

Yapı ve Kredi Bankası A.Ş.

**Publicly announced unconsolidated financial statements and
related disclosures at June 30, 2018 together with
auditor's review report**

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

AUDITOR’S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the General Assembly of Yapı ve Kredi Bankası A.Ş.;

Introduction

We have reviewed the unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. (“the Bank”) at 30 June 2018 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. at 30 June 2018 and the results of its operations and its cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Halûk Yalçın, SMMM
Partner

Istanbul, 31 July 2018

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

**YAPI VE KREDİ BANKASI A.Ş.
THE UNCONSOLIDATED INTERIM FINANCIAL REPORT
AS OF JUNE 30, 2018**

Address : Yapı Kredi Plaza D-Blok
Levent, 34330, İstanbul
Telephone number : (0212) 339 70 00
Fax number : (0212) 339 60 00
Web site : www.yapikredi.com.tr
E-Mail : financialreports@yapikredi.com.tr

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

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

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

Y. Ali KOÇ
Chairman of the
Board of Directors

Gökhan ERÜN
Executive Director and
CEO

Massimo FRANCESE
Chief Financial Officer

B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President

Wolfgang SCHILK
Chairman of Audit
Committee

Adil G. ÖZTOPRAK
Member of Audit
Committee

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

Name-Surname / Title : Aysel Taktak / Regulatory Reporting Manager
Telephone Number : 0212 339 63 29
Fax Number : 0212 339 61 05

Section one - General information

| | | |
|----|---|---|
| 1. | History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any | 1 |
| 2. | Explanation about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank | 1 |
| 3. | Explanations regarding the board of directors, members of the audit committee, chief executive officer and executive vice presidents and their areas of responsibility and shares if any | 1 |
| 4. | Information on the individual and corporate shareholders having control shares of the Bank | 2 |
| 5. | Summary information on the Bank's activities and service types | 2 |
| 6. | Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods | 3 |
| 7. | The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities | 3 |

Section two - Unconsolidated financial statements

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

Section three - Accounting policies

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

Section four - Financial Position and Risk Management

| | | |
|-----|---|----|
| 1. | Explanations on equity | 31 |
| 2. | Explanations on risk management | 35 |
| 3. | Explanations on currency risk | 44 |
| 4. | Explanations on interest rate risk | 46 |
| 5. | Explanation on share certificates position risk from banking book | 48 |
| 6. | Explanations on liquidity risk | 48 |
| 7. | Explanations on leverage ratio | 53 |
| 8. | Explanations on hedge accounting | 53 |
| 9. | Explanations on the activities carried out on behalf of others and fiduciary transactions | 55 |
| 10. | Explanations on operating segments | 56 |

Section five - Explanations and notes related to unconsolidated financial statements

| | | |
|----|--|----|
| 1. | Explanations and notes related to assets | 58 |
| 2. | Explanations and notes related to liabilities | 70 |
| 3. | Explanations and notes related to off-balance sheet accounts | 76 |
| 4. | Explanations and notes related to income statement | 77 |
| 5. | Explanations and notes related to the Bank's risk group | 81 |
| 6. | Explanations and notes related to subsequent events | 82 |

Section six - Independent auditor's report

| | | |
|----|--|----|
| 1. | Independent auditor's report | 82 |
| 2. | Explanations and notes prepared by independent auditor | 82 |

Section seven - Information on interim activity report

| | | |
|----|--|----|
| 1. | Interim activity report which also contains the evaluation of the Chairman and the CEO of the Bank about the interim period activities | 83 |
|----|--|----|

Notes to unconsolidated financial statements as of June 30, 2018

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

Section One - General Information

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

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

2. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:

The Bank's publicly traded shares are traded on the Borsa İstanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of June 30, 2018, 18,10% of the shares of the Bank are publicly traded (December 31, 2017 - 18,20%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%. As of June 29, 2018, due to capital increase by TL 4,1 billion, KFS shares increased to 81,90%.

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

As of June 30, 2018, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

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

Notes to unconsolidated financial statements as of June 30, 2018

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

Audit Committee Members:

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

General Manager and Deputy General Manager:

| Name | Responsibility |
|------------------|-----------------------------------|
| Gökhan ERÜN | Executive Director and CEO |
| Nicolò UBERTALLI | Executive Director and Deputy CEO |

Assistant General Managers ⁽¹⁾:

| Name | Responsibility |
|--------------------------------------|---|
| Akif Cahit ERDOĞAN | Information Technologies and Operation Management |
| Cemal Aybars SANAL | Legal Activities Management |
| Demir KARAASLAN | Retail Credits Management |
| Erhan ADALI | Corporate and Commercial Banking Management |
| Giovanni Battista AVANZI | Internal Audit / Chief Audit Executive |
| Massimo FRANCESE | Financial Planning and Administration Management |
| Mehmet Erkan ÖZDEMİR | Compliance and Internal Control / Consumer Relations Coordination Officer |
| Mert YAZICIOĞLU | Private Banking and Wealth Management |
| Nurgün EYÜBOĞLU | Corporate and Commercial Credit Management |
| Patrick Josef SCHMITT ⁽²⁾ | Risk Management |
| Saruhan YÜCEL ⁽³⁾ | Treasury Management |
| Serkan ÜLGEN | Retail Banking Management |
| Yakup DOĞAN | Alternative Distribution Channels |

(1) Mehmet Gökmen Ucar Assistant General Manager responsible for Human Resources and Organization Management in Bank has resigned from his position. No appointment has been made yet.

(2) Patrick Josef Schmitt, who served as Chief Risk Officer resigned as of May 31, 2018. Albert Angersbach was appointed as Chief Risk Officer following approval of his work permit.

(3) Saruhan Yücel was appointed as Assistant General Manager in charge of Treasury Management as of June 14, 2018.

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

| Name/Commercial title | Share amounts (nominal) | Share percentage | Paid-in capital (nominal) | Unpaid portion |
|-----------------------------|-------------------------|------------------|---------------------------|----------------|
| Koç Finansal Hizmetler A.Ş. | 6.918.131.285,23 | 81,90 | 6.918.131.285,23 | - |

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

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

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

Notes to unconsolidated financial statements as of June 30, 2018

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

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of June 30, 2018, the Bank has 865 branches operating in Turkey and 1 branch in overseas (December 31, 2017 - 865 branches operating in Turkey, 1 branch in overseas).

As of June 30, 2018, the Bank has 18.327 employees (December 31, 2017 – 17.944 employees).

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

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

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

All other subsidiaries are fully consolidated.

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

None.

Unconsolidated financial statements as of June 30, 2018

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

| Assets | Note (Section Five) | Current Period (30/06/2018) | | |
|--|---------------------|--------------------------------|--------------------|--------------------|
| | | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 55.072.541 | 52.877.043 | 107.949.584 |
| I.1 Cash and cash equivalents | 1.1 | 13.507.121 | 40.605.817 | 54.112.938 |
| 1.1.1 Cash and balances at Central Bank | | 11.096.741 | 34.854.081 | 45.950.822 |
| 1.1.2 Banks | 1.4 | 1.255.837 | 4.557.165 | 5.813.002 |
| 1.1.3 Receivables from Money Markets | | 1.154.543 | 1.194.571 | 2.349.114 |
| I.2 Financial assets at fair value through profit or loss | 1.2 | 76.359 | 183.078 | 259.437 |
| 1.2.1 Public debt securities | | 28.911 | 33.690 | 62.601 |
| 1.2.2 Equity instruments | | - | 147.498 | 147.498 |
| 1.2.3 Other financial assets | | 47.448 | 1.890 | 49.338 |
| I.3 Financial assets at fair value through other comprehensive income | 1.5,6 | 20.964.169 | 3.407.584 | 24.371.753 |
| 1.3.1 Public debt securities | | 20.956.556 | 1.775.161 | 22.731.717 |
| 1.3.2 Equity instruments | | 7.613 | 2.059 | 9.672 |
| 1.3.3 Other financial assets | | - | 1.630.364 | 1.630.364 |
| I.4 Financial assets measured at amortised cost | 1.8 | 11.545.725 | 7.624.599 | 19.170.324 |
| 1.4.1 Public debt securities | | 11.545.725 | 7.624.599 | 19.170.324 |
| 1.4.2 Other financial assets | | - | - | - |
| I.5 Derivative financial assets | 1.3 | 9.012.715 | 1.078.938 | 10.091.653 |
| 1.5.1 Derivative financial assets at fair value through profit or loss | 1.3.1,2 | 5.462.816 | 689.282 | 6.152.098 |
| 1.5.2 Derivative financial assets at fair value through other comprehensive income | 1.3.2 | 3.549.899 | 389.656 | 3.939.555 |
| I.6 Non-performing financial assets | | - | - | - |
| I.7 Allowance for expected credit losses (-) | | 33.548 | 22.973 | 56.521 |
| II. LOANS (Net) | 1.7 | 126.261.967 | 86.053.316 | 212.315.283 |
| 2.1 Loans | | 126.771.229 | 87.074.928 | 213.846.157 |
| 2.1.1 Loans measured at amortised cost | | 126.771.229 | 87.074.928 | 213.846.157 |
| 2.1.2 Loans at fair value through profit or loss | | - | - | - |
| 2.1.3 Loans at fair value through other comprehensive income | | - | - | - |
| 2.2 Receivables from leasing transactions | 1.12 | - | - | - |
| 2.2.1 Finance lease receivables | | - | - | - |
| 2.2.2 Operational lease receivables | | - | - | - |
| 2.2.3 Unearned income (-) | | - | - | - |
| 2.3 Factoring receivables | | - | - | - |
| 2.3.1 Factoring receivables measured at amortised cost | | - | - | - |
| 2.3.2 Factoring receivables at fair value through profit or loss | | - | - | - |
| 2.3.3 Factoring receivables at fair value through other comprehensive income | | - | - | - |
| 2.4 Non-performing loans | 1.7,8 | 8.036.350 | 612.187 | 8.648.537 |
| 2.5 Allowance for expected credit losses (-) | | 8.545.612 | 1.633.799 | 10.179.411 |
| 2.5.1 12-Month expected credit losses (Stage 1) | | 1.135.071 | 777.275 | 1.912.346 |
| 2.5.2 Significant increase in credit risk (Stage 2) | | 691.801 | 473.732 | 1.165.533 |
| 2.5.3 Credit-Impaired (Stage 3) | 1.7,7 | 6.718.740 | 382.792 | 7.101.532 |
| III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net) | 1.15 | 233.874 | - | 233.874 |
| 3.1 Held for sale | | 233.874 | - | 233.874 |
| 3.2 Held from discontinued operations | | - | - | - |
| IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES | | 2.874.526 | 3.093.335 | 5.967.861 |
| 4.1 Investments in associates (Net) | 1.9 | 6.101 | 647.803 | 653.904 |
| 4.1.1 Associates accounted by using equity method | | - | - | - |
| 4.1.2 Non-consolidated associates | | 6.101 | 647.803 | 653.904 |
| 4.2 Investments in subsidiaries (Net) | 1.10 | 2.850.027 | 2.445.532 | 5.295.559 |
| 4.2.1 Non-consolidated financial subsidiaries | | 2.842.727 | 2.445.532 | 5.288.259 |
| 4.2.2 Non-consolidated non-financial subsidiaries | | 7.300 | - | 7.300 |
| 4.3 Jointly Controlled Partnerships (Joint Ventures) (Net) | 1.11 | 18.398 | - | 18.398 |
| 4.3.1 Jointly controlled partnerships accounted by using equity method | | - | - | - |
| 4.3.2 Non-consolidated jointly controlled partnerships | | 18.398 | - | 18.398 |
| V. TANGIBLE ASSETS (Net) | | 3.145.603 | - | 3.145.603 |
| VI. INTANGIBLE ASSETS AND GOODWILL (Net) | | 1.658.647 | - | 1.658.647 |
| 6.1 Goodwill | | 979.493 | - | 979.493 |
| 6.2 Other | | 679.154 | - | 679.154 |
| VII. INVESTMENT PROPERTIES (Net) | 1.13 | - | - | - |
| VIII. CURRENT TAX ASSETS | | - | - | - |
| IX. DEFERRED TAX ASSETS | 1.14 | 92.467 | - | 92.467 |
| X. OTHER ASSETS | 1.16 | 2.031.224 | 4.958.901 | 6.990.125 |
| TOTAL ASSETS | | 191.370.849 | 146.982.595 | 338.353.444 |

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

Unconsolidated financial statements as of December 31, 2017

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

1. Balance sheet (Statement of Financial Position)

| Assets | Note (Section Five) | Prior Period (31/12/2017) | | |
|---|---------------------------|------------------------------|--------------------|--------------------|
| | | TL | FC | Total |
| I. Cash and balances with Central Bank | 1.1 | 7.595.701 | 34.377.878 | 41.973.579 |
| II. Financial assets at fair value through profit or (loss) (net) | | 3.614.240 | 503.958 | 4.118.198 |
| 2.1 Trading financial assets | | 3.614.240 | 503.958 | 4.118.198 |
| 2.1.1 Government debt securities | | 26.584 | 30.396 | 56.980 |
| 2.1.2 Share certificates | | - | - | - |
| 2.1.3 Derivative financial assets held for trading | | 3.587.656 | 473.562 | 4.061.218 |
| 2.1.4 Other marketable securities | | - | - | - |
| 2.2 Financial assets designated at fair value through profit/(loss) | 1.2 | - | - | - |
| 2.2.1 Government debt securities | | - | - | - |
| 2.2.2 Share certificates | | - | - | - |
| 2.2.3 Loans | | - | - | - |
| 2.2.4 Other marketable securities | | - | - | - |
| III. Banks | 1.4 | 14.175 | 2.706.452 | 2.720.627 |
| IV. Money markets | | 4.097 | 812.790 | 816.887 |
| 4.1 Interbank money market placements | | - | 812.790 | 812.790 |
| 4.2 Receivables from IMKB | | 4.097 | - | 4.097 |
| 4.3 Receivables from reverse repurchase agreements | | - | - | - |
| V. Financial assets available-for-sale (net) | 1.6 | 21.209.329 | 3.098.331 | 24.307.660 |
| 5.1 Share certificates | | 7.613 | 96.465 | 104.078 |
| 5.2 Government debt securities | | 20.856.199 | 1.533.774 | 22.389.973 |
| 5.3 Other marketable securities | | 345.517 | 1.468.092 | 1.813.609 |
| VI. Loans and receivables | 1.7 | 125.727.188 | 69.233.255 | 194.960.443 |
| 6.1 Loans and receivables | | 123.649.321 | 69.233.255 | 192.882.576 |
| 6.1.1 Loans to bank's risk group | | 1.696.947 | 838.771 | 2.535.718 |
| 6.1.2 Government debt securities | | - | - | - |
| 6.1.3 Other | | 121.952.374 | 68.394.484 | 190.346.858 |
| 6.2 Loans under follow-up | | 9.024.397 | - | 9.024.397 |
| 6.3 Specific provisions (-) | | 6.946.530 | - | 6.946.530 |
| VII. Factoring receivables | | - | - | - |
| VIII. Held-to-maturity investments (net) | 1.8 | 6.741.179 | 6.289.732 | 13.030.911 |
| 8.1 Government debt securities | | 6.741.179 | 6.289.732 | 13.030.911 |
| 8.2 Other marketable securities | | - | - | - |
| IX. Investments in associates (net) | 1.9 | 4.503 | 529.384 | 533.887 |
| 9.1 Consolidated based on equity method | | - | - | - |
| 9.2 Unconsolidated | | 4.503 | 529.384 | 533.887 |
| 9.2.1 Investments in financial associates | | - | 529.384 | 529.384 |
| 9.2.2 Investments in non-financial associates | | 4.503 | - | 4.503 |
| X. Subsidiaries (net) | 1.10 | 2.768.324 | 2.039.040 | 4.807.364 |
| 10.1 Unconsolidated financial subsidiaries | | 2.761.024 | 2.039.040 | 4.800.064 |
| 10.2 Unconsolidated non-financial subsidiaries | | 7.300 | - | 7.300 |
| XI. Joint ventures (net) | 1.11 | 18.386 | - | 18.386 |
| 11.1 Accounted based on equity method | | - | - | - |
| 11.2 Unconsolidated | | 18.386 | - | 18.386 |
| 11.2.1 Financial joint ventures | | 18.386 | - | 18.386 |
| 11.2.2 Non-financial joint ventures | | - | - | - |
| XII. Lease receivables | 1.12 | - | - | - |
| 12.1 Financial lease receivables | | - | - | - |
| 12.2 Operating lease receivables | | - | - | - |
| 12.3 Other | | - | - | - |
| 12.4 Unearned income (-) | | - | - | - |
| XIII. Derivative financial assets held for hedging | | 1.520.914 | 167.481 | 1.688.395 |
| 13.1 Fair value hedge | | - | - | - |
| 13.2 Cash flow hedge | | 1.520.914 | 167.481 | 1.688.395 |
| 13.3 Foreign net investment hedge | | - | - | - |
| XIV. Property and equipment (net) | | 2.572.976 | - | 2.572.976 |
| XV. Intangible assets (net) | | 1.626.850 | - | 1.626.850 |
| 15.1 Goodwill | | 979.493 | - | 979.493 |
| 15.2 Other | | 647.357 | - | 647.357 |
| XVI. Investment property (net) | 1.13 | - | - | - |
| XVII. Tax asset | | - | - | - |
| 17.1 Current tax asset | | - | - | - |
| 17.2 Deferred tax asset | 1.14 | - | - | - |
| XVIII. Assets held for resale and related to discontinued operations (net) | 1.15 | 202.019 | - | 202.019 |
| 18.1 Held for sale purposes | | 202.019 | - | 202.019 |
| 18.2 Related to discontinued operations | | - | - | - |
| XIX. Other assets | 1.16 | 1.612.786 | 2.819.352 | 4.432.138 |
| Total assets | | 175.232.667 | 122.577.653 | 297.810.320 |

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

Unconsolidated financial statements as of June 30, 2018

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

1. Balance sheet (Statement of Financial Position)

| Liabilities | Note (Section Five) | Current Period (30/06/ 2018) | | |
|--|---------------------------|---------------------------------|--------------------|--------------------|
| | | TL | FC | Total |
| I. DEPOSITS | 2.1 | 79.992.638 | 105.611.114 | 185.603.752 |
| II. LOANS RECEIVED | 2.3.1 | 499.087 | 38.122.825 | 38.621.912 |
| III. MONEY MARKET FUNDS | | 13.150.657 | 477.847 | 13.628.504 |
| IV. MARKETABLE SECURITIES ISSUED (Net) | 2.3.4 | 3.743.592 | 14.205.375 | 17.948.967 |
| 4.1 Bills | 2.3.4 | 2.039.375 | - | 2.039.375 |
| 4.2 Asset backed securities | | - | - | - |
| 4.3 Bonds | | 1.704.217 | 14.205.375 | 15.909.592 |
| V. FUNDS | | - | - | - |
| 5.1 Borrower funds | | - | - | - |
| 5.2 Other | | - | - | - |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | 2.3.3 | - | 6.435.912 | 6.435.912 |
| VII. DERIVATIVE FINANCIAL LIABILITIES | 2.2 | 5.773.395 | 797.669 | 6.571.064 |
| 7.1 Derivative financial liabilities at fair value through profit or loss | | 5.625.008 | 767.290 | 6.392.298 |
| 7.2 Derivative financial liabilities at fair value through other comprehensive income | | 148.387 | 30.379 | 178.766 |
| VIII. FACTORING PAYABLES | | - | - | - |
| IX. LEASE PAYABLES | 2.5 | - | 51 | 51 |
| 9.1 Finance lease payables | | - | 53 | 53 |
| 9.2 Operating lease payables | 2.5.2 | - | - | - |
| 9.3 Other | | - | - | - |
| 9.4 Deferred finance lease expenses (-) | | - | 2 | 2 |
| X. PROVISIONS | 2.6 | 2.457.126 | 565.364 | 3.022.490 |
| 10.1 Provision for restructuring | | - | - | - |
| 10.2 Reserves for employee benefits | | 633.680 | - | 633.680 |
| 10.3 Insurance technical reserves (Net) | | - | - | - |
| 10.4 Other provisions | 2.6.4 | 1.823.446 | 565.364 | 2.388.810 |
| XI. CURRENT TAX LIABILITIES | 2.7 | 541.573 | - | 541.573 |
| XII. DEFERRED TAX LIABILITIES | | - | - | - |
| XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | 2.8 | - | - | - |
| 13.1 Held for sale | | - | - | - |
| 13.2 Related to discontinued operations | | - | - | - |
| XIV. SUBORDINATED DEBT | 2.9 | - | 11.750.820 | 11.750.820 |
| 14.1 Loans | | - | 4.830.971 | 4.830.971 |
| 14.2 Other debt instruments | | - | 6.919.849 | 6.919.849 |
| XV. OTHER LIABILITIES | 2.4 | 12.153.203 | 4.273.846 | 16.427.049 |
| XVI. SHAREHOLDERS' EQUITY | 2.10 | 35.587.171 | 2.214.179 | 37.801.350 |
| 16.1 Paid-in capital | | 8.447.051 | - | 8.447.051 |
| 16.2 Capital reserves | | 2.014.997 | - | 2.014.997 |
| 16.2.1 Equity share premiums | | 556.937 | - | 556.937 |
| 16.2.2 Share cancellation profits | | - | - | - |
| 16.2.3 Other capital reserves | | 1.458.060 | - | 1.458.060 |
| 16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss | | 2.384.570 | 436.069 | 2.820.639 |
| 16.4 Other accumulated comprehensive income that will be reclassified in profit or loss | | 299.517 | 1.778.110 | 2.077.627 |
| 16.5 Profit reserves | | 19.969.804 | - | 19.969.804 |
| 16.5.1 Legal reserves | | 869.410 | - | 869.410 |
| 16.5.2 Statutory reserves | | - | - | - |
| 16.5.3 Extraordinary reserves | | 19.099.217 | - | 19.099.217 |
| 16.5.4 Other profit reserves | | 1.177 | - | 1.177 |
| 16.6 Profit or loss | | 2.471.232 | - | 2.471.232 |
| 16.6.1 Prior years' profits or losses | | - | - | - |
| 16.6.2 Current period net profit or loss | | 2.471.232 | - | 2.471.232 |
| TOTAL LIABILITIES | | 153.898.442 | 184.455.002 | 338.353.444 |

