

Yapı ve Kredi Bankası A.Ş.

Publicly announced consolidated financial statements and related disclosures at March 31, 2016 together with auditor's review report

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

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

REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the consolidated statement of financial position of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") at March 31, 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (BRSA) and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation; together referred as "BRSA Accounting and Reporting Legislation". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Yapı ve Kredi Bankası A.Ş. and its subsidiaries at March 31, 2016 and the results of its operations and its cash flows for the three-month-period then ended in all material aspects in accordance with the BRSA Accounting and Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with "BRSA Accounting and Reporting Legislation" and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be 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.

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

Yaşar Bivas, SMMM
Partner

May 2, 2016
İstanbul, Turkey

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

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF
YAPI VE KREDI BANKASI A.Ş. AS OF MARCH 31, 2016**

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The consolidated 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 PARENT BANK**
- **CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP**
- **EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**
- **INDEPENDENT AUDITOR'S REVIEW REPORT**
- **INTERIM ACTIVITY REPORT**

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
2. Yapı Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.	
3. Yapı Kredi Yatırım Menkul Değerler A.Ş.		
4. Yapı Kredi Portföy Yönetimi A.Ş.		
5. Yapı Kredi Holding B.V.		
6. Yapı Kredi Bank Nederland N.V.		
7. Yapı Kredi Bank Moscow		
8. Sticking Custody Services YKB		
9. Yapı Kredi Bank Azerbaijan CJSC		
10. Yapı Kredi Invest LLC		
11. Yapı Kredi Bank Malta Ltd.		

Although, Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

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

Y. Ali KOÇ
Chairman of the

H. Faik AÇIKALIN
Chief Executive Officer

Massimo FRANCESE
Chief Financial Officer

B. Seda iKiZLER
Financial Reporting and
Accounting Executive
Vice President

Mirko D.G. BIANCHI
Chairman of Audit Committee

F. Füsün Akkal BOZOK
Member of Audit Committee

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

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Section one

General information

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

Section two

Consolidated financial statements

I.	Consolidated balance sheet (Statement of Financial Position)	5
II.	Consolidated off-balance sheet commitments	7
III.	Consolidated income statements	8
IV.	Consolidated statement of income and expense items accounted under shareholders' equity	9
V.	Consolidated statement of changes in shareholders' equity	10
VI.	Consolidated statement of cash flows	12

Section three

Accounting policies

I.	Explanations on basis of presentation	13
II.	Explanations on strategy of using financial instruments and foreign currency transactions	14
III.	Information on consolidation principles	15
IV.	Explanations on forward and option contracts and derivative instruments	18
V.	Explanations on interest income and expense	20
VI.	Explanations on fee and commission income and expense	20
VII.	Explanations on financial assets	20
VIII.	Explanations on impairment of financial assets	22
IX.	Explanations on offsetting financial assets	23
X.	Explanations on sales and repurchase agreements and securities lending transactions	23
XI.	Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	23
XII.	Explanations on goodwill and other intangible assets	24
XIII.	Explanations on property and equipment	25
XIV.	Explanations on leasing transactions	25
XV.	Explanations on provisions, contingent asset and liabilities	27
XVI.	Explanations on obligations related to employee rights	27
XVII.	Explanations on taxation	29
XVIII.	Explanations on borrowings	31
XIX.	Explanations on issuance of share certificates	31
XX.	Explanations on avalized drafts and acceptances	31
XXI.	Explanations on government grants	31
XXII.	Profit reserves and profit distribution	32
XXIII.	Earnings per share	32
XXIV.	Related parties	32
XXV.	Explanations on operating segments	33
XXVI.	Explanations on other matters	33
XXVII.	Explanations on legal mergers under common control	33

Section four

Financial Position and Risk Management

I.	Explanations on consolidated own funds	34
II.	Explanations on consolidated credit risk	41
III.	Explanations on countercyclical buffer	41
IV.	Explanations on consolidated currency risk	41
V.	Explanations on consolidated interest rate risk	43
VI.	Explanation on share certificates position risk from banking book	46
VII.	Explanations on consolidated liquidity risk and consolidated liquidity coverage ratio	46
VIII.	Explanations on consolidated leverage ratio	50
IX.	Explanations on the strategies and policies of the risk management system	52
X.	Explanations on the presentation of financial assets and liabilities at fair values	52
XI.	Explanations on hedge accounting	53
XII.	Explanations on the activities carried out on behalf of others and fiduciary transactions	56
XIII.	Explanations on consolidated operating segments	56

Section five

Explanations and notes related to consolidated financial statements

I.	Explanations and notes related to consolidated assets	59
II.	Explanations and notes related to consolidated liabilities	77
III.	Explanations and notes related to consolidated off-balance sheet accounts	85
IV.	Explanations and notes related to consolidated income statement	87
V.	Explanations and notes related to consolidated statement of changes in shareholders' equity	91
VI.	Explanations and notes related to consolidated statement of cash flows	92
VII.	Explanations and notes related to Group's merger, transfers and companies acquired by Bank	92
VIII.	Explanations and notes related to Group's risk group	92
IX.	Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank	93
X.	Explanations and notes related to subsequent events	93

Section six

Explanations on the auditor's review report

I.	Explanations on the auditor's review report	94
II.	Explanations and notes prepared by independent auditor	94

Section seven

Information on interim activity report

I.	Interim activity report which also contains the evaluation of the Chairman and the CEO of the Bank about the interim period activities	95
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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Section One

General Information

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

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

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

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

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. (“Yapı Kredi Leasing”)	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. (“Yapı Kredi Faktoring”)	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. (“Yapı Kredi Portföy”)	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. (“Yapı Kredi Menkul”)	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. (“Yapı Kredi NV”)	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

After the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016 (continued)

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

General information (continued)

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

As of March 31, 2016, the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members⁽¹⁾:

Name	Responsibility
Y. Ali KOÇ ⁽²⁾	Chairman
Carlo VIVALDI ⁽²⁾	Vice Chairman
H. Faik AÇIKALIN ⁽²⁾	Chief Executive Officer
Niccolò UBERTALLI ⁽²⁾	Deputy General Manager
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadil ASHABOĞLU	Member
Gianni F. G. PAPA	Member
Mirko D. G. BIANCHI	Independent Member
F. Füsün Akkal BOZOK	Independent Member
Dr. Jürgen KULLNIGG	Member
Benedetta NAVARA ⁽⁴⁾	Independent Member
Levent ÇAKIROĞLU	Member
A. Ümit TAFTALI	Member
Giuseppe SCOGNAMIGLIO	Member

Audit Committee Members⁽³⁾:

Name	Responsibility
Gianni F. G. PAPA	Chairman
Benedetta NAVARA ⁽⁴⁾	Member
Mirko D. G. BIANCHI	Member
Adil Giray ÖZTOPRAK	Member
F. Füsün Akkal BOZOK	Member

General Manager and Deputy General Manager:

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

(1) At the Bank's General Assembly held on March 31, 2016, number of members including independent members have been set as 14. Accordingly, Y. Ali Koç, Carlo Vivaldi, H. Faik Açıkalin, Niccolò Ubertalli, Levent Çakıroğlu, Ahmet Fadil Ashaboğlu, F. Füsün Akkal Bozok, Gianni F. G. Papa, Mirko D. G. Bianchi, Dr. Jürgen Kullnigg, A. Ümit Taftalı, Giuseppe Scognamiglio were elected as Board Members. Adil Giray Öztoprak and Benedetta Navarra were elected as Independent Board members within the context of "Regulation on Corporate Management" published by the Capital Markets Board.

(2) Based on the decision of Board of Directors dated April 1, 2016, elected at the Bank's General Assembly on March 31, 2016, Y. Ali Koç is elected as Chairman and Carlo Vivaldi as Vice Chairman of the Board. H. Faik Açıkalin and Niccolò Ubertalli, who were previously appointed as Executive Directors, will continue as Executive Directors.

(3) Based on the decision of Board of Directors dated April 18, 2016, Mirko D. G. Bianchi is elected as the Chairman of the Audit Committee. F. Füsün Akkal Bozok and Adil Giray Öztoprak are elected as Member of the Audit Committee.

(4) Based on the decision of Board of Directors dated April 18, 2016, an application is to be made to Capital Markets Board to receive confirmation to appoint Giovanna Villa as an Independent Director to fill the vacant position in the Board (to replace Benedetta Navarra who has resigned from her position). Giovanna Villa is to be provisionally elected as Independent Director in accordance with Article 363 of the Turkish Commercial Code, to be confirmed at the first forthcoming General Meeting of Shareholders and to function until that date.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016 (continued)

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

General information (continued)

Assistant General Managers:

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

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

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

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

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

The Parent Bank's activities summarized in the article 3 of the articles of association are as follows:

The Parent 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016 (continued)

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

General information (continued)

As of March 31, 2016, the Parent Bank has 996 branches operating in Turkey and 1 branch in overseas (December 31, 2015 - 999 branches operating in Turkey, 1 branch in overseas).

As of March 31, 2016, the Parent Bank has 18.473 employees (December 31, 2015 - 18.262 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of March 31, 2016 the Group has 19.550 employees (December 31, 2015 - 19.345 employees).

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

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying 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., and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué of Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

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

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of March 31, 2016 and December 31, 2015

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

Section two

Consolidated financial statements

I. Consolidated balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Current Period (31/03/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	6.956.370	22.045.945	29.002.315	3.463.676	23.925.271	27.388.947
II. Financial assets at fair value through profit or (loss) (net)	I-b	1.287.726	415.603	1.703.329	1.530.788	235.505	1.766.293
2.1 Trading financial assets		1.287.726	415.603	1.703.329	1.530.788	235.505	1.766.293
2.1.1 Government debt securities		44.503	18.973	63.476	51.614	14.492	66.106
2.1.2 Share certificates		71.420	-	71.420	8.040	-	8.040
2.1.3 Derivative financial assets held for trading		1.171.803	396.630	1.568.433	1.471.134	221.013	1.692.147
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit/(loss)	I-c	-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	659.884	2.157.757	2.817.641	34.426	3.077.079	3.111.505
IV. Money markets		257	1.075.442	1.075.699	155.281	130.845	286.126
4.1 Interbank money market placements		-	1.075.442	1.075.442	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	155.270	130.845	286.115
4.3 Receivables from reverse repurchase agreements		257	-	257	11	-	11
V. Financial assets available-for-sale (net)	I-d,e	17.190.661	3.798.230	20.988.891	18.641.714	4.198.490	22.840.204
5.1 Share certificates		44.200	212.839	257.039	44.200	210.818	255.018
5.2 Government debt securities		16.209.132	2.138.664	18.347.796	17.759.935	2.635.202	20.395.137
5.3 Other marketable securities		937.329	1.446.727	2.384.056	837.579	1.352.470	2.190.049
VI. Loans and receivables	I-f	100.428.657	55.776.161	156.204.818	99.153.273	54.864.716	154.017.989
6.1 Loans and receivables		98.967.493	55.664.391	154.631.884	97.731.030	54.758.065	152.489.095
6.1.1 Loans to bank's risk group		1.430.549	449.090	1.879.639	1.539.567	248.413	1.787.980
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		97.536.944	55.215.301	152.752.245	96.191.463	54.509.652	150.701.115
6.2 Loans under follow-up		6.095.930	587.600	6.683.530	5.618.346	574.961	6.193.307
6.3 Specific provisions (-)		(4.634.766)	(475.830)	(5.110.596)	(4.196.103)	(468.310)	(4.664.413)
VII. Factoring receivables		991.674	1.144.110	2.135.784	1.226.141	1.032.983	2.259.124
VIII. Held-to-maturity investments (net)	I-g	1.988.190	5.377.316	7.365.506	1.960.446	5.148.363	7.108.809
8.1 Government debt securities		1.988.190	4.766.244	6.754.434	1.960.446	4.658.180	6.618.626
8.2 Other marketable securities		-	611.072	611.072	-	490.183	490.183
IX. Investments in associates (net)	I-ğ	198.432	340.781	539.213	211.588	338.140	549.728
9.1 Consolidated based on equity method		193.929	340.781	534.710	207.085	338.140	545.225
9.2 Unconsolidated		4.503	-	4.503	4.503	-	4.503
9.2.1 Investments in financial associates		-	-	-	-	-	-
9.2.2 Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X. Subsidiaries (net)	I-h	7.300	-	7.300	7.300	-	7.300
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	7.300	-	7.300
XI. Joint ventures (net)	I-ı	19.394	-	19.394	20.851	-	20.851
11.1 Accounted based on equity method		19.394	-	19.394	20.851	-	20.851
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-i	1.704.664	5.143.182	6.847.846	1.614.761	5.247.500	6.862.261
12.1 Financial lease receivables		2.220.763	5.964.905	8.185.668	2.037.181	6.100.328	8.137.509
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(516.099)	(821.723)	(1.337.822)	(422.420)	(852.828)	(1.275.248)
XIII. Derivative financial assets held for hedging	I-j	671.930	-	671.930	954.773	6.268	961.041
13.1 Fair value hedge		188.144	-	188.144	257.144	-	257.144
13.2 Cash flow hedge		483.786	-	483.786	697.629	6.268	703.897
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2.773.637	33.106	2.806.743	2.733.389	34.095	2.767.484
XV. Intangible assets (net)	I-l	1.512.228	11.619	1.523.847	1.495.645	12.783	1.508.428
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		532.735	11.619	544.354	516.152	12.783	528.935
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		60.505	16.057	76.562	64.613	13.528	78.141
17.1 Current tax asset		1.686	11.216	12.902	2.763	8.660	11.423
17.2 Deferred tax asset	I-n	58.819	4.841	63.660	61.850	4.868	66.718
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	145.273	779	146.052	153.159	763	153.922
18.1 Held for sale purposes		145.273	779	146.052	153.159	763	153.922
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.909.812	2.045.587	3.955.399	1.821.607	1.758.172	3.579.779
Total assets		138.506.594	99.381.675	237.888.269	135.243.431	100.024.501	235.267.932

