	11.087.224	8.878.296	1.758.713	10.637.009
VIII. Other liabilities	2.4	2.144.481	398.698	2.543.179	1.575.848	314.654	1.890.502
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables (net)	2.5	-	673	673	-	1.112	1.112
10.1 Financial lease payables		-	680	680	-	1.130	1.130
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	(7)	(7)	-	(18)	(18)
XI. Derivative financial liabilities held for hedging	2.6	85.230	15.410	100.640	66.263	22.525	88.788
11.1 Fair value hedge		67.317	-	67.317	49.949	-	49.949
11.2 Cash flow hedge		17.913	15.410	33.323	16.314	22.525	38.839
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	2.7	3.276.168	1.292.166	4.568.334	3.252.175	1.311.400	4.563.575
12.1 General loan loss provision		1.895.989	1.189.616	3.085.605	1.833.501	1.208.819	3.042.320
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		293.650	-	293.650	287.881	-	287.881
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1.086.529	102.550	1.189.079	1.130.793	102.581	1.233.374
XIII. Tax liability	2.8	842.788	-	842.788	554.362	-	554.362
13.1 Current tax liability		659.827	-	659.827	296.752	-	296.752
13.2 Deferred tax liability		182.961	-	182.961	257.610	-	257.610
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)	2.9	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	2.10	-	9.385.843	9.385.843	-	9.067.893	9,067,893
XVI. Shareholders' equity	2.11	26.032.712	1.667.341	27.700.053	24.705.325	1.413.222	26.118.547
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		4.138.496	1.667.341	5.805.837	3.666.340	1.413.222	5.079.562
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		691.386	1.540.185	2.231.571	394.466	1.315.943	1.710.409
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	15.165	-	15.165
16.2.8 Hedging funds (effective portion)		95.245	127.156	222.401	66.059	97.279	163.338
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.343.763	-	1.343.763	1.197.713	-	1.197.713
16.3 Profit reserves		16.545.884	-	16,545,884	13,759,139	-	13,759,139
16.3.1 Legal reserves		869.410	-	869.410	844.539	-	844.539
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		15.675.023	-	15,675,023	12,913,149	-	12,913,149
16.3.4 Other profit reserves		1.451	-	1,451	1,451	-	1,451
16.4 Income or (loss)		1.001.281	-	1,001,281	2,932,795	-	2,932,795
16.4.1 Prior years' income or (loss)		-	-	-	-	-	-
16.4.2 Current year income or (loss)		1.001.281	-	1,001,281	2,932,795	-	2,932,795
Total liabilities		128,787,277	133,346,207	262,133,484	132,400,161	120,419,377	252,819,538

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

Unconsolidated financial statements as of March 31, 2017 and December 31, 2016

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

2. Off-balance sheet commitments

	Note (Section Five)	Current Period (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A							
Off-balance sheet commitments (I-II+III)		172.438.065	242.031.498	414.469.563	158.620.046	239.642.521	398.262.567
I							
Guarantees and warranties	3.1,2,3	22.469.032	49.352.796	71.821.828	21.614.582	46.253.958	67.868.540
1.1 Letters of guarantee		22.404.715	32.272.396	54.677.111	21.568.691	31.069.592	52.638.283
1.1.1 Guarantees subject to state tender law		422.548	1.040.130	1.462.678	471.441	930.593	1.402.034
1.1.2 Guarantees given for foreign trade operations		2.607.495	31.232.266	33.839.761	2.597.219	30.138.999	32.736.218
1.1.3 Other letters of guarantee		19.374.672	-	19.374.672	18.500.031	-	18.500.031
1.2 Bank acceptances		-	235.601	235.601	-	195.766	195.766
1.2.1 Import letter of acceptance		-	235.601	235.601	-	195.766	195.766
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		21.408	10.674.933	10.696.341	11.407	8.749.767	8.761.174
1.3.1 Documentary letters of credit		21.408	10.674.933	10.696.341	11.407	8.749.767	8.761.174
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		42.909	2.110.467	2.153.376	34.484	1.960.487	1.994.971
1.9 Other warranties		-	4.059.399	4.059.399	-	4.278.346	4.278.346
II							
Commitments	3.1.1	56.101.409	33.882.240	89.983.649	53.181.915	25.549.089	78.731.004
2.1 Irrevocable commitments		55.565.705	22.205.936	77.771.641	52.743.486	13.663.917	66.407.405
2.1.1 Asset purchase and sale commitments		4.138.072	20.594.136	24.732.208	3.706.202	12.562.607	16.268.809
2.1.2 Deposit purchase and sales commitments		2.086	793.385	795.471	27.500	6.581	34.081
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		8.215.510	632.136	8.847.646	8.008.276	869.605	8.877.881
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		7.010.989	-	7.010.989	6.686.199	-	6.686.199
2.1.8 Tax and fund liabilities from export commitments		5.651	-	5.651	6.014	-	6.014
2.1.9 Commitments for credit card limits		31.404.718	-	31.404.718	29.878.711	-	29.878.711
2.1.10 Commitments for credit cards and banking services promotions		20.334	-	20.334	18.409	-	18.409
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.768.345	186.279	4.954.624	4.412.175	225.126	4.637.301
2.2 Revocable commitments		535.704	11.676.304	12.212.008	438.429	11.885.170	12.323.599
2.2.1 Revocable loan granting commitments		535.704	11.676.304	12.212.008	438.429	11.885.170	12.323.599
2.2.2 Other revocable commitments		-	-	-	-	-	-
III							
Derivative financial instruments		93.867.624	158.796.462	252.664.086	83.823.549	167.839.474	251.663.023
3.1 Derivative financial instruments for hedging purposes		29.662.441	24.333.675	53.996.116	29.149.741	22.976.994	52.126.735
3.1.1 Transactions for fair value hedge		422.791	1.763.097	2.185.888	422.791	1.689.923	2.112.714
3.1.2 Transactions for cash flow hedge		29.239.650	22.570.578	51.810.228	28.726.950	21.287.071	50.014.021
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		64.205.183	134.462.787	198.667.970	54.673.808	144.862.480	199.536.288
3.2.1 Forward foreign currency buy/sell transactions		7.119.931	9.531.265	16.651.196	5.836.870	9.168.354	15.005.224
3.2.1.1 Forward foreign currency transactions-buy		2.603.444	5.707.553	8.310.997	2.022.577	5.425.889	7.448.466
3.2.1.2 Forward foreign currency transactions-sell		4.516.487	3.823.712	8.340.199	3.814.293	3.742.465	7.556.758
3.2.2 Swap transactions related to foreign currency and interest rates		41.816.214	93.230.324	135.046.538	37.500.424	109.501.198	147.001.622
3.2.2.1 Foreign currency swap-buy		8.312.512	33.445.808	41.758.320	12.124.291	37.791.925	49.916.216
3.2.2.2 Foreign currency swap-sell		27.833.702	14.001.668	41.835.370	20.836.133	28.669.215	49.505.348
3.2.2.3 Interest rate swap-buy		2.835.000	22.891.424	25.726.424	2.270.000	21.520.029	23.790.029
3.2.2.4 Interest rate swap-sell		2.835.000	22.891.424	25.726.424	2.270.000	21.520.029	23.790.029
3.2.3 Foreign currency, interest rate and securities options		9.830.925	18.210.316	28.041.241	6.062.482	13.199.550	19.262.032
3.2.3.1 Foreign currency options-buy		3.926.954	8.135.174	12.062.128	2.134.509	6.547.706	8.682.215
3.2.3.2 Foreign currency options-sell		4.381.433	7.881.402	12.262.835	3.427.973	5.479.950	8.907.923
3.2.3.3 Interest rate options-buy		900.538	960.417	1.860.955	250.000	585.947	835.947
3.2.3.4 Interest rate options-sell		622.000	1.233.323	1.855.323	250.000	585.947	835.947
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		5.438.113	13.490.882	18.928.995	5.274.032	12.993.378	18.267.410
B							
Custody and pledges received (IV+V+VI)		583.743.679	268.593.940	852.337.619	510.532.152	259.877.200	770.409.352
IV							
Items held in custody		325.102.243	187.767.690	512.869.933	265.934.364	181.694.033	447.628.397
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		304.750.956	187.044.156	491.795.112	245.510.328	180.952.854	426.463.182
4.3 Checks received for collection		16.047.032	130.430	16.177.462	15.835.668	118.906	15.954.574
4.4 Commercial notes received for collection		4.262.480	543.482	4.805.962	4.543.821	574.974	5.118.795
4.5 Other assets received for collection		-	42.102	42.102	-	40.085	40.085
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	7.520	49.295	44.547	7.214	51.761
4.8 Custodians		-	-	-	-	-	-
V							
Pledges received		252.489.015	79.970.287	332.459.302	240.607.924	77.358.701	317.966.625
5.1 Marketable securities		183.341	404	183.745	179.680	390	180.070
5.2 Guarantee notes		1.055.666	258.996	1.314.662	1.000.765	267.379	1.268.144
5.3 Commodity		24.096	-	24.096	25.813	-	25.813
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		110.352.206	67.910.304	178.262.510	104.128.522	67.046.308	171.174.830
5.6 Other pledged items		140.873.706	11.794.094	152.667.800	135.273.144	10.038.359	145.311.503
5.7 Pledged items-depository		-	6.489	6.489	-	6.265	6.265
VI							
Accepted independent guarantees and warranties		6.152.421	855.963	7.008.384	3.989.864	824.466	4.814.330
Total off-balance sheet commitments (A+B)		756.181.744	510.625.438	1.266.807.182	669.152.198	499.519.721	1.168.671.919