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

Unconsolidated financial statements as of December 31, 2017

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

1. Balance sheet (Statement of Financial Position)

| Liabilities | Note (Section Five) | Note (Section Five) | | Prior Period |
|---|---------------------|---------------------|--------------------|--------------------|
| | | TL | FC | (31/12/2017) |
| I. Deposits | 2.1 | 75.934.109 | 93.413.108 | 169.347.217 |
| I.1 Deposits of the Bank's risk group | | 7.537.617 | 18.563.761 | 26.101.378 |
| I.2 Other | | 68.396.492 | 74.849.347 | 143.245.839 |
| II. Derivative financial liabilities held for trading | 2.2 | 3.555.662 | 282.242 | 3.837.904 |
| III. Funds borrowed | 2.3.1 | 516.285 | 38.613.774 | 39.130.059 |
| IV. Money markets | | 12.588.880 | 211.271 | 12.800.151 |
| 4.1 Funds from interbank money market | | 3.703.931 | - | 3.703.931 |
| 4.2 Funds from IMKB | | 81.644 | - | 81.644 |
| 4.3 Funds provided under repurchase agreements | | 8.803.305 | 211.271 | 9.014.576 |
| V. Marketable securities issued (net) | 2.3.4 | 2.290.593 | 10.202.249 | 12.492.842 |
| 5.1 Bills | 2.3.4 | 1.212.509 | 107.682 | 1.320.191 |
| 5.2 Asset backed securities | | - | - | - |
| 5.3 Bonds | | 1.078.084 | 10.094.567 | 11.172.651 |
| VI. Funds | | - | - | - |
| 6.1 Borrower funds | | - | - | - |
| 6.2 Other | | - | - | - |
| VII. Miscellaneous payables | | 10.217.001 | 1.937.311 | 12.154.312 |
| VIII. Other liabilities | | 1.347.239 | 433.396 | 1.780.635 |
| IX. Factoring payables | | - | - | - |
| X. Lease payables (net) | 2.5 | - | 131 | 131 |
| 10.1 Financial lease payables | | - | 139 | 139 |
| 10.2 Operational lease payables | 2.5.2 | - | - | - |
| 10.3 Other | | - | - | - |
| 10.4 Deferred lease expenses (-) | | - | 8 | 8 |
| XI. Derivative financial liabilities held for hedging | | 300.046 | 12.380 | 312.426 |
| 11.1 Fair value hedge | | 204.859 | - | 204.859 |
| 11.2 Cash flow hedge | | 95.187 | 12.380 | 107.567 |
| 11.3 Foreign net investment hedge | | - | - | - |
| XII. Provisions | 2.6 | 3.994.595 | 1.322.110 | 5.316.705 |
| 12.1 General loan loss provision | | 2.102.563 | 1.230.131 | 3.332.694 |
| 12.2 Restructuring provisions | | - | - | - |
| 12.3 Reserve for employee rights | | 564.141 | - | 564.141 |
| 12.4 Insurance technical provisions (net) | | - | - | - |
| 12.5 Other provisions | 2.6.4 | 1.327.891 | 91.979 | 1.419.870 |
| XIII. Tax liabilities | 2.7 | 821.207 | - | 821.207 |
| 13.1 Current tax liability | | 613.308 | - | 613.308 |
| 13.2 Deferred tax liability | | 207.899 | - | 207.899 |
| XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net) | 2.8 | - | - | - |
| 14.1 Held for sale | | - | - | - |
| 14.2 Related to discontinued operations | | - | - | - |
| XV. Subordinated loans | 2.9 | - | 9.718.804 | 9.718.804 |
| XVI. Shareholders' equity | 2.10 | 28.196.661 | 1.901.266 | 30.097.927 |
| 16.1 Paid-in capital | | 4.347.051 | - | 4.347.051 |
| 16.2 Capital reserves | | 3.689.913 | 1.901.266 | 5.591.179 |
| 16.2.1 Share premium | | 543.881 | - | 543.881 |
| 16.2.2 Share cancellation profits | | - | - | - |
| 16.2.3 Marketable securities valuation differences | | 409.245 | 1.740.760 | 2.150.005 |
| 16.2.4 Property and equipment revaluation differences | | 1.360.019 | - | 1.360.019 |
| 16.2.5 Intangible assets revaluation differences | | - | - | - |
| 16.2.6 Revaluation differences of investment property | | - | - | - |
| 16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures | | 16.271 | - | 16.271 |
| 16.2.8 Hedging funds (effective portion) | | 214.719 | 160.506 | 375.225 |
| 16.2.9 Value increase in assets held for sale and related to discontinued operations | | - | - | - |
| 16.2.10 Other capital reserves | | 1.145.778 | - | 1.145.778 |
| 16.3 Profit reserves | | 16.545.616 | - | 16.545.616 |
| 16.3.1 Legal reserves | | 869.410 | - | 869.410 |
| 16.3.2 Status reserves | | - | - | - |
| 16.3.3 Extraordinary reserves | | 15.675.023 | - | 15.675.023 |
| 16.3.4 Other profit reserves | | 1.183 | - | 1.183 |
| 16.4 Income or (loss) | | 3.614.081 | - | 3.614.081 |
| 16.4.1 Prior years' income or (loss) | | - | - | - |
| 16.4.2 Current year income or (loss) | | 3.614.081 | - | 3.614.081 |
| Total liabilities | | 139.762.278 | 158.048.042 | 297.810.320 |

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

Unconsolidated financial statements as of June 30, 2018 and December 31, 2017

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

2. Off-balance sheet commitments

| | Note (Section Five) | Current Period (30/06/2018) | | | Prior Period (31/12/2017) | | |
|---|---------------------------|--------------------------------|----------------------|----------------------|------------------------------|--------------------|----------------------|
| | | TP | FC | Total | TP | FC | Total |
| A. Off-balance sheet commitments (I+II+III) | | 251.011.480 | 428.741.756 | 679.753.236 | 293.686.722 | 385.229.009 | 678.915.731 |
| I. Guarantees and warranties | 3.1.2,3 | 27.608.292 | 65.018.329 | 92.626.621 | 26.495.214 | 51.671.080 | 78.166.294 |
| 1.1 Letters of guarantee | 3.1.2.2 | 27.528.328 | 41.432.777 | 68.961.105 | 26.441.208 | 33.757.070 | 60.198.278 |
| 1.1.1 Guarantees subject to state tender law | | 599.374 | 1.466.032 | 2.065.406 | 791.090 | 1.168.552 | 1.959.642 |
| 1.1.2 Guarantees given for foreign trade operations | | 3.965.074 | 39.966.745 | 43.931.819 | 3.381.312 | 32.588.518 | 35.969.830 |
| 1.1.3 Other letters of guarantee | | 22.963.880 | - | 22.963.880 | 22.268.806 | 0 | 22.268.806 |
| 1.2 Bank acceptances | | - | 223.192 | 223.192 | - | 212.685 | 212.685 |
| 1.2.1 Import letter of acceptance | | - | 223.192 | 223.192 | - | 212.685 | 212.685 |
| 1.2.2 Other bank acceptances | | - | - | - | - | - | - |
| 1.3 Letters of credit | | 61.638 | 15.766.948 | 15.828.586 | 20.000 | 10.924.238 | 10.944.238 |
| 1.3.1 Documentary letters of credit | | 61.638 | 15.766.948 | 15.828.586 | 20.000 | 10.924.238 | 10.944.238 |
| 1.3.2 Other letters of credit | | - | - | - | - | - | - |
| 1.4 Prefinancing given as guarantee | | - | - | - | - | - | - |
| 1.5 Endorsements | | - | - | - | - | - | - |
| 1.5.1 Endorsements to the Central Bank of the Republic of Turkey | | - | - | - | - | - | - |
| 1.5.2 Other endorsements | | - | - | - | - | - | - |
| 1.6 Purchase guarantees for Securities issued | | - | - | - | - | - | - |
| 1.7 Factoring guarantees | | - | - | - | - | - | - |
| 1.8 Other guarantees | | 18.326 | 3.246.101 | 3.264.427 | 34.006 | 2.421.805 | 2.455.811 |
| 1.9 Other warranties | | - | 4.349.311 | 4.349.311 | - | 4.355.282 | 4.355.282 |
| II. Commitments | 3.1.1 | 64.911.279 | 85.676.186 | 150.587.465 | 93.480.873 | 92.316.175 | 185.797.048 |
| 2.1 Irrevocable commitments | | 63.244.683 | 39.525.400 | 102.770.083 | 92.020.358 | 42.021.703 | 134.042.061 |
| 2.1.1 Asset purchase and sale commitments | | 6.993.348 | 35.668.187 | 42.661.535 | 36.662.381 | 40.236.824 | 76.899.205 |
| 2.1.2 Deposit purchase and sales commitments | | 21.793 | 908.847 | 930.640 | 29.564 | 762.402 | 791.966 |
| 2.1.3 Share capital commitments to associates and subsidiaries | | - | - | - | - | - | - |
| 2.1.4 Loan granting commitments | | 10.195.204 | 2.681.703 | 12.876.907 | 9.349.555 | 775.480 | 10.125.035 |
| 2.1.5 Securities issue brokerage commitments | | - | - | - | - | - | - |
| 2.1.6 Commitments for reserve requirements | | - | - | - | - | - | - |
| 2.1.7 Commitments for checks payments | | 3.365.156 | - | 3.365.156 | 6.844.741 | - | 6.844.741 |
| 2.1.8 Tax and fund liabilities from export commitments | | 8.347 | - | 8.347 | 7.297 | - | 7.297 |
| 2.1.9 Commitments for credit card expenditure limits | | 36.167.354 | - | 36.167.354 | 33.700.364 | - | 33.700.364 |
| 2.1.10 Commitments for credit cards and banking services promotions | | 23.661 | - | 23.661 | 18.322 | - | 18.322 |
| 2.1.11 Receivables from short sale commitments of marketable securities | | - | - | - | - | - | - |
| 2.1.12 Payables for short sale commitments of marketable securities | | - | - | - | - | - | - |
| 2.1.13 Other irrevocable commitments | | 6.469.820 | 266.663 | 6.736.483 | 5.408.134 | 246.997 | 5.655.131 |
| 2.2 Revocable commitments | | 1.666.596 | 46.150.786 | 47.817.382 | 1.460.515 | 50.294.472 | 51.754.987 |
| 2.2.1 Revocable loan granting commitments | | 1.666.596 | 46.150.786 | 47.817.382 | 1.460.515 | 50.294.472 | 51.754.987 |
| 2.2.2 Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | | 158.491.909 | 278.047.241 | 436.539.150 | 173.710.635 | 241.241.754 | 414.952.389 |
| 3.1 Derivative financial instruments held for hedging | | 48.699.791 | 42.916.761 | 91.616.552 | 42.759.791 | 30.433.834 | 73.193.625 |
| 3.1.1 Fair value hedges | | 270.141 | 2.778.919 | 3.049.060 | 270.141 | 2.336.735 | 2.606.876 |
| 3.1.2 Cash flow hedges | | 48.429.650 | 40.137.842 | 88.567.492 | 42.489.650 | 28.097.099 | 70.586.749 |
| 3.1.3 Hedges for investments made in foreign countries | | - | - | - | - | - | - |
| 3.2 Trading transactions | | 109.792.118 | 235.130.480 | 344.922.598 | 130.950.844 | 210.807.920 | 341.758.764 |
| 3.2.1 Forward foreign currency purchase and sale transactions | | 13.984.664 | 20.403.981 | 34.388.645 | 11.063.125 | 14.589.393 | 25.652.518 |
| 3.2.1.1 Forward foreign currency purchase transactions | | 2.511.805 | 14.663.168 | 17.174.973 | 4.066.561 | 8.704.699 | 12.771.260 |
| 3.2.1.2 Forward foreign currency sale transactions | | 11.472.859 | 5.740.813 | 17.213.672 | 6.996.564 | 5.884.694 | 12.881.258 |
| 3.2.2 Currency and interest rate swaps | | 84.575.387 | 168.835.311 | 253.410.698 | 104.077.472 | 164.682.628 | 268.760.100 |
| 3.2.2.1 Currency swap purchase transactions | | 28.227.392 | 60.664.573 | 88.891.965 | 19.511.430 | 87.065.133 | 106.576.563 |
| 3.2.2.2 Currency swap sale transactions | | 49.337.995 | 40.495.994 | 89.833.989 | 79.436.042 | 28.617.705 | 108.053.747 |
| 3.2.2.3 Interest rate swap purchase transactions | | 3.505.000 | 33.837.372 | 37.342.372 | 2.565.000 | 24.499.895 | 27.064.895 |
| 3.2.2.4 Interest rate swap sale transactions | | 3.505.000 | 33.837.372 | 37.342.372 | 2.565.000 | 24.499.895 | 27.064.895 |
| 3.2.3 Currency, interest rate and securities options | | 10.308.632 | 22.191.560 | 32.500.192 | 9.678.309 | 16.400.673 | 26.078.982 |
| 3.2.3.1 Currency purchase options | | 4.145.853 | 10.295.311 | 14.441.164 | 3.910.315 | 7.906.039 | 11.816.354 |
| 3.2.3.2 Currency sale options | | 5.962.779 | 8.602.738 | 14.565.517 | 5.467.994 | 6.672.990 | 12.140.984 |
| 3.2.3.3 Interest rate purchase options | | 100.000 | 2.083.656 | 2.183.656 | - | 1.058.039 | 1.058.039 |
| 3.2.3.4 Interest rate sale options | | 100.000 | 1.209.855 | 1.309.855 | 300.000 | 763.605 | 1.063.605 |
| 3.2.3.5 Securities purchase options | | - | - | - | - | - | - |
| 3.2.3.6 Securities sale options | | - | - | - | - | - | - |
| 3.2.4 Currency futures | | 103.401 | 95.683 | 199.084 | - | - | - |
| 3.2.4.1 Currency purchase futures | | 38.341 | 59.152 | 97.493 | - | - | - |
| 3.2.4.2 Currency sale futures | | 65.060 | 36.531 | 101.591 | - | - | - |
| 3.2.5 Interest rate futures | | - | - | - | - | - | - |
| 3.2.5.1 Interest rate purchase futures | | - | - | - | - | - | - |
| 3.2.5.2 Interest rate sale futures | | - | - | - | - | - | - |
| 3.2.6 Other | | 820.034 | 23.603.945 | 24.423.979 | 6.131.938 | 15.135.226 | 21.267.164 |
| B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI) | | 2.737.974.230 | 572.622.508 | 3.310.596.738 | 640.568.079 | 283.266.808 | 923.834.887 |
| IV. ITEMS HELD IN CUSTODY | | 413.425.953 | 459.733.046 | 873.158.999 | 355.509.137 | 191.474.709 | 546.983.846 |
| 4.1 Assets under management | | - | - | - | - | - | - |
| 4.2 Securities held in custody | | 388.032.264 | 458.973.100 | 847.005.364 | 333.343.112 | 190.867.166 | 524.210.278 |
| 4.3 Checks received for collection | | 19.283.546 | 60.129 | 19.343.675 | 17.328.672 | 87.339 | 17.416.011 |
| 4.4 Commercial notes received for collection | | 6.051.999 | 629.076 | 6.681.075 | 4.779.209 | 460.360 | 5.239.569 |
| 4.5 Other assets received for collection | | - | 56.488 | 56.488 | - | 47.846 | 47.846 |
| 4.6 Securities received for public offering | | - | - | - | - | - | - |
| 4.7 Other items under custody | | 58.144 | 14.253 | 72.397 | 58.144 | 11.998 | 70.142 |
| 4.8 Custodians | | - | - | - | - | - | - |
| V. PLEDGED ITEMS | | 2.306.035.223 | 104.513.746 | 2.410.548.969 | 271.152.739 | 90.899.235 | 362.051.974 |
| 5.1 Marketable securities | | 206.736 | 506 | 207.242 | 193.385 | 418 | 193.803 |
| 5.2 Guarantee notes | | 1.199.775 | 305.833 | 1.505.608 | 930.316 | 266.781 | 1.197.097 |
| 5.3 Commodity | | 22.870 | - | 22.870 | 23.010 | - | 23.010 |
| 5.4 Warrant | | - | - | - | - | - | - |
| 5.5 Immovables | | 2.162.119.734 | 76.781.301 | 2.238.901.035 | 119.604.456 | 70.551.995 | 190.156.451 |
| 5.6 Other pledged items | | 142.486.108 | 27.417.910 | 169.904.018 | 150.401.572 | 20.073.243 | 170.474.815 |
| 5.7 Depositories receiving pledged items | | - | 8.196 | 8.196 | - | 6.798 | 6.798 |
| VI. ACCEPTED GUARANTEES AND WARRANTS | | 18.513.054 | 8.375.716 | 26.888.770 | 13.906.203 | 892.864 | 14.799.067 |
| TOTAL OFF BALANCE SHEET COMMITMENTS) | | 2.988.985.710 | 1.001.364.264 | 3.990.349.974 | 934.254.801 | 668.495.817 | 1.602.750.618 |

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

Unconsolidated financial statements as of June 30, 2018

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

3. Income statement

| Income and expense items | | Note (Section Five) | Current Period (01/01/2018- 30/06/2018) | Current Period (01/04/2018- 30/06/2018) |
|--------------------------|---|---------------------------|---|---|
| I. | INTEREST INCOME | 4.1 | 13.384.257 | 7.081.055 |
| 1.1 | Interest on loans | 4.1.1 | 10.969.444 | 5.815.002 |
| 1.2 | Interest received from reserve deposits | | 176.978 | 94.208 |
| 1.3 | Interest received from banks | 4.1.2 | 296.941 | 163.015 |
| 1.4 | Interest received from money market transactions | | 22.510 | 14.762 |
| 1.5 | Interest received from marketable securities portfolio | 4.1.3 | 1.917.186 | 993.472 |
| 1.5.1 | Financial assets at fair value through profit or losses | | 7.206 | 472 |
| 1.5.2 | Financial assets at fair value through other comprehensive income | | 1.304.392 | 661.023 |
| 1.5.3 | Financial assets measured at amortised cost | | 605.588 | 331.977 |
| 1.6 | Finance lease income | | - | - |
| 1.7 | Other interest income | | 1.198 | 596 |
| II. | INTEREST EXPENSES | 4.2 | 7.508.641 | 3.973.070 |
| 2.1 | Interest on deposits | 4.2.4 | 5.461.780 | 2.868.859 |
| 2.2 | Interest on funds borrowed | 4.2.1 | 961.903 | 529.255 |
| 2.3 | Interest expense on money market transactions | | 463.019 | 228.912 |
| 2.4 | Interest on securities issued | 4.2.3 | 577.116 | 336.456 |
| 2.5 | Other interest expenses | | 44.823 | 9.588 |
| III. | NET INTEREST INCOME/EXPENSE (I - II) | | 5.875.616 | 3.107.985 |
| IV. | NET FEES AND COMMISSIONS INCOME/EXPENSES | | 1.979.443 | 993.312 |
| 4.1 | Fees and commissions received | | 2.502.968 | 1.280.070 |
| 4.1.1 | Non-cash loans | | 338.571 | 170.567 |
| 4.1.2 | Other | | 2.164.397 | 1.109.503 |
| 4.2 | Fees and commissions paid | | 523.525 | 286.758 |
| 4.2.1 | Non-cash loans | | 104 | 44 |
| 4.2.2 | Other | | 523.421 | 286.714 |
| V. | PERSONNEL EXPENSES (-) | 4.7 | 1.284.585 | 667.185 |
| VI. | DIVIDEND INCOME | | 4.196 | 1.598 |
| VII. | TRADING PROFIT/LOSS (Net) | 4.3 | (751.361) | (310.929) |
| 7.1 | Profit/losses from capital market transactions | | 80.924 | 39.637 |
| 7.2 | Profit/losses from derivative financial transactions | 4.5 | 3.411.859 | 2.907.824 |
| 7.3 | Foreign exchange profit/losses | | (4.244.144) | (3.258.390) |
| VIII. | OTHER OPERATING INCOME | 4.6 | 786.208 | 417.286 |
| IX. | GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII) | | 6.609.517 | 3.542.067 |
| X. | ALLOWANCES FOR EXPECTED CREDIT LOSSES (-) | 4.4 | 2.348.095 | 1.389.620 |
| XI. | OTHER OPERATING EXPENSES (-) | 4.7 | 1.561.156 | 803.139 |
| XII. | NET OPERATING PROFIT/LOSS (IX-X-XI) | | 2.700.266 | 1.349.308 |
| XIII. | SURPLUS WRITTEN AS GAIN AFTER MERGER | | - | - |
| XIV. | PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES | | 382.266 | 171.398 |
| XV. | NET MONETARY POSITION GAIN/LOSS | | - | - |
| XVI. | PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV) | 4.8 | 3.082.532 | 1.520.706 |
| XVII. | PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±) | 4.9 | 611.300 | 293.522 |
| 17.1 | Current tax provision | | 132.976 | 132.976 |
| 17.2 | Expense effect of deferred tax (+) | | 478.324 | 160.546 |
| 17.3 | Income effect of deferred tax (-) | | - | - |
| XVIII. | NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI=XVII) | | 2.471.232 | 1.227.184 |
| XIX. | INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 19.1 | Income from assets held for sale | | - | - |
| 19.2 | Profit from sale of associates, subsidiaries and joint ventures | | - | - |
| 19.3 | Other income from discontinued operations | | - | - |
| XX. | EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 20.1 | Expenses on assets held for sale | | - | - |
| 20.2 | Losses from sale of associates, subsidiaries and joint ventures | | - | - |
| 20.3 | Other expenses from discontinued operations | | - | - |
| XXI. | PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX) | | - | - |
| 21.1 | Current tax provision | | - | - |
| 21.2 | Expense effect of deferred tax (+) | | - | - |
| 21.3 | Income effect of deferred tax (-) | | - | - |
| XXIII. | NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII) | | - | - |
| XXIII. | NET PROFIT/LOSSES (XVIII+XXIII) | 4.10 | 2.471.232 | 1.227.184 |
| | Earnings/(loss) per share (full TL) | | 0,0057 | 0,0028 |