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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

I. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (31/03/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	70.412.833	66.143.337	136.556.170	67.161.726	62.863.339	130.025.065
1.1 Deposits of the Bank's risk group		7.820.966	10.261.369	18.082.335	7.064.701	7.279.374	14.344.075
1.2 Other		62.591.867	55.881.968	118.473.835	60.097.025	55.583.965	115.680.990
II. Derivative financial liabilities held for trading	II-b	1.347.754	423.186	1.770.940	1.624.462	297.946	1.922.408
III. Funds borrowed	II-c	828.224	24.211.798	25.040.022	1.272.041	23.588.938	24.860.979
IV. Money markets		8.002.155	1.546.325	9.548.480	12.098.151	2.165.386	14.263.537
4.1 Funds from interbank money market		27	-	27	1.887.563	-	1.887.563
4.2 Funds from Istanbul stock exchange money market		2.324.300	-	2.324.300	1.960.438	-	1.960.438
4.3 Funds provided under repurchase agreements		5.677.828	1.546.325	7.224.153	8.250.150	2.165.386	10.415.536
V. Marketable securities issued (net)	II-c	4.460.256	12.193.875	16.654.131	4.200.363	12.972.530	17.172.893
5.1 Bills		2.195.430	246.739	2.442.169	2.106.752	451.305	2.558.057
5.2 Asset backed securities		-	5.775.724	5.775.724	-	6.083.274	6.083.274
5.3 Bonds		2.264.826	6.171.412	8.436.238	2.093.611	6.437.951	8.531.562
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.144.638	1.376.083	9.520.721	8.055.012	1.739.669	9.794.681
VIII. Other liabilities	II-d	1.829.638	284.627	2.114.265	1.818.088	937.971	2.756.059
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables	II-e	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
XI. Derivative financial liabilities held for hedging	II-f	110.009	217.840	327.849	39.313	108.965	148.278
11.1 Fair value hedge		10.432	157	10.589	3.926	305	4.231
11.2 Cash flow hedge		99.577	217.683	317.260	35.387	108.660	144.047
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	2.983.675	1.072.493	4.056.168	2.961.036	1.021.950	3.982.986
12.1 General loan loss provision		1.763.866	967.045	2.730.911	1.702.877	924.394	2.627.271
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		285.746	21.928	307.674	279.020	21.493	300.513
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		934.063	83.520	1.017.583	979.139	76.063	1.055.202
XIII. Tax liability	II-g	623.528	8.953	632.481	614.290	5.163	619.453
13.1 Current tax liability		584.296	-	584.296	500.356	-	500.356
13.2 Deferred tax liability		39.232	8.953	48.185	113.934	5.163	119.097
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-h	-	7.955.961	7.955.961	-	6.635.191	6.635.191
XVI. Shareholders' equity	II-i	23.572.774	138.307	23.711.081	22.857.536	228.866	23.086.402
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		2.646.596	138.307	2.784.903	2.648.597	228.866	2.877.463
16.2.1 Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(356.376)	276.857	(79.519)	(546.402)	261.490	(284.912)
16.2.4 Property and equipment revaluation differences		1.462.849	5.120	1.467.969	1.462.750	4.978	1.467.728
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		4.503	-	4.503	4.503	-	4.503
16.2.8 Hedging funds (effective portion)		(204.069)	(140.908)	(344.977)	(9.083)	(34.866)	(43.949)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.195.808	(2.762)	1.193.046	1.192.948	(2.736)	1.190.212
16.3 Profit reserves		14.231.234	-	14.231.234	12.357.721	-	12.357.721
16.3.1 Legal reserves		844.539	-	844.539	751.512	-	751.512
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		12.913.149	-	12.913.149	11.148.251	-	11.148.251
16.3.4 Other profit reserves		473.546	-	473.546	457.958	-	457.958
16.4 Income or (loss)		2.347.435	-	2.347.435	3.503.693	-	3.503.693
16.4.1 Prior years' income or (loss)		1.643.148	-	1.643.148	1.595.010	-	1.595.010
16.4.2 Current year income or (loss)		704.287	-	704.287	1.908.683	-	1.908.683
16.5 Minority interest	II-i	458	-	458	474	-	474
Total liabilities and shareholders' equity		122.315.484	115.572.785	237.888.269	122.702.018	112.565.914	235.267.932

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

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

II. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/03/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		148.773.676	206.471.725	355.245.401	158.377.335	210.923.096	369.300.431
I. Guarantees and warranties	III-a-2,3	18.409.948	39.754.951	58.164.899	18.076.523	39.567.673	57.644.196
1.1 Letters of guarantee		18.367.487	26.683.233	45.050.720	18.031.594	27.139.408	45.171.002
1.1.1 Guarantees subject to state tender law		471.034	1.017.339	1.488.373	522.480	1.134.886	1.657.366
1.1.2 Guarantees given for foreign trade operations		2.536.190	25.487.225	28.023.415	2.329.832	25.797.251	28.127.083
1.1.3 Other letters of guarantee		15.360.263	178.669	15.538.932	15.179.282	207.271	15.386.553
1.2 Bank acceptances		-	167.363	167.363	-	173.524	173.524
1.2.1 Import letter of acceptance		-	167.363	167.363	-	173.524	173.524
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		10.655	8.366.552	8.377.207	11.483	8.032.380	8.043.863
1.3.1 Documentary letters of credit		10.655	8.366.552	8.377.207	11.483	8.032.016	8.043.499
1.3.2 Other letters of credit		-	-	-	-	364	364
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		31.806	1.308.413	1.340.219	33.446	1.430.529	1.463.975
1.9 Other warranties		-	3.229.390	3.229.390	-	2.791.832	2.791.832
II. Commitments	III-a-1	52.103.977	29.462.945	81.566.922	60.273.748	26.425.811	86.699.559
2.1 Irrevocable commitments		51.409.066	20.530.484	71.939.550	59.611.290	19.308.750	78.920.040
2.1.1 Asset purchase and sale commitments		3.287.684	18.963.258	22.250.942	13.018.015	17.850.821	30.868.836
2.1.2 Deposit purchase and sales commitments		-	112.284	112.284	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		7.654.411	1.177.409	8.831.820	7.816.459	1.268.554	9.085.013
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		6.851.466	-	6.851.466	6.521.085	-	6.521.085
2.1.8 Tax and fund liabilities from export commitments		5.172	-	5.172	6.376	-	6.376
2.1.9 Commitments for credit card limits		29.668.933	-	29.668.933	28.304.464	-	28.304.464
2.1.10 Commitments for credit cards and banking services promotions		15.328	-	15.328	13.810	-	13.810
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		3.926.072	277.533	4.203.605	3.931.081	189.375	4.120.456
2.2 Revocable commitments		694.911	8.932.461	9.627.372	662.458	7.117.061	7.779.519
2.2.1 Revocable loan granting commitments		694.911	8.874.193	9.569.104	662.458	7.053.496	7.715.954
2.2.2 Other revocable commitments		-	58.268	58.268	-	63.565	63.565
III. Derivative financial instruments	III-b-c	78.259.751	137.253.829	215.513.580	80.027.064	144.929.612	224.956.676
3.1 Derivative financial instruments for hedging purposes		28.586.067	32.192.486	60.778.553	27.798.633	30.927.604	58.726.437
3.1.1 Transactions for fair value hedge		659.117	871.834	1.530.951	671.683	940.678	1.612.361
3.1.2 Transactions for cash flow hedge		27.926.950	31.320.652	59.247.602	27.126.950	29.987.126	57.114.076
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		49.673.684	105.061.343	154.735.027	52.228.431	114.001.808	166.230.239
3.2.1 Forward foreign currency buy/sell transactions		5.219.179	8.073.266	13.292.445	3.521.186	6.155.716	9.676.902
3.2.1.1 Forward foreign currency transactions-buy		2.319.427	4.244.050	6.563.477	1.061.769	3.704.251	4.766.020
3.2.1.2 Forward foreign currency transactions-sell		2.899.752	3.829.216	6.728.968	2.459.417	2.451.465	4.910.882
3.2.2 Swap transactions related to foreign currency and interest rates		30.472.617	76.205.314	106.677.931	37.584.382	88.517.703	126.102.085
3.2.2.1 Foreign currency swap-buy		8.309.103	27.897.705	36.206.808	9.161.210	36.482.766	45.643.976
3.2.2.2 Foreign currency swap-sell		22.163.514	14.284.933	36.448.447	28.423.172	17.784.757	46.207.929
3.2.2.3 Interest rate swap-buy		-	17.011.338	17.011.338	-	17.125.090	17.125.090
3.2.2.4 Interest rate swap-sell		-	17.011.338	17.011.338	-	17.125.090	17.125.090
3.2.3 Foreign currency, interest rate and securities options		8.708.707	9.193.427	17.902.134	6.717.760	8.590.741	15.308.501
3.2.3.1 Foreign currency options-buy		2.677.714	4.832.685	7.510.399	1.991.034	4.699.239	6.688.273
3.2.3.2 Foreign currency options-sell		4.576.009	3.090.794	7.666.803	3.226.726	3.515.834	6.742.560
3.2.3.3 Interest rate options-buy		815.989	549.892	1.365.881	750.000	188.834	938.834
3.2.3.4 Interest rate options-sell		638.995	720.056	1.359.051	750.000	188.834	938.834
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		5.273.181	11.589.336	16.862.517	4.405.103	10.737.648	15.142.751
B. Custody and pledges received (IV+V+VI)		436.819.123	70.227.615	507.046.738	248.463.871	68.289.180	316.753.051
IV. Items held in custody		262.918.503	7.844.883	270.763.386	82.066.158	8.101.914	90.168.072
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		242.690.968	7.088.920	249.779.888	62.659.805	7.113.567	69.773.372
4.3 Checks received for collection		16.268.287	141.936	16.410.223	15.587.969	150.107	15.738.076
4.4 Commercial notes received for collection		3.917.473	573.755	4.491.228	3.776.609	798.048	4.574.657
4.5 Other assets received for collection		-	34.277	34.277	-	34.137	34.137
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	5.995	47.770	41.775	6.055	47.830
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		169.899.051	60.020.797	229.879.848	162.367.478	57.987.609	220.355.087
5.1 Marketable securities		172.188	314	172.502	185.826	322	186.148
5.2 Guarantee notes		1.044.606	253.720	1.298.326	1.063.319	300.003	1.363.322
5.3 Commodity		28.445	6.219	34.664	21.095	12.078	33.173
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		91.803.203	50.106.846	141.910.049	88.195.061	45.988.762	134.183.823
5.6 Other pledged items		76.810.609	9.648.620	86.459.229	72.902.177	11.681.250	84.583.427
5.7 Pledged items-depository		-	5.078	5.078	-	5.194	5.194
VI. Accepted independent guarantees and warranties		4.041.569	2.361.935	6.403.504	4.030.235	2.199.657	6.229.892
Total off-balance sheet commitments (A+B)		585.592.799	276.699.340	862.292.139	406.841.206	279.212.276	686.053.482

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of March 31, 2016 and 2015

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

III. Consolidated income statement

	Note (Section Five)	Current Period (01/01- 31/03/2016)	Restated Prior Period (01/01- 31/03/2015)
Income and expense items			
I. Interest income	IV-a	4.682.538	3.615.104
1.1 Interest on loans	IV-a-1	3.744.408	2.940.406
1.2 Interest received from reserve deposits		30.748	1.151
1.3 Interest received from banks	IV-a-2	29.770	64.866
1.4 Interest received from money market transactions		3.052	12.356
1.5 Interest received from marketable securities portfolio	IV-a-3	704.136	460.900
1.5.1 Trading financial assets		2.526	1.843
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		571.505	364.147
1.5.4 Held to maturity investments		130.105	94.910
1.6 Financial lease income		123.545	93.555
1.7 Other interest income		46.879	41.870
II. Interest expense	IV-b	(2.730.680)	(2.097.317)
2.1 Interest on deposits	IV-b-4	(1.982.389)	(1.491.200)
2.2 Interest on funds borrowed	IV-b-1	(226.926)	(261.408)
2.3 Interest expense on money market transactions		(252.927)	(167.977)
2.4 Interest on securities issued	IV-b-3	(233.030)	(167.920)
2.5 Other interest expenses		(35.408)	(8.812)
III. Net interest income (I + II)		1.951.858	1.517.787
IV. Net fees and commissions income		752.270	631.782
4.1 Fees and commissions received		926.598	775.765
4.1.1 Non-cash loans		118.056	96.907
4.1.2 Other	IV-j	808.542	678.858
4.2 Fees and commissions paid		(174.328)	(143.983)
4.2.1 Non-cash loans		(1.984)	(2.647)
4.2.2 Other		(172.344)	(141.336)
V. Dividend income	IV-c	3.428	2.524
VI. Trading gain/(loss) (net)	IV-ç	48.107	(18.250)
6.1 Trading gains/(losses) on securities		33.922	135.814
6.2 Derivative financial transactions gains/(losses)	IV-d	(606.272)	(394.877)
6.3 Foreign exchange gains/(losses)		620.457	240.813
VII. Other operating income	IV-e	127.548	261.709
VIII. Total operating income / loss (III+IV+V+VI+VII)		2.883.211	2.395.552
IX. Provision for impairment of loans and other receivables (-)	IV-f	(723.068)	(570.952)
X. Other operating expenses (-)	IV-g	(1.263.718)	(1.183.861)
XI. Net operating income/(loss) (VIII-IX-X)		896.425	640.739
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		14.710	13.798
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	911.135	654.537
XVI. Tax provision for continuing operations (±)	IV-h	(206.827)	(153.833)
16.1 Current tax provision		(250.261)	(39.446)
16.2 Deferred tax provision		43.434	(114.387)
XVII. Net profit/loss from continuing operations (XV±XVI)		704.308	500.704
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-	-
XXI. Tax provision for discontinued operations (±)	IV-h	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	IV-i	704.308	500.704
23.1 Group's profit/loss		704.287	500.687
23.2 Minority interest profit/losses (-)	IV-i	21	17
Earnings/(loss) per share (in TL full)		0,0016	0,0012

