

Yapı ve Kredi Bankası A.Ş.

**Publicly announced unconsolidated financial statements and
related disclosures at March 31, 2018 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 2018 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 2018 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.

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, 3 May 2018

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, 2018**

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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, in **thousands of Turkish Lira** (unless otherwise stated), have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently reviewed and are presented enclosed.


Y. Ali KOÇ
Chairman of the
Board of Directors


Gökhan ERÜN
Executive Director and
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	1
2.	Explanation about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank	1
3.	Explanations regarding the board of directors, members of the audit committee, chief executive officer and executive vice presidents and their areas of responsibility and shares if any	1
4.	Information on the individual and corporate shareholders having control shares of the Bank	3
5.	Summary information on the Bank's activities and service types	3
6.	Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods	3
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	3

Section two - Unconsolidated financial statements

1.	Balance sheet (Statement of Financial Position)	4
2.	Off-balance sheet commitments	8
3.	Income statements	9
4.	Statement of income and expense items accounted under shareholders' equity	11
5.	Statement of changes in shareholders' equity	12
6.	Statement of cash flows	14

Section three - Accounting policies

1.	Explanations on basis of presentation	16
2.	Explanations on strategy of using financial instruments and foreign currency transactions	18
3.	Explanations on investments in associates, subsidiaries and joint ventures	18
4.	Explanations on forward and option contracts and derivative instruments	18
5.	Explanations on interest income and expense	20
6.	Explanations on fee and commission income and expense	20
7.	Explanations on financial assets	20
8.	Explanations on impairment of financial assets	22
9.	Explanations on offsetting financial assets	23
10.	Explanations on sales and repurchase agreements and securities lending transactions	23
11.	Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	23
12.	Explanations on goodwill and other intangible assets	23
13.	Explanations on property and equipment	24
14.	Explanations on leasing transactions	24
15.	Explanations on provisions, contingent asset and liabilities	25
16.	Explanations on obligations related to employee rights	25
17.	Explanations on taxation	26
18.	Explanations on borrowings	28
19.	Explanations on issuance of share certificates	28
20.	Explanations on avalized drafts and letter of acceptances	28
21.	Explanations on government grants	28
22.	Profit reserves and profit distribution	28
23.	Earnings per share	28
24.	Related parties	29
25.	Explanations on operating segments	29
26.	Explanations on other matters	29
27.	Explanations on prior period accounting policies that are not valid in the current period	29

Section four - Financial Position and Risk Management

1.	Explanations on equity	31
2.	Explanations on risk management	35
3.	Explanations on currency risk	35
4.	Explanations on interest rate risk	37
5.	Explanation on share certificates position risk from banking book	39
6.	Explanations on liquidity risk	39
7.	Explanations on leverage ratio	44
8.	Explanations on hedge accounting	44
9.	Explanations on the activities carried out on behalf of others and fiduciary transactions	46
10.	Explanations on operating segments	47

Section five - Explanations and notes related to unconsolidated financial statements

1.	Explanations and notes related to assets	48
2.	Explanations and notes related to liabilities	59
3.	Explanations and notes related to off-balance sheet accounts	65
4.	Explanations and notes related to income statement	66
5.	Explanations and notes related to the Bank's risk group	70
6.	Explanations and notes related to subsequent events	71

Section six - Independent auditor's report

1.	Independent auditor's report	71
2.	Explanations and notes prepared by independent auditor	71

Section seven - Information on interim activity report

1.	Interim activity report which also contains the evaluation of the Chairman and the CEO of the Bank about the interim period activities	72
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Notes to unconsolidated financial statements as of March 31, 2018

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

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, 2018, 18,20% of the shares of the Bank are publicly traded (December 31, 2017 - 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, 2018, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Notes to unconsolidated financial statements as of March 31, 2018

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

Board of Directors Members ⁽¹⁾:

Name	Responsibility
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO
A. Ümit TAFTALI	Member
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
F. Füsün Akkal BOZOK	Member
Francesco GIORDANO	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent 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
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO

Assistant General Managers ^{(2), (3)}:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI ⁽⁴⁾	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
Mert YAZICIOĞLU	Private Banking and Wealth Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Patrick Josef SCHMITT	Risk Management
Serkan ÜLGEN ⁽²⁾	Retail Banking Management
Yakup DOĞAN ³	Alternative Distribution Channels

(1) With the Ordinary General Assembly decisions dated March 20, 2018 it has been resolved that; total number of members of the Board of Directors, including independent members, has been determined as 14; Y. Ali KOÇ, Carlo VIVALDI, Gökhan ERÜN, Niccolò UBERTALLI, Levent ÇAKIROĞLU, Ahmet Fadıl ASHABOĞLU, Fatma Füsün AKKAL BOZOK, Gianfranco BISAGNI, Mirko D.G. BIANCHI, Wolfgang SCHILK, Aykut Ümit TAFTALI and Francesco GIORDANO have been selected as the members of the Board of Directors and Adil Giray ÖZTOPRAK and Giovanna VILLA have been selected as independent members of the Board of Directors within the framework of the "Communiqué on Corporate Governance" issued by the Capital Markets Board, to remain in office until the General Assembly to convene in order to examine 2018 accounts.

(2) No appointment has been made as Assistant General Manager for Corporate Communication yet.

(3) Mert Öncü, Assistant General Manager responsible for Treasury Management in Bank has resigned from his position as of March 30, 2018. No appointment has been made yet.

(4) Feza Tan, who served as Assistant General Manager of Corporate and Commercial Banking Management, resigned as of February 16, 2018. Erhan Adalı was appointed as Assistant General Manager in charge of Corporate and Commercial Banking Management.

Notes to unconsolidated financial statements as of March 31, 2018

(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, 2018, the Bank has 865 branches operating in Turkey and 1 branch in overseas (December 31, 2017 - 865 branches operating in Turkey, 1 branch in overseas).

As of March 31, 2018, the Bank has 18.294 employees (December 31, 2017 – 17.944 employees).

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 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, 2018

(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 (31/03/2018)		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		44.183.989	48.322.910	92.506.899
I.1 Cash and cash equivalents	1.1	8.818.258	37.552.196	46.370.454
1.1.1 Cash and balances at Central Bank		8.651.639	34.765.001	43.416.640
1.1.2 Banks	1.4	6.731	1.911.081	1.917.812
1.1.3 Receivables from Money Markets		159.888	876.114	1.036.002
I.2 Financial assets at fair value through profit or loss	1.2	127.135	143.298	270.433
1.2.1 Public debt securities		28.881	26.385	55.266
1.2.2 Equity instruments		-	115.277	115.277
1.2.3 Other financial assets		98.254	1.636	99.890
I.3 Financial assets at fair value through other comprehensive income	1.6	20.722.924	3.190.911	23.913.835
1.3.1 Public debt securities		20.715.311	1.673.540	22.388.851
1.3.2 Equity instruments		7.613	1.888	9.501
1.3.3 Other financial assets		-	1.515.483	1.515.483
I.4 Financial assets measured at amortised cost		9.617.244	6.569.859	16.187.103
1.4.1 Public debt securities		9.617.244	6.569.859	16.187.103
1.4.2 Other financial assets		-	-	-
I.5 Derivative financial assets	1.3	4.933.478	888.009	5.821.487
1.5.1 Derivative financial assets at fair value through profit or loss	1.3.1	2.903.295	577.840	3.481.135
1.5.2 Derivative financial assets at fair value through other comprehensive income	1.3.2	2.030.183	310.169	2.340.352
I.6 Non-performing financial assets		-	-	-
I.7 Allowance for expected credit losses (-)		35.050	21.363	56.413
II. LOANS (Net)	1.7	122.529.949	73.950.749	196.480.698
2.1 Loans		122.929.240	74.944.565	197.873.805
2.1.1 Loans measured at amortised cost		122.929.240	74.944.565	197.873.805
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions	1.12	-	-	-
2.2.1 Finance lease receivables		-	-	-
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		-	-	-
2.3 Factoring receivables		-	-	-
2.3.1 Factoring receivables measured at amortised cost		-	-	-
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans	1.7.8	8.617.858	-	8.617.858
2.5 Allowance for expected credit losses (-)		9.017.149	993.816	10.010.965
2.5.1 12-Month expected credit losses (Stage 1)		1.078.422	657.282	1.735.704
2.5.2 Significant increase in credit risk (Stage 2)		552.162	336.534	888.696
2.5.3 Credit-Impaired (Stage 3)	1.7.7	7.386.565	-	7.386.565
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	1.14	204.801	-	204.801
3.1 Held for sale		204.801	-	204.801
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		2.753.614	2.768.442	5.522.056
4.1 Investments in associates (Net)	1.9	4.503	574.976	579.479
4.1.1 Associates accounted by using equity method		-	-	-
4.1.2 Non-consolidated associates		4.503	574.976	579.479
4.2 Investments in subsidiaries (Net)	1.10	2.729.833	2.193.466	4.923.299
4.2.1 Non-consolidated financial subsidiaries		2.722.533	2.193.466	4.915.999
4.2.2 Non-consolidated non-financial subsidiaries		7.300	-	7.300
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	1.11	19.278	-	19.278
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		19.278	-	19.278
V. TANGIBLE ASSETS (Net)		2.560.839	-	2.560.839
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		1.633.928	-	1.633.928
6.1 Goodwill		979.493	-	979.493
6.2 Other	1.15	654.435	-	654.435
VII. INVESTMENT PROPERTIES (Net)	1.13	-	-	-
VIII. CURRENT TAX ASSETS		-	-	-
IX. DEFERRED TAX ASSETS	1.15	346.036	-	346.036
X. OTHER ASSETS		2.132.230	3.267.836	5.400.066
TOTAL ASSETS		176.345.386	128.309.937	304.655.323

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

Unconsolidated financial statements as of December 31, 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Prior Period (31/12/2017)		
		TL	FC	Total
I. Cash and balances with Central Bank	1.1	7.595.701	34.377.878	41.973.579
II. Financial assets at fair value through profit or (loss) (net)		3.614.240	503.958	4.118.198
2.1 Trading financial assets		3.614.240	503.958	4.118.198
2.1.1 Government debt securities		26.584	30.396	56.980
2.1.2 Share certificates		-	-	-
2.1.3 Derivative financial assets held for trading		3.587.656	473.562	4.061.218
2.1.4 Other marketable securities		-	-	-
2.2 Financial assets designated at fair value through profit/(loss)	1.2	-	-	-
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	14.175	2.706.452	2.720.627
IV. Money markets		4.097	812.790	816.887
4.1 Interbank money market placements		-	812.790	812.790
4.2 Receivables from IMKB		4.097	-	4.097
4.3 Receivables from reverse repurchase agreements		-	-	-
V. Financial assets available-for-sale (net)	1.6	21.209.329	3.098.331	24.307.660
5.1 Share certificates		7.613	96.465	104.078
5.2 Government debt securities		20.856.199	1.533.774	22.389.973
5.3 Other marketable securities		345.517	1.468.092	1.813.609
VI. Loans and receivables	1.7	125.727.188	69.233.255	194.960.443
6.1 Loans and receivables		123.649.321	69.233.255	192.882.576
6.1.1 Loans to bank's risk group		1.696.947	838.771	2.535.718
6.1.2 Government debt securities		-	-	-
6.1.3 Other		121.952.374	68.394.484	190.346.858
6.2 Loans under follow-up		9.024.397	-	9.024.397
6.3 Specific provisions (-)		6.946.530	-	6.946.530
VII. Factoring receivables		-	-	-
VIII. Held-to-maturity investments (net)	1.8	6.741.179	6.289.732	13.030.911
8.1 Government debt securities		6.741.179	6.289.732	13.030.911
8.2 Other marketable securities		-	-	-
IX. Investments in associates (net)		4.503	529.384	533.887
9.1 Consolidated based on equity method	1.9	-	-	-
9.2 Unconsolidated		4.503	529.384	533.887
9.2.1 Investments in financial associates		-	529.384	529.384
9.2.2 Investments in non-financial associates		4.503	-	4.503
X. Subsidiaries (net)	1.10	2.768.324	2.039.040	4.807.364
10.1 Unconsolidated financial subsidiaries		2.761.024	2.039.040	4.800.064
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300
XI. Joint ventures (net)	1.11	18.386	-	18.386
11.1 Accounted based on equity method		-	-	-
11.2 Unconsolidated		18.386	-	18.386
11.2.1 Financial joint ventures		18.386	-	18.386
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		1.520.914	167.481	1.688.395
13.1 Fair value hedge		-	-	-
13.2 Cash flow hedge		1.520.914	167.481	1.688.395
13.3 Foreign net investment hedge		-	-	-
XIV. Property and equipment (net)		2.572.976	-	2.572.976
XV. Intangible assets (net)		1.626.850	-	1.626.850
15.1 Goodwill		979.493	-	979.493
15.2 Other		647.357	-	647.357
XVI. Investment property (net)	1.15	-	-	-
XVII. Tax asset	1.13	-	-	-
17.1 Current tax asset		-	-	-
17.2 Deferred tax asset	1.15	-	-	-
XVIII. Assets held for resale and related to discontinued operations (net)	1.14	202.019	-	202.019
18.1 Held for sale purposes		202.019	-	202.019
18.2 Related to discontinued operations		-	-	-
XIX. Other assets		1.612.786	2.819.352	4.432.138
Total assets		175.232.667	122.577.653	297.810.320