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

Unconsolidated financial statements as of June 30, 2017

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

3. Income statement

| Income and expense items | Note (Section Five) | Prior Period (01/01/2017- 30/06/2017) | Prior Period (01/04/2017- 30/06/2017) |
|--|---------------------------|---|---|
| I. Interest income | 4.1 | 10.000.364 | 5.126.309 |
| 1.1 Interest on loans | 4.1.1 | 8.342.409 | 4.251.773 |
| 1.2 Interest received from reserve deposits | | 98.787 | 54.764 |
| 1.3 Interest received from banks | 4.1.2 | 109.779 | 83.748 |
| 1.4 Interest received from money market transactions | | 16.897 | 12.924 |
| 1.5 Interest received from marketable securities portfolio | 4.1.3 | 1.431.658 | 722.857 |
| 1.5.1 Trading financial assets | | 2.114 | 940 |
| 1.5.2 Financial assets at fair value through profit or (loss) | | - | - |
| 1.5.3 Available-for-sale financial assets | | 999.811 | 505.155 |
| 1.5.4 Held to maturity investments | | 429.733 | 216.762 |
| 1.6 Financial lease income | | - | - |
| 1.7 Other interest income | | 834 | 243 |
| II. Interest expense | 4.2 | (5.685.499) | (2.952.764) |
| 2.1 Interest on deposits | 4.2.4 | (4.650.493) | (2.461.166) |
| 2.2 Interest on funds borrowed | 4.2.1 | (595.999) | (297.527) |
| 2.3 Interest expense on money market transactions | | (120.434) | (40.742) |
| 2.4 Interest on securities issued | 4.2.3 | (295.616) | (150.905) |
| 2.5 Other interest expenses | | (22.957) | (2.424) |
| III. Net interest income (I + II) | | 4.314.865 | 2.173.545 |
| IV. Net fees and commissions income | | 1.590.971 | 783.654 |
| 4.1 Fees and commissions received | | 2.008.263 | 1.006.726 |
| 4.1.1 Non-cash loans | | 285.783 | 143.811 |
| 4.1.2 Other | | 1.722.480 | 862.915 |
| 4.2 Fees and commissions paid | | (417.292) | (223.072) |
| 4.2.1 Non-cash loans | | (85) | (46) |
| 4.2.2 Other | | (417.207) | (223.026) |
| V. Dividend income | | 2.165 | 405 |
| VI. Trading gain/(loss) (net) | 4.3 | (181.553) | (159.378) |
| 6.1 Trading gains/(losses) on securities | | 46.277 | 32.997 |
| 6.2 Derivative financial transactions gains/(losses) | 4.5 | (1.840.355) | (1.086.496) |
| 6.3 Foreign exchange gains/(losses) | | 1.612.525 | 894.121 |
| VII. Other operating income | 4.6 | 619.685 | 292.595 |
| VIII. Total operating income (III+IV+V+VI+VII) | | 6.346.133 | 3.090.821 |
| IX. Provision for impairment of loans and other receivables (-) | 4.4 | 1.668.153 | 792.339 |
| X. Other operating expenses (-) | 4.7 | 2.641.782 | 1.346.376 |
| XI. Net operating income/(loss) (VIII-IX-X) | | 2.036.198 | 952.106 |
| XII. Excess amount recorded as income after merger | | - | - |
| XIII. Income/(loss) from investments accounted based on equity method | | 285.920 | 139.799 |
| XIV. Income/(loss) on net monetary position | | - | - |
| XV. Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV) | 4.8 | 2.322.118 | 1.091.905 |
| XVI. Tax provision for continuing operations (±) | 4.9 | (428.920) | (199.988) |
| 16.1 Current tax provision | | (740.421) | (326.274) |
| 16.2 Deferred tax provision | | 311.501 | 126.286 |
| XVII. Net profit/loss from continuing operations (XV±XVI) | | 1.893.198 | 891.917 |
| XVIII. Income from discontinued operations | | - | - |
| 18.1 Income from non-current assets held for resale | | - | - |
| 18.2 Profit from sales of associates, subsidiaries and joint ventures | | - | - |
| 18.3 Other income from discontinued operations | | - | - |
| XIX. Expenses from discontinued operations (-) | | - | - |
| 19.1 Expenses for non-current assets held for resale | | - | - |
| 19.2 Loss from sales of associates, subsidiaries and joint ventures | | - | - |
| 19.3 Other expenses from discontinued operations | | - | - |
| XX. Profit /losses before taxes from discontinued operations (XVIII-XIX) | | - | - |
| XXI. Tax provision for discontinued operations (±) | | - | - |
| 21.1 Current tax provision | | - | - |
| 21.2 Deferred tax provision | | - | - |
| XXII. Net profit/loss from discontinued operations (XX±XXI) | | - | - |
| XXIII. Net profit/loss (XVII+XXII) | 4.10 | 1.893.198 | 891.917 |
| Earnings/(loss) per share (full TL) | | 0,0044 | 0,0021 |

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

Unconsolidated financial statements as of June 30, 2018 and 2017

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

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

| Income and expense items accounted under shareholders' equity | | Current Period (30/06/2018) |
|--|---|--|
| I. | PROFIT (LOSS) | 2.471.232 |
| II. | OTHER COMPREHENSIVE INCOME | 1.262.080 |
| 2.1 | Other comprehensive income that will not be reclassified to profit or loss | 463.323 |
| 2.1.1 | Gains (losses) on Revaluation of Property, Plant and Equipment | 545.210 |
| 2.1.2 | Gains (losses) on revaluation of Intangible Assets | - |
| 2.1.3 | Gains (losses) on remeasurements of defined benefit plans | (31.198) |
| 2.1.4 | Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss | 2.421 |
| 2.1.5 | Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss | (53.110) |
| 2.2 | Other Comprehensive Income That Will Be Reclassified to Profit or Loss | 798.757 |
| 2.2.1 | Exchange Differences on Translation | 463.490 |
| 2.2.2 | Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income | (1.154.671) |
| 2.2.3 | Income (loss) Related with Cash Flow Hedges | 1.909.471 |
| 2.2.4 | Income (loss) Related with Hedges of Net Investments in Foreign Operations | (324.969) |
| 2.2.5 | Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss | - |
| 2.2.6 | Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss | (94.564) |
| III. | TOTAL COMPREHENSIVE INCOME (LOSS) (I+II) | 3.733.312 |

| Income and expense items accounted under shareholders' equity | | Prior Period (30/06/2017) |
|--|---|--------------------------------------|
| I. | Transfers to marketable securities valuation differences from financial assets available for sale | 579.373 |
| II. | Property and equipment revaluation differences | (1.371) |
| III. | Intangible assets revaluation differences | - |
| IV. | Currency translation differences for foreign currency transactions | 104 |
| V. | Profit /loss on cash flow hedges (effective part of the fair value changes) | (57.039) |
| VI. | Profit/loss on foreign net investment hedges (effective part of the fair value changes) | (114.714) |
| VII. | Effects of changes in accounting policy and adjustment of errors | - |
| VIII. | Other income and expense items accounted under shareholders' equity according to TAS | 154.159 |
| IX. | Deferred tax on valuation differences | (81.476) |
| X. | Net profit or loss accounted directly under shareholders' equity (I+II+...+IX) | 479.036 |
| XI. | Current year profit/loss | 1.893.198 |
| 11.1 | Net change in fair value of marketable securities (recycled to profit-loss) | 38.767 |
| 11.2 | Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement | 56.029 |
| 11.3 | Part of foreign net investment hedges reclassified and presented on the income statement | - |
| 11.4 | Other | 1.798.402 |
| XII. | Total income/loss accounted for the period (X+XI) | 2.372.234 |

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

Unconsolidated statement of changes in shareholders' equity as of June 30, 2018

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

5. Statement of changes in shareholders' equity

| Current Period (30/06/2018) | CHANGES IN SHAREHOLDER'S EQUITY | | | | Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss | | | Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss | | | Profit reserves | Prior period net income/(loss) | Current period net income/(loss) | Total shareholders' equity |
|---|---------------------------------|---------------|--|------------------------|--|-----------|-----------|--|-------------|-----------|-----------------|--------------------------------|----------------------------------|----------------------------|
| | Paid-in capital | Share premium | Share certificate cancellation profits | Other capital reserves | 1 | 2 | 3 | 4 | 5 | 6 | | | | |
| | | | | | | | | | | | | | | |
| I. Balance at the beginning of the period | 4.347.051 | 543.881 | - | 1.340.087 | 1.360.019 | (178.038) | 1.356.685 | 1.174.944 | (381.624) | 375.225 | 16.545.616 | - | 3.614.081 | 30.097.927 |
| II. Adjustment in accordance with TMS 8 | - | - | - | - | - | - | (181.350) | - | 110.325 | - | (62.054) | - | - | (133.079) |
| 2.1 Effect of adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. Effect of changes in accounting policies | - | - | - | - | - | - | (181.350) | - | 110.325 | - | (62.054) | - | - | (133.079) |
| III. New balance (I+II) | 4.347.051 | 543.881 | - | 1.340.087 | 1.360.019 | (178.038) | 1.175.335 | 1.174.944 | (271.299) | 375.225 | 16.483.562 | - | 3.614.081 | 29.964.848 |
| IV. Total comprehensive income (loss) | - | - | - | - | 485.237 | (24.335) | 2.421 | 463.490 | (900.643) | 1.235.910 | - | - | 2.471.232 | 3.733.312 |
| V. Capital increase in cash | 4.100.000 | 13.056 | - | (9.860) | - | - | - | - | - | - | - | - | - | 4.103.196 |
| VI. Capital increase through internal reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Issued capital inflation adjustment difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase (decrease) through other changes, equity | - | - | - | - | - | - | - | - | - | - | (6) | - | - | (6) |
| XI. Profit distribution | - | - | - | 127.833 | - | - | - | - | - | - | 3.486.248 | - | (3.614.081) | - |
| 11.1. Dividends distributed | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2. Transfers to legal reserves | - | - | - | 127.833 | - | - | - | - | - | - | 3.486.248 | - | (3.614.081) | - |
| 11.3. Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Period end balance (III+IV+.....+X+XI) | 8.447.051 | 556.937 | - | 1.458.060 | 1.845.256 | (202.373) | 1.177.756 | 1.638.434 | (1.171.942) | 1.611.135 | 19.969.804 | - | 2.471.232 | 37.801.350 |

1. Tangible assets revaluation reserve,

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

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

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

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

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

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

Unconsolidated statement of changes in shareholders' equity as of June 30, 2017

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

5. Statement of changes in shareholders' equity

| Prior Period (30/06/2017) | Note (Section five) | Paid-in capital | Adjustment to share capital | Share premium | Share cancellation profits | Legal reserves | Status reserves | Extra ord. reserves | Other reserves | Current period net income/(loss) | Prior period income/(loss) | Property and equipment and intangible assets | | Bonus shares from investments | Hedging funds | Assets held for resale/ discontinued operations revaluation fund | Total shareholders' equity |
|------------------------------|--|--------------------|-----------------------------------|------------------|----------------------------------|-------------------|--------------------|------------------------|-------------------|--|-------------------------------|--|---------------------|-------------------------------------|------------------|---|----------------------------------|
| | | | | | | | | | | | | Marketable securities value increase fund | revaluation fund | | | | |
| I. | Prior period end balance | 4.347.051 | - | 543.881 | - | 844.539 | - | 12.913.149 | 1.199.164 | 2.932.795 | - | 1.710.409 | 1.449.056 | 15.165 | 163.338 | - | 26.118.547 |
| | Changes in the period | | | | | | | | | | | | | | | | |
| II. | Increase/decrease due to the merger | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Marketable securities valuation differences | - | - | - | - | - | - | - | - | - | - | 463.498 | - | - | - | - | 463.498 |
| IV. | Hedging transactions (effective portion) | - | - | - | - | - | - | - | - | - | - | - | - | (137.402) | - | - | (137.402) |
| 4.1 | Cash flow hedge | - | - | - | - | - | - | - | - | - | - | - | - | (45.631) | - | - | (45.631) |
| 4.2 | Foreign net investment hedge | - | - | - | - | - | - | - | - | - | - | - | - | (91.771) | - | - | (91.771) |
| V. | Property and equipment revaluation differences | - | - | - | - | - | - | - | - | - | - | - | (1.302) | - | - | - | (1.302) |
| VI. | Intangible assets revaluation differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Bonus shares from investments in associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | 1.106 | - | - | 1.106 |
| VIII. | Foreign exchange differences | - | - | - | - | - | - | - | - | - | - | (85) | - | - | 168 | - | 83 |
| 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 | - | - | - | - | - | - | - | - | - | - | 153.053 | - | - | - | - | 153.053 |
| XII. | Capital increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.1 | Cash increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.2 | Internal resources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIII. | Share premium | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIV. | Share cancellation profits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. | Paid in-capital inflation adjustment difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVI. | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVII. | Current year income or loss | - | - | - | - | - | - | - | - | 1.893.198 | - | - | - | - | - | - | 1.893.198 |
| XVIII. | Profit distribution | - | - | - | - | 24.871 | - | 2.761.874 | 146.050 | (2.932.795) | - | - | - | - | - | - | - |
| 18.1 | Dividend paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18.2 | Transfers to reserves | - | - | - | - | 24.871 | - | 2.761.874 | 146.050 | (2.932.795) | - | - | - | - | - | - | - |
| 18.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Period end balance (I+II+III+...+XVI+XVII+XVIII) | 4.347.051 | - | 543.881 | - | 869.410 | - | 15.675.023 | 1.345.214 | 1.893.198 | - | 2.326.875 | 1.447.754 | 16.271 | 26.104 | - | 28.490.781 |

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

Unconsolidated financial statements as of June 30, 2018

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

6. Statement of cash flows

| | Notes (Section Five) | Current Period (30/06/2018) |
|--|----------------------------|-----------------------------------|
| A. CASH FLOWS FROM BANKING OPERATIONS | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 2.943.245 |
| 1.1.1 Interest received | | 11.916.255 |
| 1.1.2 Interest paid | | (7.403.463) |
| 1.1.3 Dividend received | | 64.399 |
| 1.1.4 Fees and commissions received | | 2.502.968 |
| 1.1.5 Other income | | 186.905 |
| 1.1.6 Collections from previously written-off loans and other receivables | | 1.062.004 |
| 1.1.7 Cash Payments to personnel and service suppliers | | (2.509.930) |
| 1.1.8 Taxes paid | | (321.532) |
| 1.1.9 Other | | (2.554.361) |
| 1.2 Changes in operating assets and liabilities subject to banking operations | | (6.453.196) |
| 1.2.1 Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss | | (202.970) |
| 1.2.2 Net (increase) decrease in due from banks | | (2.582.522) |
| 1.2.3 Net (increase) decrease in loans | | (19.670.403) |
| 1.2.4 Net (increase) decrease in other assets | | (2.765.676) |
| 1.2.5 Net increase (decrease) in bank deposits | | 2.811.694 |
| 1.2.6 Net increase (decrease) in other deposits | | 13.351.130 |
| 1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss | | 1.643.608 |
| 1.2.8 Net increase (decrease) in funds borrowed | | 5.304.123 |
| 1.2.9 Net increase (decrease) in matured payables | | - |
| 1.2.10 Net increase (decrease) in other liabilities | | (4.342.180) |
| I. Net cash provided from banking operations | | (3.509.951) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| II. Net cash provided from investing activities | | (2.199.621) |
| 2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures | | - |
| 2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures | | - |
| 2.3 Cash paid for the purchase of tangible and intangible asset | | (399.942) |
| 2.4 Cash obtained from the sale of tangible and intangible asset | | 192.864 |
| 2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income | | (5.482.655) |
| 2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income | | 5.721.439 |
| 2.7 Cash paid for the purchase of financial assets at amortised cost | | (2.713.628) |
| 2.8 Cash obtained from sale of financial assets at amortised cost | | 482.301 |
| 2.9 Other | | - |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| III. Net cash flows from financing activities | | 9.430.037 |
| 3.1 Cash obtained from funds borrowed and securities issued | | 5.885.443 |
| 3.2 Cash outflow from funds borrowed and securities issued | | (558.522) |
| 3.3 Equity instruments issued | | 4.103.196 |
| 3.4 Dividends paid | | - |
| 3.5 Payments for finance lease liabilities | | (80) |
| 3.6 Other | | - |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | | 2.274.376 |
| V. Net increase/decrease in cash and cash equivalents | | 5.994.841 |
| VI. Cash and cash equivalents at beginning of the period | | 21.589.701 |
| VII. Cash and cash equivalents at end of the period | | 27.584.542 |

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

Notes to unconsolidated financial statements as of June 30, 2017

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

6. Statement of cash flows

| | Notes (Section Five) | Prior Period (30/06/2017) |
|--|----------------------------|------------------------------|
| A. CASH FLOWS FROM BANKING OPERATIONS | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 5.906.334 |
| 1.1.1 Interest received | | 9.353.669 |
| 1.1.2 Interest paid | | (5.642.760) |
| 1.1.3 Dividend received | | 116.831 |
| 1.1.4 Fees and commissions received | | 2.008.263 |
| 1.1.5 Other income | | 863.122 |
| 1.1.6 Collections from previously written-off loans and other receivables | | 698.096 |
| 1.1.7 Cash Payments to personnel and service suppliers | | (2.240.061) |
| 1.1.8 Taxes paid | | (548.838) |
| 1.1.9 Other | | 1.298.012 |
| 1.2 Changes in operating assets and liabilities subject to banking operations | | (7.243.424) |
| 1.2.1 Net (increase) Decrease in Financial Assets at Fair Value through Profit or Loss | | 4.485 |
| 1.2.2 Net (increase) decrease in due from banks | | - |
| 1.2.3 Net (increase) decrease in loans | | (1.937.852) |
| 1.2.4 Net (increase) decrease in other assets | | (12.291.957) |
| 1.2.5 Net increase (decrease) in bank deposits | | (375.890) |
| 1.2.6 Net increase (decrease) in other deposits | | (1.705.039) |
| 1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss | | 6.787.072 |
| 1.2.8 Net increase (decrease) in funds borrowed | | 1.116.301 |
| 1.2.9 Net increase (decrease) in matured payables | | - |
| 1.2.10 Net increase (decrease) in other liabilities | | 1.159.456 |
| I. Net cash provided from banking operations | | (1.337.090) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| II. Net cash provided from investing activities | | (1.365.631) |
| 2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures | | - |
| 2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures | | - |
| 2.3 Cash paid for the purchase of tangible and intangible asset | | (156.593) |
| 2.4 Cash obtained from the sale of tangible and intangible asset | | 29.617 |
| 2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income | | (4.479.980) |
| 2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income | | 3.228.416 |
| 2.7 Cash paid for the purchase of financial assets at amortised cost | | (9.858) |
| 2.8 Cash obtained from sale of financial assets at amortised cost | | 22.767 |
| 2.9 Other | | - |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| III. Net cash flows from financing activities | | 2.203.911 |
| 3.1 Cash obtained from funds borrowed and securities issued | | 11.237.592 |
| 3.2 Cash outflow from funds borrowed and securities issued | | (9.032.742) |
| 3.3 Equity instruments issued | | - |
| 3.4 Dividends paid | | - |
| 3.5 Payments for finance lease liabilities | | (939) |
| 3.6 Other | | - |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | | 278.692 |
| V. Net increase/decrease in cash and cash equivalents (I+II+III+IV) | | (220.118) |
| VI. Cash and cash equivalents at beginning of the period | | 13.957.819 |
| VII. Cash and cash equivalents at end of the period | | 13.737.701 |

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

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 (“Banking Act”), which is effective from November 1, 2005, the Turkish Commercial Code (“TCC”), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency (“BRSA”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and other decrees, notes and explanations related to the accounting and financial reporting principles (all “Turkish Accounting Standards” or “TAS”) published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments in associates and subsidiaries measured at fair value, derivative financial assets/liabilities and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

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

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with “Accounting and Reporting Legislation” published in the regulation, communiqué, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS. The accounting principles except TFRS 9 impact, are in accordance with the used principles in preparation of yearly financial statement as of 31 December 2017.

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

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

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

Notes to unconsolidated financial statements as of June 30, 2018

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

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

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

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

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

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

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

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

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

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

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

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

TFRS 15 Revenue from Contracts with Customers Standard (TFRS 15) has no significant impact on the Bank's accounting policies, financial position and performance.

The Bank continues to work towards harmonization with the TFRS 16 Leases (TFRS 16) standard, which will become effective as of January 1, 2019.

Notes to unconsolidated financial statements as of June 30, 2018

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

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.