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of March 31, 2016 and 2015

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

IV. Consolidated statement of income and expense items accounted under shareholders' equity

Income and expense items accounted under shareholders' equity	Current Period (31/03/2016)	Prior Period (31/03/2015)
I. Transfers to marketable securities valuation differences from financial assets available for sale	256.952	(276.951)
II. Property and equipment revaluation differences	178	826.718
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	17.097	26.664
V. Profit/loss on cash flow hedges (effective part of the fair value changes)	(367.026)	158.378
VI. Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(10.778)	88
VII. Effects of changes in accounting policy and adjustment of errors	-	-
VIII. Other income and expense items accounted under shareholders' equity according to TAS	68	233
IX. Deferred tax on valuation differences	23.917	(20.521)
X. Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	(79.592)	714.609
XI. Current year profit/loss	704.308	500.704
11.1 Net change in fair value of marketable securities (recycled to profit-loss)	8.711	133.885
11.2 Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	2.366	(64.724)
11.3 Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4 Other	693.231	431.543
XII. Total income/loss accounted for the period (X+XI)	624.716	1.215.313

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated statement of changes in shareholders' equity as of March 31, 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated 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 ⁽¹⁾	Status reserves	Extraordinary reserves ⁽¹⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽¹⁾	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
I. Period opening balance		4.347.051	-	543.881	-	641.000	-	9.815.284	1.524.256	2.056.015	1.383.961	391.468	18.485	4.503	(512.661)	-	20.213.243	462	20.213.705
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (II)		4.347.051	-	543.881	-	641.000	-	9.815.284	1.524.256	2.056.015	1.383.961	391.468	18.485	4.503	(512.661)	-	20.213.243	462	20.213.705
IV. Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(222.699)	-	-	-	-	(222.699)	-	(222.699)
VI. Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	126.772	-	126.772	-	126.772
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	126.702	-	126.702	-	126.702
6.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	70	-	70	-	70
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	785.383	-	-	-	785.383	-	785.383
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	17.945	-	-	21.245	-	-	(14.270)	-	24.920	-	24.920
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	233	-	-	-	-	-	-	-	233	-	233
XIX. Current year income or loss		-	-	-	-	-	-	-	-	500.687	-	-	-	-	-	-	500.687	17	500.704
XX. Profit distribution		-	-	-	-	110.512	-	1.332.967	1.487	(2.056.015)	211.049	-	-	-	-	-	(400.000)	(41)	(400.041)
20.1 Dividend paid		-	-	-	-	-	-	-	-	-	(400.000)	-	-	-	-	-	(400.000)	(41)	(400.041)
20.2 Transfers to reserves		-	-	-	-	110.512	-	1.332.967	1.487	(2.056.015)	611.049	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI. Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+V+.....+VIII+IX+XX+ XXI)		4.347.051	-	543.881	-	751.512	-	11.148.251	1.543.921	500.687	1.595.010	190.014	803.868	4.503	(400.159)	-	21.028.539	438	21.028.977

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated statement of changes in shareholders' equity as of March 31, 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated statement of changes in shareholders' equity

Current Period		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽¹⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽¹⁾	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
March 31, 2016																				
I.	Prior period-end balance		4.347.051	-	543.881	-	751.512	-	11.148.251	1.648.170	1.908.683	1.595.010	(284.912)	1.467.728	4.503	(43.949)	-	23.085.928	474	23.086.402
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	205.495	-	-	-	-	205.495	-	205.495
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(302.244)	-	(302.244)	-	(302.244)
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(293.622)	-	(293.622)	-	(293.622)
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(8.622)	-	(8.622)	-	(8.622)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	241	-	-	-	241	-	241
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	15.703	-	-	(102)	-	-	1.216	-	16.817	-	16.817
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	99	-	-	-	-	-	-	-	99	-	99
XVII.	Current year income or loss		-	-	-	-	-	-	-	-	704.287	-	-	-	-	-	-	704.287	21	704.308
XVIII.	Profit distribution		-	-	-	93.027	-	1.764.898	2.620	(1.908.683)	48.138	-	-	-	-	-	-	-	(37)	(37)
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37)	(37)
18.2	Transfers to reserves		-	-	-	93.027	-	1.764.898	2.620	(1.908.683)	48.138	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+.....+XVII+XVIII+XIX)			4.347.051	-	543.881	-	844.539	-	12.913.149	1.666.592	704.287	1.643.148	(79.519)	1.467.969	4.503	(344.977)	-	23.710.623	458	23.711.081

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of March 31, 2016 and 2015

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

VI. Consolidated statement of cash flows

	Note (Section Five)	Current Period (31/03/2016)	Prior Period (31/03/2015)
A. Cash flows from banking operations			
1.1		1.697.870	108.911
1.1.1		4.405.839	3.384.691
1.1.2		(2.555.076)	(1.889.089)
1.1.3		3.428	2.524
1.1.4		926.598	775.765
1.1.5		(381.678)	(115.420)
1.1.6		223.242	274.192
1.1.7		(1.234.593)	(1.229.824)
1.1.8		(250.261)	(199.717)
1.1.9		560.371	(894.211)
1.2		(1.552.342)	1.965.929
1.2.1		(60.669)	(259.171)
1.2.2		-	-
1.2.3		(819.040)	(2.592.494)
1.2.4		(2.703.931)	(10.745.015)
1.2.5		(369.229)	(691.969)
1.2.6		767.172	2.112.953
1.2.7		5.602.391	9.848.952
1.2.8		(4.458.832)	3.447.952
1.2.9		-	-
1.2.10		489.796	844.721
I.		145.528	2.074.840
B. Cash flows from investing activities			
II.		1.803.663	(3.177.232)
2.1		-	-
2.2		-	-
2.3		(165.095)	(148.331)
2.4		13.748	6.615
2.5		(2.878.286)	(5.254.526)
2.6		5.214.130	2.205.556
2.7		(406.937)	(116.896)
2.8		26.103	130.350
2.9		-	-
C. Cash flows from financing activities			
III.		(610.042)	1.610.804
3.1		954.485	1.997.702
3.2		(1.564.490)	(82.080)
3.3		-	-
3.4		(37)	(304.818)
3.5		-	-
3.6		-	-
IV.		(49.112)	515.258
V.		1.290.037	1.023.670
VI.		10.082.660	11.026.696
VII.	VI	11.372.697	12.050.366

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Section Three

Accounting policies

I. Explanations on basis of presentation:

The Parent 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 consolidated 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 financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets available for sale, trading derivative financial liabilities, hedging derivative financial assets/liabilities, art objects, paintings and buildings in tangible assets. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

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

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2015, except for changes on accounting policies from historical cost basis to revaluation basis for buildings in tangible assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

The effects of TFRS 9, “Financial Instruments” (2011 version, classification and measurement) which has not been implemented yet, are under evaluation by the Group. The standard which the Group did not early adopt will primarily have an effect on the classification and measurement of the Group’s financial assets. The Group is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Group at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Group’s accounting policies, financial position and performance.

Additional paragraph for convenience translation into English:

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

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

The general strategy of the Group 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 Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign 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 Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group 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 Parent Bank exchange rates prevailing at the balance sheet date gains and losses arising from such valuations are recognised 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. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in “Hedging funds” in equity.

The Group, classifies 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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

III. Information on consolidation principles:

a. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated November 8, 2006 and the "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective	Direct and
			rates (%) March 31, 2016	indirect rates (%) March 31, 2016
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99.99	99.99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99.96	99.96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99.98	99.98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99.95	99.97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/Russia	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Invest LLC	Baku/Azerbaijan	Portfolio Management	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates %	Direct and
			March 31, 2016	indirect rates % March 31, 2016
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	20,00	20,00

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % March 31, 2016	Direct and indirect rates % March 31, 2016
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements" ("TAS 27") in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

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

The Group’s derivative transactions mostly include foreign currency 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 re-measured 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 of 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 Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in “Derivative Financial Transactions Gains/Losses” account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in “Hedging funds” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

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

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

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

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

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

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

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

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

According to the regulations of BRSA, those currency exchange transactions 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 international financial reporting standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counter party.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

V. Explanations on interest income and expense:

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

VI. Explanations on fee and commission income and expenses:

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

VII. Explanations on financial assets:

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

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

b. Held-to-maturity financial assets:

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

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

c. Loans and receivables:

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

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

The Parent 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 the Parent 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

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.

d. 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 can not 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 “Trading gains/(losses) on securities” according to the UCA.

VIII. Explanations on impairment of financial assets:

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

IX. Explanations on offsetting financial assets:

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

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

Securities subject to repurchase agreements (“Repos”) are classified as “At fair value through profit or loss”, “Available-for-sale” and “Held-to-maturity” according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds provided under repurchase agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the “Effective interest method”. Interest expense on repo transactions are recorded under “Interest expense on money market transactions” in the income statement.

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

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

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

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

A discontinued operation is a part of the Group’s business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

XII. Explanations on goodwill and other intangible assets:

a. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group’s share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, 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 recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset’s fair value can be measured reliably.

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

b. Other intangible assets:

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

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

Intangibles are amortised 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 utilise the economic benefit from the asset. The rates used are presented below:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

XIII. Explanations on property and equipment:

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

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with TAS 16.

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

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

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

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

XIV. Explanations on leasing transactions:

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

a. Accounting of leasing operations according to lessee:

Financial lease

The Group 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 recognised. 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

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.

b. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated December 24, 2013, numbered 28861. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Group also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not overdue or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Group sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

XV. Explanations on provisions and contingent assets and liabilities:

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

Provisions are recognised when the Group 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 recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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

XVI. Explanations on obligations related to employee rights:

a. Employee termination benefits

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

Under the Turkish Labour Law, the Group 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 Group 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 IAS 19 standard.

b. Pension rights

The Parent 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 23th 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

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

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

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

c. Defined contribution plans:

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

d. Short term benefits of employee:

Within the scope of TAS 19, the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

XVII. Explanations on taxation:

a. Current tax:

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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

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

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

Under the Turkish Corporate Tax Law, effective from April 24, 2003, investment allowances had provided a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand new fixed assets having economic useful life and exceeding TL 10 and directly related with the production of goods and services and investment allowance that arose prior to April 24, 2003 had been taxed at 19,8% (withholding tax) unless they had been converted to new type at companies' will. Effective from January 1, 2006, Turkish government had ceased to offer investment incentives for capital investments and companies having unused qualifying capital investment amounts as of June 30, 2006 would be able to deduct such amounts from corporate income for the following years.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

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.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of March 31, 2016 are as follows:

Netherlands	25,00%
Russia	20,00%
Azerbaijan	20,00%
Malta	35,00%

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and in accordance with BRSA's explanations and circulars and the tax legislation, the Group calculates deferred tax on deductible temporary differences except for general loan loss provisions, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS 12. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

c. Transfer pricing:

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

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

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

XVIII. Explanations on borrowings:

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

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

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

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

XIX. Explanations on issuance of share certificates:

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

No dividend payments of the Parent Bank were announced after the balance sheet date.

XX. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the “off-balance sheet commitments”.

XXI. Explanations on government grants:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

XXII. Profit reserves and profit distribution:

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

XXIII. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	704.287	500.687
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0016	0,0012

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

No bonus shares were issued during 2016 (2015 - no bonus shares were issued).

XXIV. Related parties:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Accounting policies (continued)

XXV. Explanations on operating segments:

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

XXVI. Explanations on other matters:

None.

XXVII. Legal mergers under common control:

As in IFRS 3 or in another standard in IFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the “pooling of interests” method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as “the effect of legal mergers under common control”.

POA has issued a policy decision in July, 2013 regarding “Accounting for business combinations Subject to Joint Control Group” which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Section four

Information related to financial position of the Group

I. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiques 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 consolidated capital adequacy ratio of the Group is 13,52% (December 31, 2015 – 12,91%) and the Parent Bank is 14,49% (December 31, 2015 – 13,81%).

a. Information on consolidated own funds:

	Amounts subject to treatment	
	Current Period before 1/1/2014 ⁽¹⁾	
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	4.347.051	
Share issue premiums	543.881	
Retained earnings	14.231.234	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	2.664.041	
Profit	2.347.435	
Net profit of the period	704.287	
Profit of the previous years	1.643.148	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	4.503	
Minority interest	458	
Common Equity Tier 1 capital before regulatory adjustments	24.138.603	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	8.835	
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	403.082	
Improvement costs for operating leasing	137.985	
Goodwill (net of related tax liability)	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	308.514	514.191
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Cash-flow hedge reserve	-	
Shortfall of provisions to expected losses	-	
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 (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-	
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	554.104	
The amount above threshold for mortgage servicing rights	-	
The amount above threshold for deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments which shall be determined by the BRSA	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
Total regulatory adjustments to Common equity Tier 1	2.000.216	
Common Equity Tier 1 capital (CET1)	22.138.387	

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

	Amounts subject to treatment Current Period before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL	
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
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 (-)	597.474
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)	21.540.913
TIER 2 CAPITAL	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	4.405.937
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	1.122.845
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.507.982
Tier 2 capital before regulatory adjustments	8.036.764
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	151.169
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	151.169
Total Tier 2 capital	7.885.595
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	29.214.368
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	7.372
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	11.268
National specific regulatory adjustments which shall be determined by the BRSA	193.500
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 (-)	-

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
OWN FUNDS	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	29.214.368
Total Risk Weighted Assets	216.048.595
CAPITAL ADEQUACY RATIOS	
Consolidated Common Equity Tier 1 Capital Adequacy Ratio (%)	10,25
Consolidated Tier 1 Capital Adequacy Ratio (%)	9,97
Consolidated Capital Adequacy Ratio (%)	13,52
BUFFERS	
Institution specific buffer requirement of the Bank	5,510
Capital conservation buffer requirement (%)	0,625
Bank's specific countercyclical buffer requirement (%)	0,010
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 (%)	4,247
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)	970.766
Applicable caps on the inclusion of provisions in Tier 2 capital	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.730.911
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.507.982
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
(1) The specified amounts are the figures calculated for the items subject to the phasing.	