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

Unconsolidated financial statements as of March 31, 2017 and 2016

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

3. Income statement

	Note (Section Five)	Current Period (01/01/2017- 31/03/2017)	Prior Period (01/01/2016- 31/03/2016)
Income and expense items			
I. Interest income	4.1	4.874.055	4.392.352
1.1 Interest on loans	4.1.1	4.090.636	3.647.940
1.2 Interest received from reserve deposits		44.023	30.745
1.3 Interest received from banks	4.1.2	26.031	9.888
1.4 Interest received from money market transactions		3.973	3.052
1.5 Interest received from marketable securities portfolio	4.1.3	708.801	699.283
1.5.1 Trading financial assets		1.174	2.526
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		494.656	570.396
1.5.4 Held to maturity investments		212.971	126.361
1.6 Financial lease income		-	-
1.7 Other interest income		591	1.444
II. Interest expense	4.2	(2.732.735)	(2.571.126)
2.1 Interest on deposits	4.2.4	(2.189.327)	(1.988.329)
2.2 Interest on funds borrowed	4.2.1	(298.472)	(211.632)
2.3 Interest expense on money market transactions		(79.692)	(209.195)
2.4 Interest on securities issued	4.2.3	(144.711)	(156.557)
2.5 Other interest expenses		(20.533)	(5.413)
III. Net interest income (I + II)		2.141.320	1.821.226
IV. Net fees and commissions income		807.317	716.160
4.1 Fees and commissions received		1.001.537	893.749
4.1.1 Non-cash loans		141.972	116.455
4.1.2 Other	4.5	859.565	777.294
4.2 Fees and commissions paid		(194.220)	(177.589)
4.2.1 Non-cash loans		(39)	(46)
4.2.2 Other		(194.181)	(177.543)
V. Dividend income		1.760	-
VI. Trading gain/(loss) (net)	4.3	(22.175)	14.933
6.1 Trading gains/(losses) on securities		13.280	35.045
6.2 Derivative financial transactions gains/(losses)	4.4	(753.859)	(640.968)
6.3 Foreign exchange gains/(losses)		718.404	620.856
VII. Other operating income	4.5	327.090	125.053
VIII. Total operating income (III+IV+V+VI+VII)		3.255.312	2.677.372
IX. Provision for impairment of loans and other receivables (-)	4.6	(875.814)	(698.430)
X. Other operating expenses (-)	4.7	(1.295.406)	(1.199.353)
XI. Net operating income/(loss) (VIII-IX-X)		1.084.092	779.589
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		146.121	107.777
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)		1.230.213	887.366
XVI. Tax provision for continuing operations (±)	4.8	(228.932)	(183.079)
16.1 Current tax provision		(414.147)	(233.286)
16.2 Deferred tax provision		185.215	50.207
XVII. Net profit/loss from continuing operations (XV±XVI)		1.001.281	704.287
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit /losses before taxes from discontinued operations (XVIII-XIX)		-	-
XXI. Tax provision for discontinued operations (±)	4.8	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	4.9	1.001.281	704.287
Earnings/(loss) per share (full TL)		0,0023	0,0016

Unconsolidated financial statements as of March 31, 2017 and 2016

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

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

Income and expense items accounted under shareholders' equity		Current Period (31/03/2017)	Prior Period (31/03/2016)
I.	Transfers to marketable securities valuation differences from financial assets available for sale	480.949	255.315
II.	Property and equipment revaluation differences	-	-
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	1.483	1.738
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	146.809	(367.026)
VI.	Profit/loss on foreign net investment hedges (effective part of the fair value changes)	(76.410)	(10.778)
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	137.960	16.689
IX.	Deferred tax on valuation differences	(110.566)	24.495
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	580.225	(79.567)
XI.	Current year profit/loss	1.001.281	704.287
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	9.114	9.288
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(1.307)	2.366
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	993.474	692.633
XII.	Total income/loss accounted for the period (X+XI)	1.581.506	624.720

Yapı ve Kredi Bankası A.Ş.

Unconsolidated statement of changes in shareholders' equity as of March 31, 2016

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

5. Statement of changes in shareholders' equity

Prior Period	Note (Section five)	Paid- in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income /(loss)	Marketable securities Value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
March 31, 2016																	
I. Period opening balance		4.347.051	-	543.881	-	751.512	-	11.148.251	1.194.298	1.860.545	-	1.560.959	1.449.056	15.107	213.351	-	23.084.011
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)		4.347.051	-	543.881	-	751.512	-	11.148.251	1.194.298	1.860.545	-	1.560.959	1.449.056	15.107	213.351	-	23.084.011
Changes in the period																	
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	204.477	-	-	-	-	204.477
VI. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(302.244)	-	(302.244)
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(293.622)	-	(293.622)
6.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(8.622)	-	(8.622)
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	99	-	-	-	99
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	175	-	-	1.216	-	1.391
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	16.611	-	-	-	-	16.611
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	99	-	-	-	-	-	-	-	99
XIX. Current year income or loss		-	-	-	-	-	-	-	-	704.287	-	-	-	-	-	-	704.287
XX. Profit distribution		-	-	-	-	93.027	-	1.764.898	2.620	(1.860.545)	-	-	-	-	-	-	-
20.1 Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	93.027	-	1.764.898	2.620	(1.860.545)	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+.....+IXX+XX)		4.347.051	-	543.881	-	844.539	-	12.913.149	1.197.017	704.287	-	1.782.222	1.449.155	15.107	(87.677)	-	23.708.731

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated statement of changes in shareholders' equity as of March 31, 2017

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

5. Statement of changes in shareholders' equity

Current Period		Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
March 31, 2017																		
I.	Prior period end balance		4.347.051	-	543.881	-	844.539	-	12.913.149	1.199.164	2.932.795	-	1.710.409	1.449.056	15.165	163.338	-	26.118.547
	Changes in the period																	
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	384.759	-	-	-	-	384.759
IV.	Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	56.319	-	56.319
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	117.447	-	117.447
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(61.128)	-	(61.128)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	(1.557)	-	-	2.744	-	1.187
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	137.960	-	-	-	-	137.960
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year income or loss		-	-	-	-	-	-	-	-	1.001.281	-	-	-	-	-	-	1.001.281
XVIII.	Profit distribution		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+...+XVI+XVII+XVIII)		4.347.051	-	543.881	-	869.410	-	15.675.023	1.345.214	1.001.281	-	2.231.571	1.449.056	15.165	222.401	-	27.700.053

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

Unconsolidated financial statements as of March 31, 2017 and 2016

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

6. Statement of cash flows

	Notes (Section Five)	Current Period (31/03/2017)	Prior Period (31/03/2016)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		1.642.449	1.927.403
1.1.1 Interest received		3.973.165	4.160.531
1.1.2 Interest paid		(2.718.741)	(2.375.725)
1.1.3 Dividend received		116.426	98.360
1.1.4 Fees and commissions received		1.001.537	893.749
1.1.5 Other income		181.871	158.106
1.1.6 Collections from previously written-off loans and other receivables		351.505	221.184
1.1.7 Payments to personnel and service suppliers		(1.056.492)	(753.975)
1.1.8 Taxes paid		(163.962)	(247.672)
1.1.9 Other		(42.860)	(227.155)
1.2 Changes in operating assets and liabilities		(2.211.991)	(1.713.314)
1.2.1 Net (increase)/decrease in trading securities		(23.795)	2.711
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(1.486.662)	(759.626)
1.2.4 Net (increase)/decrease in loans		(8.348.927)	(2.906.548)
1.2.5 Net (increase)/decrease in other assets		143.834	(328.040)
1.2.6 Net increase /(decrease) in bank deposits		(2.026.311)	304.528
1.2.7 Net increase /(decrease) in other deposits		7.523.506	6.225.119
1.2.8 Net increase /(decrease) in funds borrowed		544.775	(4.687.066)
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities		1.461.589	435.608
I. Net cash flows from banking operations		(569.542)	214.089
B. Cash flows from investing activities			
II. Net cash flows from investing activities		(1.134.563)	1.940.788
2.1 Cash paid for acquisition of investments in associates, subsidiaries and joint ventures		-	-
2.2 Cash obtained from disposal of investments in associates, subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(51.070)	(143.868)
2.4 Disposals of property and equipment		14.588	13.640
2.5 Purchase of investments available-for-sale		(2.308.813)	(2.849.044)
2.6 Sale of investments available-for-sale		1.200.366	5.188.650
2.7 Purchase of investment securities		(10.224)	(268.590)
2.8 Sale of investment securities		20.590	-
2.9 Other		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities		193.052	(548.290)
3.1 Cash obtained from funds borrowed and securities issued		3.268.165	1.063.275
3.2 Cash used for repayment of funds borrowed and securities issued		(3.074.674)	(1.610.610)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(439)	(955)
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		272.066	(47.246)
V. Net increase in cash and cash equivalents (I+II+III+IV)		(1.238.987)	1.559.341
VI. Cash and cash equivalents at beginning of the period		13.957.819	8.319.936
VII. Cash and cash equivalents at end of the period		12.718.832	9.879.277

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

Section Three - Accounting policies

1. 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 no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS. The unconsolidated financial statements are prepared in accordance with BRSA and correspond to December 31, 2016.

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.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying 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.

2. 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.

3. 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 "TAS – 27 Turkish Accounting Standards for Individual Financial Statements" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.

4. 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.

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

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.

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 "TAS – 39 Financial Instruments: Recognition and Measurement" and are therefore treated as "financial instruments at fair value through profit or loss".

"Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

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

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

As of March 31, 2017, 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.

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

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

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

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

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

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 Financial Instruments: Recognition and Measurement", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

5. 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.

6. Explanations on fee and commission income and expenses:

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

7. Explanations on financial assets:

The 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.

7.1. Financial assets at fair value through profit or loss:

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

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

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

7.2. Held-to-maturity financial assets:

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

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

7.3. Loans and receivables:

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

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

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Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

7.4. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which 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.

8. Explanations on impairment of financial assets:

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

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

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

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the 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.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repos") are classified as "at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the 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.

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

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

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.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

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

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

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

12.2. Other intangible assets:

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 "TAS – 36 Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use.

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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:

Other intangible assets	20%
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13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS – 16 Property, Plant and Equipment". Subsequently, properties and 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 Property, Plant and Equipment".

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

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

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

In accordance with "TAS – 36 Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are 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.

14. Explanations on leasing transactions:

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

14.1 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".

14.2. Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

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

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

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized.

Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

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

Under the Turkish Labour Law, the 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 Employee Rights" standard.

16.2. Pension rights

The Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

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The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years.

According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 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.

16.3. Short term benefits of employee:

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

17. Explanations on taxation:

17.1. Current tax:

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

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.

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Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

17.2. 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 "TAS – 12 Income Taxes" 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.

17.3. Transfer pricing:

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

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

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

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18. 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.

19. Explanations on issuance of share certificates:

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

No dividend payments were announced after the balance sheet date.

20. Explanations on avalized drafts and letter of acceptances:

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

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 1.451 (December 31, 2016 - TL 1.451).

22. Profit reserves and profit distribution:

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

23. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders	1.001.281	704.287
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0023	0,0016

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

No bonus shares were issued during 2017 (2016 - None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS – 24 Related Parties". The transactions with related parties are disclosed in detail in Note 7 of Section Five.

25. Explanations on operating segments:

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

26. Explanations on other matters:

None.

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Section Four - Information related to financial position of the Bank

1. 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 14,40% (December 31, 2016 – 14,21%).

1.1. Information on equity:

	Current Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾	Prior Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL				
Paid-up Capital	4.347.051		4.347.051	
Share issue premiums	543.881		543.881	
Retained earnings	16.545.884		13.759.139	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards			5.185.457	
Profit	5.589.656			
Net profit of the period	1.001.281		2.932.795	
Profit of the previous years	1.001.281		2.932.795	
-	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	15.165		15.165	
Common Equity Tier 1 capital before regulatory adjustments	28.042.918		26.783.488	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	22.695		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	342.865		664.940	
Improvement costs for operating leasing	100.443		109.050	
Goodwill (net of related tax liability)	783.594	979.493	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	412.358	515.447	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	499.340		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	496.746		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	2.658.041		2.520.255	
Common Equity Tier 1 capital (CET1)	25.384.877		24.263.233	

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ADDITIONAL TIER 1 CAPITAL	Amounts subject to treatment before 1/1/2014 ⁽¹⁾	
	Current Period	Prior Period
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 (-)	298.988	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)	25.085.889	23.667.422
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5.658.023	5.472.356
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	888.800	1.066.560
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.731.379	2.689.286
Tier 2 capital before regulatory adjustments	9.278.202	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	120.297	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	120.297	109.452
Total Tier 2 capital	9.157.905	9.118.750
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	34.049.996	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	5.015	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 ⁽²⁾	35.398	11.868
National specific regulatory adjustments which shall be determined by the BRSA	153.385	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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OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	34.049.996	32.567.023
Total Risk Weighted Assets	236.428.126	229.213.155
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,74	10,59
Tier 1 Capital Adequacy Ratio (%)	10,61	10,33
Capital Adequacy Ratio (%)	14,40	14,21
BUFFERS		
Institution specific buffer requirement of the Bank	5,758	5,133
Capital conservation buffer requirement (%)	1,250	0,625
Bank's specific countercyclical buffer requirement (%)	0,008	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 (%)	4,737	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)	1.008.827	1.126.265
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.085.605	3.042.320
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.731.379	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.

(2) Starting from 1 January 2017, duration for disposal is taken into consideration as three years in accordance with "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette no. 29750 on June 22, 2016.

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

1.2. Details on Subordinated Liabilities:

	1	2	3	4
Issuer	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law / Turkish Law
Regulatory treatment				
Transitional Basel III rules	No	No	Yes	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2,129	1,710	889	1,819
Par value of instrument	2,129	1,710	3,639	1,819
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	6,55% (5 Year MidSwap+ 4,88% coupon)	5,5%	8,625% (5 Year MidSwap+ 7,40% coupon)
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	-

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1.3. 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".

2. 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.

2.1. General Information on Risk Management and Risk Weighted Amount

2.1.1. 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)	215.035.344	211.778.102	17.202.828
2 Of which standardised approach (SA)	215.035.344	211.778.102	17.202.828
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	3.475.028	3.364.835	278.002
5 Of which standardised approach for counterparty credit risk (SA-CCR)	3.475.028	3.364.835	278.002
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	1.323.656	960.279	105.892
17 Of which standardised approach (SA)	1.323.656	960.279	105.892
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	16.594.098	13.109.939	1.327.528
20 Of which Basic Indicator Approach	16.594.098	13.109.939	1.327.528
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)	236.428.126	229.213.155	18.914.250

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3. 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 16.

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	3,63860	3,90830
First day current bid rate	3,64160	3,92680
Second day current bid rate	3,61860	3,92830
Third day current bid rate	3,59310	3,90450
Fourth day current bid rate	3,61850	3,90510
Fifth day current bid rate	3,61340	3,89730
Arithmetic average of the last 31 days:	3,66778	3,91666
Balance sheet evaluation rate as of prior period:	3,51920	3,70990

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

	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	6.551.360	15.762.733	5.146.482	27.460.575
Banks	328.982	867.279	114.043	1.310.304
Financial assets at fair value through profit or loss	108.816	299.657	79	408.552
Money market placements	-	-	-	-
Available-for-sale financial assets	614.495	2.587.151	1	3.201.647
Loans ⁽¹⁾	29.061.956	41.814.552	989.757	71.866.265
Investments in associates, subsidiaries and joint ventures	1.528.622	373.297	478.615	2.380.534
Held-to-maturity investments	203.676	5.776.417	2	5.980.095
Hedging derivative financial assets	37.101	99.537	-	136.638
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	1.046.519	1.024.103	158.623	2.229.245
Total assets	39.481.527	68.604.726	6.887.602	114.973.855
Liabilities				
Bank deposits	222.876	2.777.530	228.442	3.228.848
Foreign currency deposits	24.548.006	48.637.161	2.160.087	75.345.254
Funds from money market	-	1.693.758	-	1.693.758
Funds borrowed from other financial institutions	13.945.214	15.980.372	31.991	29.957.577
Marketable securities issued	141.531	7.878.862	201.589	8.221.982
Miscellaneous payables	1.433.043	373.856	6.949	1.813.848
Hedging derivative financial liabilities	13.937	1.472	1	15.410
Other liabilities ⁽³⁾	256.550	9.950.658	5.365	10.212.573
Total liabilities	40.561.157	87.293.669	2.634.424	130.489.250
Net on-balance sheet position	(1.079.630)	(18.688.943)	4.253.178	(15.515.395)
Net off-balance sheet position⁽⁵⁾	1.341.171	18.826.334	(3.829.661)	16.337.844
Financial derivative assets	11.377.103	39.156.150	2.727.197	53.260.450
Financial derivative liabilities	10.035.932	20.329.816	6.556.858	36.922.606
Net Position	261.541	137.391	423.517	822.449
Non-cash loans	18.631.132	26.849.581	3.872.083	49.352.796
Prior Period				
Total assets	40.657.310	63.460.087	6.519.067	110.636.464
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	(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

(1) Includes FX indexed loans amounting to TL 5.429.042 (December 31, 2016 - TL 5.733.763) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 129.562 (December 31, 2016 - TL 118.870).

(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.

4. 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.

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

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.889.473	-	-	-	-	12.844.278	32.733.751
Banks	384.758	138.898	14.551	-	-	816.303	1.354.510
Financial assets at fair value through profit/loss	797.170	702.640	333.727	476.545	302.376	-	2.612.458
Money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	3.159.662	2.847.692	7.412.868	4.539.511	2.467.345	160.454	20.587.532
Loans	30.128.749	27.894.629	60.904.019	46.732.616	11.746.605	2.019.211	179.425.829
Held-to-maturity investments	1.433.171	-	904.251	1.045.258	7.421.048	-	10.803.728
Other assets	436.189	924.167	-	10.118	-	13.245.202	14.615.676
Total assets	56.229.172	32.508.026	69.569.416	52.804.048	21.937.374	29.085.448	262.133.484
Liabilities							
Bank deposits	3.640.268	710.258	38.881	-	-	605.318	4.994.725
Other deposits	91.221.437	31.705.885	5.626.763	36.815	-	26.176.605	154.767.505
Funds from money market	2.467.131	312.252	1.043.097	-	-	-	3.822.480
Miscellaneous payables	-	-	-	-	-	11.087.224	11.087.224
Marketable securities issued	72.608	575.356	1.090.946	7.780.624	39.831	-	9.559.365
Funds borrowed from other financial institutions	6.265.844	15.901.746	7.220.640	259.214	826.949	-	30.474.393
Other liabilities ⁽¹⁾	449.514	457.539	332.428	1.010.093	9.523.864	35.654.354	47.427.792
Total liabilities	104.116.802	49.663.036	15.352.755	9.086.746	10.390.644	73.523.501	262.133.484
Balance sheet long position	-	-	54.216.661	43.717.302	11.546.730	-	109.480.693
Balance sheet short position	(47.887.630)	(17.155.010)	-	-	-	(44.438.053)	(109.480.693)
Off-balance sheet long position	11.195.386	17.708.385	-	-	-	-	28.903.771
Off-balance sheet short position	-	-	(3.160.960)	(17.777.488)	(8.030.003)	-	(28.968.451)
Total position	(36.692.244)	553.375	51.055.701	25.939.814	3.516.727	(44.438.053)	(64.680)

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

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	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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4.2. 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	-	1,00	-	8,69
Banks	2,00	0,90	-	11,13
Financial assets at fair value through profit/loss	2,35	4,41	-	10,69
Money market placements	-	-	-	-
Available-for-sale financial assets	4,04	5,48	-	11,63
Loans	4,24	5,98	5,15	13,36
Held-to-maturity investments	5,20	5,43	-	10,04
Liabilities⁽¹⁾				
Bank deposits	0,63	1,50	-	11,69
Other deposits	1,50	2,90	1,42	11,63
Funds from money market	-	2,08	-	8,97
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,30	5,04	0,81	10,22
Funds borrowed from other financial institutions	0,85	2,49	2,64	8,34

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	-	0,49	-	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	9,48

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

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

None.