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

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. The Bank is also sustaining a lengthened liability structure by using long-term foreign and local currency borrowings from domestic and international investors and financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is followed within the determined levels by the Board of Directors, by considering the limits specified by the Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of “Foreign exchange gains or losses”, except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with financial liabilities in foreign currency and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under “Other accumulated comprehensive income that will be reclassified in other profit or loss” in equity.

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

3. Explanations on investments in associates, subsidiaries and joint ventures:

Associates, subsidiaries and joint ventures are being carried at equity method in unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as “Other accumulated comprehensive income that will not be reclassified in profit or loss” under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and “Other accumulated comprehensive income that will not be reclassified in profit or loss” under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of “TAS – 27 Turkish Accounting Standards for Individual Financial Statements” numbered 29321 on April 9, 2015 and confirmation by BRSA’s letter numbered 10686 on July 14, 2015.

4. Explanations on forward and option contracts and derivative instruments:

The Bank’s derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank

Notes to unconsolidated financial statements as of June 30, 2018

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

regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

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

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

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

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "IFRS 9 - Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

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

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

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

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "IFRS – 9 Financial Instruments" in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

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

As of June 30, 2018, the Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "IFRS – 9 Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

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

Notes to unconsolidated financial statements as of June 30, 2018

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

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

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically

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

6. Explanations on fee and commission income and expenses:

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

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

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

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

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

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

Notes to unconsolidated financial statements as of June 30, 2018

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

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

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

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

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

7.2. Financial assets measured at amortised cost:

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

7.3. Loans :

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

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

The Bank provides expected loss provision based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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

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

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

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in

Notes to unconsolidated financial statements as of June 30, 2018

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

the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under “Profit/losses from capital market transactions” .

8. Explanations on impairment of financial assets:

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

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

The measurement of the expected credit loss allowance:

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

Notes to unconsolidated financial statements as of June 30, 2018

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

9. Explanations on offsetting financial assets:

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

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

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

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

The Bank has no securities lending transactions.

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

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

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

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

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

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

12.2. Other intangible assets:

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

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

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

13. Explanations on property and equipment:

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

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with “TAS – 16 Property, Plant and Equipment”.

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

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

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

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

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

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

14.1 Financial lease

The Bank includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognized. The liabilities arising from financial leasing contracts are accounted under “Financial lease payables”. Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables. The Bank does not perform financial leasing operations as “Lessor”.

14.2. Operational lease

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

15. Explanations on provisions, contingent liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with "TAS – 37 Provisions, Contingent Liabilities and Contingent Assets".

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

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

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

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

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS – 19 Employee Rights" standard.

16.2. Pension rights

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

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

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

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

According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335.

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

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

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

16.3. Short term benefits of employee:

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

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. "In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years' in the provisional tax declaration.

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

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

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

A 75% portion of the capital gains (have been set as 50% for real estate properties as of December 5, 2017) derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

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

17.2. Deferred tax:

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

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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

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

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

Notes to unconsolidated financial statements as of June 30, 2018

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

17.3. Transfer pricing:

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

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

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

18. Explanations on borrowings:

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

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

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

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

19. Explanations on issuance of share certificates:

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

No dividend payments were announced after the balance sheet date.

20. Explanations on avalized drafts and letter of acceptances:

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

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 1.177 (December 31, 2017 - TL 1.183).

22. Profit reserves and profit distribution:

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

Notes to unconsolidated financial statements as of June 30, 2018

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

23. Earnings per share:

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

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Net Income/(loss) to be appropriated to ordinary shareholders | 2.471.232 | 1.893.198 |
| Weighted average number of issued ordinary shares(thousand) | 436.982.906 | 434.705.128 |
| Earnings per share (full TL) | 0,0057 | 0,0044 |

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

No bonus shares were issued during 2018 (2017 - None).

24. Related parties:

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

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS – 8 Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 10 of Section Four.

26. Explanations on other matters:

None.

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

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

The Bank classifies and accounts its financial assets as "fair value through profit or loss", "available-for-sale", "loans and receivables" or "held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

27.1 Financial assets at fair value through profit or loss:

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

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

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments.

Notes to unconsolidated financial statements as of June 30, 2018

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

27.2. Held-to-maturity financial assets:

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

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

27.3. Loans and receivables:

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

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

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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

27.4. Available-for-sale financial assets:

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

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

Notes to unconsolidated financial statements as of June 30, 2018

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

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” and “Regulation Regarding Banks’ Shareholders’ Equity”. The capital adequacy ratio of the Bank is 15,08% (December 31, 2017 – 14,49%).

1.1. Information on equity:

| | Current Period | Amounts subject to treatment before 1/1/2014 ⁽¹⁾ | Prior Period | Amounts subject to treatment before 1/1/2014 ⁽¹⁾ |
|---|-------------------|---|-------------------|---|
| COMMON EQUITY TIER 1 CAPITAL | | | | |
| Paid-up Capital | 8.447.051 | | 4.347.051 | |
| Share issue premiums | 556.937 | | 543.881 | |
| Retained earnings | 21.411.593 | | 16.545.616 | |
| Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards | 6.987.524 | | 6.054.914 | |
| Profit | 2.471.232 | | 3.614.081 | |
| Net profit of the period | 2.471.232 | | 3.614.081 | |
| Profit of the previous years | - | | - | |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period | 16.271 | | 16.271 | |
| Common Equity Tier 1 capital before regulatory adjustments | 39.890.608 | | 31.121.814 | |
| Common Equity Tier 1 capital: regulatory adjustments | | | | |
| Prudential valuation adjustments | 93.361 | | 90.195 | |
| The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS | 2.089.258 | | 1.023.887 | |
| Improvement costs for operating leasing | 78.941 | | 91.369 | |
| Goodwill (net of related tax liability) | 979.493 | - | 783.594 | 979.493 |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | 641.469 | - | 489.500 | 611.874 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | | - | |
| Cash-flow hedge reserve | 2.326.078 | | 836.691 | |
| Shortfall of provisions to expected losses | - | | - | |
| Securitisations gain on sale | - | | - | |
| Gains and losses due to changes in own credit risk on fair valued liabilities | - | | - | |
| Defined-benefit pension fund net assets | - | | - | |
| Investments in own shares | - | | - | |
| Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law | - | | - | |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | | - | |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold) | - | | - | |
| Mortgage servicing rights (amount above 10% threshold) | - | | - | |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | | - | |
| Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks’ Shareholders’ Equity | - | | - | |
| The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital | 666.201 | | 547.770 | |
| The amount above threshold for mortgage servicing rights | - | | - | |
| The amount above threshold for deferred tax assets arising from temporary differences | - | | - | |
| National specific regulatory adjustments which shall be determined by the BRSA | - | | - | |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - | | - | |
| Total regulatory adjustments to Common equity Tier 1 | 6.874.801 | | 3.863.006 | |
| Common Equity Tier 1 capital (CET1) | 33.015.807 | | 27.258.808 | |

Notes to unconsolidated financial statements as of June 30, 2018

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

| ADDITIONAL TIER 1 CAPITAL | Current Period | Amounts subject to treatment before 1/1/2014 ⁽¹⁾ | Prior Period | Amounts subject to treatment before 1/1/2014 ⁽¹⁾ |
|--|-------------------|---|-------------------|---|
| Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums | - | | - | |
| Eligible capital instruments and relevant share issue premiums that are approved by the BRSA | - | | - | |
| Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds) | - | | - | |
| Additional Tier 1 capital before regulatory adjustments | - | | - | |
| Additional Tier 1 capital: regulatory adjustments | | | | |
| Investments in own Additional Tier 1 instruments | - | | - | |
| Reciprocal cross-holdings in Additional Tier 1 instruments | - | | - | |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | | - | |
| Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | | - | |
| National specific regulatory adjustments which shall be determined by the BRSA | - | | - | |
| Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period | - | | - | |
| Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - | 318.273 | - |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | | - | |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | | - | |
| Total regulatory adjustments to Additional Tier 1 capital | - | | - | |
| Total Additional Tier 1 capital | - | | - | |
| Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital) | 33.015.807 | | 26.940.535 | |
| TIER 2 CAPITAL | | | | |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency | 6.558.287 | | 5.865.305 | |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds) | 711.040 | | 711.040 | |
| Provisions (Article 8 of the Regulation on the Equity of Banks) ⁽²⁾ | 2.549.077 | | 2.893.299 | |
| Tier 2 capital before regulatory adjustments | 9.818.404 | | 9.469.644 | |
| Tier 2 capital: regulatory adjustments | | | | |
| Direct and indirect investments of the Bank on its own Tier 2 Capital (-) | - | | - | |
| Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8 | 76.371 | | 72.789 | |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-) | - | | - | |
| Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-) | - | | - | |
| National specific regulatory adjustments which shall be determined by the BRSA | - | | - | |
| Total regulatory adjustments to Tier 2 capital | 76.371 | | 72.789 | |
| Total Tier 2 capital | 9.742.033 | | 9.396.855 | |
| Total Capital (The sum of Tier 1 capital and Tier 2 capital) | 42.648.267 | | 36.198.441 | |
| The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital) | | | | |
| Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law | 3.353 | | 3.750 | |
| Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition ⁽³⁾ | - | | - | |
| National specific regulatory adjustments which shall be determined by the BRSA | 106.220 | | 135.199 | |
| Regulatory Adjustments which will be deducted from Total Capital during the transition period | | | | |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | | - | |
| Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | | - | |
| Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | | - | |

Notes to unconsolidated financial statements as of June 30, 2018

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

| OWN FUNDS | Current Period | Prior Period |
|---|----------------|--------------|
| Total Capital (The sum of Tier 1 capital and Tier 2 capital) | 42.648.267 | 36.198.441 |
| Total Risk Weighted Assets | 282.801.862 | 249.893.152 |
| CAPITAL ADEQUACY RATIOS | | |
| Common Equity Tier 1 Capital Adequacy Ratio (%) | 11,68 | 10,91 |
| Tier 1 Capital Adequacy Ratio (%) | 11,68 | 10,78 |
| Capital Adequacy Ratio (%) | 15,08 | 14,49 |
| BUFFERS | | |
| Institution specific buffer requirement of the Bank(a+b+c) | 1.896 | 1.261 |
| a) Capital conservation buffer requirement (%) | 1.875 | 1.250 |
| b) Bank's specific countercyclical buffer requirement (%) | 0,021 | 0,011 |
| c) Systemically important Bank buffer (%) | - | - |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | 5,675 | 4,908 |
| Amounts below the thresholds for deduction (before risk weighting) | | |
| Non-significant investments in the capital of other financials | - | - |
| Significant investments in the common stock of financials | - | - |
| Mortgage servicing rights (net of related tax liability) | - | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | 1.866.859 | 1.693.432 |
| Applicable caps on the inclusion of provisions in Tier 2 capital | | |
| General provisions for standard based receivables (before ten thousand twenty five limitation) | 3.370.751 | 3.332.694 |
| Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used | 3.268.047 | 2.893.299 |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022) | | |
| Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds | - | - |
| Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds | - | - |
| Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds | 711.040 | - |
| Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds | 3.849.660 | - |

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2018

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

1.2. Details on Subordinated Liabilities:

| | 1 | 2 | 3 | 4 |
|---|--|--|---|--|
| Issuer | UNICREDIT SPA | UNICREDIT SPA | Yapı ve Kredi Bankası A.Ş. | Yapı ve Kredi Bankası A.Ş. |
| Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | - | - | XS0861979440/US984848AB73 | XS1376681067 |
| Governing law(s) of the instrument | BRSA / Austria Law | BRSA / Austria Law | BRSA / CMB / LONDON STOCK EXCHANGE / English Law | English Law / Turkish Law |
| Regulatory treatment | | | | |
| Transitional Basel III rules | No | No | Yes | No |
| Eligible at stand-alone / consolidated | Stand-alone -Consolidated | Stand-alone -Consolidated | Stand-alone -Consolidated | Stand-alone -Consolidated |
| Instrument type (types to be specified by each jurisdiction) | Loan | Loan | Bond | Bond |
| Amount recognised in regulatory capital (Currency in mil. as of most recent reporting date) | 2.134 | 2.144 | 711 | 2.280 |
| Par value of instrument | 2.668 | 2.144 | 4.561 | 2.280 |
| Accounting classification | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost |
| Original date of issuance | January 9, 2013 | December 18, 2013 | December 6, 2012 | March 8, 2016 |
| Perpetual or dated | Dated | Dated | Dated | Dated |
| Original maturity date | 10 years | 10 years | 10 years | 10 years + 1 day |
| Issuer call subject to prior supervisory approval | Yes | Yes | Yes | Yes |
| Optional call date, contingent call dates and redemption amount | After 5th year | After 5th year | - | After 5th year |
| Subsequent call dates, if applicable | After 5th year | After 5th year | - | - |
| Coupons / dividends | | | | |
| Fixed or floating dividend/coupon | Fixed | Fixed | Fixed | Fixed |
| Coupon rate and any related index | 5,7% | 6,55% 5 Year MidSwap 6,55% basis points, 4,88% coupon | 5,5% | 8,625% 5 Year MidSwap+7,40 basis points, 8,625% coupon |
| Existence of a dividend stopper | No interest accrue after the date of value decrease for the decreased amount | No interest accrue after the date of value decrease for the decreased amount | - | No interest accrue after the date of value decrease for the decreased amount |
| Fully discretionary, partially discretionary or mandatory | - | - | - | Mandatory |
| Existence of step up or other incentive to redeem | - | - | - | - |
| Noncumulative or cumulative | Noncumulative | Noncumulative | Noncumulative | Cumulative |
| Convertible or non-convertible | | | | |
| If convertible, conversion trigger (s) | - | - | - | - |
| If convertible, fully or partially | - | - | - | - |
| If convertible, conversion rate | - | - | - | - |
| If convertible, mandatory or optional conversion | - | - | - | - |
| If convertible, specify instrument type convertible into | - | - | - | - |
| If convertible, specify issuer of instrument it converts into | - | - | - | - |
| Write-down feature | | | | |
| If write-down, write-down trigger(s) | - | - | - | In case of default |
| If write-down, full or partial | - | - | - | Partial |
| If write-down, permanent or temporary | - | - | - | Permanent |
| If temporary write-down, description of write-up mechanism | - | - | - | - |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 |
| In compliance with article number 7 and 8 of “Own fund regulation” | No | No | Yes | No |
| Details of incompliances with article number 7 and 8 of “Own fund regulation” | - | - | 8-2-ğ | - |

Notes to unconsolidated financial statements as of June 30, 2018

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

- 1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the “Regulation Regarding Banks’ Shareholders’ Equity” are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the “Regulation Regarding Banks’ Shareholders’ Equity”.

2. Explanations on Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be announced to public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, have not been presented.

2.1. General Information on Risk Management and Risk Weighted Amount

2.1.1 Overview of Risk Weighted Assets

| | | Risk Weighted Assets | | Minimum Capital Requirements |
|---|--|----------------------|--------------------|------------------------------|
| | | Current Period | Prior Period | Current Period |
| 1 | Credit risk (excluding counterparty credit risk) (CCR) | 255.442.326 | 223.580.717 | 20.435.386 |
| 2 | Of which standardised approach (SA) | 255.442.326 | 223.580.717 | 20.435.386 |
| 3 | Of which internal rating-based (IRB) approach | - | - | - |
| 4 | Counterparty credit risk | 5.977.455 | 7.836.138 | 478.196 |
| 5 | Of which standardised approach for counterparty credit risk (SA-CCR) | 5.977.455 | 7.836.138 | 478.196 |
| 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 | 24.140 | 47.101 | 1.931 |
| 9 | Equity investments in funds – mandate-based approach | - | - | - |
| 10 | Equity investments in funds – fall-back approach | - | - | - |
| 11 | Settlement risk | - | - | - |
| 12 | Securitisation exposures in banking book | - | - | - |
| 13 | Of which IRB ratings-based approach (RBA) | - | - | - |
| 14 | Of which IRB Supervisory Formula Approach (SFA) | - | - | - |
| 15 | Of which SA/simplified supervisory formula approach (SSFA) | - | - | - |
| 16 | Market risk | 2.060.772 | 1.835.098 | 164.862 |
| 17 | Of which standardised approach (SA) | 2.060.772 | 1.835.098 | 164.862 |
| 18 | Of which internal model approaches (IMM) | - | - | - |
| 19 | Operational risk | 19.297.169 | 16.594.098 | 1.543.774 |
| 20 | Of which Basic Indicator Approach | 19.297.169 | 16.594.098 | 1.543.774 |
| 21 | Of which Standardised Approach | - | - | - |
| 22 | Of which Advanced Measurement Approach | - | - | - |
| 23 | Amounts below the thresholds for deduction (subject to 250% risk weight) | - | - | - |
| 24 | Floor adjustment | - | - | - |
| Total (1+4+7+8+9+10+11+12+16+19+23+24) | | 282.801.862 | 249.893.152 | 22.624.149 |

(Yetkili İmza / Kaşe)

Notes to unconsolidated financial statements as of June 30, 2018

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

2.1.2. Credit quality of assets

According to the Provisioning Regulation published by BRSA, the loans are identified as “non-performing loans”;

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

Provisions are calculated for these loans over the rates produced on the business model outputs of the Bank. There is no difference between “impaired loans” and “loans subject to provisioning” in the Bank. All loans with 90 days overdue are subject to specific provisioning.

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

| Current Period | Gross carrying values of (according to TAS) | | Allowances/ impairments | Net values |
|-------------------------------|---|-------------------------|----------------------------|--------------------|
| | Defaulted exposures | Non-defaulted exposures | | |
| 1 Loans | 8.648.537 | 213.846.157 | 10.179.411 | 212.315.283 |
| 2 Debt Securities | - | 43.644.344 | 29.700 | 43.614.644 |
| 3 Off-balance sheet exposures | 895.008 | 194.501.696 | 805.432 | 194.591.272 |
| 4 Total | 9.543.545 | 451.992.197 | 11.014.543 | 450.521.199 |

| Prior Period | Gross carrying values of (according to TAS) | | Allowances/ impairments | Net values |
|-------------------------------|---|-------------------------|----------------------------|--------------------|
| | Defaulted exposures | Non-defaulted exposures | | |
| 1 Loans | 9.024.397 | 192.882.576 | 10.061.411 | 191.845.562 |
| 2 Debt Securities | - | 37.291.473 | - | 37.291.473 |
| 3 Off-balance sheet exposures | 944.029 | 211.264.326 | 356.956 | 211.851.399 |
| 4 Total | 9.968.426 | 441.438.375 | 10.418.367 | 440.988.434 |

2.1.3 Changes in stock of defaulted loans and debt securities

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| 1 Defaulted loans and debt securities at end of the previous reporting period | 9.968.426 | 9.581.309 |
| 2 Loans and debt securities that have defaulted since the last reporting period | 2.334.913 | 3.397.438 |
| 3 Returned to non-defaulted status | 162.125 | 70.342 |
| 4 Amounts written off | 1.648.769 | 1.627.006 |
| 5 Other changes | (948.900) | (1.312.973) |
| 6 Defaulted loans and debt securities at end of the reporting period (1+2-3+4+5) | 9.543.545 | 9.968.426 |

Notes to unconsolidated financial statements as of June 30, 2018

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

2.1.4 Credit risk mitigation techniques – overview

| Current Period | Exposures unsecured: carrying amount (According to TAS) | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees, of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
|----------------------|---|---------------------------------|---|---|---|---|---|
| 1 Loans | 151.034.716 | 61.280.567 | 39.046.798 | 13.205.925 | 10.816.877 | - | - |
| 2 Debt securities | 43.614.644 | - | - | - | - | - | - |
| 3 TOTAL | 194.649.360 | 61.280.567 | 39.046.798 | 13.205.925 | 10.816.877 | - | - |
| 4 Of which defaulted | 1.091.894 | 455.111 | 53.737 | 33.717 | 4.977 | - | - |

| Prior Period | Exposures unsecured: carrying amount (According to TAS) | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees, of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
|----------------------|---|---------------------------------|---|---|---|---|---|
| 1 Loans | 144.989.898 | 46.855.664 | 33.295.272 | 8.776.206 | 8.042.630 | - | - |
| 2 Debt securities | 37.291.473 | - | - | - | - | - | - |
| 3 TOTAL | 182.281.371 | 46.855.664 | 33.295.272 | 8.776.206 | 8.042.630 | - | - |
| 4 Of which defaulted | 1.251.992 | 825.875 | 269.259 | 68.444 | 50.471 | - | - |

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

| Current Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|---------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 Exposures to central governments or central banks | 86.499.920 | 880.067 | 97.169.042 | 1.181.939 | 12.100.643 | 12,30% |
| 2 Exposures to regional governments or local authorities | - | - | - | - | - | - |
| 3 Administrative and non commercial receivables | 77.707 | 155.319 | 77.699 | 64.604 | 70.209 | 49,34% |
| 4 Exposures to multilateral development banks | - | 16.029 | - | 8.563 | - | - |
| 5 Exposures to banks and financial institutions | 13.345.138 | 5.396.692 | 13.497.871 | 2.646.442 | 7.095.991 | 43,95% |
| 6 Exposures to corporates | 112.666.233 | 136.299.024 | 107.144.268 | 46.424.861 | 151.747.696 | 98,81% |
| 7 Retail exposures | 73.241.803 | 54.707.237 | 66.184.534 | 13.061.544 | 59.434.558 | 75,00% |
| 8 Exposures secured by residential property | 11.190.959 | 344.950 | 11.190.959 | 164.347 | 3.974.357 | 35,00% |
| 9 Exposures secured by commercial real estate | 15.276.597 | 1.856.685 | 15.276.597 | 1.291.827 | 8.284.212 | 50,00% |
| 10 Non performing receivables | 1.535.234 | 210.033 | 1.529.873 | 46.656 | 965.567 | 61,25% |
| 11 Higher-risk categories by the Agency Board | 11.778 | 26.769 | 11.695 | 8.482 | 29.308 | 145,25% |
| 12 Exposures in the form of units or shares in collective investment undertakings (CIUs) | 49.337 | - | 49.337 | - | 24.140 | 48,93% |
| 13 Investments in equities | 5.458.829 | - | 5.458.829 | - | 5.458.829 | 100,00% |
| 14 Other assets | 8.982.390 | - | 8.982.390 | - | 6.280.956 | 69,93% |
| 15 TOTAL | 328.335.925 | 199.892.805 | 326.573.094 | 64.899.265 | 255.466.466 | 65,26% |