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

	Prior Period
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051
Share Premium	543.881
Share Cancellation Profits	-
Legal Reserves	12.357.721
Other Comprehensive Income according to TAS	2.657.940
Profit	3.503.693
Net Current Period Profit	1.908.683
Prior Period Profit	1.595.010
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	4.503
Minority shares	474
Common Equity Tier 1 capital before regulatory adjustments	23.415.263
Common Equity Tier 1 capital: regulatory adjustments	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	596.826
Leasehold improvements on operational leases (-)	147.518
Goodwill and intangible assets and related deferred tax liabilities (-)	591.560
Net deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be defined by the regulator (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	566.076
Total regulatory adjustments to Common equity Tier 1	1.901.980
Common Equity Tier 1 capital	21.513.283

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

	Prior Period
Additional Tier 1 capital: instruments	
Prevalaged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Minority shares	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the regulator (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital	-
Regulatory adjustments to Common Equity	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	887.339
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Tier 1 capital	20.625.944
Tier 2 capital	
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.213.047
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
Generic Provisions	2.511.452
Minority shares	-
Tier 2 capital before regulatory adjustments	7.724.499
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the regulator (-)	-
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital	7.724.499

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

	Prior Period
Total capital	28.350.443
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6.808
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	11.345
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	149.667
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the regulator (-)	280.437
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
Shareholders's equity	27.902.186
Amounts below the thresholds for deduction	1.003.593
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	-
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	-
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	1.003.593

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

b. Information on debt instruments included in the calculation of equity:

Details on Subordinated Liabilities:					
	1	2	3	4	5
Issuer	UNICREDIT BANK	UNICREDIT BANK	CITIBANK	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 / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law / Turkish Law
Regulatory treatment					
Transitional Basel III rules	No	No	Yes	Yes	No
Eligible at stand-alone / concolidated	Stand-alone -Consolidated	Stand-alone – Consolidated	Stand-alone -Consolidated	Stand-alone – Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1,658	1,332	56	1,067	1,417
Par value of instrument	1,658	1,332	642	2,833	1,417
Accounting classification	Liability – Subordinated Loans-amortised cost	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	June 25, 2007	December 6, 2012	March 1, 2016
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	After 5th year	-	9 March 2021 - USD 500,000,000
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	-	-
Coupons / dividends					
Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed	Fixed
Coupon rate and any related index	5,7%	6,55%	EURIBOR + 2,78%	5,5%	8,63% (5 Year MidSwap+740 basis points, 8,5% 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	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	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	Yes	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-g	8-2-g	-

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

c. There are differences between the figures in the consolidated own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, general provision up to %1,25 credit risk is taken into consideration as Tier II Capital, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the “Regulation Regarding Banks’ Shareholders’ Equity” are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the “Regulation Regarding Banks’ Shareholders’ Equity”.

II. Explanations on consolidated credit risk:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

III. Explanations on countercyclical buffer:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

IV. Explanations on consolidated currency risk:

The difference between the Group’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 Group 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 X.

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

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	2,83340 TL	3,20810 TL
Current bid rate on the first date	2,86950 TL	3,21140 TL
Current bid rate on the second date	2,87330 TL	3,20820 TL
Current bid rate on the third date	2,87050 TL	3,20490 TL
Current bid rate on the fourth date	2,87890 TL	3,21410 TL
Current bid rate on the fifth date	2,86930 TL	3,20960 TL
Arithmetic average of the last 31 days:	2,88832 TL	3,20555 TL
Balance sheet evaluation rate as of		
Prior Period:	2,90760 TL	3,17760 TL

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

Information on currency risk of the Group:

	EUR	USD	Other FC ⁽⁴⁾	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	3.510.974	14.130.448	4.404.523	22.045.945
Banks	799.454	1.230.573	127.730	2.157.757
Financial assets at fair value through profit or loss	109.104	306.357	142	415.603
Money market placements	423.477	651.964	1	1.075.442
Available-for-sale financial assets	626.023	2.762.114	410.093	3.798.230
Loans ⁽¹⁾	22.692.892	37.400.687	1.033.638	61.127.217
Investments in associates, subsidiaries and joint ventures	-	-	340.781	340.781
Held-to-maturity investments	792.604	4.584.711	1	5.377.316
Hedging derivative financial assets	-	-	-	-
Tangible assets	2.749	-	30.357	33.106
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	4.784.910	2.959.922	505.672	8.250.504
Total assets	33.742.187	64.026.776	6.852.938	104.621.901
Liabilities				
Bank deposits	1.278.603	1.356.218	103.495	2.738.316
Foreign currency deposits	20.247.156	41.305.790	1.852.075	63.405.021
Funds from money market	-	1.546.325	-	1.546.325
Funds borrowed from other financial institutions	7.840.142	16.145.438	226.218	24.211.798
Marketable securities issued	5.997.612	5.912.935	283.328	12.193.875
Miscellaneous payables	907.697	451.834	16.552	1.376.083
Hedging derivative financial liabilities	39.580	178.260	-	217.840
Other liabilities ⁽³⁾	809.556	7.871.080	75.611	8.756.247
Total liabilities	37.120.346	74.767.880	2.557.279	114.445.505
	(3.378.159)	(10.741.104)	4.295.659	(9.823.604)
Net on balance sheet position	3.587.198	10.510.164	(3.506.105)	10.591.257
Net off balance sheet position⁽⁵⁾	11.177.409	31.282.553	1.992.606	44.452.568
Financial derivative assets	7.590.211	20.772.389	5.498.711	33.861.311
Financial derivative liabilities	209.039	(230.940)	789.554	767.653
Net position	16.440.311	21.270.037	2.044.603	39.754.951
Non-cash loans				
Prior Period				
Total assets	32.470.485	66.706.485	5.900.844	105.077.814
Total liabilities	36.653.072	72.256.600	2.481.489	111.391.161
Net on-balance sheet position	(4.182.587)	(5.550.115)	3.419.355	(6.313.347)
Net off-balance sheet position	4.306.950	5.272.930	(2.551.242)	7.028.638
Financial derivative assets	9.401.060	35.397.322	1.958.188	46.756.570
Financial derivative liabilities	5.094.110	30.124.392	4.509.430	39.727.932
Net position	124.363	(277.185)	868.113	715.291
Non-cash loans	14.948.763	22.669.213	1.949.697	39.567.673

(1) Includes FX indexed loans amounting to TL 5.351.056 (December 31, 2015 - TL 5.163.077) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 99.211 (December 31, 2015- TL 96.981).

(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.

(4) Other FC column also includes gold balance.

(5) Forward transactions classified as commitments are also included.

(6) In accordance with the principles of the "Regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis" foreign currency intangible assets amounted TL 11.619 is not considered in the calculation.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

V. Explanations on consolidated interest rate risk:

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

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

The Group 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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.306.239	-	41.651	-	-	9.654.425	29.002.315
Banks	347.389	1.049.228	255.861	17.508	-	1.147.655	2.817.641
Financial assets at fair value through profit/loss	320.159	318.757	356.775	347.231	288.987	71.420	1.703.329
Money market placements	1.075.699	-	-	-	-	-	1.075.699
Available-for-sale financial assets	3.680.940	2.358.125	7.655.521	3.469.945	3.481.571	342.789	20.988.891
Loans	24.966.447	19.998.544	51.050.002	37.241.678	21.375.213	1.572.934	156.204.818
Held-to-maturity investments	1.065.823	32.155	546.263	1.272.315	4.448.950	-	7.365.506
Other assets	1.754.152	1.278.058	1.870.489	4.313.536	597.553	8.916.282	18.730.070
Total assets	52.516.848	25.034.867	61.776.562	46.662.213	30.192.274	21.705.505	237.888.269
Liabilities							
Bank deposits	3.886.734	318.801	1.220.016	83.853	-	372.901	5.882.305
Other deposits	76.183.550	25.443.290	5.515.835	891.226	314.747	22.325.217	130.673.865
Funds from money market	7.794.237	1.515.999	238.244	-	-	-	9.548.480
Miscellaneous payables	-	-	-	-	-	9.520.721	9.520.721
Marketable securities issued	625.939	7.901.451	3.363.059	4.730.977	32.705	-	16.654.131
Funds borrowed from other financial institutions	5.727.277	7.079.665	10.354.704	997.403	880.973	-	25.040.022
Other liabilities and shareholders' equity	581.977	1.356.320	417.237	330.123	7.389.809	30.493.279	40.568.745
Total liabilities	94.799.714	43.615.526	21.109.095	7.033.582	8.618.234	62.712.118	237.888.269
Balance sheet long position	-	-	40.667.467	39.628.631	21.574.040	-	101.870.138
Balance sheet short position	(42.282.866)	(18.580.659)	-	-	-	(41.006.613)	(101.870.138)
Off-balance sheet long position	7.072.776	14.692.726	-	-	-	-	21.765.502
Off-balance sheet short position	-	-	(1.708.380)	(14.730.371)	(5.977.889)	-	(22.416.640)
Total position	(35.210.090)	(3.887.933)	38.959.087	24.898.260	15.596.151	(41.006.613)	(651.138)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	58.152	-	-	10.243.581	27.388.947
Banks	928.892	782.638	170.961	-	-	1.229.014	3.111.505
Financial assets at fair value through profit/loss	639.390	221.550	608.555	238.771	49.987	8.040	1.766.293
Money market placements	284.115	2.011	-	-	-	-	286.126
Available-for-sale financial assets	2.064.819	5.606.359	7.561.054	3.788.649	3.546.226	273.097	22.840.204
Loans	24.799.040	18.136.911	49.801.041	39.551.011	20.201.092	1.528.894	154.017.989
Held-to-maturity investments	-	396.679	1.221.604	1.143.899	4.346.627	-	7.108.809
Other assets	1.908.390	1.229.534	1.759.260	4.402.110	564.058	8.884.707	18.748.059
Total assets	47.711.860	26.375.682	61.180.627	49.124.440	28.707.990	22.167.333	235.267.932
Liabilities							
Bank deposits	3.678.714	382.544	672.053	33.072	-	349.936	5.116.319
Other deposits	64.571.208	33.002.949	6.398.343	685.677	288.583	19.961.986	124.908.746
Funds from money market	13.702.748	315.153	245.636	-	-	-	14.263.537
Miscellaneous payables	-	-	-	-	-	9.794.681	9.794.681
Marketable securities issued	435.023	8.129.023	2.325.254	6.251.601	31.992	-	17.172.893
Funds borrowed from other financial institutions	6.792.512	9.134.800	7.339.844	768.127	825.696	-	24.860.979
Other liabilities and shareholders' equity	763.758	583.539	1.104.543	193.425	6.086.423	30.419.089	39.150.777
Total liabilities	89.943.963	51.548.008	18.085.673	7.931.902	7.232.694	60.525.692	235.267.932
Balance sheet long position	-	-	43.094.954	41.192.538	21.475.296	-	105.762.788
Balance sheet short position	(42.232.103)	(25.172.326)	-	-	-	(38.358.359)	(105.762.788)
Off-balance sheet long position	6.138.880	18.321.753	-	-	-	-	24.460.633
Off-balance sheet short position	-	-	(6.677.496)	(14.181.466)	(4.332.133)	-	(25.191.095)
Total position	(36.093.223)	(6.850.573)	36.417.458	27.011.072	17.143.163	(38.358.359)	(730.462)

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

b. Average interest rates for monetary financial instruments:

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,97
Banks	1,14	1,68	-	13,65
Financial assets at fair value through profit/loss	1,99	4,34	-	7,70
Money market placements	0,03	0,65	-	-
Available-for-sale financial assets	4,30	5,68	-	10,52
Loans	4,13	5,50	4,94	13,74
Held-to-maturity investments	3,04	5,40	-	10,81
Liabilities⁽¹⁾				
Bank deposits	0,78	0,45	-	12,04
Other deposits	1,56	2,49	1,76	12,61
Funds from money market	-	1,06	-	9,24
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,20	3,89	-	10,74
Funds borrowed from other financial institutions	0,85	2,00	3,17	8,82

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

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	1,53	1,88	-	13,54
Financial assets at fair value through profit/loss	2,06	3,92	-	8,72
Money market placements	0,00	0,90	-	13,21
Available-for-sale financial assets	4,41	5,81	-	9,96
Loans	4,06	5,34	4,80	14,48
Held-to-maturity investments	3,40	5,39	-	10,61
Liabilities⁽¹⁾				
Bank deposits	1,17	1,13	-	11,07
Other deposits	1,51	2,21	1,72	12,73
Funds from money market	-	1,01	-	7,91
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,78	3,72	0,81	11,07
Funds borrowed from other financial institutions	1,01	2,95	2,99	7,14

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

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

1. Comparison of the carrying, fair and market values of equity shares:

Group has no unconsolidated subsidiaries and joint venture quoted in Borsa Istanbul as of March 31, 2016.

2. Information on realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

None.