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

Unconsolidated financial statements as of March 31, 2018

(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/ 2018)		
		TL	FC	Total
I. DEPOSITS	2.1	85.588.697	88.507.014	174.095.711
II. LOANS RECEIVED	2.3.1	444.373	34.517.716	34.962.089
III. MONEY MARKET FUNDS		9.719.956	827.707	10.547.663
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.4	3.067.310	12.585.752	15.653.062
4.1 Bills	2.3.4	1.753.683	44.081	1.797.764
4.2 Asset backed securities		-	-	-
4.3 Bonds		1.313.627	12.541.671	13.855.298
V. FUNDS		-	-	-
5.1 Borrower funds		-	-	-
5.2 Other	2.3.3	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	5.911.648	5.911.648
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	2.964.832	426.795	3.391.627
7.1 Derivative financial liabilities at fair value through profit or loss		2.859.920	412.572	3.272.492
7.2 Derivative financial liabilities at fair value through other comprehensive income		104.912	14.223	119.135
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES	2.5	-	95	95
9.1 Finance lease payables		-	99	99
9.2 Operating lease payables	2.5.2	-	-	-
9.3 Other		-	-	-
9.4 Deferred finance lease expenses (-)		-	4	4
X. PROVISIONS	2.6	2.285.919	773.128	3.059.047
10.1 Provision for restructuring		-	-	-
10.2 Reserves for employee benefits	2.6.2	572.288	-	572.288
10.3 Insurance technical reserves (Net)		-	-	-
10.4 Other provisions	2.6.4	1.713.631	773.128	2.486.759
XI. CURRENT TAX LIABILITIES	2.7	414.944	-	414.944
XII. DEFERRED TAX LIABILITIES		-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	2.8	-	-	-
13.1 Held for sale		-	-	-
13.2 Related to discontinued operations		-	-	-
XIV. SUBORDINATED DEBT	2.9	-	10.186.606	10.186.606
14.1 Loans		-	4.182.550	4.182.550
14.2 Other debt instruments		-	6.004.056	6.004.056
XV. OTHER LIABILITIES	2.4	11.988.636	2.848.596	14.837.232
XVI. SHAREHOLDERS' EQUITY	2.10	29.499.553	2.096.046	31.595.599
16.1 Paid-in capital		4.347.051	-	4.347.051
16.2 Capital reserves		2.011.801	-	2.011.801
16.2.1 Equity share premiums		543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-
16.2.3 Other capital reserves		1.467.920	-	1.467.920
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1.923.827	436.118	2.359.945
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		3.016	1.659.928	1.662.944
16.5 Profit reserves		19.969.810	-	19.969.810
16.5.1 Legal reserves		869.410	-	869.410
16.5.2 Statutory reserves		-	-	-
16.5.3 Extraordinary reserves		19.099.217	-	19.099.217
16.5.4 Other profit reserves		1.183	-	1.183
16.6 Profit or loss		1.244.048	-	1.244.048
16.6.1 Prior years' profits or losses		-	-	-
16.6.2 Current period net profit or loss		1.244.048	-	1.244.048
TOTAL LIABILITIES		145.974.220	158.681.103	304.655.323

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

Unconsolidated financial statements as of December 31, 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Balance sheet (Statement of Financial Position)

	Note (Section Five)			Prior Period
		TL	FC	(31/12/2017) Total
Liabilities				
I. Deposits	2.1	75.934.109	93.413.108	169.347.217
I.1 Deposits of the Bank's risk group		7.537.617	18.563.761	26.101.378
I.2 Other		68.396.492	74.849.347	143.245.839
II. Derivative financial liabilities held for trading	2.2	3.555.662	282.242	3.837.904
III. Funds borrowed	2.3.1	516.285	38.613.774	39.130.059
IV. Money markets		12.588.880	211.271	12.800.151
4.1 Funds from interbank money market		3.703.931	-	3.703.931
4.2 Funds from IMKB		81.644	-	81.644
4.3 Funds provided under repurchase agreements		8.803.305	211.271	9.014.576
V. Marketable securities issued (net)	2.3.4	2.290.593	10.202.249	12.492.842
5.1 Bills	2.3.4	1.212.509	107.682	1.320.191
5.2 Asset backed securities		-	-	-
5.3 Bonds		1.078.084	10.094.567	11.172.651
VI. Funds		-	-	-
6.1 Borrower funds		-	-	-
6.2 Other		-	-	-
VII. Miscellaneous payables		10.217.001	1.937.311	12.154.312
VIII. Other liabilities		1.347.239	433.396	1.780.635
IX. Factoring payables		-	-	-
X. Lease payables (net)	2.5	-	131	131
10.1 Financial lease payables		-	139	139
10.2 Operational lease payables	2.5.2	-	-	-
10.3 Other		-	-	-
10.4 Deferred lease expenses (-)	2.6	-	8	8
XI. Derivative financial liabilities held for hedging		300.046	12.380	312.426
11.1 Fair value hedge		204.859	-	204.859
11.2 Cash flow hedge		95.187	12.380	107.567
11.3 Foreign net investment hedge		-	-	-
XII. Provisions		3.994.595	1.322.110	5.316.705
12.1 General loan loss provision		2.102.563	1.230.131	3.332.694
12.2 Restructuring provisions		-	-	-
12.3 Reserve for employee rights		564.141	-	564.141
12.4 Insurance technical provisions (net)		-	-	-
12.5 Other provisions	2.6.4	1.327.891	91.979	1.419.870
XIII. Tax liability		821.207	-	821.207
13.1 Current tax liability	2.7	613.308	-	613.308
13.2 Deferred tax liability		207.899	-	207.899
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)	2.8	-	-	-
14.1 Held for sale		-	-	-
14.2 Related to discontinued operations		-	-	-
XV. Subordinated loans	2.9	-	9.718.804	9.718.804
XVI. Shareholders' equity	2.10	28.196.661	1.901.266	30.097.927
16.1 Paid-in capital		4.347.051	-	4.347.051
16.2 Capital reserves		3.689.913	1.901.266	5.591.179
16.2.1 Share premium		543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities valuation differences		409.245	1.740.760	2.150.005
16.2.4 Property and equipment revaluation differences		1.360.019	-	1.360.019
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		16.271	-	16.271
16.2.8 Hedging funds (effective portion)		214.719	160.506	375.225
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-
16.2.10 Other capital reserves		1.145.778	-	1.145.778
16.3 Profit reserves		16.545.616	-	16.545.616
16.3.1 Legal reserves		869.410	-	869.410
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		15.675.023	-	15.675.023
16.3.4 Other profit reserves		1.183	-	1.183
16.4 Income or (loss)		3.614.081	-	3.614.081
16.4.1 Prior years' income or (loss)		-	-	-
16.4.2 Current year income or (loss)		3.614.081	-	3.614.081
Total liabilities		139.762.278	158.048.042	297.810.320

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

Unconsolidated financial statements as of March 31, 2018 and December 31, 2017

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

2. Off-balance sheet commitments

	Note (Section Five)	Current Period (31/03/2018)			Prior Period (31/12/2017)		
		TP	FC	Total	TP	FC	Total
A. Off-balance sheet commitments (I+II+III)		241.309.287	367.430.781	608.740.068	293.686.722	385.229.009	678.915.731
I. Guarantees and warranties	3.1.2,3	27.383.584	55.707.118	83.090.702	26.495.214	51.671.080	78.166.294
1.1 Letters of guarantee	3.1.2.2	27.331.232	35.407.280	62.738.512	26.441.208	33.757.070	60.198.278
1.1.1 Guarantees subject to state tender law		571.633	1.307.910	1.879.543	791.090	1.168.552	1.959.642
1.1.2 Guarantees given for foreign trade operations		3.474.402	34.099.370	37.573.772	3.381.312	32.588.518	35.969.830
1.1.3 Other letters of guarantee		23.285.197	-	23.285.197	22.268.806	0	22.268.806
1.2 Bank acceptances		-	222.191	222.191	-	212.685	212.685
1.2.1 Import letter of acceptance		-	222.191	222.191	-	212.685	212.685
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		25.000	13.250.193	13.275.193	20.000	10.924.238	10.944.238
1.3.1 Documentary letters of credit		25.000	13.250.193	13.275.193	20.000	10.924.238	10.944.238
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 Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		27.352	2.681.888	2.709.240	34.006	2.421.805	2.455.811
1.9 Other warranties		-	4.145.566	4.145.566	-	4.355.282	4.355.282
II. Commitments	3.1.1	76.857.107	78.869.760	155.726.867	93.480.873	92.316.175	185.797.048
2.1 Irrevocable commitments		75.477.833	37.950.294	113.428.127	92.020.358	42.021.703	134.042.061
2.1.1 Asset purchase and sale commitments		15.795.944	36.701.559	52.497.503	36.662.381	40.236.824	76.899.205
2.1.2 Deposit purchase and sales commitments		1.177.525	240.689	1.418.214	29.564	762.402	791.966
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		9.726.861	818.052	10.544.913	9.349.555	775.480	10.125.035
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for checks payments		7.713.855	-	7.713.855	6.844.741	-	6.844.741
2.1.8 Tax and fund liabilities from export commitments		7.862	-	7.862	7.297	-	7.297
2.1.9 Commitments for credit card expenditure limits		35.324.883	-	35.324.883	33.700.364	-	33.700.364
2.1.10 Commitments for credit cards and banking services promotions		27.291	-	27.291	18.322	-	18.322
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		5.703.612	189.994	5.893.606	5.408.134	246.997	5.655.131
2.2 Revocable commitments		1.379.274	40.919.466	42.298.740	1.460.515	50.294.472	51.754.987
2.2.1 Revocable loan granting commitments		1.379.274	40.919.466	42.298.740	1.460.515	50.294.472	51.754.987
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		137.068.596	232.853.903	369.922.499	173.710.635	241.241.754	414.952.389
3.1 Derivative financial instruments held for hedging		41.099.791	32.359.848	73.459.639	42.759.791	30.433.834	73.193.625
3.1.1 Fair value hedges		270.141	2.489.572	2.759.713	270.141	2.336.735	2.606.876
3.1.2 Cash flow hedges		40.829.650	29.870.276	70.699.926	42.489.650	28.097.099	70.586.749
3.1.3 Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2 Trading transactions		95.968.805	200.494.055	296.462.860	130.950.844	210.807.920	341.758.764
3.2.1 Forward foreign currency purchase and sale transactions		12.969.733	19.783.321	32.753.054	11.063.125	14.589.393	25.652.518
3.2.1.1 Forward foreign currency purchase transactions		4.507.283	11.826.327	16.333.610	4.066.561	8.704.699	12.771.260
3.2.1.2 Forward foreign currency sale transactions		8.462.450	7.956.994	16.419.444	6.996.564	5.884.694	12.881.258
3.2.2 Currency and interest rate swaps		73.231.882	140.449.757	213.681.639	104.077.472	164.682.628	268.760.100
3.2.2.1 Currency swap purchase transactions		19.560.570	57.433.733	76.994.303	19.511.430	87.065.133	106.576.563
3.2.2.2 Currency swap sale transactions		46.561.312	30.434.032	76.995.344	79.436.042	28.617.705	108.053.747
3.2.2.3 Interest rate swap purchase transactions		3.555.000	26.290.996	29.845.996	2.565.000	24.499.895	27.064.895
3.2.2.4 Interest rate swap sale transactions		3.555.000	26.290.996	29.845.996	2.565.000	24.499.895	27.064.895
3.2.3 Currency, interest rate and securities options		9.506.926	17.492.839	26.999.765	9.678.309	16.400.673	26.078.982
3.2.3.1 Currency purchase options		3.416.142	8.648.053	12.064.195	3.910.315	7.906.039	11.816.354
3.2.3.2 Currency sale options		5.490.784	6.787.940	12.278.724	5.467.994	6.672.990	12.140.984
3.2.3.3 Interest rate purchase options		300.000	1.028.423	1.328.423	-	1.058.039	1.058.039
3.2.3.4 Interest rate sale options		300.000	1.028.423	1.328.423	300.000	763.605	1.063.605
3.2.3.5 Securities purchase options		-	-	-	-	-	-
3.2.3.6 Securities sale options		-	-	-	-	-	-
3.2.4 Currency futures		260.229	255.920	516.149	-	-	-
3.2.4.1 Currency purchase futures		4.190	251.754	255.944	-	-	-
3.2.4.2 Currency sale futures		256.039	4.166	260.205	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2 Interest rate sale futures		-	-	-	-	-	-
3.2.6 Other		35	22.512.218	22.512.253	6.131.938	15.135.226	21.267.164
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		671.030.642	300.671.644	971.702.286	640.568.079	283.266.808	923.834.887
IV. ITEMS HELD IN CUSTODY		365.207.678	200.678.807	565.886.485	355.509.137	191.474.709	546.983.846
4.1 Assets under management		-	-	-	-	-	-
4.2 Securities held in custody		340.737.976	199.971.065	540.709.041	333.343.112	190.867.166	524.210.278
4.3 Checks received for collection		18.947.606	88.678	19.036.284	17.328.672	87.339	17.416.011
4.4 Commercial notes received for collection		5.463.952	554.908	6.018.860	4.779.209	460.360	5.239.569
4.5 Other assets received for collection		-	51.359	51.359	-	47.846	47.846
4.6 Securities received for public offering		-	-	-	-	-	-
4.7 Other items under custody		58.144	12.797	70.941	58.144	11.998	70.142
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		290.350.364	95.551.653	385.902.017	271.152.739	90.899.235	362.051.974
5.1 Marketable securities		190.457	438	190.895	193.385	418	193.803
5.2 Guarantee notes		1.157.241	275.193	1.432.434	930.316	266.781	1.197.097
5.3 Commodity		22.870	-	22.870	23.010	-	23.010
5.4 Warrant		-	-	-	-	-	-
5.5 Immovables		122.945.492	72.993.671	195.939.163	119.604.456	70.551.995	190.156.451
5.6 Other pledged items		166.034.304	22.275.213	188.309.517	150.401.572	20.073.243	170.474.815
5.7 Depositories receiving pledged items		-	7.138	7.138	-	6.798	6.798
VI. ACCEPTED GUARANTEES AND WARRANTS		15.472.600	4.441.184	19.913.784	13.906.203	892.864	14.799.067
TOTAL OFF BALANCE SHEET COMMITMENTS)		912.339.929	668.102.425	1.580.442.354	934.254.801	668.495.817	1.602.750.618