Notes to unconsolidated financial statements as of June 30, 2018

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

| Prior Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|---------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 Exposures to central governments or central banks | 75.711.643 | 755.191 | 85.135.961 | 769.675 | 10.126.958 | 11,79% |
| 2 Exposures to regional governments or local authorities | - | 920 | - | 184 | 37 | 20,11% |
| 3 Administrative and non commercial receivables | 172.631 | 101.193 | 171.388 | 43.281 | 83.189 | 38,75% |
| 4 Exposures to multilateral development banks | - | 10.544 | - | 6.066 | - | - |
| 5 Exposures to banks and financial institutions | 8.084.255 | 4.214.359 | 8.280.682 | 2.013.082 | 4.863.644 | 47,25% |
| 6 Exposures to corporates | 95.538.027 | 127.224.744 | 90.672.679 | 38.520.750 | 127.881.393 | 98,98% |
| 7 Retail exposures | 69.404.596 | 51.977.882 | 63.042.738 | 12.266.707 | 56.482.083 | 75,00% |
| 8 Exposures secured by residential property | 10.609.461 | 291.189 | 10.609.461 | 138.631 | 3.761.832 | 35,00% |
| 9 Exposures secured by commercial real estate | 14.990.741 | 1.304.289 | 14.990.741 | 849.540 | 7.920.140 | 50,00% |
| 10 Non performing receivables | 2.027.848 | 521.817 | 1.975.940 | 128.215 | 2.136.525 | 101,54% |
| 11 Higher-risk categories by the Agency Board | 50.017 | 522.865 | 49.984 | 136.343 | 277.368 | 148,86% |
| 12 Exposures in the form of units or shares in collective investment undertakings (CIUs) | 94.843 | - | 94.843 | - | 47.101 | 49,66% |
| 13 Investments in equities | 4.915.945 | - | 4.915.945 | - | 4.915.945 | 100,00% |
| 14 Other assets | 7.970.354 | - | 7.970.354 | - | 5.131.603 | 64,38% |
| 15 TOTAL | 289.570.361 | 186.924.993 | 287.910.716 | 54.872.474 | 223.627.818 | 65,24% |

Notes to unconsolidated financial statements as of June 30, 2018

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

2.1.6 Standardised approach – exposures by asset classes and risk weights

| Current Period | | | | | | | | | | | | Total credit risk exposure amount (after CCF and CRM) |
|--|-------------------|----------|------------------|-------------------|-------------------|-------------------|--------------------|----------------|----------|----------|----------|---|
| Asset classes/ Risk weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | |
| 1 Exposures to central governments or central banks | 86.250.336 | - | - | - | - | - | 12.100.645 | - | - | - | - | 98.350.981 |
| 2 Exposures to regional governments or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 Administrative and non commercial receivables | - | - | 90.117 | - | - | - | 52.186 | - | - | - | - | 142.303 |
| 4 Exposures to multilateral development banks | 8.563 | - | - | - | - | - | - | - | - | - | - | 8.563 |
| 5 Exposures to banks and financial institutions | - | - | 6.665.955 | - | 7.431.114 | - | 2.047.244 | - | - | - | - | 16.144.313 |
| 6 Exposures to corporates | - | - | 757.128 | - | 2.431.461 | - | 150.380.540 | - | - | - | - | 153.569.129 |
| 7 Retail exposures | - | - | - | - | - | 79.246.078 | - | - | - | - | - | 79.246.078 |
| 8 Exposures secured by residential property | - | - | - | 11.355.306 | - | - | - | - | - | - | - | 11.355.306 |
| 9 Exposures secured by commercial real estate | - | - | - | - | 16.568.424 | - | - | - | - | - | - | 16.568.424 |
| 10 Non performing receivables | - | - | - | - | 1.327.535 | - | 143.382 | 105.612 | - | - | - | 1.576.529 |
| 11 Higher-risk categories by the Agency Board | - | - | - | - | 366 | - | 1.183 | 18.628 | - | - | - | 20.177 |
| 12 Exposures in the form of units or shares in collective investment undertakings (CIUs) | 3.182 | - | 10.912 | - | 26.570 | - | 8.673 | - | - | - | - | 49.337 |
| 13 Investments in equities | - | - | - | - | - | - | 5.458.829 | - | - | - | - | 5.458.829 |
| 14 Other assets | 2.561.418 | - | 175.019 | - | - | - | 6.245.953 | - | - | - | - | 8.982.390 |
| 15 TOTAL | 88.823.499 | - | 7.699.131 | 11.355.306 | 27.785.470 | 79.246.078 | 176.438.635 | 124.240 | - | - | - | 391.472.359 |

| Prior Period | | | | | | | | | | | | Total credit risk exposure amount (after CCF and CRM) |
|--|-------------------|----------|------------------|-------------------|-------------------|-------------------|--------------------|----------------|----------|----------|----------|---|
| Asset classes/ Risk weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | |
| 1 Exposures to central governments or central banks | 75.778.678 | - | - | - | - | - | 10.126.958 | - | - | - | - | 85.905.636 |
| 2 Exposures to regional governments or local authorities | - | - | 184 | - | - | - | - | - | - | - | - | 184 |
| 3 Administrative and non commercial receivables | - | - | 164.350 | - | - | - | 50.319 | - | - | - | - | 214.669 |
| 4 Exposures to multilateral development banks | 6.066 | - | - | - | - | - | - | - | - | - | - | 6.066 |
| 5 Exposures to banks and financial institutions | - | - | 4.380.406 | - | 3.851.589 | - | 2.061.769 | - | - | - | - | 10.293.764 |
| 6 Exposures to corporates | - | - | 686.431 | - | 1.525.779 | - | 126.981.219 | - | - | - | - | 129.193.429 |
| 7 Retail exposures | - | - | - | - | - | 75.309.445 | - | - | - | - | - | 75.309.445 |
| 8 Exposures secured by residential property | - | - | - | 10.748.092 | - | - | - | - | - | - | - | 10.748.092 |
| 9 Exposures secured by commercial real estate | - | - | - | - | 15.840.281 | - | - | - | - | - | - | 15.840.281 |
| 10 Non performing receivables | - | - | - | - | 607.123 | - | 825.172 | 671.860 | - | - | - | 2.104.155 |
| 11 Higher-risk categories by the Agency Board | - | - | - | - | 1.122 | - | 2.003 | 183.202 | - | - | - | 186.327 |
| 12 Exposures in the form of units or shares in collective investment undertakings (CIUs) | 6.966 | - | 18.661 | - | 51.695 | - | 17.521 | - | - | - | - | 94.843 |
| 13 Investments in equities | - | - | - | - | - | - | 4.915.945 | - | - | - | - | 4.915.945 |
| 14 Other assets | 2.694.663 | - | 180.105 | - | - | - | 5.095.586 | - | - | - | - | 7.970.354 |
| 15 TOTAL | 78.486.373 | - | 5.430.137 | 10.748.092 | 21.877.589 | 75.309.445 | 150.076.492 | 855.062 | - | - | - | 342.783.190 |

Notes to unconsolidated financial statements as of June 30, 2018

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

2.1.7 Analysis of counterparty credit risk (CCR) exposure by approach

| Current Period | Replacement Cost | Potential credit risk exposure | EEPE ⁽¹⁾ | Alpha | Exposure after credit risk mitigation | Risk Weighted Amounts |
|--|------------------|--------------------------------|---------------------|-------|---------------------------------------|-----------------------|
| 1 Standart Approach-CCR | 4.016.021 | 1.263.898 | | 1,40 | 5.236.747 | 3.539.876 |
| 2 Internal Model Approach | - | - | - | - | - | - |
| 3 Simplified Standardised Approach for Credit Risk Mitigation | - | - | - | - | - | - |
| 4 Comprehensive Method for Credit Risk Mitigation | - | - | - | - | 361.771 | 20.006 |
| 5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions | - | - | - | - | - | - |
| 6 Total | | | | | | 3.559.882 |

| Current Period | Replacement Cost | Potential credit risk exposure | EEPE ⁽¹⁾ | Alpha | Exposure after credit risk mitigation | Risk Weighted Amounts |
|--|------------------|--------------------------------|---------------------|-------|---------------------------------------|-----------------------|
| 1 Standart Approach-CCR | 4.889.995 | 2.746.204 | | 1,4 | 7.622.222 | 4.090.889 |
| 2 Internal Model Approach | - | - | - | - | - | - |
| 3 Simplified Standardised Approach for Credit Risk Mitigation | - | - | - | - | - | - |
| 4 Comprehensive Method for Credit Risk Mitigation | - | - | - | - | 1.257.077 | 510.619 |
| 5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions | - | - | - | - | - | - |
| 6 Total | | | | | | 4.601.508 |

(1) Effective expected positive exposure

2.1.8 Credit valuation adjustment (CVA) capital charge

| | Current Period | | Prior Period | |
|---|---|-----------------------|---|-----------------------|
| | Exposure (After credit risk mitigation methods) | Risk Weighted Amounts | Exposure (After credit risk mitigation methods) | Risk Weighted Amounts |
| Total portfolio value with comprehensive approach | | | | |
| CVA capital adequacy | - | - | - | - |
| 1 (i) Value at risk component (3*multiplier included) | - | - | - | - |
| 2 (ii) Stressed Value at Risk (3*multiplier included) | - | - | - | - |
| 3 Total portfolio value with simplified approach CVA capital adequacy | 5.598.518 | 2.222.598 | 8.879.299 | 3.131.015 |
| 4 Total amount of CVA capital adequacy | 5.598.518 | 2.222.598 | 8.879.299 | 3.131.015 |

(Yetkili İmza / Kaşe)

Notes to unconsolidated financial statements as of June 30, 2018

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

2.1.9 Standardised approach – CCR exposures by risk weights and risk classes

| Current Period | | | | | | | | | | |
|---|----------------|----------|------------------|-----------|------------------|--------------|------------------|----------|----------|----------------------------------|
| Risk Weights/Risk Classes | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Other | Total credit risk ⁽¹⁾ |
| 1 Central governments and central banks receivables | 261.788 | - | - | - | - | - | 170.103 | - | - | 431.891 |
| 2 Local governments and municipalities receivables | - | - | - | - | - | - | - | - | - | - |
| 3 Administrative and non commercial receivables | - | - | - | - | - | - | - | - | - | - |
| 4 Multilateral Development Bank receivables | - | - | - | - | - | - | - | - | - | - |
| 5 Banks and Intermediary Institutions receivables | - | - | 1.199.122 | - | 1.924.991 | - | 17.240 | - | - | 3.141.353 |
| 6 Corporate receivables | - | - | - | - | 262 | - | 2.312.178 | - | - | 2.312.440 |
| 7 Retail receivables | - | - | - | - | - | 6.021 | - | - | - | 6.021 |
| 8 Mortgage receivables | - | - | - | 81 | 96.682 | - | - | - | - | 96.763 |
| 9 Non performing receivables | - | - | - | - | - | - | - | - | - | - |
| 10 High risk defined receivables | - | - | - | - | - | - | - | - | - | - |
| 11 Equity investments | - | - | - | - | - | - | - | - | - | - |
| 12 Other receivables | - | - | - | - | - | - | - | - | - | - |
| 13 Total | 261.788 | - | 1.199.122 | 81 | 2.021.935 | 6.021 | 2.499.521 | - | - | 5.988.468 |

| Prior Period | | | | | | | | | | |
|---|----------------|----------|------------------|-----------|------------------|--------------|------------------|----------|----------|----------------------------------|
| Risk Weights/Risk Classes | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Other | Total credit risk ⁽¹⁾ |
| 1 Central governments and central banks receivables | 129.784 | - | - | - | - | - | 15.718 | - | - | 145.502 |
| 2 Local governments and municipalities receivables | - | - | - | - | - | - | - | - | - | - |
| 3 Administrative and non commercial receivables | - | - | 2 | - | - | - | - | - | - | 2 |
| 4 Multilateral Development Bank receivables | - | - | - | - | - | - | - | - | - | - |
| 5 Banks and Intermediary Institutions receivables | - | - | 1.941.369 | - | 5.330.958 | - | 257.770 | - | - | 7.530.097 |
| 6 Corporate receivables | - | - | 3.709 | - | 342 | - | 1.342.877 | - | - | 1.346.928 |
| 7 Retail receivables | - | - | - | - | - | 8.413 | - | - | - | 8.413 |
| 8 Mortgage receivables | - | - | - | 42 | 55.536 | - | - | - | - | 55.578 |
| 9 Non performing receivables | - | - | - | - | - | - | - | - | - | - |
| 10 High risk defined receivables | - | - | - | - | - | - | - | - | - | - |
| 11 Equity investments | - | - | - | - | - | - | - | - | - | - |
| 12 Other receivables | - | - | - | - | - | - | - | - | - | - |
| 13 Total | 129.784 | - | 1.945.080 | 42 | 5.386.836 | 8.413 | 1.616.365 | - | - | 9.086.520 |

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

Unconsolidated financial statements as of June 30, 2018

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

2.1.10 Composition of collateral for CCR exposure

| | | Collateral for derivative transactions | | | | Collateral for other transactions | |
|-----------------------|--------------------------|--|---------------|--------------------------------|--------------|-----------------------------------|--------------------------------|
| | | Fair value of collateral received | | Fair value of collateral given | | Fair value of collateral receive | Fair value of collateral given |
| Current Period | | Segregated | Unsegregated | Segregated | Unsegregated | | |
| 1 | Cash-domestic currency | - | 1.422 | - | - | 9.998.947 | 530.836 |
| 2 | Cash-foreign currency | - | 7.336 | - | - | 477.837 | - |
| 3 | Domestic sovereign debts | - | - | - | - | 550.801 | 13.088.707 |
| 4 | Other sovereign debt | - | - | - | - | - | - |
| 5 | Government agency debt | - | - | - | - | - | - |
| 6 | Corporate debts | - | - | - | - | - | - |
| 7 | Equity securities | - | - | - | - | - | - |
| 8 | Other collateral | - | 34.414 | - | - | - | - |
| 9 | Total | - | 43.172 | - | - | 11.027.585 | 13.619.543 |

| | | Collateral for derivative transactions | | | | Collateral for other transactions | |
|---------------------|--------------------------|--|---------------|--------------------------------|--------------|-----------------------------------|--------------------------------|
| | | Fair value of collateral received | | Fair value of collateral given | | Fair value of collateral receive | Fair value of collateral given |
| Prior Period | | Segregated | Unsegregated | Segregated | Unsegregated | | |
| 1 | Cash-domestic currency | - | 816 | - | - | 8.789.091 | - |
| 2 | Cash-foreign currency | - | 4.606 | - | - | 176.479 | - |
| 3 | Domestic sovereign debts | - | - | - | - | - | 9.186.624 |
| 4 | Other sovereign debt | - | - | - | - | - | - |
| 5 | Government agency debt | - | - | - | - | - | - |
| 6 | Corporate debts | - | - | - | - | - | - |
| 7 | Equity securities | - | - | - | - | - | - |
| 8 | Other collateral | - | 8.555 | - | - | - | - |
| 9 | Total | - | 13.977 | - | - | 8.965.570 | 9.186.624 |

2.1.11 Credit derivatives exposures

| | Current Priod | | Prior Period | |
|----------------------------------|-------------------|------------------|--------------------|------------------|
| | Protection Bought | Protection Sold | Protectio n Bought | Protection Sold |
| Nominal | | | | |
| Single-name credit default swaps | - | - | 157.000 | - |
| Index credit default swaps | - | - | - | - |
| Total return swaps | - | 6.875.552 | - | 4.618.063 |
| Credit Options | - | - | - | - |
| Other Credit Derivatives | - | - | - | - |
| Total Nominal | - | 6.875.552 | 157.000 | 4.618.063 |
| Rediscount Amount | - | (269.853) | 1.358 | 92.985 |
| Positive Rediscount Amount | - | 9.743 | 1.358 | 92.985 |
| Negative Rediscount Amount | - | (279.596) | - | - |

Unconsolidated financial statements as of June 30, 2018

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

2.1.12 Market risk under standardised approach

| | Current Period | Prior Period |
|---|---------------------------|---------------------------|
| | Risk Weighted Asset | Risk Weighted Asset |
| Outright products | 2.036.172 | 1.611.414 |
| 1 Interest rate risk (general and specific) | 2.021.344 | 1.322.238 |
| 2 Equity risk (general and specific) | - | - |
| 3 Foreign exchange risk | 12.728 | 289.176 |
| 4 Commodity risk | 2.100 | - |
| Options | 24.600 | 223.684 |
| 5 Simplified approach | - | - |
| 6 Delta-plus method | 24.600 | 223.684 |
| 7 Scenario approach | - | - |
| 8 Securitisation | - | - |
| 9 Total | 2.060.772 | 1.835.098 |

2.1.13 Exposures to central counterparties

| | Current Period | | Prior Period | |
|---|--------------------------------------|----------------|--------------------------------------|----------------|
| | Exposure at default (post-CRM) | RWA | Exposure at default (post-CRM) | RWA |
| 1 Exposure to Qualified Central Counterparties (QCCPs) (total) | | 194.975 | | 103.615 |
| 2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) ; of which | - | - | - | - |
| 3 (i) OTC Derivatives | 389.950 | 194.975 | 207.221 | 103.615 |
| 4 (ii) Exchange-traded Derivatives | - | - | - | - |
| 5 (iii) Securities financing transactions | - | - | - | - |
| 6 (iv) Netting sets where cross-product netting has been approved | - | - | - | - |
| 7 Segregated initial margin | - | - | - | - |
| 8 Non-segregated initial margin | - | - | - | - |
| 9 Pre-funded default fund contributions | - | - | - | - |
| 10 Unfunded default fund contributions | - | - | - | - |
| 11 Exposures to non-QCCPs (total) | | - | | - |
| 12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which | - | - | - | - |
| 13 (i) OTC Derivatives | - | - | - | - |
| 14 (ii) Exchange-traded Derivatives | - | - | - | - |
| 15 (iii) Securities financing transactions | - | - | - | - |
| 16 (iv) Netting sets where cross-product netting has been approved | - | - | - | - |
| 17 Segregated initial margin | - | - | - | - |
| 18 Non-segregated initial margin | - | - | - | - |
| 19 Pre-funded default fund contributions | - | - | - | - |
| 20 Unfunded default fund contributions | - | - | - | - |

Unconsolidated financial statements as of June 30, 2018

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

3. Explanations on currency risk

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

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

(Exchange rates presented as full TL)

| | USD | EUR |
|---|---------------|---------------|
| Balance sheet evaluation rate: | 4,5607 | 5.3092 |
| First day current bid rate | 4,6083 | 5,3310 |
| Second day current bid rate | 4,6349 | 5,3960 |
| Third day current bid rate | 4,6740 | 5,4576 |
| Fourth day current bid rate | 4,6397 | 5,4071 |
| Fifth day current bid rate | 4,7077 | 5,4848 |
| Arithmetic average of the last 30 days: | 4,6225 | 5,4044 |
| Evaluation rate as of December 31, 2017: | 3,7719 | 4,5155 |

Unconsolidated financial statements as of June 30, 2018

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

Information on currency risk of the Bank

| | 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 | 10.137.107 | 19.417.682 | 5.299.292 | 34.854.081 |
| Banks | 851.671 | 3.558.137 | 147.357 | 4.557.165 |
| Financial assets at fair value through profit or loss | 1.932 | 181.146 | - | 183.078 |
| Receivables from money markets | 1.194.571 | - | - | 1.194.571 |
| Financial assets at fair value through other comprehensive income | 776.951 | 2.630.633 | - | 3.407.584 |
| Loans ⁽¹⁾ | 41.497.736 | 50.865.729 | 1.273.671 | 93.637.136 |
| Investments in associates, subsidiaries and joint ventures | 2.215.151 | 230.381 | 647.803 | 3.093.335 |
| Financial assets measured at amortised cost | 266.697 | 7.357.902 | - | 7.624.599 |
| Hedging derivative financial assets | 33.893 | 355.763 | - | 389.656 |
| Tangible assets | - | - | - | - |
| Intangible assets | - | - | - | - |
| Other assets ⁽²⁾ | 3.054.886 | 2.035.662 | 353.650 | 5.444.198 |
| Total assets | 60.030.595 | 86.633.035 | 7.721.773 | 154.385.403 |
| Liabilities | | | | |
| Bank deposits | 738.828 | 6.860.536 | 87.256 | 7.686.620 |
| Foreign currency deposits | 39.933.168 | 54.802.729 | 3.188.597 | 97.924.494 |
| Funds from money market | 477.847 | - | - | 477.847 |
| Funds borrowed from other financial institutions | 20.236.074 | 17.832.496 | 54.255 | 38.122.825 |
| Marketable securities issued | 80.080 | 14.012.308 | 112.987 | 14.205.375 |
| Miscellaneous payables | 3.197.112 | 304.090 | 88.921 | 3.590.123 |
| Hedging derivative financial liabilities | 25.749 | 4.630 | - | 30.379 |
| Other liabilities ⁽³⁾ | 403.904 | 19.317.607 | 8.264 | 19.729.775 |
| Total liabilities | 65.092.762 | 113.134.396 | 3.540.280 | 181.767.438 |
| Net on-balance sheet position | (5.062.167) | (26.501.361) | 4.181.493 | (27.382.035) |
| Net off-balance sheet position⁽⁵⁾ | 4.901.290 | 26.919.023 | (3.582.804) | 28.237.509 |
| Financial derivative assets | 24.224.497 | 76.611.465 | 2.476.826 | 103.312.788 |
| Financial derivative liabilities | 19.323.207 | 49.692.442 | 6.059.630 | 75.075.279 |
| Net Position | (160.877) | 417.662 | 598.689 | 855.474 |
| Non-cash loans | 30.037.656 | 30.710.071 | 4.270.602 | 65.018.329 |
| Prior Period | | | | |
| Total assets | 50.456.810 | 70.818.545 | 7.023.521 | 128.298.876 |
| Total liabilities | 49.384.583 | 102.801.002 | 2.731.060 | 154.916.645 |
| Net on-balance sheet position | 1.072.227 | (31.982.457) | 4.292.461 | (26.617.769) |
| Net off-balance sheet position | (907.085) | 32.203.529 | (3.788.065) | 27.508.379 |
| Financial derivative assets | 13.052.031 | 90.234.094 | 2.852.275 | 106.138.400 |
| Financial derivative liabilities | 13.959.116 | 58.030.565 | 6.640.340 | 78.630.021 |
| Net Position | 165.142 | 221.072 | 504.396 | 890.610 |
| Non-cash loans | 22.796.277 | 24.961.599 | 3.913.204 | 51.671.080 |

- (1) Includes FX indexed loans amounting to TL 6.332.813 (December 31, 2017 – TL 5.895.865) which have been disclosed as TL in the financial statements.
- (2) Does not include foreign currency prepaid expenses amounting to TL 240.248 (December 31, 2017 - TL 174.642) and foreign currency denominated general provisions.
- (3) Does not include foreign currency other comprehensive income and expense under equity.
- (4) Other FC column includes also gold balance.
- (5) Forward transactions classified as commitments are also included.