VII. Explanations on consolidated liquidity risk and consolidated liquidity coverage ratio :

Liquidity risk is defined as risk of unexpected loss to be occurred or Group to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Group 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 Parent Bank functions as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent 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 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 Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. The bank applies weekly liquidity stress tests consisting of different scenarios and maturity segments (maximum 60 days).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

“Liquidity Contingency Plan” is applied if the Parent 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.

	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
CURRENT PERIOD				
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			32.905.522	20.585.623
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	62.740.578	25.623.513	5.306.204	2.298.910
Stable deposits	19.357.073	5.268.809	967.854	263.440
Less stable deposits	43.383.505	20.354.704	4.338.350	2.035.470
Unsecured Funding other than Retail and Small Business Customers Deposits	62.575.125	29.328.685	35.800.785	15.214.606
Operational deposits	-	-	-	-
Non-Operational Deposits	51.403.755	25.511.101	26.483.869	11.397.022
Other Unsecured Funding	11.171.370	3.817.584	9.316.916	3.817.584
Secured funding			24.210	24.210
Other Cash Outflows	20.227.867	12.850.694	20.227.222	12.850.049
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	20.226.946	12.849.773	20.226.946	12.849.773
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	921	921	276	276
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	50.033.707	31.740.956	2.501.685	1.587.048
Other irrevocable or conditionally revocable commitments	57.375.818	9.819.509	4.217.039	679.727
TOTAL CASH OUTFLOWS			68.077.145	32.654.550
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.343.101	6.280.790	13.547.812	5.083.461
Other contractual cash inflows	20.359.346	18.698.988	19.134.605	16.174.014
TOTAL CASH INFLOWS	40.702.447	24.979.778	32.682.417	21.257.475
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			32.905.522	20.585.623
TOTAL NET CASH OUTFLOWS			35.394.728	11.397.075
Liquidity Coverage Ratio (%)			92,97	180,62

(1) The arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

Current period	Minimum FC (%)	Minimum TOTAL(%)	Maximum FC (%)	Maximum TOTAL(%)
Week	January 15, 2016	March 4, 2016	March 25, 2016	March 18, 2016
Ratio (%)	120,02	90,48	268,91	108,91

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

PREVIOUS PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			30.592.256	21.096.422
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	61.274.185	25.773.923	5.149.032	2.303.333
Stable deposits	19.567.731	5.481.180	978.387	274.059
Less stable deposits	41.706.454	20.292.743	4.170.645	2.029.274
Unsecured Funding other than Retail and Small Business Customers Deposits	61.696.884	29.923.382	36.240.363	16.330.403
Operational deposits	-	-	-	-
Non-Operational Deposits	48.478.785	25.496.624	24.885.088	11.903.658
Other Unsecured Funding	13.218.099	4.426.758	11.355.275	4.426.745
Secured funding			20.529	20.529
Other Cash Outflows	16.322.074	9.027.288	16.320.394	9.025.608
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.319.674	9.024.888	16.319.674	9.024.888
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	2.400	2.400	720	720
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	50.132.649	32.035.021	2.506.632	1.601.751
Other irrevocable or conditionally revocable commitments	57.598.448	10.980.889	4.236.097	716.157
TOTAL CASH OUTFLOWS			64.473.047	29.997.781
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.438.444	7.658.842	13.521.423	6.170.588
Other contractual cash inflows	17.043.992	13.455.403	15.741.643	10.434.732
TOTAL CASH INFLOWS	37.482.436	21.114.245	29.263.066	16.605.320
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			30.592.256	21.096.422
TOTAL NET CASH OUTFLOWS			35.209.981	13.392.461
Liquidity Coverage Ratio (%)			86,89	157,52

(1) The arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

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

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

Funding sources of the Bank mainly consist of deposits which constitute 57% of total liabilities of the bank (December 31, 2015 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

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

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

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

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Current Period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	2.368.365	26.592.299	-	41.651	-	-	-	29.002.315
Banks	1.147.655	347.290	865.108	438.265	19.323	-	-	2.817.641
Financial assets at fair value through profit or loss	-	147.112	223.604	365.124	611.871	284.198	71.420	1.703.329
Money market placements	-	1.075.699	-	-	-	-	-	1.075.699
Available-for-sale financial assets	85.750	174.879	111.244	1.285.598	7.134.583	11.939.798	257.039	20.988.891
Loans	-	22.872.302	13.488.589	44.964.829	40.483.241	32.822.923	1.572.934	156.204.818
Held-to-maturity Investments	-	25.702	32.155	170.938	2.356.791	4.779.920	-	7.365.506
Other assets ⁽¹⁾	2.282.894	1.243.701	1.133.034	1.983.237	4.825.008	833.655	6.428.541	18.730.070
Total assets	5.884.664	52.478.984	15.853.734	49.249.642	55.430.817	50.660.494	8.329.934	237.888.269
Liabilities								
Bank deposits	372.901	3.886.734	318.801	1.220.016	83.853	-	-	5.882.305
Other deposits	22.325.217	76.183.550	25.443.290	5.515.835	891.226	314.747	-	130.673.865
Funds borrowed from other financial institutions	-	1.567.687	6.403.881	9.946.228	4.484.151	2.638.075	-	25.040.022
Funds from money market	-	7.794.237	1.515.999	238.244	-	-	-	9.548.480
Marketable securities issued	-	625.939	2.013.344	3.651.337	6.138.685	4.224.826	-	16.654.131
Miscellaneous payables	851.443	8.118.592	253.904	212.597	73	-	84.112	9.520.721
Other liabilities ⁽²⁾	2.046.000	412.909	1.056.571	415.211	1.779.333	7.776.878	27.081.843	40.568.745
Total liabilities	25.595.561	98.589.648	37.005.790	21.199.468	13.377.321	14.954.526	27.165.955	237.888.269
Net liquidity gap	(19.710.897)	(46.110.664)	(21.152.056)	28.050.174	42.053.496	35.705.968	(18.836.021)	-
Prior Period								
Total assets	5.842.245	51.623.125	17.584.555	44.461.789	58.497.782	49.126.978	8.131.458	235.267.932
Total liabilities	23.926.320	92.826.699	38.623.070	24.869.206	14.848.860	13.691.309	26.482.468	235.267.932
Net liquidity gap	(18.084.075)	(41.203.574)	(21.038.515)	19.592.583	43.648.922	35.435.669	(18.351.010)	-

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

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

VIII. Explanations on consolidated leverage ratio:

The main reasons for the increase in leverage ratio in the current period are especially the decrease in the risk amounts of the derivative financial instruments and the securities financing transactions together with the increase in the Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

	Current Period ⁽²⁾	Prior Period ⁽²⁾
1 Total assets in the consolidated financial statements prepared in accordance with TAS ⁽¹⁾	233.911.085	231.901.550
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.147.937	2.276.833
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.498.013	2.467.817
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(10.044.447)	(9.898.917)
5 Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(7.620.079)	(2.512.027)
6 Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	5.985.827	3.911.486
7 Total Risks	378.928.052	383.723.240

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.

(2) The arithmetic average of the last 3 months in the related periods.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

	Current Period⁽¹⁾	Prior Period⁽¹⁾	
On-Balance sheet exposures			
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	233.702.754	231.035.701
2	(Asset amounts deducted in determining Tier 1 capital)	(2.745.757)	(2.594.171)
3	Total on-Balance sheet exposures	230.956.997	228.441.530
Derivative financial instruments and credit derivatives			
4	Replacement cost of derivative financial instruments and credit derivatives	335.775	826.025
5	Potential credit risk of derivative financial instruments and credit derivatives	2.498.013	2.467.817
6	Total derivative financial instruments and credit derivatives exposure	2.833.788	3.293.842
Securities financing transaction exposure			
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	818.960	1.822.510
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	818.960	1.822.510
Off-balance sheet items			
10	Off-balance sheet exposure at gross notional amount	151.938.386	152.677.385
11	(Adjustments for conversion to credit equivalent amounts)	(7.620.079)	(2.512.027)
12	Total risk of off-balance sheet items	144.318.307	150.165.358
Capital and total exposure			
13	Tier 1 capital	21.171.732	20.682.544
14	Total exposures	378.928.052	383.723.240
Leverage ratio			
15	Leverage ratio (%)	5,59%	5,39%

(1) In Current Period and Prior Period table, the arithmetic average of the last 3 months.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

IX. Explanations on the strategies and policies of the risk management system:

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.

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	198.321.943	199.311.971	15.865.755
2 Of which standardised approach (SA)	198.321.943	199.311.971	15.865.755
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	2.316.641	2.929.494	185.331
5 Of which standardised approach for counterparty credit risk (SA-CCR)	2.316.641	2.929.494	185.331
6 Of which internal model method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – fall-back approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	1.072.005	984.115	85.760
17 Of which standardised approach (SA)	1.072.005	984.115	85.760
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	14.338.007	12.833.313	1.147.041
20 Of which Basic Indicator Approach	14.338.007	12.833.313	1.147.041
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	216.048.596	216.058.893	17.283.887

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

XI. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of March 31, 2016:

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

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at March 31, 2016 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	29.515.598	483.786	317.260	28.436.221	703.897	144.047
Cross currency interest rate swap (FVH)	656.852	188.144	10.589	666.872	257.144	4.231
Total	30.172.450	671.930	327.849	29.103.093	961.041	148.278

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 30.606.103 (December 31, 2015 - TL 29.623.344) the total notional of derivative financial assets amounting to TL 60.778.553 (December 31, 2015 - TL 58.726.437) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section III. Part IV.

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 part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

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 ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(26.182)	182.353	7.657	2.297

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 480.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(28.479)	251.230	3.427	(17.963)

- (4) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (5) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (6) The ineffective portion of the mentioned hedging transaction is TL 2.286.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the group (continued)

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

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

Cash flow hedge accounting:

The Parent 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 and cross currency 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 swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	483.786	317.260	(24.441)	(292.406)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 261 realized as an expense.

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

(4) Includes deferred tax impact.

(5) Includes tax and foreign exchange differences.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the group (continued)

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

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

Net Investment Hedge

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

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

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

XIII. Explanations on consolidated operating segments:

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

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

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

The Group'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. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

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

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

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	1.112.798	665.780	60.325	62.632	142.133	838.471	(2.356)	2.879.783
Operating expenses continuing	(983.091)	(186.198)	(22.451)	(37.014)	(54.345)	(706.043)	2.356	(1.986.786)
Net operating income continuing	129.707	479.582	37.874	25.618	87.788	132.428	-	892.997
Dividend income ⁽²⁾	-	-	-	-	-	3.428	-	3.428
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	14.710	-	14.710
Profit before tax	129.707	479.582	37.874	25.618	87.788	150.566	-	911.135
Tax expense ⁽²⁾	-	-	-	-	-	(206.827)	-	(206.827)
Net period income from continuing operations	129.707	479.582	37.874	25.618	87.788	(56.261)	-	704.308
Minority interest (-)	-	-	-	-	-	(21)	-	(21)
Group income/loss	129.707	479.582	37.874	25.618	87.788	(56.282)	-	704.287
Segment assets	70.385.427	74.917.362	172.156	7.707.197	13.327.321	73.579.481	(2.766.582)	237.322.362
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	565.907	-	565.907
Total assets	70.385.427	74.917.362	172.156	7.707.197	13.327.321	74.145.388	(2.766.582)	237.888.269
Segment liabilities	15.601.549	25.768.472	11.904.706	6.284.332	11.300.305	146.082.230	(2.764.406)	214.177.188
Shareholders' equity	-	-	-	-	-	23.711.081	-	23.711.081
Toplam yükümlülükler	15.601.549	25.768.472	11.904.706	6.284.332	11.300.305	169.793.311	(2.764.406)	237.888.269

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information related to financial position of the Group (continued)

Prior Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing ⁽³⁾	896.951	535.284	49.696	62.824	123.900	725.875	(1.502)	2.393.028
Operating expenses continuing ⁽³⁾	(842.653)	(302.692)	(20.974)	(38.247)	(51.252)	(500.409)	1.414	(1.754.813)
Net operating income continuing	54.298	232.592	28.722	24.577	72.648	225.466	(88)	638.215
Dividend income ^{(2), (3)}	-	-	-	-	-	2.524	-	2.524
Income/Loss from Investments accounted based on equity method ⁽³⁾	-	-	-	-	-	13.798	-	13.798
Profit before tax	54.298	232.592	28.722	24.577	72.648	241.788	(88)	654.537
Tax expense ^{(2), (3)}	-	-	-	-	-	(153.833)	-	(153.833)
Net period income from continuing operations	54.298	232.592	28.722	24.577	72.648	87.955	(88)	500.704
Minority interest (-) ⁽³⁾	-	-	-	-	-	(17)	-	(17)
Group income/loss	54.298	232.592	28.722	24.577	72.648	87.938	(88)	500.687
Segment assets ⁽³⁾	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.070.175	(2.361.014)	234.690.053
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	577.879	-	577.879
Total assets	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.648.054	(2.361.014)	235.267.932
Segment liabilities	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	68.837.738	(2.358.843)	212.181.530
Shareholders' equity	-	-	-	-	-	23.086.402	-	23.086.402
Total liabilities	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	91.924.140	(2.358.843)	235.267.932

- (1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".
(3) Prior period columns represent profit / loss figures for the 3 months period ended March 31, 2015

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Section five

Explanations and notes related to consolidated financial statements

I. Explanations and notes related to consolidated assets:

a. Information related to cash and the account of the Central Bank:

1. Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.400.782	574.625	1.437.741	567.110
The CBRT ⁽¹⁾	5.555.588	21.024.915	2.025.935	23.019.557
Other	-	446.405	-	338.604
Total	6.956.370	22.045.945	3.463.676	23.925.271

- (1) The balance of gold amounting to TL 4.242.103 is accounted for under the Central Bank foreign currency account (December 31, 2015 – TL 3.677.328).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	5.555.588	23.203	2.025.935	2.735.055
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	21.001.712	-	20.284.502
Total	5.555.588	21.024.915	2.025.935	23.019.557

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

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

As of March 31, 2016, the Group's reserve deposits, including those at foreign banks, amount to TL 26.639.357 (December 31, 2015 - TL 25.118.042).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

The Group does not have financial assets at fair value through profit and loss subject to repo transactions (December 31, 2015 - None) and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2015 - None).

c. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	202.408	-	154.716	200
Swap transactions	894.241	382.766	1.209.471	211.898
Futures transactions	-	-	-	-
Options	75.154	13.864	106.947	8.915
Other	-	-	-	-
Total	1.171.803	396.630	1.471.134	221.013

ç. Information on banks:

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	623.854	486.859	19.613	1.383.588
Foreign ⁽¹⁾	36.030	1.670.898	14.813	1.693.491
Head quarters and branches abroad	-	-	-	-
Total	659.884	2.157.757	34.426	3.077.079

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 34.645 (December 31, 2015 – 116.632 TL).