6. 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.

Funding sources of the Bank mainly consist of deposits which constitute 61% of total liabilities of the Bank (31 December 2016 – 61%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

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

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

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

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

Current Period	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			42.980.078	23.932.960
Cash Outflows				
Retail and Small Business Customers Deposits	73.441.773	29.248.934	6.432.433	2.924.841
Stable deposits	18.234.881	1.044	911.744	52
Less stable deposits	55.206.892	29.247.890	5.520.689	2.924.789
Unsecured Funding other than Retail and Small Business Customers Deposits	69.414.183	34.973.538	38.226.645	18.118.117
Operational deposits	-	-	-	-
Non-Operational deposits	57.843.658	31.363.972	28.751.093	14.512.915
Other Unsecured funding	11.570.525	3.609.566	9.475.552	3.605.202
Secured funding			386	386
Other Cash Outflows	17.187.280	11.483.451	17.187.280	11.483.451
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.187.280	11.483.451	17.187.280	11.483.451
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	60.365.638	38.600.652	3.018.282	1.930.033
Other irrevocable or conditionally revocable commitments	61.153.001	11.024.740	4.397.391	706.786
Total Cash Outflows			69.262.417	35.163.614
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	17.804.706	5.252.765	11.047.330	4.192.601
Other contractual cash inflows	15.687.742	12.725.593	15.687.742	12.725.593
Total Cash Inflows	33.492.448	17.978.358	26.735.072	16.918.194
			Capped Amounts	
Total High Quality Liquid Assets			42.980.078	23.932.960
Total Net Cash Outflows			42.527.345	18.245.420
Liquidity Coverage Ratio (%)			101,06	131,17

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

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

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	January 20, 2017	January 20, 2017	February 24, 2017	February 24, 2017
Ratio (%)	97,73	92,32	227,10	107,41

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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 dated 2016.

	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
Previous Period				
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.

Prior Period	Minimum	Minimum TL+FC (%)	Maximum	Maximum TL+FC (%)
	FC (%)		FC (%)	
Week	11 November 2016	7 October 2016	28 October 2016	18 November 2016
Ratio(%)	96,77	87,98	145,26	107,51

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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	9.348.025	23.385.726	-	-	-	-	-	32.733.751
Banks	816.303	384.758	138.898	14.551	-	-	-	1.354.510
Financial assets at fair value through profit or loss	-	484.015	223.731	531.303	998.710	374.699	-	2.612.458
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	80.945	-	28.145	978.266	10.608.143	8.812.524	79.509	20.587.532
Loans	-	28.471.876	18.842.087	49.550.507	59.219.819	21.322.329	2.019.211	179.425.829
Held-to-maturity investments	-	-	-	1.034.076	1.089.830	8.679.822	-	10.803.728
Other assets ⁽¹⁾	1.966.677	-	-	201.857	1.022.580	146.037	11.278.525	14.615.676
Total assets	12.211.950	52.726.375	19.232.861	52.310.560	72.939.082	39.335.411	13.377.245	262.133.484
Liabilities								
Bank deposits	605.318	3.640.268	710.258	38.881	-	-	-	4.994.725
Other deposits	26.176.605	91.221.437	31.705.885	5.626.763	36.815	-	-	154.767.505
Funds borrowed from other financial institutions	-	1.236.532	7.542.400	11.334.294	5.466.824	4.894.343	-	30.474.393
Funds from money market	-	2.467.131	312.252	1.043.097	-	-	-	3.822.480
Marketable securities issued	-	72.608	575.356	1.090.946	7.780.624	39.831	-	9.559.365
Miscellaneous payables	831.802	10.030.945	47.906	-	-	-	176.571	11.087.224
Other liabilities ⁽²⁾	2.543.177	327.189	967.226	441.709	1.665.053	9.716.761	31.766.677	47.427.792
Total liabilities	30.156.902	108.996.110	41.861.283	19.575.690	14.949.316	14.650.935	31.943.248	262.133.484
Net liquidity gap	(17.944.952)	(56.269.735)	(22.628.422)	32.734.870	57.989.766	24.684.476	(18.566.003)	-
Net Off-Balance Sheet Position	-	89.363	(221.153)	(71.265)	403.820	(265.445)	-	(64.680)
Derivative Financial Assets	-	34.049.681	12.015.071	18.080.546	42.092.049	20.062.356	-	126.299.703
Derivative Financial Liabilities	-	33.960.318	12.236.224	18.151.811	41.688.229	20.327.801	-	126.364.383
Non-Cash Loans	-	3.826.078	6.291.802	23.644.225	11.456.766	3.903.044	22.699.913	71.821.828
Prior Period								
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
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
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

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

7. 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)	255.362.439	239.511.702
(Asset amounts deducted in determining Tier 1 capital)	(2.588.255)	(2.548.041)
Total on-Balance sheet exposures	252.774.184	236.963.661
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	1.624.388	1.142.150
Potential credit risk of derivative financial instruments and credit derivatives	2.826.909	2.600.580
Total derivative financial instruments and credit derivatives exposure	4.451.297	3.742.730
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	633.897	535.578
Agent transaction exposures	-	-
Total securities financing transaction exposures	633.897	535.578
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	165.255.447	148.310.644
(Adjustments for conversion to credit equivalent amounts)	(11.461.893)	(10.254.102)
Total risk of off-balance sheet items	153.793.554	138.056.542
Capital and total exposure		
Tier 1 capital	24.647.019	23.511.821
Total exposures	411.652.932	379.298.511
Leverage ratio		
Leverage ratio (%)	5,99	6,21

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

8. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of March 31, 2016: Fair Value Hedge ("FVH") and 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 March 31, 2016 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap/ Cross currency interest rate swap (CFH)	25.674.092	1.161.512	33.323	24.782.222	963.417	38.839
Cross currency interest rate swap	1.006.097	208.962	67.317	962.773	205.519	49.949
Total	26.680.189	1.370.474	100.640	25.744.995	1.168.936	88.788

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 27.315.927 (December 31, 2016 – TL 26.381.740) the total notional of derivative financial assets amounting to TL 53.996.116 (December 31, 2016 – TL 52.126.735) 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 3, Part 4.

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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 Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the 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	(2.294)	208.962	67.317	(6.628)

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	4.334	205.519	49.949	14.710

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency 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 3.324 (December 31, 2016- TL 2.528).

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 Financial Instruments: Recognition and Measurement" 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 Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis. 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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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) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾	
			Asset	Liability			
Interest rate swaps/ Cross currency interest rate swap (CFH)	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	1.161.512	33.323	499.340	120.191	
Prior Period							
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾	
			Asset	Liability			
Interest rate swaps/ Cross currency interest rate swap (CFH)	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	963.417	38.839	379.149	111.185	

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 4.216 (December 31, 2016 – TL 5.290).

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

The effectiveness tests are performed on a monthly basis. 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 March 31, 2017 is EUR 391 million (December 31, 2016 - EUR 386 million.)

9. 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.

10. Explanations on operating segments:

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

- Retail Banking
- Corporate and Commercial Banking
- 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.