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

Unconsolidated financial statements as of March 31, 2018

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

3. Income statement

Income and expense items	Note (Section Five)	Current Period (01/01/2018- 31/03/2018)
I. INTEREST INCOME	4.1	6.303.202
1.1 Interest on loans	4.1.1	5.154.442
1.2 Interest received from reserve deposits		82.770
1.3 Interest received from banks	4.1.2	133.926
1.4 Interest received from money market transactions		7.748
1.5 Interest received from marketable securities portfolio	4.1.3	923.714
1.5.1 Financial assets at fair value through profit or losses		6.734
1.5.2 Financial assets at fair value through other comprehensive income		643.369
1.5.3 Financial assets measured at amortised cost		273.611
1.6 Finance lease income		-
1.7 Other interest income		602
II. INTEREST EXPENSES	4.2	3.535.571
2.1 Interest on deposits	4.2.4	2.592.921
2.2 Interest on funds borrowed	4.2.1	432.648
2.3 Interest expense on money market transactions		234.107
2.4 Interest on securities issued	4.2.3	240.660
2.5 Other interest expenses		35.235
III. NET INTEREST INCOME/EXPENSE (I - II)		2.767.631
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		986.131
4.1 Fees and commissions received		1.222.898
4.1.1 Non-cash loans		168.004
4.1.2 Other		1.054.894
4.2 Fees and commissions paid		236.767
4.2.1 Non-cash loans		60
4.2.2 Other		236.707
V. PERSONNEL EXPENSES (-)	4.7	617.400
VI. DIVIDEND INCOME		2.598
VII. TRADING PROFIT/LOSS (Net)	4.3	(440.432)
7.1 Profit/losses from capital market transactions		41.287
7.2 Profit/losses from derivative financial transactions	4.5	504.035
7.3 Foreign exchange profit/losses		(985.754)
VIII. OTHER OPERATING INCOME	4.6	368.922
GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		3.067.450
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	4.4	958.475
XI. OTHER OPERATING EXPENSES (-)		758.017
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		1.350.958
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		210.868
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	4.8	1.561.826
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	4.9	317.778
17.1 Current tax provision		-
17.2 Expense effect of deferred tax (+)		317.778
17.3 Income effect of deferred tax (-)		-
NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)		1.244.048
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-
19.3 Other income from discontinued operations		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1 Expenses on assets held for sale		-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-
20.3 Other expenses from discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
21.1 Current tax provision		-
21.2 Expense effect of deferred tax (+)		-
21.3 Income effect of deferred tax (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIII. NET PROFIT/LOSSES (XVIII+XXIII)	4.10	1.244.048
Earnings/(loss) per share (full TL)		0,0029

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

Unconsolidated financial statements as of March 31, 2017

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

3. Income statement

Income and expense items	Note (Section Five)	Prior Period (01/01/2017- 31/03/2017)
I. Interest income	4.1	4.874.055
1.1 Interest on loans	4.1.1	4.090.636
1.2 Interest received from reserve deposits		44.023
1.3 Interest received from banks	4.1.2	26.031
1.4 Interest received from money market transactions		3.973
1.5 Interest received from marketable securities portfolio	4.1.3	708.801
1.5.1 Trading financial assets		1.174
1.5.2 Financial assets at fair value through profit or (loss)		-
1.5.3 Available-for-sale financial assets		494.656
1.5.4 Held to maturity investments		212.971
1.6 Financial lease income		-
1.7 Other interest income		591
II. Interest expense	4.2	(2.732.735)
2.1 Interest on deposits	4.2.4	(2.189.327)
2.2 Interest on funds borrowed	4.2.1	(298.472)
2.3 Interest expense on money market transactions		(79.692)
2.4 Interest on securities issued	4.2.3	(144.711)
2.5 Other interest expenses		(20.533)
III. Net interest income (I + II)		2.141.320
IV. Net fees and commissions income		807.317
4.1 Fees and commissions received		1.001.537
4.1.1 Non-cash loans		141.972
4.1.2 Other		859.565
4.2 Fees and commissions paid		(194.220)
4.2.1 Non-cash loans		(39)
4.2.2 Other		(194.181)
V. Dividend income	4.3	1.760
VI. Trading gain/(loss) (net)	4.4	(22.175)
6.1 Trading gains/(losses) on securities		13.280
6.2 Derivative financial transactions gains/(losses)	4.5	(753.859)
6.3 Foreign exchange gains/(losses)		718.404
VII. Other operating income	4.6	327.090
VIII. Total operating income (III+IV+V+VI+VII)		3.255.312
IX. Provision for impairment of loans and other receivables (-)	4.7	875.814
X. Other operating expenses (-)	4.8	1.295.406
XI. Net operating income/(loss) (VIII-IX-X)		1.084.092
XII. Excess amount recorded as income after merger		-
XIII. Income/(loss) from investments accounted based on equity method		146.121
XIV. Income/(loss) on net monetary position		-
XV. Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)	4.8	1.230.213
XVI. Tax provision for continuing operations (±)	4.9	(228.932)
16.1 Current tax provision		(414.147)
16.2 Deferred tax provision		185.215
XVII. Net profit/loss from continuing operations (XV±XVI)		1.001.281
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 (±)		-
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)	4.10	1.001.281
Earnings/(loss) per share (full TL)		0,0023

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

Unconsolidated financial statements as of March 31, 2018 and 2017

(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 (31/03/2018)
I.	PROFIT (LOSS)	1.244.048
II.	OTHER COMPREHENSIVE INCOME	386.703
2.1	Other comprehensive income that will not be reclassified to profit or loss	2.629
2.1.1	Gains (losses) on Revaluation of Property, Plant and Equipment	(311)
2.1.2	Gains (losses) on revaluation of Intangible Assets	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	-
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	2.906
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	34
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	384.074
2.2.1	Exchange Differences on Translation	190.197
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(212.326)
2.2.3	Income (loss) Related with Cash Flow Hedges	604.001
2.2.4	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(143.115)
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(54.683)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1.630.751

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

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

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 (31/03/2018)	CHANGES IN SHAREHOLDER'S EQUITY				Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders' equity
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6				
I. Balance at the beginning of the period	4.347.051	543.881	-	1.340.087	1.360.019	(178.038)	1.356.685	1.174.944	(381.624)	375.225	16.545.616	-	3.614.081	30.097.927
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	(181.350)	-	110.325	-	(62.054)	-	-	(133.079)
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	(181.350)	-	110.325	-	(62.054)	-	-	(133.079)
III. New balance (I+II)	4.347.051	543.881	-	1.340.087	1.360.019	(178.038)	1.175.335	1.174.944	(271.299)	375.225	16.483.562	-	3.614.081	29.964.848
IV. Total comprehensive income (loss)	-	-	-	-	(277)	-	2.906	190.197	(165.614)	359.491	-	-	1.244.048	1.630.751
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	4.347.051	543.881	-	1.467.920	1.359.742	(178.038)	1.178.241	1.365.141	(436.913)	734.716	19.969.810	-	1.244.048	31.595.599

1. Tangible assets revaluation reserve,

2. Accumulated gains / losses on remeasurements of defined benefit plans

3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss

4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

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

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

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)	Property and equipment and intangible assets		Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity	
												Marketable securities value increase fund	revaluation fund					
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, 2018

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

6. Statement of cash flows

	Notes (Section Five)	Current Period (31/03/2018)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		1.260.978
1.1.1 Interest received		5.144.913
1.1.2 Interest paid		(3.367.601)
1.1.3 Dividend received		62.801
1.1.4 Fees and commissions received		1.222.898
1.1.5 Other income		(396.935)
1.1.6 Collections from previously written-off loans and other receivables		351.708
1.1.7 Cash Payments to personnel and service suppliers		(1.221.117)
1.1.8 Taxes paid		(288.159)
1.1.9 Other		(247.530)
1.2 Changes in operating assets and liabilities subject to banking operations		(8.220.310)
1.2.1 Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(213.593)
1.2.2 Net (increase) decrease in due from banks		(3.526.152)
1.2.3 Net (increase) decrease in loans		(3.934.628)
1.2.4 Net (increase) decrease in other assets		(1.117.309)
1.2.5 Net increase (decrease) in bank deposits		3.685.470
1.2.6 Net increase (decrease) in other deposits		956.471
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		1.022.598
1.2.8 Net increase (decrease) in funds borrowed		(1.279.392)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		(3.813.775)
I Net cash provided from banking operations		(6.959.332)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		618.870
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3 Cash paid for the purchase of tangible and intangible asset		(60.609)
2.4 Cash obtained from the sale of tangible and intangible asset		13.781
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(2.889.941)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		4.015.566
2.7 Cash paid for the purchase of financial assets at amortised cost		(860.045)
2.8 Cash obtained from sale of financial assets at amortised cost		400.118
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flows from financing activities		2.919.149
3.1 Cash obtained from funds borrowed and securities issued		3.686.125
3.2 Cash outflow from funds borrowed and securities issued		(766.940)
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for finance lease liabilities		(36)
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		741.476
V. Net increase/decrease in cash and cash equivalents		(2.679.837)
VI. Cash and cash equivalents at beginning of the period		21.589.701
VII. Cash and cash equivalents at end of the period		18.909.864

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

Notes to unconsolidated financial statements as of March 31, 2018

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

6. Statement of cash flows

	Notes (Section Five)	Prior Period (31/03/2017)
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	1.642.449
1.1.1	Interest received	3.973.165
1.1.2	Interest paid	(2.718.741)
1.1.3	Dividend received	116.426
1.1.4	Fees and commissions received	1.001.537
1.1.5	Other income	181.871
1.1.6	Collections from previously written-off loans and other receivables	351.505
1.1.7	Cash Payments to personnel and service suppliers	(1.056.492)
1.1.8	Taxes paid	(163.962)
1.1.9	Other	(42.860)
1.2	Changes in operating assets and liabilities subject to banking operations	(2.211.991)
1.2.1	Net (increase) Decrease in Financial Assets at Fair Value through Profit or Loss	(23.795)
1.2.2	Net (increase) decrease in due from banks	-
1.2.3	Net (increase) decrease in loans	(1.486.662)
1.2.4	Net (increase) decrease in other assets	(8.348.927)
1.2.5	Net increase (decrease) in bank deposits	143.834
1.2.6	Net increase (decrease) in other deposits	(2.026.311)
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	7.523.506
1.2.8	Net increase (decrease) in funds borrowed	544.775
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	1.461.589
I.	Net cash provided from banking operations	(569.542)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	-
II.	Net cash provided from investing activities	(1.134.563)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	-
2.3	Cash paid for the purchase of tangible and intangible asset	(51.070)
2.4	Cash obtained from the sale of tangible and intangible asset	14.588
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(2.308.813)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	1.200.366
2.7	Cash paid for the purchase of financial assets at amortised cost	(10.224)
2.8	Cash obtained from sale of financial assets at amortised cost	20.590
2.9	Other	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash flows from financing activities	193.052
3.1	Cash obtained from funds borrowed and securities issued	3.268.165
3.2	Cash outflow from funds borrowed and securities issued	(3.074.674)
3.3	Equity instruments issued	-
3.4	Dividends paid	-
3.5	Payments for finance lease liabilities	(439)
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	272.066
V.	Net increase/decrease in cash and cash equivalents (I+II+III+IV)	(1.238.987)
VI.	Cash and cash equivalents at beginning of the period	13.957.819
VII.	Cash and cash equivalents at end of the period	12.718.832

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

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 at fair value through other comprehensive income, investments in associates and subsidiaries measured at fair value, derivative financial assets/liabilities and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of 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 accounting principles except TFRS 9 impact, are in accordance with the used principles in preparation of yearly financial statement as of 31 December 2017.

The Bank has adopted “TFRS 9: Financial Instruments” to replace “TAS 39 Financial Instruments: Recognition and measurement” as of 1 January 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt TFRS 9 in previous periods.

As permitted by the transitional provisions of TFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the “Profit reserves” and “Other comprehensive income” of the current period. The Bank has also elected to continue to apply the hedge accounting requirements of TAS 39.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and also impairment of financial assets.

Notes to unconsolidated financial statements as of March 31, 2018

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

The following table reconciles the changes for impairment of financial assets between previous measurement category in accordance with TAS 39 as of December 31, 2017 to new measurement categories upon transition to TFRS 9 as of January 1, 2018:

According to TAS 39, TAS 37 and related regulations of BRSA		Provision Difference	According to TFRS 9	
Measurement category	Allowances	Remeasurement	Measurement category	Expected credit loss provisions
Financial assets	27.198	59.196	Financial assets	86.394
Cash and balances with Central Bank	-	77.691	Cash and balances with Central Bank	77.691
Banks	27.198	(18.917)	Banks	8.281
Money markets	-	422	Money markets	422
Financial assets available-for-sale	17.815	4.677	Financial assets at fair value through other comprehensive income	22.492
Held-to-maturity investments	-	8.399	Financial assets measured at amortised cost	8.399
Loans and receivables	9.829.564	396.070	Loans	10.225.634
Lease receivables	-	-	Lease receivables	-
Factoring receivables	-	-	Factoring receivables	-
Other assets	186.834	(179.987)	Other assets	6.847
Off-balance sheet commitments	356.956	758.596	Off-balance sheet commitments	1.115.552
Total	10.418.367	1.046.951	Total	11.465.318

The effect of application of TFRS 9 to impairment of financial assets is, before tax, TL 1.046.951 expense.

The Bank calculated deferred tax related to Stage 1 and Stage 2 expected credit losses, and recognized under shareholder's equity with initial application of TFRS 9. Calculated tax impact is TL 963.511 income, and as a result net-off tax TL 83.440 expense is recognized under "Profit Reserves" opening balance related to impairment of financial assets.

Besides, the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to TL 181.350 expense and is recognized under "Other accumulated comprehensive income that will not be reclassified in profit or loss" opening balance.

Application of TFRS 9 resulted also in changes to measurement and classification of some financial assets.

Visa Inc. shares and credit linked notes classified as "Available for sale financial assets" per prior application, have been classified as "Financial assets measured at fair value through profit or loss" per TFRS 9 transition applied in the current period. In relation to this change TL 23.456 income and TL 2.070 expense has been transferred from "Marketable securities valuation differences" to "Profit reserves".

Some equity instruments classified as "Available-for-sale financial assets" in the prior period are also classified as "Financial assets measured at fair value through other comprehensive income" irrevocably except Visa Inc. The fair value changes of related instruments will not be reclassified to profit or loss when they are sold.