2. Information on foreign banks account:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

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

Available-for-sale financial assets given as collateral/blocked amount to TL 1.445.413 (December 31, 2015 - TL 4.172.519) and available-for-sale financial assets subject to repo transactions amounts to TL 5.681.452 (December 31, 2015 - TL 8.389.163).

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

	Current Period	Prior Period
Debt securities	20.921.611	22.925.060
Quoted on stock exchange	19.794.200	21.794.371
Not quoted ⁽¹⁾	1.127.411	1.130.689
Share certificates	302.353	300.332
Quoted on stock exchange	110	112
Not quoted	302.243	300.220
Impairment provision (-) ⁽²⁾	(326.439)	(410.013)
Other ⁽³⁾	91.366	24.825
Total	20.988.891	22.840.204

(1) Includes credit linked notes amounting to TL 468.550 (December 31, 2015 - TL 476.119).

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

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

f. Explanations on loans:

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

	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	7.702	1.143.968	6.593	954.585
Loans granted to employees	129.956	390	138.434	492
Total	137.658	1.144.358	145.027	955.077

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	of which, terms & conditions are changed		Loans and other receivables (Total)	of which, terms & conditions are changed	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	149.321.747	2.702.887	-	5.310.137	1.762.304	127.185
Loans given to enterprises	72.370.673	993.570	-	1.511.985	726.493	94.632
Export loans	5.360.623	111.860	-	46.111	24.340	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3.462.755	-	-	-	-	-
Consumer loans	28.327.377	788.133	-	1.261.844	199.071	20.258
Credit cards	19.005.842	473.349	-	661.192	164.318	10.466
Other(1)	20.794.477	335.975	-	1.829.005	648.082	1.829
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	149.321.747	2.702.887	-	5.310.137	1.762.304	127.185

(1) Fair value differences of the hedged items amounting to TL 26.182 expense are classified in other loans as explained in Note IV, Section XI.

Number of modifications made to extend payment plan ⁽¹⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	2.562.261	1.573.203
Extended by 3,4 or 5 times	102.994	182.745
Extended by more than 5 times	37.632	6.356
Total	2.702.887	1.762.304

Number of modifications made to extend payment plan ⁽¹⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	993.493	433.621
6 - 12 Months	188.353	153.045
1 - 2 Years	502.480	248.916
2 - 5 Years	415.974	479.752
5 Years and over	602.587	446.970
Total	2.702.887	1.762.304

(1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 9, 2011.

(2) There are 61 loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities Untill 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 41 of them were restructured once or twice, 7 of them were restructured three, four or five times, 13 of them were structured more than five times.

(3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

3. Loans according to their maturity structure:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

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

	Short-term	Medium and long-term	Total
Consumer loans-TL	207.313	28.159.064	28.366.377
Real estate loans	3.778	11.978.959	11.982.737
Automotive loans	4.773	378.492	383.265
Consumer loans	198.762	15.801.613	16.000.375
Other	-	-	-
Consumer loans-FC indexed	-	43.001	43.001
Real estate loans	-	42.357	42.357
Automotive loans	-	-	-
Consumer loans	-	644	644
Other	-	-	-
Consumer loans-FC	24.179	83.076	107.255
Real estate loans	860	17.407	18.267
Automotive loans	2.468	3.421	5.889
Consumer loans	10.565	37.170	47.735
Other	10.286	25.078	35.364
Individual credit cards-TL	13.480.961	645.503	14.126.464
With installments	6.935.567	635.719	7.571.286
Without installments	6.545.394	9.784	6.555.178
Individual credit cards-FC	610	43.735	44.345
With installments	477	43.735	44.212
Without installments	133	-	133
Personnel loans-TL	3.912	55.451	59.363
Real estate loans	-	1.468	1.468
Automotive loans	-	213	213
Consumer loans	3.912	53.770	57.682
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	411	802	1.213
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	130	638	768
Other	281	164	445
Personnel credit cards-TL	67.742	241	67.983
With installments	33.533	241	33.774
Without installments	34.209	-	34.209
Personnel credit cards-FC	36	513	549
With installments	16	513	529
Without installments	20	-	20
Credit deposit account-TL (real person)⁽¹⁾	1.008.545	-	1.008.545
Credit deposit account-FC (real person)	3.467	-	3.467
Total	14.797.176	29.031.386	43.828.562

(1) TL 848 of the credit deposit account belongs to the loans used by personnel.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	Current Period		Total
	Short- term	Medium and long-term	
Commercial installments loans-TL	921.812	10.100.059	11.021.871
Business loans	1.627	760.851	762.478
Automotive loans	30.864	1.831.630	1.862.494
Consumer loans	889.321	7.507.578	8.396.899
Commercial installments loans-FC indexed	8.173	203.800	211.973
Business loans	-	19.297	19.297
Automotive loans	88	46.617	46.705
Consumer loans	8.085	137.886	145.971
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Corporate credit cards-TL	5.425.932	1.761	5.427.693
With installment	3.333.390	1.488	3.334.878
Without installment	2.092.542	273	2.092.815
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Credit deposit account-TL (legal person)	1.381.717	-	1.381.717
Credit deposit account-FC (legal person)	-	-	-
Total	7.737.634	10.305.620	18.043.254

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

6. Loans according to types of borrowers:

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

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

	Current Period	Prior Period
Domestic loans	151.593.003	149.261.801
Foreign loans	3.038.881	3.227.294
Total	154.631.884	152.489.095

8. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	28.116	33.816
Indirect loans granted to associates and subsidiaries	-	-
Total	28.116	33.816

9. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	109.234	124.531
Loans and other receivables with doubtful collectability	616.079	519.512
Uncollectible loans and other receivables	4.385.283	4.020.370
Total	5.110.596	4.664.413

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	19.317	103.189	152.866
Restructured loans and other receivables	19.317	103.189	152.866
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	51.746	88.265	146.882
Restructured loans and other receivables	51.746	88.265	146.882
Rescheduled loans and other receivables	-	-	-

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period	694.782	1.310.280	4.188.245
Additions (+)	660.427	24.548	28.545
Transfers from other categories of non-performing loans (+)	-	673.402	487.522
Transfer to other categories of non-performing loans (-)	(673.402)	(487.522)	-
Collections (-)	(46.593)	(66.068)	(110.581)
FX valuation differences	(67)	34	8
Write-offs (-)	-	-	(30)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	(30)
Current Period	635.147	1.454.674	4.593.709
Specific provision (-)	(109.234)	(616.079)	(4.385.283)
Net balance on balance sheet	525.913	838.595	208.426

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Period end balance	5.800	12.108	569.692
Specific provision (-)	(1.368)	(8.169)	(466.293)
Net balance on-balance sheet	4.432	3.939	103.399
Prior Period			
Period end balance	1.130	10.614	563.217
Specific provision (-)	(501)	(6.058)	(461.751)
Net balance on-balance sheet	629	4.556	101.466

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (net)	525.913	838.595	208.426
Loans granted to real persons and corporate entities (gross)	635.147	1.454.674	4.485.148
Specific provision amount (-)	(109.234)	(616.079)	(4.276.722)
Loans granted to real persons and corporate entities (net)	525.913	838.595	208.426
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.986
Specific provision amount (-)	-	-	(83.986)
Other loans and receivables (Net) ⁽¹⁾	-	-	-
Prior Period (net)	570.251	790.768	167.875
Loans granted to real persons and corporate entities (gross)	694.782	1.310.280	4.079.682
Specific provision amount (-)	(124.531)	(519.512)	(3.911.807)
Loans granted to real persons and corporate entities (Net)	570.251	790.768	167.875
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (Net) ⁽¹⁾	-	-	-

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

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

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

12. Explanation on “Write-off” policies:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

g. Information on held-to-maturity investments:

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

Held-to-maturity investments given as collateral/blocked amounts to TL 1.557.520 (December 31, 2015 - TL 1.758.825). Held-to-maturity investments subject to repurchase agreements amount to TL 1.909.165 (December 31, 2015 - TL 2.736.461).

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

	Current Period	Prior Period
Government bond	6.754.434	6.618.626
Treasury bill	-	-
Other debt securities	611.072	490.183
Total	7.365.506	7.108.809

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

	Current Period	Prior Period
Debt securities	7.569.767	7.303.077
Quoted on stock exchange	7.569.767	7.303.077
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(204.261)	(194.268)
Total	7.365.506	7.108.809

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

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

	Current Period	Prior Period
Beginning balance	7.108.809	5.556.369
Foreign currency differences on monetary assets ⁽¹⁾	(114.144)	931.823
Purchases during year	406.937	913.249
Disposals through sales and redemptions	(26.103)	(220.904)
Impairment provision (-) ⁽²⁾	(9.993)	(71.728)
Period end balance	7.365.506	7.108.809

(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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

ğ. Information on investments in associates (net):

1. General information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	9,98	9,98

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	154.333	113.004	81.803	4.870	7	34.774	21.834	-
2	68.358	29.660	42.971	1.019	-	3.869	3.490	-

(1) Financial statement information disclosed above shows December 31, 2015 results.

2. Consolidated investments in associates:

(i). Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%) ⁽¹⁾
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	-	20,00

(1) The other shareholders represent the consolidated Group companies.

(ii). Main financial figures of the consolidated investments in associates in 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	Market Value
1	9.910.285	1.166.046	6.172	31.699	5.910	31.288	19.917	-
2	1.244.781	288.523	24.224	8.380	-	47.360	36.287	-

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(iii). Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	545.225	456.584
Movements during the period	(10.515)	88.641
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	16.168	49.009
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽²⁾	889	61.566
Impairment provision ⁽¹⁾	(27.572)	(21.934)
Balance at the end of the period	534.710	545.225
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	340.781	338.140
Insurance companies	193.929	207.085
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	534.710	545.225

(v). Investments in associates quoted on stock exchange: None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

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

1. Information on 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 Nederlan d N.V.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	13.636	-	-	-	(2.932)
Other capital reserves	93.614	11	(217.064)	-	-
Legal reserves	68.107	8.034	79.305	18.164	-
Extraordinary reserves	198.933	10.458	771.384	-	485.007
Other reserves	-	-	-	-	357.073
Profit/loss	(36.567)	102.936	534.234	5.833	15.575
Prior period profit	33.379	4.954	59.466	5.833	15.575
Prior years' income or (loss)	(69.946)	97.982	474.768	-	-
Leasehold improvements (-)	-	-	1	234	64
Intangible assets (-)	15.646	803	93	655	279
Total core capital	434.692	181.350	1.554.084	28.815	966.822
Supplementary capital	-	10.127	34.924	-	180
Capital	434.692	191.477	1.589.008	28.815	967.002
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	434.692	191.477	1.589.008	28.815	967.002

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of March 31, 2016.

There is no internal capital adequacy assessment process (ICAAP) for the subsidiaries.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

2. Unconsolidated subsidiaries

(i). Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/Turkey	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
3 Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

(ii). Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	26.169	21.433	1.159	11	-	2.837	2.061	-
2	36.424	23.586	3.737	564	-	492	27	-
3	5.994	4.863	3.870	33	-	140	-	-

3. Consolidated subsidiaries:

(i). Information on consolidated subsidiaries:

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2 Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
7 Yapı Kredi NV ⁽¹⁾	Amsterdam/Nederlands	67,24	100,00
8 Yapı Kredi Azerbaycan ⁽²⁾	Bakü/Azerbajjan	99,80	100,00
9 Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Structured Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation because it is a structured entity established for securitisation transactions.

(1) Includes the balances for Sticing Custody Services YKB.

(2) Includes the balances for Yapı Kredi Invest LLC.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(ii). Main financial figures of the consolidated subsidiaries in the order of the below table⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value ⁽²⁾	Required equity
1	227.644	227.477	-	-	-	(237)	443	-	-
2	3.585.290	454.842	38.364	60.558	1.623	33.379	29.748	-	-
3	2.270.396	182.153	1.511	41.718	-	4.954	7.444	-	-
4	445.382	134.570	13.328	7.358	376	2.747	2.553	-	-
5	7.631.482	1.557.787	4.070	124.497	-	59.466	42.481	-	-
6	37.623	29.704	1.457	1.795	-	5.833	5.622	-	-
7	6.131.856	964.403	1.116	78.691	2.811	15.575	14.090	-	-
8	788.286	128.417	27.355	15.430	-	1.198	2.101	-	-
9	334.480	188.450	2.926	2.357	42	(350)	(768)	-	-

(1) The above financial information is extracted from the financial statements of companies included in the preparation of consolidated financial statements are used as of March 31, 2016.