Unconsolidated financial statements as of June 30, 2018

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

4. Explanations on interest rate risk

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates. Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Bank utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet.

Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

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

| Current Period | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Non interest bearing | Total |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| Assets | | | | | | | |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 27.796.502 | - | - | - | - | 18.154.320 | 45.950.822 |
| Banks | 3.297.653 | 152.467 | 84.743 | - | - | 2.278.139 | 5.813.002 |
| Financial assets at fair value through profit/loss | 3.028 | 964 | 6.966 | 13.490 | 38.153 | 196.836 | 259.437 |
| Receivables from money markets | 2.338.496 | 10.618 | - | - | - | - | 2.349.114 |
| Financial assets at fair value through other comprehensive income | 3.229.393 | 4.701.433 | 7.220.693 | 6.198.873 | 3.011.689 | 9.672 | 24.371.753 |
| Loans ⁽¹⁾ | 32.118.344 | 28.673.473 | 73.616.511 | 68.881.715 | 10.556.114 | (1.530.874) | 212.315.283 |
| Financial assets measured at amortised cost | 3.088.026 | 2.065.486 | 2.499.589 | 2.776.126 | 8.741.097 | - | 19.170.324 |
| Other assets | 1.493.789 | 2.703.104 | 1.430.893 | 3.851.009 | 612.858 | 18.032.056 | 28.123.709 |
| Total assets | 73.365.231 | 38.307.545 | 84.859.395 | 81.721.213 | 22.959.911 | 37.140.149 | 338.353.444 |
| Liabilities | | | | | | | |
| Bank deposits | 9.950.360 | 21.262 | 8.250 | - | - | 1.096.295 | 11.076.167 |
| Other deposits | 106.969.405 | 26.947.466 | 7.122.217 | 25.880 | - | 33.462.617 | 174.527.585 |
| Funds from money market | 13.150.331 | 315 | 477.858 | - | - | - | 13.628.504 |
| Miscellaneous payables | - | - | - | - | - | 14.313.457 | 14.313.457 |
| Marketable securities issued | 806.241 | 1.256.587 | 2.285.741 | 11.377.084 | 2.223.314 | - | 17.948.967 |
| Funds borrowed from other financial institutions | 13.684.751 | 15.393.945 | 8.244.651 | 694.951 | 603.614 | - | 38.621.912 |
| Other liabilities ⁽²⁾ | 1.373.671 | 7.603.012 | 1.762.097 | 9.081.249 | 4.937.818 | 43.479.005 | 68.236.852 |
| Total liabilities | 145.934.759 | 51.222.587 | 19.900.814 | 21.179.164 | 7.764.746 | 92.351.374 | 338.353.444 |
| Balance sheet long position | - | - | 64.958.581 | 60.542.049 | 15.195.165 | - | 140.695.795 |
| Balance sheet short position | (72.569.528) | (12.915.042) | - | - | - | (55.211.225) | (140.695.795) |
| Off-balance sheet long position | 12.559.136 | 29.910.504 | - | - | - | - | 42.469.640 |
| Off-balance sheet short position | - | - | (1.897.812) | (35.114.449) | (5.118.663) | - | (42.130.924) |
| Total position | (60.010.392) | 16.995.462 | 63.060.769 | 25.427.600 | 10.076.502 | (55.211.225) | 338.716 |

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

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

Unconsolidated financial statements as of June 30, 2018

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

| Prior Period | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Non interest bearing | Total |
|---|---------------------|--------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| Assets | | | | | | | |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 24.194.176 | - | - | - | - | 17.779.403 | 41.973.579 |
| Banks | 1.246.963 | 240.327 | - | 67.751 | - | 1.165.586 | 2.720.627 |
| Financial assets at fair value through profit/loss | 1.259.401 | 1.421.297 | 714.211 | 456.707 | 266.582 | - | 4.118.198 |
| Money market placements | 816.887 | - | - | - | - | - | 816.887 |
| Available-for-sale financial assets | 2.846.067 | 4.491.442 | 6.541.944 | 7.157.347 | 3.071.939 | 198.921 | 24.307.660 |
| Loans | 33.781.088 | 28.000.961 | 63.134.557 | 57.200.378 | 10.765.592 | 2.077.867 | 194.960.443 |
| Held-to-maturity investments | 1.162.846 | 1.485.657 | 2.266.839 | 680.911 | 7.434.658 | - | 13.030.911 |
| Other assets | - | 566.572 | 13.348 | 974.251 | 134.224 | 14.193.620 | 15.882.015 |
| Total assets | 65.307.428 | 36.206.256 | 72.670.899 | 66.537.345 | 21.672.995 | 35.415.397 | 297.810.320 |
| Liabilities | | | | | | | |
| Bank deposits | 7.202.627 | 17.816 | - | - | - | 1.039.061 | 8.259.504 |
| Other deposits | 99.729.476 | 23.678.121 | 8.193.377 | 39.357 | - | 29.447.382 | 161.087.713 |
| Funds from money market | 12.758.947 | 41.204 | - | - | - | - | 12.800.151 |
| Miscellaneous payables | - | - | - | - | - | 12.154.312 | 12.154.312 |
| Marketable securities issued | 468.002 | 631.107 | 2.199.394 | 7.259.556 | 1.934.783 | - | 12.492.842 |
| Funds borrowed from other financial institutions | 9.366.029 | 17.934.640 | 10.316.973 | 649.814 | 862.603 | - | 39.130.059 |
| Other liabilities ⁽¹⁾ | 1.222.366 | 844.806 | 976.189 | 4.694.564 | 6.131.340 | 38.016.474 | 51.885.739 |
| Total liabilities | 130.747.447 | 43.147.694 | 21.685.933 | 12.643.291 | 8.928.726 | 80.657.229 | 297.810.320 |
| Balance sheet long position | - | - | 50.984.966 | 53.894.054 | 12.744.269 | - | 117.623.289 |
| Balance sheet short position | (65.440.019) | (6.941.438) | - | - | - | (45.241.832) | (117.623.289) |
| Off-balance sheet long position | 12.028.098 | 23.123.155 | - | - | - | - | 35.151.253 |
| Off-balance sheet short position | - | - | (2.415.433) | (27.301.056) | (7.175.587) | - | (36.892.076) |
| Total position | (53.411.921) | 16.181.717 | 48.569.533 | 26.592.998 | 5.568.682 | (45.241.832) | (1.740.823) |

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

4.2. Average interest rates for monetary financial instruments:

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

| Current Period | EUR | USD | Yen | TL |
|---|------|------|------|-------|
| | % | % | % | % |
| Assets⁽¹⁾ | | | | |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | - | 1,50 | - | 15,67 |
| Banks | 1,49 | 1,92 | - | 18,99 |
| Financial assets at fair value through profit or loss | 2,42 | 5,74 | - | 14,10 |
| Receivables from money markets | 0,01 | - | - | 19,20 |
| Financial assets at fair value through other comprehensive income | 4,05 | 5,46 | - | 15,02 |
| Loans | 4,54 | 7,08 | 5,15 | 16,05 |
| Financial assets measured at amortised cost | 5,20 | 5,44 | - | 13,41 |
| Liabilities⁽¹⁾ | | | | |
| Bank deposits | 0,85 | 2,00 | - | 18,92 |
| Other deposits | 1,79 | 3,78 | 1,55 | 15,81 |
| Funds from money market | - | - | - | 17,70 |
| Miscellaneous payables | - | - | - | - |
| Marketable securities issued | 3,66 | 5,36 | - | 14,65 |
| Funds borrowed from other financial institutions | 1,20 | 3,80 | 2,64 | 7,74 |

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

Unconsolidated financial statements as of June 30, 2018

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

| Prior Period | EUR | USD | Yen | TL |
|---|------|------|------|-------|
| | % | % | % | % |
| Assets⁽¹⁾ | | | | |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | - | 1,50 | - | 9,98 |
| Banks | 1,49 | 1,40 | - | 14,72 |
| Financial assets at fair value through profit/loss | 2,59 | 5,36 | - | 12,32 |
| Money market placements | - | - | - | 14,02 |
| Available-for-sale financial assets | 4,04 | 5,32 | - | 13,04 |
| Loans | 4,40 | 6,49 | 4,98 | 14,13 |
| Held-to-maturity investments | 5,20 | 5,43 | - | 13,36 |
| Liabilities⁽¹⁾ | | | | |
| Bank deposits | 0,90 | 1,50 | - | 13,00 |
| Other deposits | 1,62 | 3,46 | 1,66 | 13,42 |
| Funds from money market | - | - | - | 12,70 |
| Miscellaneous payables | - | - | - | - |
| Marketable securities issued | 2,02 | 5,22 | - | 13,44 |
| Funds borrowed from other financial institutions | 1,23 | 3,07 | 2,64 | 8,02 |

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

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

None.

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

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

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

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

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

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

Unconsolidated financial statements as of June 30, 2018

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

“Liquidity Contingency Plan” is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 55% of total liabilities of the Bank (31 December 2017 – 57%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey (“CBRT”) accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

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

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

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

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

Unconsolidated financial statements as of June 30, 2018

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

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

| Current Period | Unweighted Amounts | | Weighted Amounts | |
|--|--------------------|-------------------|-----------------------|-------------------|
| | TL+FC | FC | TL+FC | FC |
| High Quality Liquid Assets | | | | |
| High Quality Liquid Assets | | | 64.605.880 | 36.520.142 |
| Cash Outflows | | | | |
| Retail and Small Business Customers Deposits | 94.919.115 | 40.088.648 | 8.403.753 | 4.008.831 |
| Stable deposits | 21.763.177 | 683 | 1.088.159 | 34 |
| Less stable deposits | 73.155.938 | 40.087.965 | 7.315.594 | 4.008.797 |
| Unsecured Funding other than Retail and Small Business Customers Deposits | 85.855.290 | 52.646.544 | 50.222.112 | 30.304.422 |
| Operational deposits | - | - | - | - |
| Non-Operational deposits | 67.905.350 | 44.198.667 | 34.891.205 | 21.937.176 |
| Other Unsecured funding | 17.949.940 | 8.447.877 | 15.330.907 | 8.367.246 |
| Secured funding | | | | |
| Other Cash Outflows | 3.484.335 | 15.461.825 | 3.484.335 | 15.461.825 |
| Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 3.484.335 | 15.461.825 | 3.484.335 | 15.461.825 |
| Debts related to the structured financial products | - | - | - | - |
| Commitment related to debts to financial markets and other off balance sheet liabilities | - | - | - | - |
| Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 121.188.914 | 91.917.294 | 6.059.446 | 4.595.865 |
| Other irrevocable or conditionally revocable commitments | 76.473.230 | 16.970.602 | 5.470.832 | 1.027.824 |
| Total Cash Outflows | | | 73.640.478 | 55.398.767 |
| Cash Inflows | | | | |
| Secured Lending Transactions | - | - | - | - |
| Unsecured Lending Transactions | 22.805.196 | 7.372.582 | 14.564.858 | 5.952.530 |
| Other contractual cash inflows | 2.144.273 | 25.486.509 | 2.144.273 | 25.486.509 |
| Total Cash Inflows | 24.949.469 | 32.859.091 | 16.709.131 | 31.439.039 |
| | | | Capped Amounts | |
| Total High Quality Liquid Assets | | | 64.605.880 | 36.520.142 |
| Total Net Cash Outflows | | | 56.931.347 | 23.959.728 |
| Liquidity Coverage Ratio (%) | | | 113,48 | 152,42 |

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

| Current Period | Minimum FC (%) | Minimum TL+FC (%) | Maximum FC (%) | Maximum TL+FC (%) |
|-----------------|-------------------|----------------------|-------------------|----------------------|
| Week | May 11, 2018 | May 4, 2018 | April 13, 2018 | April 13, 2018 |
| Ratio(%) | 127,29 | 106,16 | 172,95 | 123,90 |

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2018

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2017.

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

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2018

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

Breakdown of assets and liabilities according to their remaining maturities:

| Current Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Unclassified | Total |
|---|---------------------|----------------------|---------------------|--------------------|--------------------|-------------------------|---------------------|--------------------|
| Assets | | | | | | | | |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 11.857.214 | 34.093.608 | - | - | - | - | - | 45.950.822 |
| Banks | 2.278.139 | 3.297.653 | 152.467 | 84.743 | - | - | - | 5.813.002 |
| Financial assets at fair value through profit or loss | 49.338 | 3.027 | 964 | 5.994 | 14.368 | 38.248 | 147.498 | 259.437 |
| Receivables from money markets | - | 2.338.496 | 10.618 | - | - | - | - | 2.349.114 |
| Financial assets at fair value through other comprehensive income | - | 283.905 | 159.852 | 1.522.798 | 15.144.093 | 7.251.433 | 9.672 | 24.371.753 |
| Loans ⁽¹⁾ | - | 29.368.925 | 19.389.210 | 57.039.211 | 87.943.483 | 20.105.328 | (1.530.874) | 212.315.283 |
| Financial assets measured at amortised cost | - | 156.113 | - | 553.395 | 4.450.380 | 14.010.436 | - | 19.170.324 |
| Other assets | 2.474.866 | 980.609 | 1.011.201 | 2.695.516 | 4.592.208 | 812.119 | 15.557.190 | 28.123.709 |
| Total assets | 16.659.557 | 70.522.336 | 20.724.312 | 61.901.657 | 112.144.532 | 42.217.564 | 14.183.486 | 338.353.444 |
| Liabilities | | | | | | | | |
| Bank deposits | 1.096.295 | 9.950.360 | 21.262 | 8.250 | - | - | - | 11.076.167 |
| Other deposits | 33.462.617 | 106.969.405 | 26.947.466 | 7.122.217 | 25.880 | - | - | 174.527.585 |
| Funds borrowed from other financial institutions | - | 4.003.048 | 2.195.938 | 21.933.533 | 8.189.844 | 2,299,549 | - | 38.621.912 |
| Funds from money market | - | 13.150.331 | 315 | 477.858 | - | - | - | 13.628.504 |
| Marketable securities issued | - | 806.240 | 1.256.587 | 2.285.741 | 11.377.084 | 2.223.315 | - | 17.948.967 |
| Miscellaneous payables | 1.066.040 | 13.084.479 | 56.786 | - | - | - | 106.152 | 14.313.457 |
| Other liabilities ⁽²⁾ | 2.113.588 | 918.011 | 1.486.240 | 2.237.233 | 12.493.122 | 9.044.473 | 39.944.185 | 68.236.852 |
| Total liabilities | 37.738.540 | 148.881.874 | 31.964.594 | 34.064.832 | 32.085.930 | 13.567.337 | 40.050.337 | 338.353.444 |
| Net liquidity gap | (21.078.983) | (78.359.538) | (11.240.282) | 27.836.825 | 80.058.602 | 28.650.227 | (25.866.851) | - |
| Net Off-Balance Sheet Position | - | (209.820) | (243.980) | 515.115 | (288.767) | 566.168 | - | 338.716 |
| Derivative Financial Assets | - | 49.671.085 | 31.702.825 | 37.899.067 | 68.916.439 | 30.249.517 | - | 218.438.933 |
| Derivative Financial Liabilities | - | 49.880.905 | 31.946.805 | 37.383.952 | 69.205.206 | 29.683.349 | - | 218.100.217 |
| Non-Cash Loans | - | 2.058.260 | 9.901.645 | 33.255.294 | 15.286.242 | 5.911.792 | 26.213.388 | 92.626.621 |
| Prior Period | | | | | | | | |
| Total assets | 16.699.791 | 63.168.924 | 22.163.900 | 52.508.348 | 91.419.485 | 37.634.757 | 14.215.115 | 297.810.320 |
| Total liabilities | 33.238.508 | 132.878.762 | 28.859.087 | 32.029.742 | 22.519.974 | 13.349.528 | 34.934.719 | 297.810.320 |
| Liquidity gap | (16.538.717) | (69.709.838) | (6.695.187) | 20.478.606 | 68.899.511 | 24.285.229 | (20.719.604) | - |
| Net Off-Balance Sheet Position | - | (91.815) | (740.507) | (770.340) | 249.869 | (388.030) | - | (1.740.823) |
| Derivative Financial Assets | - | 53.385.664 | 39.650.304 | 38.686.324 | 52.499.421 | 22.384.070 | - | 206.605.783 |
| Derivative Financial Liabilities | - | 53.477.479 | 40.390.811 | 39.456.664 | 52.249.552 | 22.772.100 | - | 208.346.606 |
| Non-Cash Loans | - | 2.594.272 | 8.348.073 | 27.938.436 | 11.349.020 | 4.504.619 | 23.431.874 | 78.166.294 |

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

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

Unconsolidated financial statements as of June 30, 2018

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

7. Explanations on leverage ratio:

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

| | Current Period ⁽¹⁾ | Prior Period ⁽¹⁾ |
|--|-------------------------------|-----------------------------|
| On-Balance sheet exposures | | |
| On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals) | 317.635.210 | 281.399.763 |
| (Asset amounts deducted in determining Tier 1 capital) | (4.007.762) | (3.325.087) |
| Total on-Balance sheet exposures | 313.627.448 | 278.074.676 |
| Derivative financial instruments and credit derivatives | | |
| Replacement cost of derivative financial instruments and credit derivatives | 3.222.104 | 2.371.448 |
| Potential credit risk of derivative financial instruments and credit derivatives | 4.861.341 | 3.972.353 |
| Total derivative financial instruments and credit derivatives exposure | 8.083.445 | 6.343.801 |
| Securities financing transaction exposure | | |
| Total risk of gross securities financing transactions (excluding on-balance sheet exposure) | 75.400 | 211.588 |
| Agent transaction exposures | - | - |
| Total securities financing transaction exposures | 75.400 | 211.588 |
| Off-balance sheet items | | |
| Off-balance sheet exposure at gross notional amount | 245.307.500 | 241.703.171 |
| (Adjustments for conversion to credit equivalent amounts) | (42.256.458) | (27.339.751) |
| Total risk of off-balance sheet items | 203.051.042 | 214.363.420 |
| Capital and total exposure | | |
| Tier 1 capital | 30.062.356 | 26.772.740 |
| Total exposures | 524.837.335 | 498.993.485 |
| Leverage ratio (%) | 5,72 | 5,37 |

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

8. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of June 30, 2018: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

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

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

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at June 30, 2018 of these hedging instruments are presented in the table below:

| | Current Period | | | Prior Period | | |
|---|-------------------------|------------------|----------------|-------------------------|------------------|----------------|
| | Notional ⁽¹⁾ | Asset | Liability | Notional ⁽¹⁾ | Asset | Liability |
| Hedging instrument | | | | | | |
| Interest rate swap/ Cross currency interest rate swap (CFH) | 43.966.012 | 3.939.555 | 178.766 | 35.070.052 | 1.688.395 | 107.567 |
| Cross currency interest rate swap (FVH) | 1.638.744 | - | 271.825 | 1.393.760 | - | 204.859 |
| Total | 45.604.756 | 3.939.555 | 450.591 | 36.463.812 | 1.688.395 | 312.426 |

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 46.011.796 (December 31, 2017 - TL 36.729.813) the total notional of derivative financial assets amounting to TL 91.616.552 (December 31, 2017 - TL 73.193.625) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

Unconsolidated financial statements as of June 30, 2018

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

8.1. Fair value hedge accounting:

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

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

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

The impact of application of FVH accounting is summarized below:

| Current Period | | | | | | |
|------------------------------------|--|--|--|---|-----------|--|
| Type of hedging instrument | Hedged item (asset and liability) | Nature of hedged risks | Fair value difference / adjustment of the hedged item ⁽¹⁾ | Net fair value of the hedging instrument ⁽²⁾ | | Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾ |
| | | | | Asset | Liability | |
| Cross currency interest rate swaps | Some of fixed interest loan portfolios, foreign currency funds and marketable securities | Fixed interest and changes in foreign exchange rate risk | 46.072 | - | 271.825 | 22.647 |

| Prior Period | | | | | | |
|------------------------------------|--|--|--|---|-----------|--|
| Type of hedging instrument | Hedged item (asset and liability) | Nature of hedged risks | Fair value difference / adjustment of the hedged item ⁽¹⁾ | Net fair value of the hedging instrument ⁽²⁾ | | Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾ |
| | | | | Asset | Liability | |
| Cross currency interest rate swaps | Some of fixed interest loan portfolios, foreign currency funds and marketable securities | Fixed interest and changes in foreign exchange rate risk | 23.425 | - | 204.859 | 19.091 |

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

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

(3) The ineffective portion of the mentioned hedging transaction is TL 5.880 loss (December 31, 2017- TL TL 1.439 loss).