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

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

	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Current Period					
Operating revenue	1.148.194	826.708	69.443	1.209.207	3.253.552
Operating expenses	(1.078.668)	(233.531)	(25.692)	(833.329)	(2.171.220)
Net operating income / (expense)	69.526	593.177	43.751	375.878	1.082.332
Dividend income ⁽¹⁾	-	-	-	1.760	1.760
Income/(loss) from investments accounted based on equity method	-	-	-	146.121	146.121
Profit before tax	69.526	593.177	43.751	523.759	1.230.213
Tax provision expense ⁽¹⁾	-	-	-	(228.932)	(228.932)
Net period income	69.526	593.177	43.751	294.827	1.001.281
Net profit	69.526	593.177	43.751	294.827	1.001.281
Segment asset	71.597.901	94.046.417	160.915	91.466.052	257.271.285
Investments in associates, subsidiaries and joint ventures	-	-	-	4.862.199	4.862.199
Total assets	71.597.901	94.046.417	160.915	96.328.251	262.133.484
Segment liabilities	65.067.842	58.274.163	33.039.698	78.051.727	234.433.431
Shareholders' equity	-	-	-	27.700.053	27.700.053
Total liabilities	65.067.842	58.274.163	33.039.698	105.751.780	262.133.484

	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Prior Period					
Operating revenue	1.112.798	665.780	60.325	838.469	2.677.372
Operating expenses	(983.091)	(186.198)	(22.451)	(706.043)	(1.897.783)
Net operating income / (expense)	129.707	479.582	37.874	132.426	779.589
Dividend income ⁽¹⁾	-	-	-	-	-
Income/(loss) from investments accounted based on equity method	-	-	-	107.777	107.777
Profit before tax	129.707	479.582	37.874	240.203	887.366
Tax provision expense ⁽¹⁾	-	-	-	(183.079)	(183.079)
Net period income	129.707	479.582	37.874	57.124	704.287
Net profit	129.707	479.582	37.874	57.124	704.287
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

(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 March 31, 2017**

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

Section Five - Explanations and notes related to unconsolidated financial statements**1. Explanations and notes related to assets****1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT"):****1.1.1 Information on cash and the account of the CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.305.724	793.121	1.451.282	1.202.894
The CBRT ⁽¹⁾	3.967.452	26.667.370	7.600.149	22.123.910
Other	-	84	-	2.331
Total	5.273.176	27.460.575	9.051.431	23.329.135

(1) The balance of gold amounting to TL 5.021.538 is accounted for under the Central Bank foreign currency account (December 31, 2016 -TL 4.784.973).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	2.564.198	4.684.898	7.600.149	196.747
Time unrestricted amount	1.320.328	-	-	-
Time restricted amount	-	742.577	-	2.107.234
Reserve requirement ⁽²⁾	82.926	21.239.895	-	19.819.929
Total	3.967.452	26.667.370	7.600.149	22.123.910

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

(2) The 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".

1.2. 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, 2016 - None).

1.3. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	420.828	-	378.431	-
Swap transactions ⁽¹⁾	1.607.711	341.369	2.167.698	313.748
Futures transactions	-	-	-	-
Options	142.142	39.858	87.886	33.807
Other	-	-	-	-
Total	2.170.681	381.227	2.634.015	347.555

(1) Includes Credit Default Swaps

1.4. Information on banks:**1.4.1. Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	25.406	363.902	32.531	6.717
Foreign ⁽¹⁾	18.800	946.402	800	1.408.644
Head quarters and branches abroad	-	-	-	-
Total	44.206	1.310.304	33.331	1.415.361

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 10.462 (December 31, 2016 - TL 14.668).

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at March 31, 2017

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

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	2.795.754	2.276.669
Extended by 3,4 or 5 times	336.085	229.343
Extended by more than 5 times	47.161	61.637
Total	3.179.000	2.567.649

Extended period of time ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	403.579	321.987
6 - 12 Months	151.646	221.726
1 - 2 Years	340.778	337.567
2 - 5 Years	1.517.606	947.282
5 Years and over	765.391	739.087
Total	3.179.000	2.567.649

- (1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 9, 2011.
- (2) There are 54 loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 33 of them were restructured once or twice, 12 of them were structured three, four or five times, 9 of them were structured more than five times.
- (3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.
- (4) There are 474 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. 387 of them were restructured once or twice, 55 of them were restructured three, four or five times, 32 of them were structured more than five times.

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	265.235	29.878.741	30.143.976
Real estate loans	6.308	13.102.490	13.108.798
Automotive loans	9.460	330.972	340.432
Consumer loans	249.467	16.445.279	16.694.746
Consumer loans-FC indexed	-	33.367	33.367
Real estate loans	-	32.787	32.787
Automotive loans	-	-	-
Consumer loans	-	580	580
Individual credit cards-TL	14.767.182	908.523	15.675.705
With installments	7.902.875	898.102	8.800.977
Without installments	6.864.307	10.421	6.874.728
Individual credit cards-FC	6.816	-	6.816
With installments	-	-	-
Without installments	6.816	-	6.816
Personnel loans-TL	4.935	59.472	64.407
Real estate loans	-	2.377	2.377
Automotive loans	-	109	109
Consumer loans	4.935	56.986	61.921
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	73.870	449	74.319
With installments	36.936	449	37.385
Without installments	36.934	-	36.934
Personnel credit cards-FC	233	-	233
With installments	-	-	-
Without installments	233	-	233
Credit deposit account-TL (real person)⁽¹⁾	1.296.219	-	1.296.219
Total	16.414.490	30.880.552	47.295.042

- (1) TL 1.054 of the credit deposit account belongs to the loans used by personnel.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at March 31, 2017

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

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

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	936.135	10.504.115	11.440.250
Business loans	3.906	1.031.655	1.035.561
Automotive loans	46.336	1.318.476	1.364.812
Consumer loans	885.893	8.153.984	9.039.877
Commercial installments loans-FC indexed	9.576	209.208	218.784
Business loans	-	18.179	18.179
Automotive loans	7	56.986	56.993
Consumer loans	9.569	134.043	143.612
Corporate credit cards-TL	6.467.380	818	6.468.198
With installment	4.331.146	166	4.331.312
Without installment	2.136.234	652	2.136.886
Corporate credit cards-FC	291	-	291
With installment	-	-	-
Without installment	291	-	291
Credit deposit account-TL (legal person)	1.012.916	-	1.012.916
Total	8.426.298	10.714.141	19.140.439

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

	Current Period	Prior Period
Domestic loans	175.794.459	168.909.282
Foreign loans	1.612.159	1.596.975
Total	177.406.618	170.506.257

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	61.421	35.428
Indirect loans granted to associates and subsidiaries	-	-
Total	61.421	35.428

1.7.7. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectibility	110.965	167.826
Loans and other receivables with doubtful collectibility	802.143	715.400
Uncollectible loans and other receivables	5.701.593	5.704.957
Total	6.614.701	6.588.183

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	16.796	72.203	294.266
Restructured loans and other receivables	16.796	72.203	294.266
Rescheduled loans and other receivables	-	-	-
Prior 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	-	-	-

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2017**

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

1.7.8.2. Information on the movement of total non-performing loans:

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
Prior Period	1.009.826	1.803.191	5.893.126
Additions (+)	725.482	20.162	26.950
Transfers from other categories of non-performing loans (+)	-	1.037.294	707.757
Transfer to other categories of non-performing loans (-)	1.037.294	707.757	-
Collections (-)	61.799	92.233	197.473
Write-offs(-)	-	-	(493.320)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	(278.259)
Credit cards	-	-	(215.061)
Other	-	-	-
Current Period	636.215	2.060.657	5.937.040
Specific provision (-)	(110.965)	(802.143)	(5.701.593)
Net balance on balance sheet	525.250	1.258.514	235.447

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans and credit cards under follow-up with legal receivable amounting to TL 531.026, to Güven Varlık Yönetim A.Ş. for a total amount of TL 27.500.

1.7.8.3. Information on non-performing loans granted as foreign currency loans:

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

1.7.8.4. 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)	525.250	1.258.514	235.447
Loans granted to real persons and corporate entities (gross)	607.806	2.060.657	5.852.279
Specific provision amount (-)	(105.283)	(802.143)	(5.616.832)
Loans granted to real persons and corporate entities (net)	502.523	1.258.514	235.447
Banks (gross)	28.409	-	774
Specific provision amount (-)	(5.682)	-	(774)
Banks (net)	22.727	-	-
Other loans and receivables (gross)	-	-	83.987
Specific provision amount (-)	-	-	(83.987)
Other loans and receivables (net) ⁽¹⁾	-	-	-
Prior 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⁾	-	-	-

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

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2017**

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

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

Held-to-maturity investments given as collateral / blocked amounts to TL 3.736.853 (December 31, 2016 - 2.779.442). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.646.257 (December 31, 2016 - TL 2.471.316).

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

	Current Period	Prior Period
Government bond	10.803.728	10.664.551
Treasury bill	-	-
Other debt securities	-	-
Total	10.803.728	10.664.551

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

	Current Period	Prior Period
Debt securities	11.129.565	10.963.188
Quoted on stock exchange	11.129.565	10.963.188
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(325.837)	(298.637)
Total	10.803.728	10.664.551

(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.

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

	Current Period	Prior Period
Beginning balance	10.664.551	6.389.632
Foreign currency differences on monetary assets ⁽¹⁾	176.743	1.088.859
Purchases during the year	10.224	1.329.699
Transfers ⁽³⁾	-	1.960.740
Disposals through sales and redemptions	(20.590)	(66)
Impairment provision (-) ⁽²⁾	(27.200)	(104.313)
Period end balance	10.803.728	10.664.551

(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.

Yapı ve Kredi Bankası A.Ş.
Notes to unconsolidated financial statements at March 31, 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.9. Information on investments in associates (net):

1.9.1. 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. ⁽¹⁾	Istanbul/Turkey	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1	18.084.278	1.669.454	7.624	55.253	6.935	68.511	31.288	-
2	219.532	148.046	158.334	2.299	-	34.759	34.774	-
3	80.262	39.897	50.021	1.068	-	10.403	3.869	-

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

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	441.646	342.643
Movements during the period	41.472	99.003
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	21.036	47.787
Sales	-	-
Revaluation (decrease) / increase ⁽¹⁾	31.048	58.861
Impairment provision ⁽²⁾	(10.612)	(7.645)
Balance at the end of the period	483.118	441.646
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.

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

	Current Period	Prior Period
Banks	478.615	437.143
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	478.615	437.143

1.9.5. Information on investments in associates quoted on a stock exchange:

None.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2017**

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

1.10. 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.