(iii). Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.614.436	3.309.478
Movements during the period	24.848	304.958
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	99.838	345.342
Sales	-	-
Liquidation	-	-
Transfers	-	-
Revaluation (decrease) / increase ⁽¹⁾	15.724	66.047
Impairment provision ⁽²⁾	(90.714)	(106.431)
Balance at the end of the period	3.639.284	3.614.436
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Priod Period
Banks	911.000	886.070
Insurance companies	-	-
Factoring companies	182.067	195.856
Leasing companies	1.557.691	1.498.228
Finance companies	-	-
Other financial subsidiaries	988.526	1.034.282
Total financial subsidiaries	3.639.284	3.614.436

(v). Subsidiaries quoted on stock exchange:

None (December 31, 2015 - None)

i. Information on joint ventures (net):

1. Unconsolidated joint ventures: None.

2. Consolidated joint ventures:

(i). Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	145.539	67.795	87.323	58.215	8.452	11.430	(14.508)
Total			145.539	67.795	87.323	58.215	8.452	11.430	(14.508)

i. Information on lease receivables (net):

1) Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2.354.302	1.933.491	2.339.085	1.917.198
Between 1- 4 years	4.315.066	3.567.597	4.262.288	3.557.981
More than 4 years	1.516.300	1.346.758	1.536.136	1.387.082
Total	8.185.668	6.847.846	8.137.509	6.862.261

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

2) Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	2.220.763	5.964.905	2.037.181	6.100.328
Unearned financial income from leases (-)	(516.099)	(821.723)	(422.420)	(852.828)
Amount of cancelled leases (-)	-	-	-	-
Total	1.704.664	5.143.182	1.614.761	5.247.500

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	188.144	-	257.144	-
Cash flow hedge ⁽¹⁾	483.786	-	697.629	6.268
Foreign net investment hedge	-	-	-	-
Total	671.930	-	954.773	6.268

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

k. Information on tangible assets:

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

l. Information on intangible assets:

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

m. Information on investment property:

None (December 31, 2015 - None).

n. Information on deferred tax asset:

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	Current Period	Prior Period
Net book value at the beginning of the period	153.922	155.485
Additions	9.980	71.898
Disposals (-), net	(16.652)	(68.679)
Impairment provision reversal	189	560
Impairment provision (-)	(102)	(400)
Depreciation (-)	(1.301)	(5.149)
Translation differences	16	207
Net book value at the end of the period	146.052	153.922
Cost at the end of the period	161.577	169.035
Accumulated depreciation at the end of the period (-)	(15.525)	(15.113)
Net book value at the end of the period	146.052	153.922

As of March 31, 2016, the Group booked impairment provision on assets held for resale with an amount of TL 7.751 (December 31, 2015 - TL 7.838).

ö. Information on other assets:

As of March 31, 2016, other assets do not exceed 10% of the total assets.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

II. Explanations and notes related to consolidated liabilities:

a. Information on deposits:

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

(i). Current Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Total
Saving deposits	4.259.140	2.464	1.364.171	20.700.303	4.273.013	2.152.740	2.099.756	34.851.587
Foreign currency deposits	12.014.566	71.242	8.519.632	26.972.974	6.482.764	4.112.714	4.679.680	62.853.572
Residents in Turkey	11.057.251	34.288	8.484.067	26.680.526	6.413.130	3.973.204	3.224.548	59.867.014
Residents abroad	957.315	36.954	35.565	292.448	69.634	139.510	1.455.132	2.986.558
Public sector deposits	1.242.403	-	-	92.457	1.371	1.897	394	1.338.522
Commercial deposits	4.417.920	-	2.359.283	15.924.483	4.081.799	469.195	562.454	27.815.134
Other institutions deposits	88.589	-	24.858	2.575.249	141.106	422.003	11.796	3.263.601
Precious metals vault	302.599	-	405	69.730	20.621	36.838	121.256	551.449
Bank deposits	372.901	7.937	3.303.665	828.225	336.074	949.653	83.850	5.882.305
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	6.595	-	3.122.639	469.153	-	-	-	3.598.387
Foreign banks	72.415	7.937	181.026	359.072	336.074	949.653	83.850	1.990.027
Participation banks	293.891	-	-	-	-	-	-	293.891
Other	-	-	-	-	-	-	-	-
Total	22.698.118	81.643	15.572.014	67.163.421	15.336.748	8.145.040	7.559.186	136.556.170

(ii). Prior Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Total
Saving deposits	4.219.828	292	1.342.831	26.878.250	806.474	127.203	187.905	33.562.783
Foreign currency deposits	9.680.582	16.477	7.748.761	30.615.266	4.731.711	4.755.724	2.938.619	60.487.140
Residents in Turkey	8.654.417	8.900	7.710.165	29.872.663	3.009.199	707.224	1.177.571	51.140.139
Residents abroad	1.026.165	7.577	38.596	742.603	1.722.512	4.048.500	1.761.048	9.347.001
Public sector deposits	833.607	-	70	72.690	71	660	77	907.175
Commercial deposits	4.806.847	-	4.143.763	15.441.255	732.772	139.680	638.898	25.903.215
Other institutions deposits	91.538	-	62.089	2.592.019	320.813	402.005	1.190	3.469.654
Precious metals vault	329.584	-	5.828	59.963	26.188	33.296	123.920	578.779
Bank deposits	349.936	8.215	3.102.799	739.430	202.185	662.035	51.719	5.116.319
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	1.854	-	2.886.157	365.081	-	-	-	3.253.092
Foreign banks	23.581	8.215	216.642	374.349	202.185	662.035	51.719	1.538.726
Participation banks	324.501	-	-	-	-	-	-	324.501
Other	-	-	-	-	-	-	-	-
Total	20.311.922	24.984	16.406.141	76.398.873	6.820.214	6.120.603	3.942.328	130.025.065

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

2. Information on saving deposits insurance:

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

Saving deposits ⁽¹⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	17.893.888	17.037.310	17.194.060	16.965.778
Foreign currency savings deposit	6.911.583	6.632.647	17.754.045	17.764.322
Other deposits in the form of savings deposits	221.014	241.329	281.347	277.182
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	5.404	5.495
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	74.532	132.362
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

b. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	102.274	2.945	97.011	156
Swap transactions	1.170.579	403.950	1.422.269	284.342
Futures transactions	-	-	-	-
Options	74.901	16.291	105.182	13.448
Other	-	-	-	-
Total	1.347.754	423.186	1.624.462	297.946

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on borrowings:

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	446.206	1.260.412	730.154	1.247.208
From foreign banks, institutions and funds	382.018	22.951.386	541.887	22.341.730
Total	828.224	24.211.798	1.272.041	23.588.938

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	316.104	1.713.451	772.974	1.204.093
Medium and long-term	512.120	22.498.347	499.067	22.384.845
Total	828.224	24.211.798	1.272.041	23.588.938

ç. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	2.195.430	246.739	2.106.752	451.305
Asset backed securities ^{(1), (2)}	-	5.775.724	-	6.083.274
Bonds	2.264.826	6.171.412	2.093.611	6.437.951
<i>Collateralized securities</i>	294.067	-	288.650	-
Total	4.460.256	12.193.875	4.200.363	12.972.530

- (1) The Parent Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TAS 39 paragraph 9. As of March 31, 2016, the total amount of financial liabilities classified as fair value through profit/loss is TL 3.312.835 (December 31, 2015 - TL 3.394.985) with an accrued interest income of TL 75.912 (December 31, 2015 - TL 82.505) and with a fair value difference of TL 5.942 recognized in the income statement as an expense (December 31, 2015 - TL 96.945 income). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of March 31, 2016 are TL 3.247.076 (December 31, 2015: TL 3.332.109) for buy legs and TL 3.247.076 (December 31, 2015: TL 3.332.109) for sell legs with a fair value differences amounting to TL 76.729. The mentioned total return swaps have 10 year maturity in average.
- (2) The Group 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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

d. Information on other liabilities:

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

e. Information on lease payables:

1. Information on financial leasing agreements:

None (December 31, 2015 - None).

2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	10.432	157	3.926	305
Cash flow hedge ⁽¹⁾	99.577	217.683	35.387	108.660
Foreign net investment hedge	-	-	-	-
Total	110.009	217.840	39.313	108.965

(1) Explained in Note XI. of Section IV.

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	2.177.121	2.091.893
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	119.150	85.758
II. Provisions for second group loans and receivables	235.507	213.075
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	67.320	57.504
Provisions for non-cash loans	90.827	89.448
Other	227.456	232.855
Total	2.730.911	2.627.271

2. Information on reserve for employee rights:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	Current Period	Prior Period
Discount rate (%)	4,60	4,60
Possibility of being eligible for retirement (%)	93,89	93,89

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.092,53 effective from January 1, 2016 (January 1, 2015 - full TL 3.541,37) 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	141.388	141.134
Changes during the period	10.353	49.143
Recognized in equity	-	(20.478)
Paid during the period	(11.937)	(28.238)
Foreign currency differences	156	(173)
Balance at the end of the period	139.960	141.388

In addition, the Group has accounted for unused vacation rights provision amounting to TL 167.714 as of March 31, 2016 (December 31, 2015- TL 159.125).

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

As of March 31, 2016, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 82.699 (December 31, 2015 - TL 30.295). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

4. Other provisions:

(i) Information on other provisions:

	Current Period	Prior Period
Pension fund provision	574.249	574.249
Provisions on unindemnified non cash loans	115.783	105.932
Provisions on credit cards and promotion campaigns related to banking services	39.027	38.678
Other	288.524	336.343
Total	1.017.583	1.055.202

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(ii) General reserves for possible losses:

None. (December 31, 2015 - None)

5. Pension fund provision:

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ğ. Information on taxes payable:

(i) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	253.086	195.493
Taxation of Marketable Securities	126.738	111.321
Property Tax	3.466	2.795
Banking Insurance Transaction Tax (“BITT”)	96.392	107.141
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	4.546	13.240
Other	57.034	39.413
Total	541.262	469.403

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	427	312
Social security premiums - employer	499	364
Bank pension fund premiums - employee	18.741	13.473
Bank pension fund premiums - employer	19.354	13.921
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.338	961
Unemployment insurance - employer	2.675	1.922
Other	-	-
Total	43.034	30.953

(iii) Information on deferred tax liability:

There is a deferred tax liability amounting to TL 48.185 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2015 – TL 119.097).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

h. Information on subordinated loans: ⁽¹⁾

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	7.955.961	-	6.635.191
From other foreign institutions	-	-	-	-
Total	-	7.955.961	-	6.635.191

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

i. Information on shareholders’ equity:

1. Presentation of paid-in capital

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

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

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

3. Information on the share capital increases during the period and the sources: None (December 31, 2015- None).

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

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

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

7. Privileges on the corporate stock: None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Available for sale securities⁽¹⁾	(356.376)	276.857	(546.402)	261.490
Valuation differences	(356.376)	276.857	(546.402)	261.490
Foreign currency differences	-	-	-	-
Total	(356.376)	276.857	(546.402)	261.490

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

9. Other:

It was decided to distribute unconsolidated net profit of TL 1.860.545 as of December 31, 2015, in accordance with the General Assembly dated March 31, 2016 as follows: TL 93.027 to be transferred to legal reserves, TL 2.620 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 1.764.898 to be transferred to extraordinary reserves.

i. **Information on minority interest:**

	Current Period	Prior Period
Period opening balance	474	462
Current period income/(loss)	21	45
Dividends paid	(37)	(41)
Translation differences	-	8
Transaction done with minority	-	-
Other	-	-
Period ending balance	458	474

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	29.668.933	28.304.464
Loan granting commitments	8.831.820	9.085.013
Commitments for cheques	6.851.466	6.521.085
Other irrevocable commitments	26.587.331	35.009.478
Total	71.939.550	78.920.040

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 90.827 (December 31, 2015 - TL 89.448) and specific provision amounting to TL 620.884 (December 31, 2015 - TL 597.477) for non-cash loans which are not indemnified yet amounting to TL 115.783 (December 31, 2015 - TL 105.932).

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

	Current Period	Prior Period
Bank acceptance loans	167.363	173.524
Letter of credits	8.377.207	8.043.863
Other guarantees and collaterals	4.569.609	4.255.807
Total	13.114.179	12.473.194

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

	Current Period	Prior Period
Temporary letter of guarantees	1.766.315	1.926.929
Definite letter of guarantees	30.997.868	31.839.457
Advance letter of guarantees	5.963.363	5.556.443
Letter of guarantees given to customs	2.197.194	2.016.807
Other letter of guarantees	4.125.980	3.831.366
Total	45.050.720	45.171.002

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	Current Period	Prior Period
Non-cash loans given against cash loans	3.793.911	3.496.922
With original maturity of 1 year or less than 1 year	477.399	465.353
With original maturity of more than 1 year	3.316.512	3.031.569
Other non-cash loans	54.370.988	54.147.274
Total	58.164.899	57.644.196

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

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

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

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

(iv) Maturity distribution of non-cash loans:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

b. Information on derivative financial instruments:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

c. Information on credit derivatives and risk exposures:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

ç. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 66.945 (December 31, 2015 – TL 64.875) for litigations against the Group and has accounted for it in accompanying consolidated the 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 any cash outflows for such claim.