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

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

Unconsolidated financial statements as of June 30, 2018

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

8.2. Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

| Current Period | | | | | | | |
|---|---|---|--|-----------|--|--|--|
| Type of hedging instrument | Hedged item (asset and liability) | Nature of hedged risks | Net fair value of the hedging instrument | | Net gain/(loss) recognized in hedging funds ⁽¹⁾ | Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾ | |
| | | | Asset | Liability | | | |
| Interest rate swaps/ Cross currency interest rate swap | Customer deposits, borrowings and repos | Cash flow risk due to the changes in the interest rates | 3.939.555 | 178.766 | 2.326.078 | 1.489.387 | |
| Prior Period | | | | | | | |
| Type of hedging instrument | Hedged item (asset and liability) | Nature of hedged risks | Net fair value of the hedging instrument | | Net gain/(loss) recognized in hedging funds ⁽¹⁾ | Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾ | |
| | | | Asset | Liability | | | |
| Interest rate swaps/ Cross currency interest rate swap | Customer deposits, borrowings and repos | Cash flow risk due to the changes in the interest rates | 1.688.395 | 107.567 | 836.691 | 457.541 | |

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 13.252 income (December 31, 2017 – TL 6.987 income).

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

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

8.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's EURO denominated borrowing is designated as a hedge of the net investment in the Bank's certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at June 30, 2018 is EUR 417 million (December 31, 2017 is EUR 410 million).

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

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

10. Explanations on operating segments:

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

- Retail Banking
- Corporate and Commercial Banking

The Bank's Retail Banking activities include card payment systems, SME banking, individual banking and private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card. Through its Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

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

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

Unconsolidated financial statements as of June 30, 2018

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

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:

| | Retail banking | Corporate and commercial banking | Treasury, asset- liability management and other | Total operations of the Bank |
|--|--------------------|---|--|------------------------------------|
| Current Period | | | | |
| Operating revenue | 2.933.560 | 2.119.671 | 2.836.675 | 7.889.906 |
| Operating expenses | (2.420.174) | (1.396.942) | (1.376.720) | (5.193.836) |
| Net operating income / (expense) | 513.386 | 722.729 | 1.459.955 | 2.696.070 |
| Dividend income ⁽¹⁾ | - | - | 4.196 | 4.196 |
| Income/(loss) from investments accounted based on equity method ⁽¹⁾ | - | - | 382.266 | 382.266 |
| Profit before tax | 513.386 | 722.729 | 1.846.417 | 3.082.532 |
| Tax provision expense ⁽¹⁾ | - | - | (611.300) | (611.300) |
| Net period income | 513.386 | 722.729 | 1.235.117 | 2.471.232 |
| Net profit | 513.386 | 722.729 | 1.235.117 | 2.471.232 |
| Segment asset | 85.394.343 | 122.070.176 | 124.921.064 | 332.385.583 |
| Investments in associates, subsidiaries and joint ventures | - | - | 5.967.861 | 5.967.861 |
| Total assets | 85.394.343 | 122.070.176 | 130.888.925 | 338.353.444 |
| Segment liabilities | 151.252.992 | 76.683.284 | 72.615.818 | 300.552.094 |
| Shareholders' equity | - | - | 37.801.350 | 37.801.350 |
| Total liabilities | 151.252.992 | 76.683.284 | 110.417.168 | 338.353.444 |

| | Retail banking | Corporate and commercial banking | Treasury, asset- liability management and other | Total operations of the Bank |
|--|--------------------|--|--|------------------------------------|
| Prior Period ⁽²⁾ | | | | |
| Operating revenue | 2.452.547 | 1.639.299 | 2.252.122 | 6.343.968 |
| Operating expenses | (2.303.768) | (469.350) | (1.536.817) | (4.309.935) |
| Net operating income / (expense) | 148.779 | 1.169.949 | 715.305 | 2.034.033 |
| Dividend income ⁽¹⁾ | - | - | 2.165 | 2.165 |
| Income/(loss) from investments accounted based on equity method ⁽¹⁾ | - | - | 285.920 | 285.920 |
| Profit before tax | 148.779 | 1.169.949 | 1.003.390 | 2.322.118 |
| Tax provision expense ⁽¹⁾ | - | - | (428.920) | (428.920) |
| Net period income | 148.779 | 1.169.949 | 574.470 | 1.893.198 |
| Net profit | 148.779 | 1.169.949 | 574.470 | 1.893.198 |
| Segment asset | 80.176.176 | 102.108.817 | 110.165.690 | 292.450.683 |
| Investments in associates, subsidiaries and joint ventures | - | - | 5.359.637 | 5.359.637 |
| Total assets | 80.176.176 | 102.108.817 | 115.525.327 | 297.810.320 |
| Segment liabilities | 104.782.107 | 61.810.968 | 101.119.318 | 267.712.393 |
| Shareholders' equity | - | - | 30.097.927 | 30.097.927 |
| Total liabilities | 104.782.107 | 61.810.968 | 131.217.245 | 297.810.320 |

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

(2) Income statements items presents the balances as of 30 June 2017

Unconsolidated financial statements as of June 30, 2018

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

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

| | Current Period | | Prior Period | |
|-------------------------|-------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Cash | 1.332.312 | 1.050.403 | 1.563.328 | 932.541 |
| The CBRT ⁽¹⁾ | 9.764.429 | 33.803.487 | 6.032.373 | 33.445.287 |
| Other | - | 191 | - | 50 |
| Total | 11.096.741 | 34.854.081 | 7.595.701 | 34.377.878 |

(1) The balance of gold amounting to TL 5.097.307 is accounted for under the Central Bank foreign currency account (December 31, 2017 -TL 4.948.751).

1.1.2. Information on the account of the CBRT:

| | Current Period | | Prior Period | |
|---|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Demand unrestricted amount ⁽¹⁾ | 2.944.830 | 6.529.477 | 1.914.852 | 8.868.143 |
| Time unrestricted amount | 6.819.599 | - | 4.117.521 | - |
| Time restricted amount | - | 876.018 | - | 745.058 |
| Reserve requirement ⁽²⁾ | - | 26.397.992 | - | 23.832.086 |
| Total | 9.764.429 | 33.803.487 | 6.032.373 | 33.445.287 |

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

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

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

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2017 - None).

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

| | Current Period | | Prior Period | |
|----------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Forward transactions | 869.563 | - | 398.670 | - |
| Swap transactions | 4.233.428 | 613.503 | 3.051.849 | 415.703 |
| Futures transactions | - | - | - | - |
| Options | 359.825 | 75.779 | 137.137 | 57.859 |
| Other | - | - | - | - |
| Total | 5.462.816 | 689.282 | 3.587.656 | 473.562 |

Unconsolidated financial statements as of June 30, 2018

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

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

| | Current Period | | Prior Period | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Fair value hedges ⁽¹⁾ | - | - | - | - |
| Cash flow hedges ⁽¹⁾ | 3.549.899 | 389.656 | 1.520.914 | 167.481 |
| Hedges for investments made in foreign countries | - | - | - | - |
| Total | 3.549.899 | 389.656 | 1.520.914 | 167.481 |

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

| | Current Period | | Prior Period | |
|-----------------------------------|------------------|------------------|---------------|------------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| Domestic | 1.255.837 | - | 658 | - |
| Foreign ⁽¹⁾ | - | 4.557.165 | 13.517 | 2.706.452 |
| Head quarters and branches abroad | - | - | - | - |
| Total | 1.255.837 | 4.557.165 | 14.175 | 2.706.452 |

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

As of June 30, 2018 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 2.640.165 and subject to repo transactions amounts to TL 10.545.335.

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

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

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

| | Current Period |
|---|-------------------|
| Debt securities | 25.436.765 |
| Quoted on stock exchange | 25.208.729 |
| Not quoted ⁽¹⁾ | 228.036 |
| Share certificates | 54.991 |
| Quoted on stock exchange | - |
| Not quoted | 54.991 |
| Impairment provision (-) ⁽²⁾ | 1.120.003 |
| Total | 24.371.753 |

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

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

Information on available-for-sale financial assets:

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

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

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

Unconsolidated financial statements as of June 30, 2018

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

1.7. Explanations on loans:

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

| | Current Period | | Prior Period | |
|---|----------------|------------------|----------------|------------------|
| | Cash | Non-cash | Cash | Non-cash |
| Direct loans granted to shareholders | - | - | - | - |
| Corporate shareholders | - | - | - | - |
| Real person shareholders | - | - | - | - |
| Indirect loans granted to shareholders | 61.776 | 1.378.681 | 23.229 | 1.358.830 |
| Loans granted to employees | 160.791 | 45 | 156.855 | 101 |
| Total | 222.567 | 1.378.726 | 180.084 | 1.358.931 |

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

| Cash Loans | Standard loans | Loans under close monitoring | | |
|---------------------------------|--------------------|--------------------------------------|---------------------------------------|------------------|
| | | Not under the scope of restructuring | Loans under restructuring | |
| | | | Modifications on agreement conditions | Refinancing |
| Non-specialized loans | 203.733.100 | 4.864.262 | 1.709.730 | 3.539.065 |
| Loans given to enterprises | 104.556.980 | 2.536.381 | 1.272.397 | 1.654.702 |
| Export loans | 10.371.698 | 115.158 | 33.082 | 107.028 |
| Import loans | - | - | - | - |
| Loans given to financial sector | 3.776.366 | - | - | - |
| Consumer loans | 34.018.419 | 865.299 | 8.924 | 446.823 |
| Credit cards | 24.579.197 | 658.329 | 340.065 | - |
| Other ⁽¹⁾ | 26.430.440 | 689.095 | 55.262 | 1.330.512 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| Total | 203.733.100 | 4.864.262 | 1.709.730 | 3.539.065 |

(1) Fair value differences of the hedged item amounting to TL 32.046 are classified in other loans as explained in Note 8, Section 4.

| | Standard loans | Loans under close monitoring |
|---|------------------|------------------------------|
| 12-month provisions for possible losses | 1.912.346 | - |
| Significant increase in credit risk | - | 1.165.533 |
| Total | 1.912.346 | 1.165.533 |

| Number of modifications made to extend payment plan | Standard loans | Loans under close monitoring |
|---|----------------|------------------------------|
| Extended by 1 or 2 times | - | 5.069.376 |
| Extended by 3,4 or 5 times | - | 161.033 |
| Extended by more than 5 times | - | 18.386 |
| Total | - | 5.248.795 |

| Extended period of time | Standard loans | Loans under close monitoring |
|-------------------------|----------------|------------------------------|
| 0 - 6 Months | - | 320.641 |
| 6 - 12 Months | - | 204.665 |
| 1 - 2 Years | - | 1.037.273 |
| 2 - 5 Years | - | 2.921.795 |
| 5 Years and over | - | 764.421 |
| Total | - | 5.248.795 |

Unconsolidated financial statements as of June 30, 2018

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

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

| | Short- term | Medium and long-term | Total |
|--|-------------------|----------------------|-------------------|
| Consumer loans-TL | 366.284 | 33.258.998 | 33.625.282 |
| Real estate loans | 7.971 | 13.688.294 | 13.696.265 |
| Automotive loans | 13.380 | 520.010 | 533.390 |
| Consumer loans | 344.933 | 19.050.694 | 19.395.627 |
| Consumer loans-FC indexed | - | 21.387 | 21.387 |
| Real estate loans | - | 21.096 | 21.096 |
| Automotive loans | - | - | - |
| Consumer loans | - | 291 | 291 |
| Individual credit cards-TL | 16.881.421 | 726.823 | 17.608.244 |
| With installments | 8.757.270 | 445.984 | 9.203.254 |
| Without installments | 8.124.151 | 280.839 | 8.404.990 |
| Individual credit cards-FC | 16.648 | - | 16.648 |
| With installments | - | - | - |
| Without installments | 16.648 | - | 16.648 |
| Personnel loans-TL | 4.698 | 58.684 | 63.382 |
| Real estate loans | - | 2.282 | 2.282 |
| Automotive loans | 30 | 343 | 373 |
| Consumer loans | 4.668 | 56.059 | 60.727 |
| Personnel loans-FC indexed | - | - | - |
| Real estate loans | - | - | - |
| Automotive loans | - | - | - |
| Consumer loans | - | - | - |
| Personnel credit cards-TL | 94.881 | 380 | 95.261 |
| With installments | 46.406 | 380 | 46.786 |
| Without installments | 48.475 | - | 48.475 |
| Personnel credit cards-FC | 337 | - | 337 |
| With installments | - | - | - |
| Without installments | 337 | - | 337 |
| Credit deposit account-TL (real person)⁽¹⁾ | 1.629.414 | - | 1.629.414 |
| Total | 18.993.683 | 34.066.272 | 53.059.955 |

(1) TL 1.811 of the credit deposit account belongs to the loans used by personnel.

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

| | Short-term | Medium and long-term | Total |
|---|-------------------|----------------------|-------------------|
| Commercial installments loans-TL | 1.281.840 | 16.610.521 | 17.892.361 |
| Business loans | 3.571 | 1.629.010 | 1.632.581 |
| Automotive loans | 61.340 | 1.080.670 | 1.142.010 |
| Consumer loans | 1.216.929 | 13.900.841 | 15.117.770 |
| Commercial installments loans-FC indexed | 11.054 | 207.495 | 218.549 |
| Business loans | - | 13.682 | 13.682 |
| Automotive loans | - | 47.528 | 47.528 |
| Consumer loans | 11.054 | 146.285 | 157.339 |
| Corporate credit cards-TL | 7.852.696 | 3.222 | 7.855.918 |
| With installment | 5.023.823 | 704 | 5.024.527 |
| Without installment | 2.828.873 | 2.518 | 2.831.391 |
| Corporate credit cards-FC | 1.183 | - | 1.183 |
| With installment | - | - | - |
| Without installment | 1.183 | - | 1.183 |
| Credit deposit account-TL (legal person) | 1.003.271 | - | 1.003.271 |
| Total | 10.150.044 | 16.821.238 | 26.971.282 |

Unconsolidated financial statements as of June 30, 2018

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

1.7.5. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

| | Current Period | Prior Period |
|----------------|-----------------------|---------------------|
| Domestic loans | 211.485.436 | 190.963.726 |
| Foreign loans | 2.360.721 | 1.918.850 |
| Total | 213.846.157 | 192.882.576 |

1.7.6. Loans granted to associates and subsidiaries:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Direct loans granted to associates and subsidiaries | 244.944 | 213.845 |
| Indirect loans granted to associates and subsidiaries | - | - |
| Total | 244.944 | 213.845 |

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

| | Current Period |
|------------------------------------|-----------------------|
| Loans with limited collectibility | 766.631 |
| Loans with doubtful collectibility | 766.121 |
| Uncollectible loans | 5.568.780 |
| Total | 7.101.532 |

Specific provisions provided against loans:

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

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

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

| | III. Group | IV. Group | V. Group |
|---|--|---|----------------------------|
| | Loans with limited collectibility | Loans with doubtful collectibility | Uncollectible loans |
| Current Period | | | |
| (Gross amounts before specific reserves) | | | |
| Restructured loans | 287.471 | 267.698 | 747.260 |
| Rescheduled loans | 287.471 | 267.698 | 747.260 |
| Prior Period | | | |
| (Gross amounts before specific reserves) | | | |
| Restructured loans | 10.849 | 55.493 | 150.698 |
| Rescheduled loans | 10.849 | 55.493 | 150.698 |

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

| | III. Group | IV. Group | V. Group |
|---|--|---|----------------------------|
| | Loans with limited collectibility | Loans with doubtful collectibility | Uncollectible loans |
| Prior Period | 876.218 | 1.539.899 | 6.608.280 |
| Additions (+) | 1.811.316 | 71.754 | 451.843 |
| Transfers from other categories of non-performing loans (+) | - | 1.258.230 | 1.286.316 |
| Transfer to other categories of non-performing loans (-) | 1.258.230 | 1.286.316 | - |
| Collections (-) | 158.778 | 344.960 | 558.266 |
| Write-offs (-) | - | - | 887 |
| Sold | - | - | 1.647.882 |
| Corporate and commercial loans | - | - | 499.171 |
| Consumer loans | - | - | 668.058 |
| Credit cards | - | - | 480.653 |
| Other | - | - | - |
| Current Period | 1.270.526 | 1.238.607 | 6.139.404 |
| Specific provision (-) | 766.631 | 766.121 | 5.568.780 |
| Net balance on balance sheet | 503.895 | 472.486 | 570.624 |

It has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 1.647.882 to a selection of asset management companies for a total amount of TL 85.890.

Unconsolidated financial statements as of June 30, 2018

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

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

| | III. Group | IV. Group | V. Group |
|-------------------------------------|--|---|----------------------------|
| | Loans with limited collectability | Loans with doubtful collectability | Uncollectible loans |
| Current Period | | | |
| Period end balance | 712.444 | 55.294 | 684.219 |
| Specific provision (-) | 450.265 | 49.580 | 675.290 |
| Net balance on balance sheet | 262.179 | 5.714 | 8.929 |
| Prior Period | | | |
| Period end balance | 53.326 | 47.776 | 710.921 |
| Specific provision (-) | 48.727 | 46.155 | 700.703 |
| Net balance on balance sheet | 4.599 | 1.621 | 10.218 |

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

| | III. Group | IV. Group | V. Group |
|--|--|---|----------------------------|
| | Loans with limited collectability | Loans with doubtful collectability | Uncollectible loans |
| Current Period (net) | 503.895 | 472.486 | 570.624 |
| Loans granted to real persons and corporate entities (gross) | 1.270.526 | 1.238.607 | 6.026.233 |
| Provision amount (-) | 766.631 | 766.121 | 5.455.609 |
| Loans granted to real persons and corporate entities (net) | 503.895 | 472.486 | 570.624 |
| Banks (gross) | - | - | 29.183 |
| Provision amount (-) | - | - | 29.183 |
| Banks (net) | - | - | - |
| Other loans (gross) | - | - | 83.988 |
| Provision amount (-) | - | - | 83.988 |
| Other loans (net) | - | - | - |
| Prior Period (net) | 755.537 | 980.502 | 341.828 |
| Loans granted to real persons and corporate entities (gross) | 876.218 | 1.539.899 | 6.495.109 |
| Specific provision amount (-) | 120.681 | 559.397 | 6.153.281 |
| Loans granted to real persons and corporate entities (net) | 755.537 | 980.502 | 341.828 |
| Banks (gross) | - | - | 29.183 |
| Specific provision amount (-) | - | - | 29.183 |
| Banks (net) | - | - | - |
| Other loans and receivables (gross) | - | - | 83.988 |
| Specific provision amount (-) | - | - | 83.988 |
| Other loans and receivables (net) | - | - | - |

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

| | III. Group | IV. Group | V. Group |
|---|--|---|--------------------------------|
| | Loans with limited collectability | Loans with doubtful collectability | Uncollectible loans |
| Current Period (net) | 39.294 | 12.021 | 80 |
| Interest accruals and rediscounts and valuation differences | 100.189 | 34.927 | 375 |
| Provision amount (-) | 60.895 | 22.906 | 295 |
| Prior Period (net) | | | |
| Interest accruals and rediscounts and valuation differences | - | - | - |
| Provision amount (-) | - | - | - |

Unconsolidated financial statements as of June 30, 2018

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

1.8. Information on financial assets at amortized cost:

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

As of June 30, 2018 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 8.658.315 and subject to repo transactions amounting to TL 3.105.029.

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

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

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

| | Current period |
|-------------------------------------|-----------------------|
| Government bond | 19.170.324 |
| Treasury bill | - |
| Other public sector debt securities | - |
| Total | 19.170.324 |

Information on investment securities held-to-maturity:

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

1.8.3. Information on financial assets measured at amortized cost:

| | Current period |
|---|-----------------------|
| Debt securities | 19.689.841 |
| Quoted on stock exchange | 19.689.841 |
| Not quoted | - |
| Impairment provision (-) ⁽¹⁾ | 519.517 |
| Total | 19.170.324 |

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

Information on held-to-maturity investments

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

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

Unconsolidated financial statements as of June 30, 2018

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

1.8.4. Movement of financial assets measured at amortized cost within the period:

| | Current period |
|--|-----------------------|
| Beginning balance | 13.030.911 |
| Foreign currency differences on monetary assets ⁽¹⁾ | 2.051.454 |
| Purchases during the year | 2.713.628 |
| Transfers ⁽²⁾ | 1.998.350 |
| Disposals through sales and redemptions | 482.301 |
| Impairment provision (-) ⁽³⁾ | 141.718 |
| Period end balance | 19.170.324 |

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

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

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

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

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

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

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

Unconsolidated financial statements as of June 30, 2018

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

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

| No | Description | Address (City/ Country) | Bank's share holding percentage if different voting percentage (%) | Bank's risk group share holding percentage(%) |
|----|---|----------------------------|---|--|
| 1. | Banque de Commerce et de Placements S.A. ⁽¹⁾ | Geneva/Switzerland | 30,67 | 30,67 |
| 2. | Kredi Kayıt Bürosu ⁽¹⁾ | Istanbul/Turkey | 18,18 | 18,18 |
| 3. | Bankalararası Kart Merkezi A.Ş. ⁽¹⁾ | Istanbul/Turkey | 9,98 | 9,98 |

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

| No | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit/loss | Prior period profit/loss | Fair value |
|----|--------------|-------------------------|-----------------------|--------------------|--|----------------------------------|-----------------------------|------------|
| 1 | 22.481.372 | 2.255.299 | 16.775 | 154.055 | 18.133 | 99.915 | 95.666 | - |
| 2 | 287.212 | 196.196 | 177.616 | 2.879 | - | 12.874 | 14.597 | - |
| 3 | 86.772 | 53.658 | 46.024 | 565 | - | 4.564 | 3.416 | - |

(1) Financial statement information disclosed above shows March 31, 2018 results.