As of January 1, 2018, the Bank has no other financial instruments that fail the solely payments of principal and interest test except credit linked notes.

In addition, with the adoption of TFRS 9, some public debt securities with an amount of TL 1.998.350 under "financial assets at fair value through other comprehensive income" portfolio are classified as "financial assets measured at amortised cost" due to change in the business model. In relation to this change marketable securities valuation expense amounting to TL 131.711 has been reversed from "Marketable securities valuation differences". There is no other changes in the measurement principal apart from related classification.

Per BRSA communique numbered 24049440-045.01[3/8]-E.5380 dated April, 17 2018, titled "Financial Reporting", prior period figures are represented in prior format and without application of TFRS 9 regulations.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be

Notes to unconsolidated financial statements as of March 31, 2018

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

distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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.

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 "Other accumulated comprehensive income that will be reclassified in other profit or loss" in equity.

Bank, upon initial recognition, classifies its financial liabilities as financial liabilities at fair 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 "Other accumulated comprehensive income that will not be reclassified in profit or loss" under 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 "Other accumulated comprehensive income that will not be reclassified in profit or loss" 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.

Notes to unconsolidated financial statements as of March 31, 2018

(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 "Other accumulated comprehensive income that will be reclassified in profit or loss" 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 "TFRS 9 - Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets 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 "Derivative financial assets at fair value through profit or loss"; and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". 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 "TFRS – 9 Financial Instruments" 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, 2018, the Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS – 9 Financial Instruments" 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.

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.

Notes to unconsolidated financial statements as of March 31, 2018

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

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, "IFRS – 9 Financial Instruments", 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

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and discounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ('UCA'). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

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:

As of January 1, 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

According to IFRS 9 classification of financial assets is based on two criteria; classification and measurement of financial assets depend on the business model of the financial asset and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank's objective may be solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Notes to unconsolidated financial statements as of March 31, 2018

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

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.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans :

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans 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 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. 29750 dated June 22, 2016. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments 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 financial assets at fair value through other comprehensive income are recognized in

Notes to unconsolidated financial statements as of March 31, 2018

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

the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss ", 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 Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income 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 "Profit/losses from capital market transactions" .

8. Explanations on impairment of financial assets:

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Notes to unconsolidated financial statements as of March 31, 2018

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

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 ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" 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 "Money market funds" 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 money markets" 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.

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. 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.

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".

The depreciation rate for buildings is 2-4%, for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

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.

Notes to unconsolidated financial statements as of March 31, 2018

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

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. “In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises’ corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years’ in the provisional tax declaration.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not 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.

Notes to unconsolidated financial statements as of March 31, 2018

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

Corporations are required to pay advance corporate tax quarterly 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, 50% for the sales on and after 5 December 2017, 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, 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.

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 "amortized cost" including costs of transactions using the "effective interest method".

Notes to unconsolidated financial statements as of March 31, 2018

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

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 amortized 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 1.183 (December 31, 2017 - TL 1.183).

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	1.244.048	1.001.281
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0029	0,0023

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 2018 (2017 - 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.

Notes to unconsolidated financial statements as of March 31, 2018

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

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 10 of Section Four.

26. Explanations on other matters:

None.

27. Explanations on prior period accounting policies not valid for the current period:

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

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.

27.1 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.

27.2. 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.

Notes to unconsolidated financial statements as of March 31, 2018

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

27.3. 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.

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.

27.4. 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.

Notes to unconsolidated financial statements as of March 31, 2018

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

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard 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 14,02% (December 31, 2017 – 14,49%).

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	21.421.459		16.545.616	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5.210.937		6.054.914	
Profit	1.244.048		3.614.081	
Net profit of the period	1.244.048		3.614.081	
Profit of the previous years	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	16.271		16.271	
Common Equity Tier 1 capital before regulatory adjustments	32.783.647		31.121.814	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	60.592		90.195	
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	1.188.048		1.023.887	
Improvement costs for operating leasing	84.250		91.369	
Goodwill (net of related tax liability)	979.493	-	783.594	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	617.794	-	489.500	611.874
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	1.307.812		836.691	
Shortfall of provisions to expected losses	-		-	
Securitisations 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	594.254		547.770	
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	4.832.243		3.863.006	
Common Equity Tier 1 capital (CET1)	27.951.404		27.258.808	

Notes to unconsolidated financial statements as of March 31, 2018

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

ADDITIONAL TIER 1 CAPITAL	Amounts subject to treatment	
	Current Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
	Prior Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
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 (-)	-	318.273
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)	27.951.404	26.940.535
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5.678.518	5.865.305
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)	568.832	711.040
Provisions (Article 8 of the Regulation on the Equity of Banks) ⁽²⁾	2.255.125	2.893.299
Tier 2 capital before regulatory adjustments	8.502.475	9.469.644
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	75.509	72.789
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	75.509	72.789
Total Tier 2 capital	8.426.966	9.396.855
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	36.232.391	36.198.441
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	3.717	3.750
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 ⁽³⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	142.262	135.199
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 (-)	-	-

Notes to unconsolidated financial statements as of March 31, 2018

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

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	36.232.391	36.198.441
Total Risk Weighted Assets	258.442.277	249.893.152
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,82	10,91
Tier 1 Capital Adequacy Ratio (%)	10,82	10,78
Capital Adequacy Ratio (%)	14,02	14,49
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	1,892	1,261
a) Capital conservation buffer requirement (%)	1,875	1,250
b) Bank's specific countercyclical buffer requirement (%)	0,017	0,011
c) Systemically important Bank buffer (%)	-	-
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 (%)	4,815	4,908
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)	2.332.200	1.693.432
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	2.891.186	3.332.694
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.891.186	2.893.299
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	711.040	-
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	3.237.860	-

- (1) The specified amounts are the figures calculated for the items subject to the phasing.
- (2) Represents post-tax net amount of general provisions.
- (3) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of March 31, 2018

(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)	1,848	1,856	569	1,974
Par value of instrument	2,310	1,856	3,949	1,974
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 + 1 day
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%	5,5%	8,625% 5 Year MidSwap+7,40 basis points, 8,625% 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 non-compliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	-

Unconsolidated financial statements as of March 31, 2018

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

- 1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, 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 October 23, 2015 and became effective as of March 31, 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)	229.726.821	223.580.717	18.378.146
2	Of which standardised approach (SA)	229.726.821	223.580.717	18.378.146
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	7.334.890	7.836.138	586.791
5	Of which standardised approach for counterparty credit risk (SA-CCR)	7.334.890	7.836.138	586.791
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	45.689	47.101	3.655
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	2.037.708	1.835.098	163.017
17	Of which standardised approach (SA)	2.037.708	1.835.098	163.017
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	19.297.169	16.594.098	1.543.774
20	Of which Basic Indicator Approach	19.297.169	16.594.098	1.543.774
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	-	-	-
	Total (1+4+7+8+9+10+11+12+16+19+23+24)	258.442.277	249.893.152	20.675.383

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 8.

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:

Unconsolidated financial statements as of March 31, 2018

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

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate:	3,9489	4,8673
First day current bid rate	3,9949	4,9191
Second day current bid rate	3,9931	4,9500
Third day current bid rate	3,9757	4,9414
Fourth day current bid rate	3,9742	4,9251
Fifth day current bid rate	3,9608	4,8853
Arithmetic average of the last 31 days:	3,8806	4,7830
Evaluation rate as of December 31, 2017:	3,7719	4,5155

Information on currency risk of the Bank

Current Period	EUR	USD	OTHER FC ⁽⁴⁾	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	8.086.358	21.288.438	5.390.205	34.765.001
Banks	567.875	1.257.591	85.615	1.911.081
Financial assets at fair value through profit or loss	3.158	140.139	-	143.298
Receivables from money markets	876.114	-	-	876.114
Financial assets at fair value through other comprehensive income	769.408	2.421.503	-	3.190.911
Loans ⁽¹⁾	37.772.073	42.241.541	1.251.392	81.265.006
Investments in associates, subsidiaries and joint ventures	1.997.695	195.771	574.976	2.768.442
Financial assets measured at amortised cost	253.816	6.316.042	-	6.569.859
Hedging derivative financial assets	51.563	258.606	-	310.169
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	1.827.973	1.525.022	330.077	3.683.072
Total assets	52.206.033	75.644.653	7.632.267	135.482.953
Liabilities				
Bank deposits	938.141	6.962.841	77.600	7.978.582
Foreign currency deposits	29.043.749	48.949.699	2.534.984	80.528.432
Funds from money market	438.073	389.634	-	827.707
Funds borrowed from other financial institutions	17.359.986	17.027.164	130.566	34.517.716
Marketable securities issued	98.389	12.384.620	102.743	12.585.752
Miscellaneous payables	2.056.419	268.583	32.456	2.357.458
Hedging derivative financial liabilities	14.223	-	-	14.223
Other liabilities ⁽³⁾	334.462	16.749.623	11.778	17.095.863
Total liabilities	50.283.442	102.732.164	2.890.127	155.905.733
Net on-balance sheet position	1.922.591	(27.087.511)	4.742.140	(20.422.780)
Net off-balance sheet position⁽⁵⁾	(1.537.694)	27.069.806	(4.287.768)	21.244.344
Financial derivative assets	18.076.384	72.212.526	2.651.070	92.939.980
Financial derivative liabilities	19.614.078	45.142.720	6.938.838	71.695.636
Net Position	384.897	(17.705)	454.372	821.564
Non-cash loans	25.566.726	26.019.192	4.121.200	55.707.118
Prior Period				
Total assets	50.456.810	70.818.545	7.023.521	128.298.876
Total liabilities	49.384.583	102.801.002	2.731.060	154.916.645
Net on-balance sheet position	1.072.227	(31.982.457)	4.292.461	(26.617.769)
Net off-balance sheet position	(907.085)	32.203.529	(3.788.065)	27.508.379
Financial derivative assets	13.052.031	90.234.094	2.852.275	106.138.400
Financial derivative liabilities	13.959.116	58.030.565	6.640.340	78.630.021
Net Position	165.142	221.072	504.396	890.610
Non-cash loans	22.796.277	24.961.599	3.913.204	51.671.080

- (1) Includes FX indexed loans amounting to TL 6.320.441 (December 31, 2017 – TL 5.895.865) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 194.771 (December 31, 2017 - TL 174.642) and foreign currency denominated general provisions.
(3) Does not include foreign currency other comprehensive income and expense under equity.
(4) Other FC column includes also gold balance.
(5) Forward transactions classified as commitments are also included.

Unconsolidated financial statements as of March 31, 2018

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

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.

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	27.763.405	-	-	-	-	15.653.235	43.416.640
Banks	163.777	262.945	73.458	-	-	1.417.632	1.917.812
Financial assets at fair value through profit/loss	1.399	1.128	7.174	13.416	32.150	215.166	270.433
Receivables from money markets	1.023.716	2.045	10.241	-	-	-	1.036.002
Financial assets at fair value through other comprehensive income	3.345.892	2.671.037	7.876.388	6.927.675	3.083.342	9.501	23.913.835
Loans ⁽¹⁾	31.483.018	37.370.475	57.213.649	60.945.422	10.861.241	(1.393.107)	196.480.698
Financial assets measured at amortised cost	757.560	1.046.301	4.002.621	2.707.227	7.673.394	-	16.187.103
Other assets	896.376	1.724.076	554.196	2.202.167	444.672	15.611.313	21.432.800
Total assets	65.435.143	43.078.007	69.737.727	72.795.907	22.094.799	31.513.740	304.655.323
Liabilities							
Bank deposits	10.817.779	95.220	-	-	-	1.053.696	11.966.695
Other deposits	98.681.264	26.239.895	7.168.202	13.967	-	30.025.688	162.129.016
Funds from money market	10.109.062	482	-	438.119	-	-	10.547.663
Miscellaneous payables	-	-	-	-	-	12.475.132	12.475.132
Marketable securities issued	1.087.515	324.316	2.414.130	9.770.634	2.056.467	-	15.653.062
Funds borrowed from other financial institutions	12.003.373	12.599.084	8.940.931	647.793	770.908	-	34.962.089
Other liabilities ⁽²⁾	656.382	6.464.969	828.991	7.435.130	4.104.504	37.431.690	56.921.666
Total liabilities	133.355.375	45.723.966	19.352.254	18.305.643	6.931.879	80.986.206	304.655.323
Balance sheet long position	-	-	50.385.473	54.490.264	15.162.920	-	120.038.657
Balance sheet short position	(67.920.232)	(2.645.959)	-	-	-	(49.472.466)	(120.038.657)
Off-balance sheet long position	13.764.310	24.698.392	-	-	-	-	38.462.702
Off-balance sheet short position	-	-	(5.202.273)	(27.704.475)	(5.571.479)	-	(38.478.227)
Total position	(54.155.922)	22.052.433	45.183.200	26.785.789	9.591.441	(49.472.466)	(15.525)

(1) Non-performing loans are presented in the "Non-Interest Bearing" column after being offset against expected loss provisions.