1.10.1. 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	13.627	-	-	-	(2.490)
Other capital reserves	93.686	(6)	(217.064)	-	-
Legal reserves	68.310	8.034	79.305	21.310	-
Extraordinary reserves	194.481	10.458	771.384	-	572.993
Other reserves	-	-	-	-	580.870
Profit/loss	(35.672)	113.338	758.213	6.500	24.661
Current period net profit	34.274	11.586	57.635	6.500	24.661
Prior period profit	(69.946)	101.752	700.578	-	-
Leasehold improvements (-)	-	-	401	179	70
Intangible assets (-)	21.057	1.872	4.015	481	82
Total core capital	425.990	190.666	1.777.350	32.857	1.288.324
Supplementary capital	-	10.127	44.036	-	219
Capital	425.990	200.793	1.821.386	32.857	1.288.543
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	425.990	200.793	1.821.386	32.857	1.288.543

The above information is based on the consolidated financial statements of the Bank as of March 31, 2017.

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.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2017**

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

1.10.2. 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

1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed shows March 31, 2017 results.

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	229.519	229.233	-	-	-	(118)	(237)	-	-
2	4.588.690	451.551	42.989	41.470	1.334	34.274	33.379	-	-
3	2.900.953	192.538	2.566	55.299	-	11.586	4.954	-	-
4	493.263	225.524	19.834	9.705	425	3.272	2.747	-	-
5	9.529.146	1.781.766	4.949	149.676	-	57.635	59.466	-	-
6	41.574	33.489	1.053	1.710	-	6.500	5.833	-	-
7	7.848.074	1.288.476	715	92.075	3.689	24.661	15.575	-	-
8	983.642	148.425	32.645	14.457	66	9.793	1.198	-	-
9	39.221	26.385	4.924	540	-	505	492	-	-
10	32.444	25.469	1.242	27	-	3.491	2.837	-	-
11	8.509	7.046	2.099	154	-	787	140	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.225.724	3.614.436
Movements in period	127.926	611.288
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	125.068	431.423
Sales	-	-
Transfers	-	-
Liquidation	-	-
Revaluation increase/decrease ⁽¹⁾	106.912	270.579
Impairment provision ⁽²⁾	(104.054)	(90.714)
Balance at the end of the period	4.353.650	4.225.724
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.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2017**

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

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

Financial subsidiaries	Current Period	Prior Period
Banks	1.239.708	1.136.275
Insurance companies	-	-
Factoring companies	192.446	214.850
Leasing companies	1.781.658	1.724.028
Finance companies	-	-
Other financial subsidiaries	1.139.838	1.150.571
Total financial subsidiaries	4.353.650	4.225.724

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2016 - None).

1.11. Information on joint ventures (net):

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

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	108.994	63.567	52.298	56.696	8.484	15.035	(15.086)
Total			108.994	63.567	52.298	56.696	8.484	15.035	(15.086)

1.12. Information on lease receivables (net):

None (December 31, 2016 - None).

1.13. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	208.962	-	205.519	-
Cash flow hedge ⁽¹⁾	1.024.874	136.638	850.313	113.104
Foreign net investment hedge	-	-	-	-
Total	1.233.836	136.638	1.055.832	113.104

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

1.14. Information on investment property:

None (December 31, 2016 - None).

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

	Current Period	Prior Period
Net book value at the beginning of the period	159.974	151.010
Additions	15.473	94.334
Disposals (-), net	(20.038)	(81.148)
Impairment provision reversal	177	1.908
Impairment provision (-)	-	(416)
Depreciation (-)	-	(5.714)
Net book value at the end of the period	155.586	159.974
Cost at the end of the period	170.323	175.904
Accumulated depreciation at the end of the period (-)	(14.737)	(15.930)
Net book value at the end of the period	155.586	159.974

As of March 31, 2017, the Bank booked impairment provision on assets held for resale with an amount of TL 6.169 (December 31, 2016 - TL 6.346).

1.16. Information on other assets:

As of March 31, 2017, other assets do not exceed 10% of the total assets.

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2. Explanations and notes related to liabilities

2.1. Information on deposits:

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

Current Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Cumulative savings account	Total
Saving deposits	5.993.829	1.338.139	32.653.684	1.469.390	194.921	169.029	606	41.819.598
Foreign currency deposits	12.599.837	12.716.778	37.870.136	6.129.341	3.905.875	1.089.874	-	74.311.841
Residents in Turkey	12.366.790	12.570.902	37.026.222	3.087.580	2.451.566	857.999	-	68.361.059
Residents abroad	233.047	145.876	843.914	3.041.761	1.454.309	231.875	-	5.950.782
Public sector deposits	966.475	1	8.780	40	200	68	-	975.564
Commercial deposits	5.957.906	6.372.455	17.524.165	1.413.631	1.138.311	370.807	-	32.777.275
Other institutions deposits	95.725	34.937	3.049.819	668.041	763	529	-	3.849.814
Precious metals vault	562.833	55.721	347.599	20.537	37.741	8.982	-	1.033.413
Bank deposits	605.318	2.891.437	731.845	706.433	18.612	41.080	-	4.994.725
The CBRT	-	1.323.122	-	-	-	-	-	1.323.122
Domestic banks	14.562	1.548.073	402.216	95.698	18.612	4.275	-	2.083.436
Foreign banks	485.684	20.242	329.629	610.735	-	36.805	-	1.483.095
Participation banks	105.072	-	-	-	-	-	-	105.072
Other	-	-	-	-	-	-	-	-
Total	26.781.923	23.409.468	92.186.028	10.407.413	5.296.423	1.680.369	606	159.762.230

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	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

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2.1.2. Information on saving deposits insurance:**2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:**

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	21.383.285	21.112.778	20.436.300	19.951.541
Foreign currency saving deposits	6.426.103	5.305.173	21.329.139	19.265.517
Other deposits in the form of saving deposits	370.501	329.328	549.132	480.438
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	6.842	6.581
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	212.700	202.768
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	183.798	-	196.563	-
Swap transactions	1.636.334	275.519	1.885.972	317.519
Futures transactions	-	-	-	-
Options	141.341	49.290	79.854	45.618
Other	-	-	-	-
Total	1.961.473	324.809	2.162.389	363.137

2.3. Information on borrowings:**2.3.1. Information on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	1.649.696	-	418.480
From domestic banks and institutions	154.689	188.261	161.477	192.559
From foreign banks, institutions and funds	362.127	28.119.620	381.767	26.840.579
Total	516.816	29.957.577	543.244	27.451.618

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	5.085	5.018.705	33.472	4.006.953
Medium and long-term	511.731	24.938.872	509.772	23.444.665
Total	516.816	29.957.577	543.244	27.451.618

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2.3.3. 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⁾	-	6.742.893	-	6.564.507
From foreign funds	-	-	-	-
Total	-	6.742.893	-	6.564.507

(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 March 31, 2016, the total amount of financial liabilities classified as fair value through profit/loss is TL 4.324.190 (December 31, 2016 –TL 4.111.709) with an accrued interest income of TL 27.576 (December 31, 2016 - TL 97.254 income) and with a fair value difference of TL 69.247 recognized in the income statement as an income (December 31, 2016 - TL 19.783 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 4.169.836 (December 31, 2016: TL 4.033.003) for buy legs and TL 4.169.836 (December 31, 2016: TL 4.033.003) for sell legs with a fair value differences amounting to TL 37.067 liability (December 31, 2016 –TL 97.052 liability). The mentioned total return swaps have 10 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.012.959	265.404	1.399.791	86.665
Bonds	324.424	7.956.578	319.850	7.438.412
<i>Collateralized securities</i>	<i>294.007</i>	<i>-</i>	<i>288.650</i>	<i>-</i>
Total	1.337.383	8.221.982	1.719.641	7.525.077

2.4. Information on other liabilities:

As of March 31, 2017, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:**2.5.1. Information on financial leasing agreements:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1 – 4 years	680	673	1.130	1.112
More than 4 years	-	-	-	-
Total	680	673	1.130	1.112

2.5.2. 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".

2.6. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	67.317	-	49.949	-
Cash flow hedge ⁽¹⁾	17.913	15.410	16.314	22.525
Foreign net investment hedge	-	-	-	-
Total	85.230	15.410	66.263	22.525

(1) Explained in Note 10. of Section 4.

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2.7. Information on provisions:**2.7.1. Information on general provisions:**

	Current Period	Prior Period
Provisions for first group loans and receivables	2.445.829	2.417.912
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	<i>157.323</i>	<i>184.180</i>
Provisions for second group loans and receivables	269.729	259.609
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	<i>104.793</i>	<i>92.159</i>
Provisions for non cash loans	110.036	107.365
Others	260.011	257.434
Total	3.085.605	3.042.320

2.7.2. Information on reserve for employee rights:

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

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

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

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.426,16 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	127.500	120.717
Changes during the period	7.583	49.897
Recognized in equity	-	(2.683)
Paid during the period	(10.646)	(40.431)
Balance at the end of the period	124.437	127.500

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 169.213 as of March 31, 2017 (December 31, 2016 - TL 160.381).