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

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

IV. Explanations and notes related to consolidated income statement:

a. Information on interest income:

1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	1.315.399	96.114	1.136.125	73.718
Medium/long-term loans ⁽¹⁾	1.679.502	633.440	1.193.141	518.671
Interest on loans under follow-up	19.953	-	18.711	40
Premiums received from resource utilisation support fund	-	-	-	-
Total	3.014.854	729.554	2.347.977	592.429

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

2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From domestic banks	21.835	854	31.546	4
From foreign banks	1.061	6.020	1.032	32.284
Headquarters and branches abroad	-	-	-	-
Total	22.896	6.874	32.578	32.288

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	2.233	293	1.558	285
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	519.785	51.720	314.127	50.020
From held-to-maturity investments	53.466	76.639	42.335	52.575
Total	575.484	128.652	358.020	102.880

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	264	1.887

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	22.662	162.420	38.747	208.477
The CBRT	-	-	-	-
Domestic banks	9.945	3.507	17.998	3.349
Foreign banks	12.717	158.913	20.749	205.128
Headquarters and branches abroad	-	-	-	-
Other institutions	32	41.812	17	14.167
Total⁽¹⁾	22.694	204.232	38.764	222.644

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	770	436

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	112.183	120.847	72.230	95.690
Total	112.183	120.847	72.230	95.690

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	46	39.037	1.403	-	-	-	-	40.486	13.947
Saving deposit	-	31.573	791.915	26.371	2.937	4.084	-	856.880	631.125
Public sector deposit	-	336	2.168	5	13	1	-	2.523	1.276
Commercial deposit	7	66.814	498.356	68.745	7.808	13.859	-	655.589	496.076
Other deposit	-	3.913	123.552	12.952	12.076	11	-	152.504	133.993
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	53	141.673	1.417.394	108.073	22.834	17.955	-	1.707.982	1.276.417
FC									
Foreign currency deposit	186	44.481	170.004	17.300	8.996	20.151	-	261.118	207.435
Bank deposit	-	1.505	1.457	2.064	7.157	632	-	12.815	6.855
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	137	261	21	36	19	-	474	493
Total	186	46.123	171.722	19.385	16.189	20.802	-	274.407	214.783
Grand total	239	187.796	1.589.116	127.458	39.023	38.757	-	1.982.389	1.491.200

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on dividend income:

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

	Current Period	Prior Period
Gain	7.854.288	10.794.286
Gain from capital market transactions	48.193	157.662
Derivative financial transaction gains	2.222.217	4.024.304
Foreign exchange gains	5.583.878	6.612.320
Loss(-)	(7.806.181)	(10.812.536)
Loss from capital market transactions	(14.271)	(21.848)
Derivative financial transaction losses	(2.828.489)	(4.419.181)
Foreign exchange loss	(4.963.421)	(6.371.507)
Net gain/loss	48.107	(18.250)

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

The amount of net income from derivative financial transactions related to exchange rate changes is TL 558.240 (March 31, 2015- TL 234.785 loss).

e. Information on other operating income:

Other operating income mainly results from the collections and reversals from specific/generic provisions recorded in prior years and the gain from sales of assets.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

f. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	506.684	393.765
III. Group loans and receivables	8.886	61.859
IV. Group loans and receivables	117.544	35.285
V. Group loans and receivables	380.254	296.621
General provision expenses	120.086	144.053
Provision expense for possible risks	1.471	3.869
Marketable securities impairment expenses ⁽¹⁾	17.946	8.307
Financial assets at fair value through profit or loss	377	217
Available-for-sale financial assets	17.569	8.090
Impairment of investments in associates, subsidiaries and held-to-maturity securities	13.086	6.937
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	13.086	6.937
Other	63.795	14.021
Total	723.068	570.952

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

g. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	522.859	471.827
Reserve for employee termination benefits	119	124
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	57.960	50.286
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	29.877	31.776
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	102	92
Depreciation expenses of assets held for resale	1.301	1.284
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	422.613	380.679
Operational lease expenses	65.844	55.552
Repair and maintenance expenses	20.999	18.702
Advertising expenses	34.682	27.537
Other expense	301.088	278.888
Loss on sales of assets	-	23
Other	228.887	247.770
Total	1.263.718	1.183.861

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

ğ. Explanations on income/loss from continuing operations and discontinued operations before tax:

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

As of March 31, 2016, the Group has current tax expense amounting to TL 250.261 (March 31, 2015 - TL 39.446) and deferred tax income amounting to TL 43.434 (March 31, 2015 - TL 114.387 deferred tax expense) from continuing operations.

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

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

i. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	21	17

j. Other items in income statement:

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

V. Explanations and notes related to consolidated statement of changes in shareholders’ equity

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

VII. Explanations and notes related to Group’s merger, transfers and companies acquired by Bank

None.

VIII. Explanations and notes related to Group’s risk group

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

1. Information on loans of the Group’s risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group’s risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Balance at the end of the period	28.116	10.502	142.067	1.143.968	2.081.618	2.400.428
Interest and commission income received	264	41	876	3.605	56.339	9.016

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

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

Prior Period	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
Group’s risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	88.339	5.916	47.956	536.763	1.320.617	2.117.169
Balance at the end of the period	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Interest and commission income received⁽³⁾	1.887	12	3.983	1.213	37.711	1.882

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

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

(3) Represent the profit / loss figures for the 3 months period ended March 31, 2015.

2. Information on deposits of the Group’s risk group:

Group’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	82.069	121.840	19.927.462	13.660.682	5.148.413	10.291.156
End of the period	202.088	82.069	22.085.886	19.927.462	6.691.147	5.148.413
Interest expense on deposits⁽³⁾	770	436	260.594	191.608	113.173	104.802

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

(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

(3) Prior period columns represent profit / loss figures for the 3 months period ended March 31, 2015.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

Group's risk group ^{(1), (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss⁽²⁾						
Beginning of the period ⁽³⁾	-	-	1.455.484	150.569	146.778	879.327
End of the period ⁽³⁾	-	-	1.712.833	1.455.484	867.785	146.778
Total profit / loss	(8.532)	31	(39.830)	(1.323)	15.836	(72.020)
Transactions for hedging purposes⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / loss⁽⁴⁾	-	-	-	-	-	-

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

(2) The Bank's derivative instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivative financial instruments held for hedging" according to TAS 39.

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

(4) Financial statement information disclosed above shows March 31, 2015 results.

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

Salaries and benefits paid to the Group's top management amount to TL 27.523 as of March 31, 2016 (March 31, 2015 - TL 25.284).

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

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

X. Explanations and notes related to subsequent events

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Section Six

Explanations on the auditor’s review report

I. Explanations on the auditor’s review report

The consolidated financial statements for the period ended March 31, 2016 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s review report dated May 2, 2016 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Section Seven⁽¹⁾

Information on interim activity report

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

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

In the first quarter of 2016, the operating environment started in a volatile manner but became more stable towards March. Globally, reduced expectations for Fed hikes and low but stable oil prices provided a more positive external backdrop and led to a subsequent improvement in capital flows into emerging markets. Domestically, uncertainty decreased following the formation of the government, improving inflation and narrowing current account deficit albeit with ongoing impacts from geopolitical developments.

In the banking sector, there was subdued volume growth in the first quarter of 2016. Total loans reached TL 1.448 billion indicating 1% year-to-date growth. During the same period, total deposits reached TL 1.282 billion indicating 3% year-to-date growth. Asset quality displayed slight deterioration due to the impact of volatility in late 2015 and the sector’s non-performing loans ratio increased by 13 bps to 3,1%

In the first three months of 2016, Yapı Kredi recorded strong profitability improvement while maintaining its capital, liquidity and market positioning. Capital position was further strengthened through the successful issuance of a US\$500 million Basel-III compliant sub-debt with 10 years maturity in March.

Yapı Kredi continued to be recognized both locally and internationally with many awards in different areas. As it has been the case for the past 8 years, we once again took our place among the most valuable 500 brands of the world, as compiled by Brand Finance. Additionally, the Bank was chosen as Turkey’s “Best Foreign Trade Financing Bank” in a survey by Euromoney. At the Stevie Awards, one of the world’s most prestigious awards recognizing business accomplishments, Yapı Kredi received a Silver Stevie in the “Innovation in Sales” category, while our “Together Stronger” project aimed at employees was acknowledged with a Bronze Stevie Award in the “Relationship Management Solutions” category. Meanwhile Euromoney selected Yapı Kredi’s private banking as the best in its field with its “Philanthropic Advice” service.

Another achievement that did us proud was the award we received for the MidSEEF Program, led by EBRD and supported by European Investment Bank and the European Union. We received “The Best Outreach Project Award” at the “Sustainable Energy Excellence Awards” for our support of clean and renewable energy projects.

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information on interim activity report (continued)

2. Message from Yapı Kredi’s CEO Faik Açıklan:

In the first three months of 2016, the operating environment continued to be challenging albeit with a more subdued trend emerging towards the second half of the quarter.

During this period, Yapı Kredi continued its strategy at full force and recorded a strong improvement in its profitability. The Bank generated TL 704 million net income, indicating 41% year-over-year growth. Return on average tangible equity increased by 244bps to 12,8%.

In terms of lending, Yapı Kredi’s cash loan growth was in line with sector at 1% year-to-date and market share was maintained at 10.3%. Loan growth was driven by above sector growth in general purpose lending (+3% year-to-date) and TL mid-size company loans (+3% year-to-date). The Bank maintained its leadership position in credit cards with 21,1% outstanding volume market share. During the same period, total deposits grew above sector at 5% compared to 3% growth in the sector leading to market share gain of 24 bps year-to-date up to 10,4%.

Yapı Kredi, having invested in strengthening its service network significantly over the last 2 years, maintained its headcount and branch number relatively stable in 1Q16. At the same time, as one of the leading banks in digital banking, Yapı Kredi continued to record impressive improvements in this area. The Bank launched the second edition of its “FikriMobil” contest aimed at supporting innovation among university students and also inaugurated its new call center in Izmir during the quarter. As of March 2016, the Bank handles 86% of total transactions through its alternative delivery channels, one of the highest levels in the sector and also actively utilizes these channels to support its sales activities. Number of digital customers increased by 33% year-on-year up to 2,8 million while the number of transactions executed through digital channels continued to grow.

Looking at the financial performance, the Bank increased its total revenues by 20% year-over-year to TL 2.989 million driven primarily by core revenues from customer-oriented banking activities. Disciplined approach to costs was evident with 7% year-over-year cost growth. Accordingly, cost to income ratio improved significantly and decreased by 5 pp year-over-year to 44%.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information on interim activity report (continued)

3. Overview of Financial Performance:

On May 2, 2016, Yapı Kredi announced its consolidated 1Q16 results based on Turkish accounting standards (BRSA), reporting TL 704 million net income, indicating 41% year-over-year growth. The Bank's ROE was recorded as 12,8% indicating a strong improvement of 244bps year-on-year.

Strong revenue growth and disciplined cost control leading to significant improvement in operational efficiency

In 1Q16, Yapı Kredi increased its core revenues by 26% y/y (vs 19% sector) supported by strong 29% and 19% year-over-year growth in net interest income and fees & commissions, respectively. In 1Q, swap adjusted bank-only NIM improved by 10bps q-t-d to 3,2% levered by effectively managed pricing and loan book remix. Cost growth was realised below inflation at 7% y/y (vs 9% growth at sector level) due to finalization of bulk investments. Accordingly, Cost/Income ratio demonstrated a sharp decline of 5pp year-over-year to 44%.

Maintained scale with significant improvement in LDR

In terms of lending, Yapı Kredi's cash loan growth was in line with sector at 1% year-to-date and market share was maintained at 10,3%. Loan growth was driven by above sector growth in general purpose lending (+3% year-to-date) and TL mid-sized company loans (+3% year-to-date).

In terms of deposits, above sector performance continued and the Bank recorded 5% growth (vs 3% sector). In the first quarter, Yapı Kredi gained 24 bps market share in deposits and reached 10,4% market share. During the same period, demand deposits recorded an impressive 12% year-to-date growth.

Comfortable capitalisation and controlled asset quality

Capitalisation was strengthened with full reflection of new Basel-III regulations and positive impact of USD 500 million Tier-2 issuance as well as ongoing focus on effective capital usage. Accordingly, CAR increased by 60bps to 13,52% and Common Equity Tier-1 ratio increased by 30bps to 10,25%.

In 1Q16, NPL ratio was realised at 4,1% impacted by some pressure on collections and subdued loan growth while NPL inflows improved compared to 4Q due to disciplined approach and solid performance of corporate/commercial lending book despite challenging environment.

4. Summary of Consolidated Financials

TL million	Current Period	Prior Period
Total Assets	237.888	235.268
Total Loans	154.632	152.489
Total Deposits	136.556	130.025
Shareholder's Equity	23.711	23.086
Loans/ Assets	65%	65%
Deposits/Assets	57%	55%
NPL	4,1%	3,9%
CAR	13,5%	12,9%
TL million	Current Period	Prior Period
Net Profit	704	501
Return on Average Tangible Equity	12,8%	10,3%

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of March 31, 2016

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

Information on interim activity report (continued)

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

- On March 1, 2016, Yapı Kredi issued a US\$500mn 10NC5 Basel III compliant Tier-2 sub-debt at a coupon rate of 8,50%
- On March 31, 2016, Fitch revised Yapı Kredi’s outlook to “Negative” from “Stable” based on a similar action taken on UniCredit’s ratings on March 24, 2016 and affirmed all of the Bank’s ratings
- Changes that have been made in Articles of Association during the quarter can be reached through the link below
<http://www.kap.gov.tr/bildirim-sorgulari/bildirim-detayi.aspx?id=522998>

6. Current Trends and Expectations for the Upcoming Period:

2016 macro and banking sector expectations:

- GDP growth: ~3,5%
- Inflation: ~7-8%
- Loan growth: 13%
- Deposit growth: 11%
- NIM: Flat vs 2015
- NPL ratio: +40 bps vs 2015

2016 Yapı Kredi expectations:

- Lending: Volume growth relatively aligned with sector. Continued outperformance in value generating areas
- Funding: Deposit growth aligned with loan growth. Ongoing access to wholesale funding
- Revenues: Flattish NIM to be supported by effective pricing with potential upside based on deposit cost evolution. Mid-teens fee growth to be supported by ongoing customer acquisition
- Costs: Majority of investments finalised. Ongoing focus on infrastructure and digital
- Asset Quality: Conservative risk approach with NPL ratio slightly up; CoR slightly down mainly due to regulatory issues. Strong focus on collections with system enhancements and dedicated approach