(2) Shareholders' equity is presented under "Non interest bearing"

Unconsolidated financial statements as of March 31, 2018

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

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	24.194.176	-	-	-	-	17.779.403	41.973.579
Banks	1.246.963	240.327	-	67.751	-	1.165.586	2.720.627
Financial assets at fair value through profit/loss	1.259.401	1.421.297	714.211	456.707	266.582	-	4.118.198
Money market placements	816.887	-	-	-	-	-	816.887
Available-for-sale financial assets	2.846.067	4.491.442	6.541.944	7.157.347	3.071.939	198.921	24.307.660
Loans	33.781.088	28.000.961	63.134.557	57.200.378	10.765.592	2.077.867	194.960.443
Held-to-maturity investments	1.162.846	1.485.657	2.266.839	680.911	7.434.658	-	13.030.911
Other assets	-	566.572	13.348	974.251	134.224	14.193.620	15.882.015
Total assets	65.307.428	36.206.256	72.670.899	66.537.345	21.672.995	35.415.397	297.810.320
Liabilities							
Bank deposits	7.202.627	17.816	-	-	-	1.039.061	8.259.504
Other deposits	99.729.476	23.678.121	8.193.377	39.357	-	29.447.382	161.087.713
Funds from money market	12.758.947	41.204	-	-	-	-	12.800.151
Miscellaneous payables	-	-	-	-	-	12.154.312	12.154.312
Marketable securities issued	468.002	631.107	2.199.394	7.259.556	1.934.783	-	12.492.842
Funds borrowed from other financial institutions	9.366.029	17.934.640	10.316.973	649.814	862.603	-	39.130.059
Other liabilities ⁽¹⁾	1.222.366	844.806	976.189	4.694.564	6.131.340	38.016.474	51.885.739
Total liabilities	130.747.447	43.147.694	21.685.933	12.643.291	8.928.726	80.657.229	297.810.320
Balance sheet long position	-	-	50.984.966	53.894.054	12.744.269	-	117.623.289
Balance sheet short position	(65.440.019)	(6.941.438)	-	-	-	(45.241.832)	(117.623.289)
Off-balance sheet long position	12.028.098	23.123.155	-	-	-	-	35.151.253
Off-balance sheet short position	-	-	(2.415.433)	(27.301.056)	(7.175.587)	-	(36.892.076)
Total position	(53.411.921)	16.181.717	48.569.533	26.592.998	5.568.682	(45.241.832)	(1.740.823)

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

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	-	1,50	-	12,06
Banks	1,51	1,80	-	13,75
Financial assets at fair value through profit or loss	2,75	5,31	-	12,68
Receivables from money markets	-	-	-	14,66
Financial assets at fair value through other comprehensive income	4,04	5,40	-	12,60
Loans	4,47	6,66	4,96	14,69
Financial assets measured at amortised cost	5,20	5,44	-	12,42
Liabilities⁽¹⁾				
Bank deposits	0,10	1,75	-	13,13
Other deposits	1,61	3,31	1,50	13,59
Funds from money market	-	2,45	-	12,72
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,94	5,37	-	13,90
Funds borrowed from other financial institutions	1,23	3,37	2,64	7,75

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

Unconsolidated financial statements as of March 31, 2018

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

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	-	1,50	-	9,98
Banks	1,49	1,40	-	14,72
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,02
Available-for-sale financial assets	4,04	5,32	-	13,04
Loans	4,40	6,49	4,98	14,13
Held-to-maturity investments	5,20	5,43	-	13,36
Liabilities⁽¹⁾				
Bank deposits	0,90	1,50	-	13,00
Other deposits	1,62	3,46	1,66	13,42
Funds from money market	-	-	-	12,70
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,02	5,22	-	13,44
Funds borrowed from other financial institutions	1,23	3,07	2,64	8,02

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

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

None.

6. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before 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 does not function 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.

Unconsolidated financial statements as of March 31, 2018

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

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. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"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. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 57% of total liabilities of the Bank (December 31, 2017 – 57%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LCO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LCO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and 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 other secured borrowings. A large part of securities which are subjects of the aforementioned funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out in both 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.

Unconsolidated financial statements as of March 31, 2018

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

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

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	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			58.463.244	34.220.977
Cash Outflows				
Retail and Small Business Customers Deposits	88.371.549	36.572.071	7.802.288	3.657.173
Stable deposits	20.697.327	668	1.034.866	33
Less stable deposits	67.674.222	36.571.403	6.767.422	3.657.140
Unsecured Funding other than Retail and Small Business Customers Deposits	73.334.945	42.371.474	42.744.109	23.513.244
Operational deposits	-	-	-	-
Non-Operational deposits	60.592.524	38.688.146	32.407.363	19.834.466
Other Unsecured funding	12.742.421	3.683.328	10.336.746	3.678.778
Secured funding	-	-	-	-
Other Cash Outflows	2.790.450	16.846.822	2.790.450	16.846.822
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.790.450	16.846.822	2.790.450	16.846.822
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	117.005.719	88.829.441	5.850.286	4.441.472
Other irrevocable or conditionally revocable commitments	70.346.662	13.169.600	4.992.955	775.946
Total Cash Outflows			64.180.088	49.234.657
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	21.822.845	5.571.732	13.389.496	4.581.023
Other contractual cash inflows	1.290.953	24.797.640	1.290.953	24.797.640
Total Cash Inflows	23.113.798	30.369.372	14.680.449	29.378.663
			Capped Amounts	
Total High Quality Liquid Assets			58.463.244	34.220.977
Total Net Cash Outflows			49.499.639	19.855.994
Liquidity Coverage Ratio (%)			118,11	172,35

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	March 9, 2018	February 9, 2018	January 12, 2018	January 19, 2018
Ratio(%)	133,79	111,76	263,45	131,35

Unconsolidated financial statements as of March 31, 2018

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

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 2017.

Prior Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			51.481.229	31.329.721
Cash Outflows				
Retail and Small Business Customers Deposits	85.645.904	35.495.655	7.563.443	3.549.530
Stable deposits	20.022.939	708	1.001.147	35
Less stable deposits	65.622.965	35.494.947	6.562.296	3.549.495
Unsecured Funding other than Retail and Small Business Customers Deposits	66.743.363	37.634.514	37.405.369	20.070.624
Operational deposits	-	-	-	-
Non-Operational deposits	53.210.891	33.275.753	26.373.923	15.722.445
Other Unsecured funding	13.532.472	4.358.761	11.031.446	4.348.179
Secured funding	-	-	-	-
Other Cash Outflows	9.482.332	19.329.414	9.482.332	19.329.414
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.482.332	19.329.414	9.482.332	19.329.414
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	90.331.141	62.961.908	4.516.557	3.148.095
Other irrevocable or conditionally revocable commitments	67.614.850	12.504.154	4.805.564	749.342
Total Cash Outflows			63.773.265	46.847.005
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.116.243	6.273.377	12.554.174	4.985.480
Other Contractual Cash Inflows	8.420.498	26.546.284	8.420.498	26.546.284
Total Cash Inflows	28.536.741	32.819.661	20.974.672	31.531.764
			Capped Amounts	
Total High Quality Liquid Assets			51.481.229	31.329.721
Total Net Cash Outflows			42.798.593	15.315.241
Liquidity Coverage Ratio (%)			120,29	204,57

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 FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October 6, 2017	October 13, 2017	November 24, 2017	November 24, 2017
Ratio(%)	132,30	112,17	296,53	133,98

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of March 31, 2018

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

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	9.186.685	34.229.955	-	-	-	-	-	43.416.640
Banks	1.417.632	163.777	262.945	73.458	-	-	-	1.917.812
Financial assets at fair value through profit or loss	99.890	1.247	257	7.174	14.339	32.249	115.277	270.433
Receivables from money markets	-	1.023.716	2.045	10.241	-	-	-	1.036.002
Financial assets at fair value through other comprehensive income	-	88.786	29.053	981.930	15.100.765	7.703.800	9.501	23.913.835
Loans ⁽¹⁾	-	28.126.976	23.414.372	50.392.591	76.465.842	19.474.024	(1.393.107)	196.480.698
Financial assets measured at amortised cost	-	-	-	716.169	3.912.891	11.558.043	-	16.187.103
Other assets	2.687.857	562.265	535.684	1.187.720	2.928.820	606.998	12.923.456	21.432.800
Total assets	13.392.064	64.196.722	24.244.356	53.369.283	98.422.657	39.375.114	11.655.127	304.655.323
Liabilities								
Bank deposits	1.053.696	10.817.779	95.220	-	-	-	-	11.966.695
Other deposits	30.025.688	98.681.264	26.239.895	7.168.202	13.967	-	-	162.129.016
Funds borrowed from other financial institutions	-	3.384.584	7.937.791	13.873.715	8.615.921	1.150.078	-	34.962.089
Funds from money market	-	10.109.062	482	-	438.119	-	-	10.547.663
Marketable securities issued	-	1.087.515	324.316	2.414.130	9.770.634	2.056.467	-	15.653.062
Miscellaneous payables	952.533	11.303.693	54.500	-	-	-	164.406	12.475.132
Other liabilities ⁽²⁾	2.362.099	318.203	833.771	965.166	9.516.872	9.096.604	33.828.951	56.921.666
Total liabilities	34.394.016	135.702.100	35.485.975	24.421.213	28.355.513	12.303.149	33.993.357	304.655.323
Net liquidity gap	(21.001.952)	(71.505.378)	(11.241.619)	28.948.070	70.067.144	27.071.965	(22.338.230)	-
Net Off-Balance Sheet Position	-	239.151	14.981	76.341	40.217	(386.215)	-	(15.525)
Derivative Financial Assets	-	45.284.703	30.040.320	29.261.683	57.913.330	22.453.451	-	184.953.487
Derivative Financial Liabilities	-	45.045.552	30.025.339	29.185.342	57.873.113	22.839.666	-	184.969.012
Non-Cash Loans	-	2.163.353	8.210.364	30.516.430	12.918.153	4.702.577	24.579.825	83.090.702
Prior Period								
Total assets	16.699.791	63.168.924	22.163.900	52.508.348	-	37.634.757	14.215.115	297.810.320
Total liabilities	33.238.508	132.878.762	28.859.087	32.029.742	91.419.485	13.349.528	34.934.719	297.810.320
Liquidity gap	(16.538.717)	(69.709.838)	(6.695.187)	20.478.606	22.519.974	24.285.229	(20.719.604)	-
Net Off-Balance Sheet Position	-	(91.815)	(740.507)	(770.340)	68.899.511	(388.030)	-	(1.740.823)
Derivative Financial Assets	-	53.385.664	39.650.304	38.686.324	249.869	22.384.070	-	206.605.783
Derivative Financial Liabilities	-	53.477.479	40.390.811	39.456.664	52.499.421	22.772.100	-	208.346.606
Non-Cash Loans	-	2.594.272	8.348.073	27.938.436	52.249.552	4.504.619	23.431.874	78.166.294

(1) Non-performing loans are presented in the “Unclassified” column after being offset against expected loss provisions.

(2) Shareholders’ equity is presented under the “Other liabilities” item in the “Unclassified” column.

7. Explanations on leverage ratio:

The main reason for increase in leverage ratio for the current period is the increase in Tier 1 capital.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	294.985.978	281.399.763
(Asset amounts deducted in determining Tier 1 capital)	(3.393.154)	(3.325.087)
Total on-Balance sheet exposures	291.592.824	278.074.676
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	1.718.256	2.371.448
Potential credit risk of derivative financial instruments and credit derivatives	4.099.156	3.972.353
Total derivative financial instruments and credit derivatives exposure	5.817.412	6.343.801
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	83.762	211.588
Agent transaction exposures	-	-
Total securities financing transaction exposures	83.762	211.588
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	246.759.084	241.703.171
(Adjustments for conversion to credit equivalent amounts)	(43.735.995)	(27.339.751)
Total risk of off-balance sheet items	203.023.089	214.363.420
Capital and total exposure		
Tier 1 capital	27.517.719	26.772.740
Total exposures	500.517.087	498.993.485
Leverage ratio (%)	5,50	5,37

(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, 2018: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is classified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under "Derivative financial assets at fair value through other comprehensive income" if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through other comprehensive income".

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, 2018 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)	35.114.140	2.340.352	119.135	35.070.052	1.688.395	107.567
Cross currency interest rate swap (FVH)	1.502.347	-	281.519	1.393.760	-	204.859
Total	36.616.487	2.340.352	400.654	36.463.812	1.688.395	312.426

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 36.843.152 (December 31, 2017 – TL 36.729.813) the total notional of derivative financial assets amounting to TL 73.459.639 (December 31, 2017 – TL 73.193.625) 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.

8.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

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

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

The impact of application of FVH accounting is summarized below:

Current Period						
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	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	35.528	-	281.519	12.103

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	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	23.425	-	204.859	19.091

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

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

(3) The ineffective portion of the mentioned hedging transaction is TL 2.400 loss (December 31, 2017- TL TL 1.439 income).

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 the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

8.2. 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	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	2.340.352	119.135	1.307.812	471.121

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	1.688.395	107.567	836.691	457.541

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 6.249 income (December 31, 2017 – TL 6.987 income).

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 effectiveness range 80%-125%) 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.

8.3. 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, 2018 is EUR 410 million (December 31, 2017 is EUR 410 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 two main business units:

- Retail Banking
- Corporate and Commercial Banking

The Bank's Retail Banking activities include card payment systems, SME banking, individual banking and private 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. Through its Private Banking 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.

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.

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.

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

Current Period	Retail banking	Corporate and commercial banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	1.360.950	962.869	1.358.433	3.682.252
Operating expenses	(1.235.439)	(312.132)	(786.321)	(2.333.892)
Net operating income / (expense)	125.511	650.737	572.112	1.348.360
Dividend income ⁽¹⁾	-	-	2.598	2.598
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	210.868	210.868
Profit before tax	125.511	650.737	785.578	1.561.826
Tax provision expense ⁽¹⁾	-	-	(317.778)	(317.778)
Net period income	125.511	650.737	467.800	1.244.048
Net profit	125.511	650.737	467.800	1.244.048
Segment asset	82.350.477	106.263.073	110.519.717	299.133.267
Investments in associates, subsidiaries and joint ventures	-	-	5.522.056	5.522.056
Total assets	82.350.477	106.263.073	116.041.773	304.655.323
Segment liabilities	142.543.916	66.650.457	63.865.351	273.059.724
Shareholders' equity	-	-	31.595.599	31.595.599
Total liabilities	142.543.916	66.650.457	95.460.950	304.655.323

Prior Period ⁽²⁾	Retail banking	Corporate and commercial banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	1.217.637	826.708	1.209.207	3.253.552
Operating expenses	(1.104.360)	(233.531)	(833.329)	(2.171.220)
Net operating income / (expense)	113.277	593.177	375.878	1.082.332
Dividend income ⁽¹⁾	-	-	1.760	1.760
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	146.121	146.121
Profit before tax	113.277	593.177	523.759	1.230.213
Tax provision expense ⁽¹⁾	-	-	(228.932)	(228.932)
Net period income	113.277	593.177	294.827	1.001.281
Net profit	113.277	593.177	294.827	1.001.281
Segment asset	80.176.176	102.108.817	110.165.690	292.450.683
Investments in associates, subsidiaries and joint ventures	-	-	5.359.637	5.359.637
Total assets	80.176.176	102.108.817	115.525.327	297.810.320
Segment liabilities	104.782.107	61.810.968	101.119.318	267.712.393
Shareholders' equity	-	-	30.097.927	30.097.927
Total liabilities	104.782.107	61.810.968	131.217.245	297.810.320

(1) Related items have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".