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

As of March 31, 2017, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 16.661 (December 31, 2016 - TL 708). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

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2.7.4. Other provisions:**2.7.4.1. Information on other provisions:**

	Current Period	Prior Period
Pension fund provision	568.006	568.006
Provisions on unindemnified non cash loans	149.239	150.517
Provision on lawsuits	51.276	50.628
Provisions on credit cards and promotion campaigns related to banking services	45.780	43.314
Other	224.778	320.909
Total	1.039.079	1.133.374

2.7.4.2. General reserves for possible losses:

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

2.8. Information on taxes payable:**2.8.1. Information on taxes payable:**

	Current Period	Prior Period
Corporate Tax Payable	315.996	-
Taxation of Marketable Securities	120.230	108.253
Property Tax	3.528	2.840
Banking Insurance Transaction Tax ("BITT")	103.705	107.238
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	7.112	9.788
Other	61.594	34.245
Total	612.165	262.364

2.8.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	21.224	15.310
Bank pension fund premiums – employer	21.895	15.798
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.514	1.093
Unemployment insurance – employer	3.029	2.187
Other	-	-
Total	47.662	34.388

2.8.3. Information on deferred tax liability:

Deferred tax liability, amounting to TL 182.961 represents net of deferred tax assets and deferred tax liabilities, as of March 31, 2017 (December 31, 2016 – TL 257.610).

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

None (December 31, 2016 - None).

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2.10. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	9.385.843	-	9.067.893
From other foreign institutions	-	-	-	-
Total	-	9.385.843	-	9.067.893

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

2.11. Information on shareholders' equity:**2.11.1. Presentation of paid-in capital:**

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

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

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

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

None (December 31, 2016 - None).

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

None (December 31, 2016 - None).

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

None (December 31, 2016 - None).

2.11.6. 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.

2.11.7. Privileges on the corporate stock:

None (December 31, 2016 - None).

2.11.8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	785.378	1.509.094	785.286	1.371.226
Valuation difference ⁽¹⁾	785.378	1.509.094	785.286	1.371.226
Foreign currency difference	-	-	-	-
Available for sale securities	(93.992)	31.091	(390.820)	(55.283)
Valuation differences ⁽²⁾	(93.992)	31.091	(390.820)	(55.283)
Foreign currency differences	-	-	-	-
Total	691.386	1.540.185	394.466	1.315.943

(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.

2.11.9. Information on distribution of profit:

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

3. Explanations and notes related to off-balance sheet accounts**3.1. Information on off balance sheet commitments:****3.1.1. The amount and type of irrevocable commitments:**

	Current Period	Prior Period
Commitments on credit card limits	31.404.718	29.878.711
Loan granting commitments	8.847.646	8.877.881
Commitments for cheques	7.010.989	6.686.199
Other irrevocable commitments	30.508.288	20.964.614
Total	77.771.641	66.407.405

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 110.036 (December 31, 2016 - TL 107.365) and specific provision amounting to TL 901.615 (December 31, 2016 - TL 875.166) for non-cash loans which are not indemnified yet amounting to TL 149.239 (December 31, 2016 - 150.517).

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

	Current Period	Prior Period
Bank acceptance loans	235.601	195.766
Letter of credits	10.696.341	8.761.174
Other guarantees and collaterals	6.212.775	6.273.317
Total	17.144.717	15.230.257

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	3.331.257	3.060.589
Definite letter of guarantees	33.961.557	33.450.239
Advance letter of guarantees	8.984.358	8.265.692
Letter of guarantees given to customs	2.034.743	2.100.488
Other letter of guarantees	6.365.196	5.761.275
Total	54.677.111	52.638.283

3.1.3. Information on non-cash loans:**3.1.3.1. Total amount of non-cash loans:**

	Current Period	Prior Period
Non-cash loans given against cash loans	6.025.297	5.433.904
With original maturity of 1 year or less than 1 year	1.059.431	812.327
With original maturity of more than 1 year	4.965.866	4.621.577
Other non-cash loans	65.796.531	62.434.636
Total	71.821.828	67.868.540

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3.2. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 51.276 (December 31, 2016 - TL 50.628) 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.

4. Explanations and notes related to income statement:**4.1. Information on interest income:****4.1.1. Information on interest income on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	1.300.237	45.047	1.315.629	45.242
Medium/long-term loans ⁽¹⁾	1.861.149	862.160	1.679.502	587.614
Interest on loans under follow-up	22.043	-	19.953	-
Premiums received from resource utilization support fund	-	-	-	-
Total	3.183.429	907.207	3.015.084	632.856

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

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	11.808	18	-	-
From domestic banks	7.061	133	5.126	31
From foreign banks	333	6.678	1.061	3.670
Headquarters and branches abroad	-	-	-	-
Total	19.202	6.829	6.187	3.701

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	694	480	2.233	293
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	451.954	42.702	519.095	51.301
From held-to-maturity investments	115.532	97.439	52.533	73.828
Total	568.180	140.621	573.861	125.422

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	13.607	10.970

4.2. Information on interest expense:**4.2.1. Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	11.608	237.304	12.965	156.897
The CBRT	-	1.778	-	-
Domestic banks	2.673	840	2.932	891
Foreign banks	8.935	234.686	10.033	156.006
Headquarters and branches abroad	-	-	-	-
Other institutions	-	49.560	-	41.770
Total ⁽¹⁾	11.608	286.864	12.965	198.667

(1) Includes fees and commissions related to borrowings.

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4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	42.840	52.041

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	40.100	104.611	72.977	83.580
Total	40.100	104.611	72.977	83.580

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit					Accumulating deposit	Total	Prior Period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year			
TL									
Bank deposits	53	33.204	1.757	-	63	52	3	35.132	40.486
Saving deposits	-	33.832	847.439	36.506	4.958	4.058	-	926.793	856.761
Public sector deposits	-	2	935	1	4	1	-	943	2.523
Commercial deposits	6	113.874	465.257	55.046	31.389	8.978	-	674.550	695.180
Other deposits	-	6.318	144.591	23.910	2.018	10	-	176.847	152.504
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	59	187.230	1.459.979	115.463	38.432	13.099	3	1.814.265	1.747.454
FC									
Foreign currency deposits	21	65.943	270.292	13.400	11.944	5.595	-	367.195	238.878
Bank deposits	141	3.963	2.536	73	-	287	-	7.000	1.523
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	180	562	32	71	22	-	867	474
Total	162	70.086	273.390	13.505	12.015	5.904	-	375.062	240.875
Grand total	221	257.316	1.733.369	128.968	50.447	19.003	3	2.189.327	1.988.329

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

	Current Period	Prior Period
Gain	11.384.603	7.573.073
Gain from capital market transactions	22.730	48.193
Derivative financial transaction gains	3.597.191	2.144.153
Foreign exchange gains	7.764.682	5.380.727
Loss (-)	(11.406.778)	(7.558.140)
Loss from capital market transactions	(9.450)	(13.148)
Derivative financial transaction losses	(4.351.050)	(2.785.121)
Foreign exchange loss	(7.046.278)	(4.759.871)
Net gain/loss	(22.175)	14.933

4.4. Information on derivatives financial transaction gain/loss:

The net loss resulting from the foreign exchange differences related to derivative financial transactions is TL 690.420 loss (March 31, 2016 – TL 566.983 loss).

4.5. Information on other operating income:

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

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4.6. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	744.857	488.933
III. Group loans and receivables	32.233	6.552
IV. Group loans and receivables	117.508	111.918
V. Group loans and receivables	595.116	370.463
General provision expenses	43.285	115.243
Provision expense for possible risks	50.000	-
Marketable securities impairment expenses ⁽¹⁾	16.023	17.946
Financial assets at fair value through profit or loss	131	377
Available-for-sale financial assets	15.892	17.569
Impairment of investments in associates, subsidiaries and held-to-maturity securities	17.822	13.086
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	17.822	13.086
Other	3.827	63.222
Total	875.814	698.430

(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.

4.7. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	556.751	522.321
Reserve for employee termination benefits	-	-
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	53.924	55.303
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	29.925	28.156
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	102
Depreciation expenses of assets held for resale	-	1.301
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	466.527	410.465
Operational lease expenses	75.711	73.728
Repair and maintenance expenses	23.456	19.019
Advertising expenses	47.131	34.159
Other expense	320.229	283.559
Loss on sales of assets	-	-
Other	188.279	181.705
Total	1.295.406	1.199.353

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

As of March 31, 2017, the Bank has TL 414.147 (March 31, 2016 – TL 233.286) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations 185.215 TL (March 31, 2016 – TL 50.207 deferred tax income).

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

4.9.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.

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

4.10. Other items in income statement:

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

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

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

5.1.1. Information on loans 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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	35.428	168.459	367.000	1.158.561	2.317.430	2.502.492
Balance at the end of the period	61.421	193.955	483.152	1.237.071	2.775.792	2.250.519
Interest and commission income received	13.607	270	1.949	2.206	61.611	2.648

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⁽³⁾	10.970	3.534	876	3.605	46.219	7.206

- (1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.
(2) The information in table above includes marketable securities and due from banks as well as loans.
(3) The information in table above includes prior periods March 31, 2016 profit/loss.

5.1.2. 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	4.074.057	2.500.000	19.715.780	15.911.762	13.596.912	10.366.561
End of the period	3.640.015	4.074.057	21.116.119	19.715.780	15.620.567	13.596.912
Interest expense on deposits⁽³⁾	42.840	52.041	282.767	239.596	170.875	130.592

- (1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.
(3) The information in table above includes prior periods March 31, 2016 profit/loss.

5.1.3. 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⁾	3.305.854	4.510.236	8.532.884	1.455.484	802.512	146.778
End of the period ⁽³⁾	5.332.799	3.305.854	2.410.787	8.532.884	1.419.147	802.512
Total profit / (loss)	31.911	(63.868)	45.438	(39.830)	10.863	17.299
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / (loss)⁽⁴⁾	-	-	-	-	-	-

- (1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.
(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.
(4) The information in table above includes prior periods March 31, 2016 profit/loss.

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

Salaries and benefits paid to the Bank's top management amount to TL 25.806 as of March 31, 2017 (March 31, 2016 – TL 23.794).