(2) Income statements items presents the balances as of 31 March 2017

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	1.371.201	940.723	1.563.328	932.541
The CBRT ⁽¹⁾	7.280.438	33.824.183	6.032.373	33.445.287
Other	-	95	-	50
Total	8.651.639	34.765.001	7.595.701	34.377.878

(1) The balance of gold amounting to TL 5.332.578 is accounted for under the Central Bank foreign currency account (December 31, 2017 -TL 4.948.751).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	1.177.640	5.697.026	1.914.852	8.868.143
Time unrestricted amount	6.062.568	-	4.117.521	-
Time restricted amount	-	803.105	-	745.058
Reserve requirement ⁽²⁾	40.230	27.324.052	-	23.832.086
Total	7.280.438	33.824.183	6.032.373	33.445.287

(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, 2017 - None).

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2018**

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

1.3. Information on derivative financial assets:**1.3.1 Positive differences related to derivative financial assets held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	479.433	-	398.670	-
Swap transactions	2.251.078	483.346	3.051.849	415.703
Futures transactions	-	-	-	-
Options	172.784	94.494	137.137	57.859
Other	-	-	-	-
Total	2.903.295	577.840	3.587.656	473.562

1.3.2 Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	-	-	-	-
Cash flow hedges ⁽¹⁾	2.030.183	310.169	1.520.914	167.481
Hedges for investments made in foreign countries	-	-	-	-
Total	2.030.183	310.169	1.520.914	167.481

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	374	118.479	658	-
Foreign ⁽¹⁾	6.357	1.792.602	13.517	2.706.452
Head quarters and branches abroad	-	-	-	-
Total	6.731	1.911.081	14.175	2.706.452

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 18 (December 31, 2017 – TL 25).

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of March 31, 2018 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 3.034.585 and subject to repo transactions amounts to TL 6.540.332.

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

As of December 31, 2017 available-for-sale financial assets given as collateral/blocked amounts to TL 4.502.947 and subject to repo transactions amounts to TL 6.937.612.

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	24.192.843
Quoted on stock exchange	23.994.494
Not quoted ⁽¹⁾	198.349
Share certificates	54.820
Quoted on stock exchange	-
Not quoted	54.820
Impairment provision (-) ⁽²⁾	333.828
Total	23.913.835

(1) As of January 1, 2018, the Bank has changed its business model for some government debt securities with the adoption of TFRS 9. As a result, government bonds with an amount of TL 1.998.350 has been classified from financials assets at fair value through other comprehensive income to financial assets measured at amortised cost.

(2) Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

Information on available-for-sale financial assets:

	December 31, 2017
Debt securities	24.341.481
Quoted on stock exchange	23.894.244
Not quoted	447.237
Share certificates	149.396
Quoted on stock exchange	-
Not quoted	149.396
Impairment provision (-) ⁽¹⁾	278.060
Other ⁽²⁾	94.843
Total	24.307.660

(1) Includes the negative differences between the acquisition cost and the market price and the impairment provisions, if any, related to the securities portfolio.

(2) Other available-for-sale financial assets consist of investment funds.

1.7. Explanations on loans:**1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	42.374	1.104.424	23.229	1.358.830
Loans granted to employees	150.447	-	156.855	101
Total	192.821	1.104.424	180.084	1.358.931

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

Cash Loans	Standard loans	Loans under close monitoring		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Non-specialized loans	189.206.167	5.397.152	541.861	2.728.625
Loans given to enterprises	95.397.277	2.882.733	198.867	1.112.240
Export loans	9.083.000	40.571	24.874	93.370
Import loans	-	-	-	-
Loans given to financial sector	3.273.852	-	-	-
Consumer loans	33.949.083	1.052.126	13.325	348.314
Credit cards	23.351.094	744.763	250.263	-
Other ⁽¹⁾	24.151.861	676.959	54.532	1.174.701
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	189.206.167	5.397.152	541.861	2.728.625

(1) Fair value differences of the hedged item amounting to TL 25.099 are classified in other loans as explained in Note 8, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.735.704	-
Significant increase in credit risk	-	888.696
Total	1.735.704	888.696

Number of modifications made to extend payment plan	Standard loans	Loans under close monitoring
Extended by 1 or 2 times	-	3.085.569
Extended by 3,4 or 5 times	-	161.877
Extended by more than 5 times	-	23.040
Total	-	3.270.486

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at March 31, 2018

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

Extended period of time	Standard loans	Loans under close monitoring
0 - 6 Months	-	223.248
6 - 12 Months	-	209.383
1 - 2 Years	-	635.152
2 - 5 Years	-	1.703.536
5 Years and over	-	499.167
Total	-	3.270.486

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	328.543	33.360.422	33.688.965
Real estate loans	9.446	14.026.161	14.035.607
Automotive loans	12.445	494.697	507.142
Consumer loans	306.652	18.839.564	19.146.216
Consumer loans-FC indexed	-	21.312	21.312
Real estate loans	-	20.981	20.981
Automotive loans	-	-	-
Consumer loans	-	331	331
Individual credit cards-TL	16.107.004	756.551	16.863.555
With installments	8.323.911	545.504	8.869.415
Without installments	7.783.093	211.047	7.994.140
Individual credit cards-FC	15.575	-	15.575
With installments	-	-	-
Without installments	15.575	-	15.575
Personnel loans-TL	4.711	59.402	64.113
Real estate loans	11	2.271	2.282
Automotive loans	-	269	269
Consumer loans	4.700	56.862	61.562
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	84.130	433	84.563
With installments	41.760	433	42.193
Without installments	42.370	-	42.370
Personnel credit cards-FC	442	-	442
With installments	-	-	-
Without installments	442	-	442
Credit deposit account-TL (real person)⁽¹⁾	1.588.458	-	1.588.458
Total	18.128.863	34.198.120	52.326.983

(1) TL 1.329 of the credit deposit account belongs to the loans used by personnel.

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

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	1.007.381	15.069.540	16.076.921
Business loans	4.076	1.466.611	1.470.687
Automotive loans	60.156	1.132.215	1.192.371
Consumer loans	943.149	12.470.714	13.413.863
Commercial installments loans-FC indexed	11.697	211.791	223.488
Business loans	-	13.553	13.553
Automotive loans	-	51.512	51.512
Consumer loans	11.697	146.726	158.423
Corporate credit cards-TL	7.378.145	3.074	7.381.219
With installment	4.755.521	805	4.756.326
Without installment	2.622.624	2.269	2.624.893
Corporate credit cards-FC	766	-	766
With installment	-	-	-
Without installment	766	-	766
Credit deposit account-TL (legal person)	996.067	-	996.067
Total	9.394.056	15.284.405	24.678.461

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	195.857.515	190.963.726
Foreign loans	2.016.290	1.918.850
Total	197.873.805	192.882.576

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	228.630	213.845
Indirect loans granted to associates and subsidiaries	-	-
Total	228.630	213.845

1.7.7. Information on credit-impaired (Stage 3):

	Current Period
Loans with limited collectibility	253.456
Loans with doubtful collectibility	905.060
Uncollectible loans	6.228.049
Total	7.386.565

Specific provisions provided against loans:

	Prior Period
Loans and other receivables with limited collectibility	120.681
Loans and other receivables with doubtful collectibility	559.397
Uncollectible loans and other receivables	6.266.452
Total	6.946.530

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 with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period (Gross amounts before specific reserves)			
Restructured loans	23.098	116.524	299.702
Rescheduled loans	23.098	116.524	299.702
Prior Period (Gross amounts before specific reserves)			
Restructured loans	10.849	55.493	150.698
Rescheduled loans	10.849	55.493	150.698

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

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Prior Period	876.218	1.539.899	6.608.280
Additions (+)	476.336	28.019	74.434
Transfers from other categories of non-performing loans (+)	-	813.792	919.015
Transfer to other categories of non-performing loans (-)	813.792	919.015	-
Collections (-)	74.278	80.569	196.861
Write-offs (-)	-	-	6.155
Sold	-	-	627.465
Corporate and commercial loans	-	-	298.755
Consumer loans	-	-	191.497
Credit cards	-	-	137.213
Other	-	-	-
Current Period	464.484	1.382.126	6.771.248
Specific provision (-)	253.456	905.060	6.228.049
Net balance on balance sheet	211.028	477.066	543.199

It has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 627.465 to a selection of asset management companies for a total amount of TL 26.555.

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

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period			
Period end balance	2.177	89.345	651.636
Specific provision (-)	1.065	84.051	640.991
Net balance on balance sheet	1.112	5.294	10.645
Prior Period			
Period end balance	53.326	47.776	710.921
Specific provision (-)	48.727	46.155	700.703
Net balance on balance sheet	4.599	1.621	10.218

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

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	211.028	477.066	543.199
Loans granted to real persons and corporate entities (gross)	464.484	1.382.126	6.658.077
Provision amount (-)	253.456	905.060	6.114.878
Loans granted to real persons and corporate entities (net)	211.028	477.066	543.199
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.988
Provision amount (-)	-	-	83.988
Other loans (net)	-	-	-
	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 (net)	755.537	980.502	341.828
Loans granted to real persons and corporate entities (gross)	876.218	1.539.899	6.495.109
Specific provision amount (-)	120.681	559.397	6.153.281
Loans granted to real persons and corporate entities (net)	755.537	980.502	341.828
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (net)	-	-	-

1.7.8.5 Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	14.493	359	140
Interest accruals and rediscounts and valuation differences	31.571	1.015	728
Provision amount (-)	17.078	656	588
Prior Period (net)			
Interest accruals and rediscounts and valuation differences	-	-	-
Provision amount (-)	-	-	-

1.8. Information on financial assets at amortized cost:**1.8.1 Information on financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:**

As of March 31, 2018 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 7.260.894 and subject to repo transactions amounting to TL 2.165.861.

Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

As of December 31, 2017 held-to-maturity investments given as collateral / blocked amounts to TL 7.390.042. The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.249.012.

1.8.2 Information on public sector debt securities measured at amortized cost:

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2018**

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

	Current period
Government bond	16.187.103
Treasury bill	-
Other public sector debt securities	-
Total	16.187.103

Information on investment securities held-to-maturity:

	Prior period
Government bond	13.030.911
Treasury bill	-
Other debt securities	-
Total	13.030.911

1.8.3. Information on financial assets measured at amortized cost:

	Current period
Debt securities	16.614.153
Quoted on stock exchange	16.614.153
Not quoted	-
Impairment provision (-) ⁽¹⁾	427.050
Total	16.187.103

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

Information on held-to-maturity investments

	Prior period
Debt securities	13.408.710
Quoted on stock exchange	13.408.710
Not quoted	-
Impairment provision (-) ⁽¹⁾	377.799
Total	13.030.911

(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 financial assets measured at amortized cost within the period:

	Current period
Beginning balance	13.030.911
Foreign currency differences on monetary assets ⁽¹⁾	747.166
Purchases during the year	860.045
Transfers ⁽²⁾	1.998.350
Disposals through sales and redemptions	400.118
Impairment provision (-) ⁽³⁾	49.251
Period end balance	16.187.103

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

(2) As of January 1, 2018, the Bank has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost".

(3) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

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

	Prior period
Beginning balance	10.664.551
Foreign currency differences on monetary assets ⁽¹⁾	680.963
Purchases during the year	2.796.166
Disposals through sales and redemptions	1.031.607
Impairment provision (-) ⁽²⁾	79.162
Period end balance	13.030.911

(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.

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. ⁽¹⁾	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	18.887.542	2.006.556	15.718	66.572	8.113	67.050	68.511	-
2	282.149	183.485	179.270	6.467	-	44.498	34.759	-
3	90.246	49.094	47.325	1.656	-	9.004	10.403	-

(1) Financial statement information disclosed above shows December 31, 2017 results.

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	533.887	441.646
Movements during the period	45.592	92.241
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	18.253	45.295
Sales	-	-
Revaluation (decrease) / increase ⁽¹⁾	39.161	57.558
Impairment provision (-) ⁽²⁾	11.822	10.612
Balance at the end of the period	579.479	533.887
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	574.976	529.384
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	574.976	529.384

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

None (December 31, 2017 - None).

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.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2018**

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

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other capital reserves	93.423	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	16.440	(1.103)	(1.726)	(796)	-
Other accumulated comprehensive income that will be classified in profit or loss	27.803	-	-	-	908.542
Legal reserves	66.052	8.034	79.305	25.419	-
Extraordinary reserves	225.864	39.717	659.399	-	634.531
Other profit Reserves	-	-	-	-	-
Income or Loss	(23.884)	128.329	1.040.089	9.644	37.531
Current Year Income/Loss	46.062	26.571	95.270	9.644	37.531
Prior Years' Income/Loss	(69.946)	101.758	944.819	-	-
Leasehold improvements (-)	350	251	-	232	262
Intangible assets (-)	28.060	3.300	6.830	410	200
Total core capital	476.206	232.140	1.943.061	39.332	1.692.585
Supplementary capital	18.334	20.492	71.225	-	39.839
Capital	494.540	252.632	2.014.286	39.332	1.732.424
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	494.540	252.632	2.014.286	39.332	1.732.424

The above information is based on the consolidated financial statements of the Bank as of March 31, 2018.

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.

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at March 31, 2018

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

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

Financial statement information disclosed consolidated financial statements results.

	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	230.259	230.079	-	-	-	(304)	(118)	-	-
2	4.982.728	504.616	48.870	36.489	1.818	46.062	34.274	-	-
3	3.502.038	235.691	4.031	78.872	-	26.571	11.586	-	-
4	11.734.066	1.949.891	7.721	204.967	-	95.270	57.635	-	-
5	50.319	39.974	904	2.507	-	9.644	6.500	-	-
6	9.244.127	1.693.047	1.363	130.531	2.870	37.531	24.661	-	-
7	984.886	196.163	31.986	14.843	2.236	5.559	9.793	-	-
8	41.858	28.920	4.878	734	-	697	505	-	-
9	33.799	27.466	1.108	91	-	5.487	3.491	-	-
10	11.207	8.374	695	816	-	2.115	787	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.800.064	4.225.724
Movements in period	115.935	574.340
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	191.723	529.252
Sales ⁽¹⁾	-	(247.343)
Revaluation increase/decrease ⁽²⁾	(27.407)	396.485
Impairment provision (-) ⁽³⁾	48.381	104.054
Balance at the end of the period	4.915.999	4.800.064
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

- (1) The Bank has concluded the sale of 99.84% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.294.811.320 in 2017.
- (2) Includes the differences in the other comprehensive income of consolidated subsidiaries and the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.
- (3) Includes dividend income received in the current period.

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

Financial subsidiaries	Current Period	Prior Period
Banks	1.334.228	1.243.843
Insurance companies	-	-
Factoring companies	235.579	222.753
Leasing companies	1.949.774	1.966.487
Finance companies	-	-
Other financial subsidiaries	1.396.418	1.366.981
Total financial subsidiaries	4.915.999	4.800.064

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2017 - 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".

	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	85.968	64.638	29.099	56.869	8.815	44.858	(44.065)
Total			85.968	64.638	29.099	56.869	8.815	44.858	(44.065)

1.12. Information on lease receivables (net):

None (December 31, 2017 - None).

1.13. Information on investment property:

None (December 31, 2017 - None).

1.14. 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	202.019	159.974
Additions	25.506	153.076
Disposals (-), net	24.007	111.416
Impairment provision reversal	1.283	385
Impairment provision (-)	-	-
Net book value at the end of the period	204.801	202.019
Cost at the end of the period	215.111	214.507
Accumulated depreciation at the end of the period (-)	10.310	12.488
Net book value at the end of the period	204.801	202.019

As of March 31, 2018, the Bank booked impairment provision on assets held for resale with an amount of TL 4.678 (December 31, 2017 - TL 5.961).

1.15. Information on other assets:

As of March 31, 2018, other assets do not exceed 10% of the total assets.

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	7.373.793	2.073.002	37.697.838	1.585.498	226.405	143.042	1.102	49.100.680
Foreign currency deposits	14.399.114	10.092.973	43.376.679	3.133.479	5.659.873	2.594.415	-	79.256.533
Residents in Turkey	14.148.642	9.945.906	41.647.618	2.296.290	2.680.473	954.031	-	71.672.960
Residents abroad	250.472	147.067	1.729.061	837.189	2.979.400	1.640.384	-	7.583.573
Public sector deposits	641.044	774	4.858	25	401	10	-	647.112
Commercial deposits	6.732.156	6.158.463	14.333.896	594.375	581.065	280.373	-	28.680.328
Other institutions deposits	130.386	79.867	1.890.153	895.071	176.419	568	-	3.172.464
Precious metals vault	749.195	108.416	319.492	29.199	44.784	20.813	-	1.271.899
Bank deposits	1.053.696	9.001.458	1.713.695	168.625	29.221	-	-	11.966.695
The CBRT	-	5.998.642	-	-	-	-	-	5.998.642
Domestic banks	8.564	2.980.956	1.603.075	149.173	29.221	-	-	4.770.989
Foreign banks	592.157	21.860	110.620	19.452	-	-	-	744.089
Participation banks	452.975	-	-	-	-	-	-	452.975
Other	-	-	-	-	-	-	-	-
Total	31.079.384	27.514.953	99.336.611	6.406.272	6.718.168	3.039.221	1.102	174.095.711

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	6.796.500	2.347.210	35.131.569	1.471.949	190.308	150.286	967	46.088.789
Foreign currency deposits	13.995.800	15.535.147	44.416.875	4.827.823	6.332.164	1.883.696	-	86.991.505
Residents in Turkey	13.782.454	15.171.010	43.708.004	4.103.568	3.262.384	921.777	-	80.949.197
Residents abroad	213.346	364.137	708.871	724.255	3.069.780	961.919	-	6.042.308
Public sector deposits	250.278	3	5.876	3	453	10	-	256.623
Commercial deposits	7.543.445	7.865.394	7.823.937	637.070	448.428	301.136	-	24.619.410
Other institutions deposits	116.749	457.166	801.617	495.305	517	513	-	1.871.867
Precious metals vault	744.610	71.033	358.492	27.040	39.115	19.229	-	1.259.519
Bank deposits	1.039.061	5.262.599	1.699.459	231.402	26.983	-	-	8.259.504
The CBRT	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	1.197.005	1.600.797	226.297	26.983	-	-	3.060.274
Foreign banks	561.376	3.713	98.662	5.105	-	-	-	668.856
Participation banks	468.493	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-
Total	30.486.443	31.538.552	90.237.825	7.690.592	7.037.968	2.354.870	967	169.347.217

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	24.714.785	23.544.523	24.385.894	22.544.257
Foreign currency saving deposits	6.838.342	6.989.255	25.632.006	25.392.052
Other deposits in the form of saving deposits	505.844	492.198	663.600	647.851
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2018**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Foreign branches' deposits and other accounts	7.373	-	6.993	-
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	206.430	-	164.155	-
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:**2.2.1. Negative differences table for derivative financial liabilities held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	128.244	-	147.794	-
Swap transactions	2.280.660	309.550	3.263.154	219.065
Futures transactions	-	-	-	-
Options	169.497	103.022	144.714	63.177
Other	-	-	-	-
Total	2.578.401	412.572	3.555.662	282.242

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	281.519	-	204.859	-
Cash flow hedges ⁽¹⁾	104.912	14.223	95.187	12.380
Hedges for investments made in foreign countries	-	-	-	-
Total	386.431	14.223	300.046	12.380

(1) Explained in Note 8 of section 4

2.3. Information about banks and other financial institutions:**2.3.1. Information on borrowings:**

	Current Period	
	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	457.778
From domestic banks and institutions	160.851	220.897
From foreign banks, institutions and funds	283.522	33.839.041
Total	444.373	34.517.716

	Prior Period	
	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	460.152
From domestic banks and institutions	173.375	207.635
From foreign banks, institutions and funds	342.910	37.945.987
Total	516.285	38.613.774

2.3.2. Information on maturity structure of borrowings:

	Current Period	
	TL	FC
Short-term	13.794	7.401.505
Medium and long-term	430.579	27.116.211
Total	444.373	34.517.716

	Prior Period	
	TL	FC
Short-term	5.474	7.240.241
Medium and long-term	510.811	31.373.533
Total	516.285	38.613.774

2.3.3. Information on securitization borrowings:

2.3.3.1 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	-	9.238.708	-	8.278.912
From foreign funds	-	-	-	-
Total⁽¹⁾	-	9.238.708	-	8.278.912

(1) Securitization borrowings measured at fair value amounting to TL 5.911.648 (December 31, 2017 - TL 4.929.709) presented in "Funds borrowed" in prior periods in the balance sheet; however, according to the new communique for financial statements and related disclosures effective from January 1, 2018, related liabilities are presented in "financial liabilities at fair value through profit or loss".

2.3.3.2 Information on financial liabilities at fair value through profit or loss :

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 TFRS 9. As of March 31, 2018, the total amount of financial liabilities classified as fair value through profit/loss is TL 5.911.648 (December 31, 2017 - TL 4.929.709) with an accrued interest expense of TL 73.200 (December 31, 2017 - TL 123.051 income) and with a fair value difference of TL 56.678 recognized in the income statement as an income (December 31, 2017 - TL 216.465 loss). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of March 31, 2018 are TL 5.641.004 (December 31, 2017: TL 4.618.063) for buy legs and TL 5.641.004 (December 31, 2017- TL 4.618.063) for sell legs with a fair value differences amounting to TL 46.774 asset (December 31, 2017 - TL 92.985 asset). The mentioned total return swaps have 9 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.753.683	44.081	1.212.509	107.682
Bonds	1.313.627	12.541.671	1.078.084	10.094.567
Total	3.067.310	12.585.752	2.290.593	10.202.249

2.4. Information on other liabilities:

As of March 31, 2018, 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	99	95	139	131
More than 4 years	-	-	-	-
Total	99	95	139	131

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 provisions:**2.6.1. Information on general provisions:**

	Prior period
Provisions for first group loans and receivables	2.652.040
Provisions for second group loans and receivables	230.998
Provisions for non cash loans	111.917
Other	337.739
Total	3.332.694

2.6.2. 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 (%)	4,95	4,95
Possibility of being eligible for retirement (%)	93,79	93,79

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 5.001,76 effective from January 1, 2018 (January 1, 2017: full TL 4.426,16) 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	391.760	127.500
Changes during the period	8.864	52.501
Recognized in equity	-	253.522
Paid during the period	(11.075)	(41.763)
Balance at the end of the period	389.549	391.760

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 182.739 as of March 31, 2018 (December 31, 2017 - TL 172.381).

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

As of March 31, 2018, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 1.019 (December 31, 2017 - TL 27.135). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.6.4. Other provisions:**2.6.4.1. Information on other provisions:**

	Current Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	1.027.741
Generic provisions on non cash loans	125.430
Provision on lawsuits	65.043
Provisions on credit cards and promotion campaigns related to banking services	53.965
Other	523.728
Total	2.486.759

	Prior Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	139.143
Provision on lawsuits	63.729
Provisions on credit cards and promotion campaigns related to banking services	44.142
Other	482.004
Total	1.419.870

2.7. Information on taxes payable:**2.7.1. Information on taxes payable:**

	Current Period	Prior Period
Corporate Tax Payable	23.166	235.024
Taxation of Marketable Securities	151.634	147.382
Property Tax	3.825	3.301
Banking Insurance Transaction Tax ("BITT")	113.629	134.448
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	4.569	10.063
Other	64.816	44.328
Total	361.639	574.546

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	23.738	17.263
Bank pension fund premiums – employer	24.484	17.802
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.694	1.232
Unemployment insurance – employer	3.389	2.465
Other	-	-
Total	53.305	38.762

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

None (December 31, 2017 - None).

2.9. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	10.186.606	-	9.718.804
Subordinated loans	-	4.182.550	-	3.996.099
Subordinated debt	-	6.004.056	-	5.722.705
Total	-	10.186.606	-	9.718.804

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

2.10. Information on shareholders' equity:**2.10.1. Presentation of paid-in capital:**

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

2.10.2. 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

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

None (December 31, 2017 - None).

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

None (December 31, 2017 - None).

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

None (December 31, 2017 - None).

2.10.6. 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.

2.10.7. Privileges on the corporate stock:

None (December 31, 2017 - None).

2.10.8. Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	742.124	1.801.258
Revaluation difference ⁽¹⁾	742.124	436.117
Foreign currency difference ⁽¹⁾	-	1.365.141
Financial assets at fair value through other comprehensive income	(434.372)	(2.541)
Revaluation difference ⁽²⁾	(434.372)	(2.541)
Foreign currency differences	-	-
Total	307.752	1.798.717

	Prior Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	880.331	1.651.298
Revaluation difference ⁽¹⁾	880.331	476.354
Foreign currency difference ⁽¹⁾	-	1.174.944
Financial assets available-for-sale	(471.086)	89.462
Revaluation difference ⁽²⁾	(471.086)	89.462
Foreign currency differences	-	-
Total	409.245	1.740.760

- (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 in TL column.

2.10.9. Information on profit distribution:

It was decided to distribute unconsolidated net profit of TL 3.614.081 as of December 31, 2017, in accordance with the General Assembly dated March 20, 2018 as follows: TL 127.833 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 3.486.248 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	35.324.883	33.700.364
Loan granting commitments	10.544.913	10.125.035
Commitments for cheques	7.713.855	6.844.741
Other irrevocable commitments	59.844.476	83.371.921
Total	113.428.127	134.042.061

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 125.430 (December 31, 2017 - TL 111.917) and specific provision amounting to TL 1.266.133 (December 31, 2017 - TL 944.029) for non-cash loans which are not indemnified yet amounting to TL 1.027.741 (December 31, 2017 - 139.143).

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	222.191	212.685
Letter of credits	13.275.193	10.944.238
Other guarantees and collaterals	6.854.806	6.811.093
Total	20.352.190	17.968.016

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.967.745	2.273.465
Definite letter of guarantees	37.528.123	37.461.264
Advance letter of guarantees	10.483.789	9.606.133
Letter of guarantees given to customs	2.287.835	2.351.305
Other letter of guarantees	9.471.020	8.506.111
Total	62.738.512	60.198.278

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	8.957.281	8.052.720
With original maturity of 1 year or less than 1 year	2.184.504	1.878.094
With original maturity of more than 1 year	6.772.777	6.174.626
Other non-cash loans	74.133.421	70.113.574
Total	83.090.702	78.166.294

3.2 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 65.043 (December 31, 2017 - TL 63.729) 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.