6. Explanations and notes related to subsequent events:

By Board of Directors resolution dated April 24, 2017; it has been decided to sell non-performing loans portfolio which comprises of Loans under follow-up with legal receivable amounting to 316.030 TL, to Güven Varlık Yönetim A.Ş. for a total amount of TL 17.700.

Section Six - Explanations on independent audit report

1. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended March 31, 2017 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, April 27, 2017 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

Section Seven¹ - Information on interim activity report

1. Chairman's Message:

The operating environment remained volatile in the first quarter of 2017. During this period, the banking sector remained resilient given the supportive action of the government as well as the Central Bank and the Banking Regulation and Supervision Agency.

Total loans in the banking sector reached TL 1.767 billion indicating 6% year-to-date growth supported by the government's Credit Guarantee Fund facility. During the same period, total deposits reached TL 1.523 billion, indicating 5% year-to-date growth. Accordingly, the sector's loan to deposit ratio including TL bonds remained stable at 112%. The banking sector's non-performing loan ratio decreased by 4 basis points year-to-date to 3,1% supported by non-performing loan sales of TL 995 million (5 basis points impact).

In the first three months of 2017, Yapı Kredi recorded a strong start to the year with solid profitability improvement and balanced volume growth while preserving its solid fundamentals. The Bank's healthy liquidity profile was further reinforced by the issuance of a five-year US\$ 600 million Eurobond in the international debt capital markets. This bond issuance reaffirms the confidence of international markets in both Yapı Kredi and Turkey.

As a responsible corporate citizen, Yapı Kredi attaches the utmost importance to corporate social responsibility. In this light, the Bank became a signatory for the United Nations Women's Empowerment Principles Declaration as well as the United Nations Commitment to Social Responsibility under the United Nations Environment Programme Finance Initiative platform. Additionally, Yapı Kredi was listed on the FTSEExchange4Good Emerging Index released by Financial Times Stock Exchange Russell.

Yapı Kredi continued to be crowned with important awards in the first quarter of the year. Yapı Kredi was named "Turkey's Best Trade Finance Provider" by Euromoney for the third consecutive time. In addition, three large-scale projects financed by Yapı Kredi received 4 awards at the Bond&Loans 2017 conference.

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

Y. Ali Koç
Chairman of the Board

(1) Unless otherwise stated, all figures in the report are based on Banking Regulation and Supervision Agency unconsolidated financials

2. CEO's Message:

The first quarter of 2017 was a challenging start to the year due to currency volatility, increasing funding rates of the CBRT and uncertainty regarding the referendum. In January, sovereign rating downgrade of Turkey by Fitch affected foreign investor sentiment. However, the actions by the government and the regulators; including easing regulations and expansion of the Credit Guarantee Fund; supported the banking sector. As a result, Turkey maintained its strong fundamentals.

During this period, Yapı Kredi continued implementing its strategy at full force and recorded a successful performance. The Bank's total assets increased to TL 262,1 billion and net income was recorded at TL 1.001 million in the first three months of the year.

In terms of lending, the Bank's cash and non-cash loans reached TL 249,2 billion. In terms of performing cash loans, Yapı Kredi recorded 4% growth year-to-date to TL 177,4 billion indicating 16,2% market share among private banks. Growth was driven by a balanced approach and the Bank actively utilised the government's Credit Guarantee Fund facility to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 21,9% outstanding volume market share.

In terms of funding, the Bank recorded 4% deposit growth year-to-date up to TL 159,8 billion indicating 15,9% market share among private banks. Balanced growth in loans and deposits led to 110% loans to deposits ratio including TL bonds indicating a stable trend compared to 2016 year-end.

Digitalisation remained a strong focus area for the bank and as "The Digital Bank of Turkey", Yapı Kredi was invited to the FinTech Europe 2017 conference, one of the world's most prestigious fintech events, to introduce its new "eye-scanning technology", a first in both Turkey and Europe.

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

H. Faik Açıkalın
CEO

3. Overview of Financial Performance:

On 27 April 2017, Yapı Kredi announced its unconsolidated results for the first three months of 2017 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 249,2 billion while total deposits rose to TL 159,8 billion. The Bank's net income increased by 42% year-over-year and reached TL 1.001 million indication return on average tangible equity of 15,8%.

Balanced volume growth

Yapı Kredi's market share among private banks in loans and deposits was recorded at 16,2% and 15,9%, respectively.

The Bank achieved 4% year-to-date growth in loans to TL 177,4 billion. Loan growth was mainly driven by company lending with effective utilisation of the government's Credit Guarantee Fund facility which provides guarantees for eligible SME, Commercial & Export Loans with 7% non-performing loan ratio coverage. The Bank's deposit growth was in line with loan growth at 4% year-to-date and reached TL 159,8 billion. Deposit growth was mainly driven by customer deposits, especially in foreign currency. Accordingly, loan-to-deposits plus TL bonds ratio remained stable at 110%.

In line with the Bank's focus on effective diversification of funding sources, the Bank successfully issued a 5 year US\$ 600 million Eurobond benchmark transaction in February 2017 with a yield of 5,75%. The issuance was Yapı Kredi's first international senior issue since 2014 and was successfully oversubscribed.

Improving capital ratios with ongoing internal capital generation

The capitalization of the Bank improved during the first three months of 2017 supported by internal capital generation on the back of profitability acceleration and stable market share approach as well as regulation change. Consolidated Capital Adequacy Ratio increased by 19 basis points year-to-date to 14,4% and Common Equity Tier-1 ratio increased by 15 basis points to 10,7%.

Solid profitability driven by core business

In the first three months of 2017, Yapı Kredi increased its total revenues by 15% year-over-year driven by double digit growth in both fees and net interest income. On the other hand, continued discipline in cost management was evident with cost growth contained at 8% compared to inflation of 11,3%. Accordingly, cost/income ratio decreased by 257 basis points year-over-year to 38%. The Bank's provisions were also controlled with only 1% year-over-year increase despite coverage strengthening leading to decline in cost of risk to 1,13%. Accordingly, net income increased by 42% year-over-year and the Bank achieved 15,8% return on average tangible equity.

Improving asset quality dynamics supported by better collections

Non-performing ratio decreased by 22 basis points year-to-date to 4,6% supported by sale of a fully provisioned non-performing loan portfolio of credit cards and individual loans amounting TL 493 million as well as improving trend in both new non-performing loan formation and collections. During this period, specific coverage ratio remained stable at 77%.

4. Summary of Unconsolidated Financials

TL million	31.03.2017	31.12.2016
Total Assets	262.133	252.820
Performing Loans	177.407	170.506
Total Deposits	159.762	154.275
Shareholder's Equity	27.700	26.119
Loans/ Assets	68%	67%
Deposits/Assets	61%	61%
NPL	4,6%	4,9%
CAR	14,4%	14,2%
TL million	31.03.2017	31.03.2016
Net Profit	1.001	704
Return on Average Tangible Equity	15,8%	12,8%

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

- Following the downgrade of the sovereign on 27 January 2017, Fitch revised Yapı Kredi's ratings on 2 February 2017. Long-Term Foreign Currency IDR and Long-Term Local Currency IDR were downgraded to 'BBB-' from 'BBB' while the outlook was revised to Stable from Negative. New ratings are still investment grade. Short-Term Foreign Currency and Local Currency IDRs were downgraded to 'F3' from 'F2'. Viability Rating was downgraded to 'bb+' from 'bbb-'. Support Rating was affirmed at '2'. National Long-Term Rating affirmed at 'AAA(tur)' and outlook as Stable. Senior unsecured long term debt rating was downgraded to 'BBB-' from 'BBB'. Senior unsecured short term debt rating was downgraded to 'F3' from 'F2'. Subordinated debt rating was downgraded to "BB+" from "BBB-".
- On 22 February 2017, Yapı Kredi successfully priced a 5 year US\$ 600 million Eurobond benchmark transaction. The notes were issued on 24 February 2017. The transaction priced at mid-swap +371,7 basis points. The coupon and final yield was set at 5,75% per annum. The transaction represented Yapı Kredi's first international senior issue since 2014 and the first non-sovereign international issuance out of Turkey since October 2016
- On 22 February 2017, Yapı Kredi sold a fully provisioned non-performing loan portfolio of credit cards and individual loans amounting to TL 493 million for a total consideration of TL 27,5 million to Güven Varlık Yönetim A.Ş. The transaction was reflected in Yapı Kredi's 1Q17 financials
- International rating agency Moody's revised Turkish government's debt rating outlook to "Negative" from "Stable" on 17 March 2017. Accordingly, Moody's also revised Yapı Kredi's outlook to "Negative" from "Stable" on 20 March 2017. The rating agency affirmed the Bank's Foreign Currency Long-term Debt and Local Currency Deposit ratings at Ba1, Foreign Currency Deposit rating at Ba2 and Baseline Credit Assesment(BCA) at ba2
- On 24 April 2017, Yapı Kredi sold a fully provisioned non-performing loan portfolio of retail loans amounting to TL 316 million for a total consideration of TL 17,7 million to Güven Varlık Yönetim A.Ş. The transaction will be reflected in Yapı Kredi's 2Q17 financials after the transaction is finalised.

6. Current Trends and Expectations for the Upcoming Period:

All guidance indicators have been maintained

2017 Macro and Banking Sector Expectations:

- GDP growth: ~3-3,5%
- Inflation (year-end): 8%
- Loan growth: 13%
- Deposit growth: 14%
- Net Interest Margin: Slightly down
- Non-Performing Loan ratio: +50 basis points

2017 Yapı Kredi Expectations:

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