3.3 Information on services in the name and account of others:

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

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⁾	1.519.280	42.259	1.300.237	45.047
Medium/long-term loans ⁽¹⁾	2.455.451	1.023.473	1.861.149	862.160
Interest on loans under follow-up	113.979	-	22.043	-
Premiums received from resource utilization support fund	-	-	-	-
Total	4.088.710	1.065.732	3.183.429	907.207

(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	120.295	-	11.808	18
From domestic banks	6.037	89	7.061	133
From foreign banks	378	7.127	333	6.678
Headquarters and branches abroad	-	-	-	-
Total	126.710	7.216	19.202	6.829

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at March 31, 2018**

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

4.1.3. Information on interest income on marketable securities:

	Current Period	
	TL	FC
From financial assets at fair value through profit or loss	6.409	325
From financial assets at fair value through other comprehensive income	605.974	37.395
From financial assets measured at amortised cost	190.589	83.022
Total	802.972	120.742

	Prior Period	
	TL	FC
From financial assets at fair value through profit or loss	694	480
From available-for-sale financial assets	451.954	42.702
From held-to-maturity investments	115.532	97.439
Total	568.180	140.621

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	15.479	13.607

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	9.733	349.023	11.608	237.304
The CBRT	-	273	-	1.778
Domestic banks	2.721	885	2.673	840
Foreign banks	7.012	347.865	8.935	234.686
Headquarters and branches abroad	-	-	-	-
Other institutions	-	73.892	-	49.560
Total ⁽¹⁾	9.733	422.915	11.608	286.864

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	35.281	42.840

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	92.571	148.089	40.100	104.611
Total	92.571	148.089	40.100	104.611

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at March 31, 2018

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

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	56	49.068	25.873	1.780	-	-	-	76.777	35.132
Saving deposits	-	58.517	1.159.262	47.893	5.701	4.031	31	1.275.435	926.793
Public sector deposits	-	7	147	-	12	-	-	166	943
Commercial deposits	8	197.062	356.758	10.571	17.615	9.487	-	591.501	674.550
Other deposits	-	8.799	115.527	33.120	1.220	12	-	158.678	176.847
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	64	313.453	1.657.567	93.364	24.548	13.530	31	2.102.557	1.814.265
FC									
Foreign currency deposits	11	70.101	318.780	19.571	48.654	13.405	-	470.522	367.195
Bank deposits	365	18.265	365	34	-	-	-	19.029	7.000
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	204	440	42	101	26	-	813	867
Total	376	88.570	319.585	19.647	48.755	13.431	-	490.364	375.062
Grand total	440	402.023	1.977.152	113.011	73.303	26.961	31	2.592.921	2.189.327

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

	Current Period	Prior Period
Gain	11.823.495	11.384.603
Gain from capital market transactions	53.469	22.730
Derivative financial transaction gains	5.358.783	3.597.191
Foreign exchange gains	6.411.243	7.764.682
Loss (-)	12.263.927	11.406.778
Loss from capital market transactions	12.182	9.450
Derivative financial transaction losses	4.854.748	4.351.050
Foreign exchange loss	7.396.997	7.046.278
Net gain/loss	(440.432)	(22.175)

4.4. Allowance for expected credit losses:

	Current period
Allowance for expected credit losses	813.329
12-month expected credit losses (Stage 1)	153.122
Significant increase in credit risk (Stage 2)	70.684
Credit-Impaired (Stage 3)	589.523
Impairment provisions for financial assets	1
Financial assets at fair value through profit or loss	1
Financial assets at fair value through other comprehensive income	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-
Investments in associates	-
Subsidiaries	-
Jointly controlled partnerships (joint ventures)	-
Other	145.145
Total	958.475

Provision for impairment of loans and other receivables:

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

(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.

4.5. Information on derivatives financial transaction gain/loss:

The net loss resulting from the foreign exchange differences related to derivative financial transactions is TL 1.018.682 gain (March 31, 2017 – TL 690.420 loss).

4.6. Information on other operating income:

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

4.7. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses ⁽¹⁾	617.400	556.751
Reserve for employee termination benefits	2.287	-
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	42.006	53.924
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	23.206	29.925
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	520.614	466.527
Operational lease expenses	78.175	75.711
Repair and maintenance expenses	23.455	23.456
Advertising expenses	45.702	47.131
Other expense	373.282	320.229
Loss on sales of assets	-	-
Other	169.904	188.279
Total	1.375.417	1.295.406

(1) “Personnel expenses” are also disclosed in this table, although it is not presented in other operating expenses in the income statement.

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

The profit before tax includes TL 2.767.631 (March 31, 2017 – TL 2.141.320) of net interest income, TL 986.131 (March 31, 2017 – TL 807.317) of net fees and commissions and total other operating expense including personnel expenses amounting to TL 1.375.417 (March 31, 2017 – TL 1.295.406).

As of March 31, 2018, the Bank has no (December 31, 2017 – None) profit before tax from discontinued operations.

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

As of March 31, 2018, the Bank has not any tax expense from continued operations and from discontinued operations (March 31, 2017 – TL 414.147). Deferred tax expense from continued operations is amounting to TL 317.778 (March 31, 2017 – TL 185.215 deferred tax income).

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

4.10.1. 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.

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

4.11. Other items in income statement:

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

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:

Current Period	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
Bank's risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Balance at the end of the period	228.630	249.415	102.416	1.104.424	2.514.170	3.761.129
Interest and commission income received	15.479	741	7.749	1.799	75.574	4.486

Prior Period	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
Bank's risk group ⁽¹⁾⁽²⁾						
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	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Interest and commission income received ⁽³⁾	13.607	270	1.949	2.206	61.611	2.648

(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) Previous period present profit / loss information of March 31, 2017.

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	3.193.655	4.074.057	27.662.849	19.715.780	17.865.257	13.596.912
End of the period	2.236.676	3.193.655	30.025.812	27.662.849	17.482.660	17.865.257
Interest expense on deposits ⁽³⁾	35.281	42.840	413.953	282.767	213.645	170.875

(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) Previous period present profit / loss information of March 31, 2017

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

Bank's risk group ⁽¹⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Current Period	Current Period	Current Period	Current Period	Current Period
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	6.825.457	3.305.854	4.585.782	8.532.884	3.688.054	802.512
End of the period ⁽²⁾	6.217.791	6.825.457	5.177.155	4.585.782	4.902.167	3.688.054
Total profit / (loss)⁽³⁾	39.287	31.911	62.208	45.438	(904)	10.863
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	1.375.186	-	-	-
End of the period ⁽²⁾	-	-	1.399.579	1.375.186	-	-
Total profit / (loss)⁽³⁾	-	-	49.579	-	-	-

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

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

(3) Previous period present profit / loss information of March 31, 2017

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 22.989 as of March 31, 2018 (March 31, 2017 – TL 25.806).

6. Explanations and notes related to subsequent events:

- Per Board of Directors decision dated 26 April 2018; it has been resolved to sell non-performing loans amounting to TL 500.821 for a total amount of TL 28.182 to various asset management companies.
- Per Board of Directors decision dated 26 April 2018; it has been resolved to increase paid-in-capital to TL 8.447.051, with full cash (paid) capital increase. Paid-in-capital is currently amounting to TL 4.347.051, within registered share capital ceiling of TL 10.000.000.
- Per Board of Directors decision dated 26 April 2018; it is resolved to issue debt security or securities amounting up to USD 1 billion or equivalent foreign currencies or Turkish Lira, that can be included in the Additional Tier 1 Capital in accordance with Article 7 of the Equity Regulation, entitled "Additional Tier 1 Capital".

Section Six - Explanations on independent audit report**1. Explanations on independent auditor's report**

The unconsolidated financial statements for the period ended March 31, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, May 3, 2018 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

Section Seven ⁽¹⁾

Interim activity report

1. Message from YapıKredi's Board of Directors Chairman Y. Ali Koç:

In the first quarter of 2018, the macro environment was volatile, given the global uncertainties. While TRY depreciation and rising rates were the main challenges for the banking sector during this period, with the ongoing support of the government, Central Bank of Turkey and the banking regulator, the banking sector remained resilient.

Total loans in the banking sector reached TL 2,113 billion indicating 5% year-to-date growth, despite the a comparatively limited support from the Credit Guarantee Fund in the quarter. During the same period, total deposits reached TL 1,766 billion, indicating 4% year-to-date growth. Accordingly, the sector's loan to deposit ratio including TL bonds increased to 120%. The banking sector's non-performing loan ratio improved 5 basis points year-to-date to 2.8% supported by non-performing loan sales of TL 1,643 billion (7 basis points impact).

In the first three months of 2018, YapıKredi recorded a strong start to the year with a strong 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\$ 500 million Eurobond in the international debt capital markets. This bond issuance reaffirms the confidence of international markets in both YapıKredi and Turkey.

YapıKredi continued to be crowned with important awards in the first quarter of the year. YapıKredi was named "The Best Bank of Turkey in Trade Finance" by Euromoney, in addition to the awards as "Best Private Banking Services", "Best Philanthropy Advisory in Private Banking" and "Best Service for International Clients". Two large-scale projects financed by YapıKredi received 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 section seven are expressed in full TL.

2. Message from YapıKredi's CEO Gökhan Erün:

In the first quarter of 2018, the volatility in the macro environment sustained due to the global uncertainties. In the quarter, the Central Bank of Turkey maintained the tight monetary policy to sustain the improvement in the inflation levels. In mid-February, the Government introduced the second tranche of the Credit Guarantee Fund, which supported the banking environment together with the improvement in consumer confidence.

During this period, with the controlled growth resulting in a sustainable revenue generation, further focus on cost elimination and improvement in asset quality, the Bank's total assets increased to TL 304.7 billion and net income recorded at TL 1,244 million in the first three months of the year.

In terms of lending, the Bank's cash and non-cash loans reached TL 281.0 billion. In terms of performing cash loans, YapıKredi recorded 3% growth year-to-date to TL 197.9 billion indicating 15.8% market share among private banks. Growth was driven by a balanced approach and the Bank continued to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 21.1% outstanding volume market share.

In terms of funding, the Bank recorded 3% deposit growth year-to-date up to TL 174.1 billion indicating 15.5% market share among private banks. Balanced growth in loans and deposits led to 113% loans to deposits ratio including TL bonds indicating a stable trend compared to 2017 year-end.

Digitalisation remained a strong focus area for the Bank. As "The Digital Bank of Turkey", YapıKredi received four of the Stevie Awards, namely "Best Technology Use - Gold", "Sales Growth Success of the Year - Gold", "Best Call Centre of the Year - Silver" and "Best Sales Process of the Year - Bronze"

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

Gökhan Erün
CEO

3. Overview of Financial Performance:

On 3 May 2018, YapıKredi announced its unconsolidated results for the first three months of 2018 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 281.0 billion while total deposits rose to TL 174.1 billion. The Bank's net income increased by 24% year-over-year and reached TL 1,244 million indication return on average tangible equity of 17.0%.

Balanced volume growth

YapıKredi's market share among private banks in loans and deposits was recorded at 15.8% and 15.5%, respectively.

The Bank achieved 3% year-to-date growth in loans to TL 197.9 billion. Loan growth was well distributed among segments. The Bank's deposit growth was in line with loan growth at 3% year-to-date and reached TL 174.1 billion. Deposit growth was mainly driven by customer deposits, especially in TL currency. Accordingly, loan-to-deposits plus TL bonds ratio remained stable at 113%.

In line with the Bank's focus on effective diversification of funding sources, the Bank successfully issued a 5 year US\$ 500 million Eurobond benchmark transaction in March 2018 with a strong demand resulting in oversubscription.

Maintaining capital ratios with ongoing internal capital generation

Despite the fluctuations in Lira, volatility in the interest rates, and negative impact from the regulations, the Bank continued to support its capital ratios through internal capital generation. As a result, Unconsolidated Capital Adequacy Ratio and Common Equity Tier-1 ratio materialized at 14.0% and at 10.8%, respectively.

Solid profitability driven by core business

In the first three months of 2018, YapıKredi 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 6% compared to inflation of 10.2%. Accordingly, cost-to-income ratio improved by 278 basis points year-over-year to 35.3%. The Bank's provisions increased 9% year-on-year, including a TL 100 million free provisions for potential losses. With the ongoing slowdown in NPL formation and strength in recoveries, cost-of-risk improved to 95 basis points. All in all, net income increased 24% year-over-year and the Bank achieved 17.0% return on average tangible equity.

Improving asset quality dynamics supported by better collections and slowdown in NPL inflows

Non-performing loan ratio came down by 47 basis points year-on-year to 4.2% supported by sale of non-performing loan portfolio amounting TL 628 million as well as improving trend in both new non-performing loan formation and recoveries. During this period, specific coverage ratio increased to 86%, with a proactive approach towards the IFRS 9 adoption.

4. Summary of Unconsolidated Financials

TL million	Current period	Prior period
Total Assets	304.655	297.810
Performing Loans	197.874	192.883
Total Deposits	174.096	169.347
Shareholder's Equity	31.596	30.098
Loans/ Assets	65%	65%
Deposits/Assets	57%	57%
NPL	4,2%	4,5%
CAR	14,0%	14,5%

TL million	Current period	Prior period
Net Profit	1.244	1.001
Return on Average Tangible Equity	17,0%	15,8%

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

- In 1Q18, YapıKredi sold non-performing loan portfolio amounting to TL 628 million. The transaction was reflected in YapıKredi's 1Q18 financials.
- International rating agency Moody's announced that, following the downgrade of Turkish government's debt rating to Ba2 from Ba1 on 7 March 2018, it has downgraded the long-term debt and deposit ratings of 14 Turkish financial institutions on 9 March 2018. Accordingly, the foreign currency long-term debt and local currency deposit ratings of YapıKredi were downgraded to Ba2 from Ba1, while maintaining the negative outlook. The Bank's long-term foreign currency deposit rating was downgraded to Ba3 from Ba2. The Baseline Credit Assessment (BCA) was downgraded to ba3 from ba2.
- On 15 February 2018, YapıKredi successfully priced a 5 year US\$ 500 million Eurobond benchmark transaction.

6. Current Trends and Expectations for the Upcoming Period:

In line with Capital Strengthening Plan, YapıKredi has revised its 2018 expectations for NIM, Capital Adequacy Ratio and Earnings growth. The revised expectations are as follows.

2018 YapıKredi Expectations:

- Loan growth: Lending mainly driven by TL commercial and individual loans, mild increase in FC lending
- Funding: Further increase in the share of retail deposit and retail demand deposits in total
- Revenues: Flattish NIM with ongoing repricing efforts (*previous: Flattish excluding CPI impact*), fee growth supported by diversification efforts and customer acquisition, strong focus on digital sales
- Costs: Below inflation cost growth; ongoing «cost elimination» through digitalization, digitalization focus to decrease «cost to serve»
- Asset Quality: Improvement in NPL ratio with slowdown in net new NPL inflows, stock management through NPL sales might continue depending on the market conditions, slightly better CoR
- Fundamentals: Ample liquidity levels with loan-to-deposit ratio in between 110% - 115%, and solid capital adequacy ratio above 15% with ongoing internal capital generation and newly introduced capital strengthening plan. (*previous: above 13%*)
- All resulting in high-teens earnings growth (*previous: mid-teens*) with improvement in the ROATE.