1.9.3. Movement of unconsolidated investments in associates:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Balance at the beginning of the period | 533.887 | 441.646 |
| Movements during the period | 120.017 | 92.241 |
| Purchases | - | - |
| Free shares obtained profit from current year's share | 1.598 | - |
| Profit from current year's income | 30.641 | 45.295 |
| Sales | - | - |
| Revaluation (decrease) / increase ⁽¹⁾ | 99.600 | 57.558 |
| Impairment provision (-) ⁽²⁾ | 11.822 | 10.612 |
| Balance at the end of the period | 653.904 | 533.887 |
| Capital commitments | - | - |
| Shareholding percentage at the end of the period (%) | - | - |

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

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

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

| | Current Period | Prior Period |
|------------------------------------|----------------|----------------|
| Banks | 647.803 | 529.384 |
| Insurance companies | - | - |
| Factoring companies | - | - |
| Leasing companies | - | - |
| Finance companies | - | - |
| Other financial investments | - | - |
| Total financial investments | 647.803 | 529.384 |

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

None (December 31, 2017 - None).

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2018

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

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

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

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

| | Yapı Kredi Yatırım Menkul Değerler A.Ş. | Yapı Kredi Faktoring A.Ş. | Yapı Kredi Finansal Kiralama A.O. | Yapı Kredi Portföy Yönetimi A.Ş. | Yapı Kredi Nederland N.V. |
|--|--|------------------------------|---|--|------------------------------|
| Core capital | | | | | |
| Paid in capital | 98.918 | 60.714 | 389.928 | 5.707 | 112.442 |
| Inflation adjustment to share capital | - | - | - | - | - |
| Share premium | - | - | - | - | - |
| Other capital reserves | 93.423 | - | (217.104) | - | - |
| Other accumulated comprehensive income that will not be classified in profit or loss | 16.034 | (1.227) | (1.726) | (933) | - |
| Other accumulated comprehensive income that will be classified in profit or loss | 27.761 | - | - | - | 1.062.595 |
| Legal reserves | 66.052 | 8.034 | 79.305 | 25.419 | - |
| Extraordinary reserves | 225.863 | 39.717 | 659.399 | - | 634.531 |
| Other profit Reserves | - | - | - | - | - |
| Income or Loss | 3.403 | 141.492 | 1.112.534 | 17.671 | 72.033 |
| Current Year Income/Loss | 73.349 | 39.734 | 167.715 | 17.671 | 72.033 |
| Prior Years' Income/Loss | (69.946) | 101.758 | 944.819 | - | - |
| Leasehold improvements (-) | 350 | 251 | - | 232 | 262 |
| Intangible assets (-) | 27.667 | 3.278 | 7.509 | 581 | 191 |
| Total core capital | 503.437 | 245.201 | 2.014.827 | 47.051 | 1.881.148 |
| Supplementary capital | 17.695 | 30.174 | 80.579 | - | 45.771 |
| Capital | 521.132 | 275.375 | 2.095.406 | 47.051 | 1.926.919 |
| Deductions from the capital | - | - | - | - | - |
| Total shareholders' equity | 521.132 | 275.375 | 2.095.406 | 47.051 | 1.926.919 |

The above information is based on the consolidated financial statements of the Bank as of June 30, 2018.

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2018

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

1.10.2. Information on subsidiaries:

| No | Description | Address (City/ Country) | Bank's share holding percentage if different voting percentage (%) | Bank's risk group share holding percentage (%) |
|----|--|----------------------------|---|---|
| 1 | Yapı Kredi Holding BV. | Amsterdam/Holland | 100,00 | 100,00 |
| 2 | Yapı Kredi Yatırım Menkul Değerler A.Ş. | Istanbul/Turkey | 99,98 | 100,00 |
| 3 | Yapı Kredi Faktoring A.Ş. | Istanbul/Turkey | 99,95 | 100,00 |
| 4 | Yapı Kredi Finansal Kiralama A.O. | Istanbul/Turkey | 99,99 | 99,99 |
| 5 | Yapı Kredi Portföy Yönetimi A.Ş. | Istanbul/Turkey | 12,65 | 99,99 |
| 6 | Yapı Kredi Nederland | Amsterdam/Holland | 67,24 | 100,00 |
| 7 | Yapı Kredi Azerbaycan | Baku/Azerbaijan | 99,80 | 100,00 |
| 8 | Enternasyonal Turizm Yatırım A.Ş. | Istanbul/Turkey | 99,96 | 99,99 |
| 9 | Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş. | Istanbul/Turkey | 99,99 | 100,00 |
| 10 | Yapı Kredi Teknoloji A.Ş. | Istanbul/Turkey | 100,00 | 100,00 |

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

Financial statement information disclosed consolidated financial statements results.

| | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit / loss | Prior period profit /loss | Market value | Required equity |
|----|-----------------|-------------------------|-----------------------|--------------------|---|---------------------------------|---------------------------------|-----------------|--------------------|
| 1 | 231.537 | 231.336 | - | - | - | 35 | (562) | - | - |
| 2 | 4.829.741 | 531.454 | 48.153 | 71.476 | 3.817 | 73.349 | 59.013 | - | - |
| 3 | 4.315.496 | 248.730 | 3.961 | 166.801 | - | 39.734 | 16.982 | - | - |
| 4 | 12.514.097 | 2.022.336 | 8.330 | 432.402 | - | 167.715 | 118.084 | - | - |
| 5 | 59.394 | 47.864 | 1.057 | 4.419 | - | 17.671 | 15.020 | - | - |
| 6 | 11.246.792 | 1.881.602 | 1.349 | 287.299 | 8.939 | 72.033 | 48.474 | - | - |
| 7 | 1.131.212 | 230.841 | 35.928 | 31.397 | 4.531 | 8.854 | 13.546 | - | - |
| 8 | 41.858 | 28.920 | 4.878 | 734 | - | 697 | 1.106 | - | - |
| 9 | 43.597 | 29.582 | 1.268 | 23 | - | 2.583 | 3.422 | - | - |
| 10 | 13.796 | 10.908 | 1.910 | 573 | - | 2.534 | 1.403 | - | - |

1.10.4. Movement schedule of subsidiaries:

| | Current Period | Prior Period |
|---|------------------|------------------|
| Balance at the beginning of the period | 4.800.064 | 4.225.724 |
| Movements in period | 488.195 | 574.340 |
| Purchases | - | - |
| Free shares obtained profit from current years share | - | - |
| Dividends from current year income | 351.613 | 529.252 |
| Sales ⁽¹⁾ | - | 247.343 |
| Revaluation increase/decrease ⁽²⁾ | 184.963 | 396.485 |
| Impairment provision (-) ⁽³⁾ | 48.381 | 104.054 |
| Balance at the end of the period | 5.288.259 | 4.800.064 |
| Capital commitments | - | - |
| Shareholding percentage at the end of the period (%) | - | - |

(1) The Bank has concluded the sale of 99.84% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.294.811.320 in 2017.

(2) Includes the differences in the other comprehensive income of consolidated subsidiaries and the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.

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

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

| Financial subsidiaries | Current Period | Prior Period |
|-------------------------------------|------------------|------------------|
| Banks | 1.495.627 | 1.243.843 |
| Insurance companies | - | - |
| Factoring companies | 248.612 | 222.753 |
| Leasing companies | 2.022.214 | 1.966.487 |
| Finance companies | - | - |
| Other financial subsidiaries | 1.521.806 | 1.366.981 |
| Total financial subsidiaries | 5.288.259 | 4.800.064 |

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2018

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

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2017 - None).

1.11. Information on joint ventures (net):

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

| | Bank's share | Group's share | Total asset | Shareholders' equity | Current assets | Non-current assets | Long term debt | Income | Expense |
|---|--------------|---------------|---------------|----------------------|----------------|--------------------|----------------|---------------|-----------------|
| Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş. | 30,45 | 30,45 | 84.643 | 69.914 | 25.049 | 59.594 | 8.888 | 24.712 | (24.432) |
| Total | | | 84.643 | 69.914 | 25.049 | 59.594 | 8.888 | 24.712 | (24.432) |

1.12. Information on lease receivables (net):

None (December 31, 2017 - None).

1.13. Information on investment property:

None (December 31, 2017 - None).

1.14. Explanations on deferred tax asset:

There is a deferred tax asset amounting to TL 92.467 as of June 30, 2018 reflected in the financial statements after the deferred tax assets and liabilities has been netted off as per TAS 12 (December 31, 2017 – None).

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

| | Current Period | Prior Period |
|---|----------------|----------------|
| Net book value at the beginning of the period | 202.019 | 159.974 |
| Additions | 69.442 | 153.076 |
| Disposals (-), net | 39.015 | 111.416 |
| Impairment provision reversal | 1.428 | 385 |
| Impairment provision (-) | - | - |
| Net book value at the end of the period | 233.874 | 202.019 |
| Cost at the end of the period | 243.822 | 214.507 |
| Accumulated depreciation at the end of the period (-) | 9.948 | 12.488 |
| Net book value at the end of the period | 233.874 | 202.019 |

As of June 30, 2018, the Bank booked impairment provision on assets held for resale with an amount of TL 4.533 (December 31, 2017 - TL 5.961).

1.16. Information on other assets:

As of June 30, 2018, other assets do not exceed 10% of the total assets.

Unconsolidated financial statements as of June 30, 2018

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

2. Explanations and notes related to liabilities

2.1. Information on deposits:

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

| Current Period | Demand | Up to 1 month | 1-3 months | 3-6 months | 6 months- 1 year | 1 year and over | Cumulative savings account | Total |
|-----------------------------|-------------------|-------------------|--------------------|------------------|---------------------|--------------------|----------------------------------|--------------------|
| Saving deposits | 7.647.324 | 2.181.896 | 37.021.797 | 1.733.166 | 299.233 | 177.530 | 1.267 | 49.062.213 |
| Foreign currency deposits | 16.405.668 | 12.532.656 | 55.410.662 | 3.441.495 | 5.137.049 | 3.334.138 | - | 96.261.668 |
| Residents in Turkey | 16.122.101 | 12.420.069 | 53.809.467 | 2.508.085 | 1.297.576 | 1.096.150 | - | 87.253.448 |
| Residents abroad | 283.567 | 112.587 | 1.601.195 | 933.410 | 3.839.473 | 2.237.988 | - | 9.008.220 |
| Public sector deposits | 463.717 | 963 | 5.275 | 174 | 417 | 23 | - | 470.569 |
| Commercial deposits | 7.685.200 | 5.762.614 | 10.058.191 | 425.476 | 488.912 | 41.927 | - | 24.462.320 |
| Other institutions deposits | 118.691 | 37.253 | 1.459.897 | 516.951 | 474.608 | 589 | - | 2.607.989 |
| Precious metals vault | 1.142.017 | 90.148 | 320.171 | 34.627 | 53.840 | 22.023 | - | 1.662.826 |
| Bank deposits | 1.096.295 | 9.097.008 | 659.566 | 180.942 | 42.356 | - | - | 11.076.167 |
| The CBRT | - | 6.650.830 | - | - | - | - | - | 6.650.830 |
| Domestic banks | 10.992 | 2.423.083 | 487.049 | 168.972 | 42.356 | - | - | 3.132.452 |
| Foreign banks | 558.496 | 23.095 | 172.517 | 11.970 | - | - | - | 766.078 |
| Participation banks | 526.807 | - | - | - | - | - | - | 526.807 |
| Other | - | - | - | - | - | - | - | - |
| Total | 34.558.912 | 29.702.538 | 104.935.559 | 6.332.831 | 6.496.415 | 3.576.230 | 1.267 | 185.603.752 |

| Prior Period | Demand | Up to 1 month | 1-3 months | 3-6 months | 6 months- 1 year | 1 year and over | Cumulative savings account | Total |
|-----------------------------|-------------------|-------------------|-------------------|------------------|---------------------|--------------------|----------------------------------|--------------------|
| Saving deposits | 6.796.500 | 2.347.210 | 35.131.569 | 1.471.949 | 190.308 | 150.286 | 967 | 46.088.789 |
| Foreign currency deposits | 13.995.800 | 15.535.147 | 44.416.875 | 4.827.823 | 6.332.164 | 1.883.696 | - | 86.991.505 |
| Residents in Turkey | 13.782.454 | 15.171.010 | 43.708.004 | 4.103.568 | 3.262.384 | 921.777 | - | 80.949.197 |
| Residents abroad | 213.346 | 364.137 | 708.871 | 724.255 | 3.069.780 | 961.919 | - | 6.042.308 |
| Public sector deposits | 250.278 | 3 | 5.876 | 3 | 453 | 10 | - | 256.623 |
| Commercial deposits | 7.543.445 | 7.865.394 | 7.823.937 | 637.070 | 448.428 | 301.136 | - | 24.619.410 |
| Other institutions deposits | 116.749 | 457.166 | 801.617 | 495.305 | 517 | 513 | - | 1.871.867 |
| Precious metals vault | 744.610 | 71.033 | 358.492 | 27.040 | 39.115 | 19.229 | - | 1.259.519 |
| Bank deposits | 1.039.061 | 5.262.599 | 1.699.459 | 231.402 | 26.983 | - | - | 8.259.504 |
| The CBRT | - | 4.061.881 | - | - | - | - | - | 4.061.881 |
| Domestic banks | 9.192 | 1.197.005 | 1.600.797 | 226.297 | 26.983 | - | - | 3.060.274 |
| Foreign banks | 561.376 | 3.713 | 98.662 | 5.105 | - | - | - | 668.856 |
| Participation banks | 468.493 | - | - | - | - | - | - | 468.493 |
| Other | - | - | - | - | - | - | - | - |
| Total | 30.486.443 | 31.538.552 | 90.237.825 | 7.690.592 | 7.037.968 | 2.354.870 | 967 | 169.347.217 |

2.1.2. Information on saving deposits insurance:

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

| Saving deposits | Under the guarantee of deposit insurance | | Exceeding limit of the deposit insurance | |
|---|---|--------------|--|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Saving deposits | 24.764.530 | 23.544.523 | 24.294.367 | 22.544.257 |
| Foreign currency saving deposits | 7.865.513 | 6.989.255 | 31.602.530 | 25.392.052 |
| Other deposits in the form of saving deposits | 773.468 | 492.198 | 744.708 | 647.851 |
| Foreign branches' deposits under foreign authorities' insurance | - | - | - | - |
| Off-shore banking regions' deposits under foreign authorities' insurance | - | - | - | - |

Unconsolidated financial statements as of June 30, 2018

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

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

| | Current Period | Prior Period |
|---|----------------|--------------|
| Foreign branches' deposits and other accounts | 8.286 | 6.993 |
| Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care | - | - |
| Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care | 219.556 | 164.155 |
| Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004 | - | - |
| Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely | - | - |

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

| | Current Period | | Prior Period | |
|----------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Forward transactions | 332.869 | - | 147.794 | - |
| Swap transactions | 4.655.827 | 674.494 | 3.263.154 | 219.065 |
| Futures transactions | - | - | - | - |
| Options | 364.487 | 92.796 | 144.714 | 63.177 |
| Other | - | - | - | - |
| Total | 5.353.183 | 767.290 | 3.555.662 | 282.242 |

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

| | Current Period | | Prior Period | |
|--|----------------|---------------|----------------|---------------|
| | TL | FC | TL | FC |
| Fair value hedges ⁽¹⁾ | 271.825 | - | 204.859 | - |
| Cash flow hedges ⁽¹⁾ | 148.387 | 30.379 | 95.187 | 12.380 |
| Hedges for investments made in foreign countries | - | - | - | - |
| Total | 420.212 | 30.379 | 300.046 | 12.380 |

(1) Explained in Note 8 of section 4

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

| | Current Period | |
|---|----------------|-------------------|
| | TL | FC |
| The Central Bank of the Republic of Turkey borrowings | - | 72.467 |
| From domestic banks and institutions | 221.272 | 268.112 |
| From foreign banks, institutions and funds | 277.815 | 37.782.246 |
| Total | 499.087 | 38.122.825 |

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

Unconsolidated financial statements as of June 30, 2018

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

2.3.2. Information on maturity structure of borrowings:

| | Current Period | |
|----------------------|----------------|-------------------|
| | TL | FC |
| Short-term | 18.858 | 8.789.964 |
| Medium and long-term | 480.229 | 29.332.861 |
| Total | 499.087 | 38.122.825 |

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

2.3.3. Information on securitization borrowings:

2.3.3.1The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

| | Current Period | | Prior Period | |
|----------------------------|----------------|------------------|--------------|------------------|
| | TL | FC | TL | FC |
| From foreign banks | - | - | - | - |
| From foreign institutions | - | 9.980.410 | - | 8.278.912 |
| From foreign funds | - | - | - | - |
| Total⁽¹⁾ | - | 9.980.410 | - | 8.278.912 |

(1) Securitization borrowings measured at fair value amounting to TL edilen 6.435.912 (December 31, 2017 - TL 4.929.709) presented in "Funds borrowed" in prior periods in the balance sheet; however, according to the new communique for financial statements and related disclosures effective from January 1, 2018, related liabilities are presented in "financial liabilities at fair value through profit or loss".

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

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of June 30, 2018, the total amount of financial liabilities classified as fair value through profit/loss is TL 6.435.912 (December 31, 2017 –TL 4.929.709) with an accrued interest expense of TL 257.675 (December 31, 2017 - TL 123.051 income) and with a fair value difference of TL 399.393 recognized in the income statement as an income (December 31, 2017 - TL 216.465 loss). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of June 30, 2018 are TL 6.465.552 (December 31, 2017: TL 4.618.063) for buy legs and TL 6.465.552 (December 31, 2017- TL 4.618.063) for sell legs with a fair value differences amounting to TL 254.851 liability (December 31, 2017 –TL 92.985 asset). The mentioned total return swaps have 9 year maturity in average.

2.3.4. Information on marketable securities issued:

| | Current Period | | Prior Period | |
|--------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Bills | 2.039.375 | - | 1.212.509 | 107.682 |
| Bonds | 1.704.217 | 14.205.375 | 1.078.084 | 10.094.567 |
| Total | 3.743.592 | 14.205.375 | 2.290.593 | 10.202.249 |

2.4. Information on other liabilities:

As of June 30, 2018, other liabilities do not exceed 10% of the total balance sheet commitments.

Unconsolidated financial statements as of June 30, 2018

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

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

| | Current Period | | Prior Period | |
|---------------------|----------------|-----------|--------------|------------|
| | Gross | Net | Gross | Net |
| Less than 1 year | - | - | - | - |
| Between 1 – 4 years | 53 | 51 | 139 | 131 |
| More than 4 years | - | - | - | - |
| Total | 53 | 51 | 139 | 131 |

2.5.2. Information on operational leasing agreements:

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

2.6. Information on provisions:

2.6.1. Information on general provisions:

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

2.6.2. Information on reserve for employee rights:

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

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

| | Current Period | Prior Period |
|--|----------------|--------------|
| Discount rate (%) | 4,95 | 4,95 |
| Possibility of being eligible for retirement (%) | 93,79 | 93,79 |

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 5.434,42 effective from July 1, 2018 (January 1, 2018: full TL 5.001,76) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Prior period ending balance | 391.760 | 127.500 |
| Changes during the period | 24.227 | 52.501 |
| Recognized in equity | 31.198 | 253.522 |
| Paid during the period | (21.590) | (41.763) |
| Balance at the end of the period | 425.595 | 391.760 |

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 208.085 as of June 30, 2018 (December 31, 2017 - TL 172.381).

Unconsolidated financial statements as of June 30, 2018

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

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

As of June 30, 2018, Bank has no provision related to the foreign currency difference of foreign currency indexed loans. (December 31, 2017 - TL 27.135). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.6.4. Other provisions:

2.6.4.1. Information on other provisions:

| | Current Period |
|--|-----------------------|
| Pension fund provision | 690.852 |
| Provisions on unindemnified non cash loans | 658.298 |
| Generic provisions on non cash loans | 147.134 |
| Provision on lawsuits | 73.676 |
| Provisions on credit cards and promotion campaigns related to banking services | 51.759 |
| Other | 767.091 |
| Total | 2.388.810 |

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

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Corporate Tax Payable | 115.700 | 235.024 |
| Taxation of Marketable Securities | 176.176 | 147.382 |
| Property Tax | 3.123 | 3.301 |
| Banking Insurance Transaction Tax ("BITT") | 165.608 | 134.448 |
| Foreign Exchange Transaction Tax | - | - |
| Value Added Tax Payable | 4.947 | 10.063 |
| Other | 33.545 | 44.328 |
| Total | 499.099 | 574.546 |

2.7.2. Information on premium payables:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Social security premiums – employee | - | - |
| Social security premiums – employer | - | - |
| Bank pension fund premiums – employee | 18.916 | 17.263 |
| Bank pension fund premiums – employer | 19.506 | 17.802 |
| Pension fund deposit and provisions – employee | - | - |
| Pension fund deposit and provisions – employer | - | - |
| Unemployment insurance – employee | 1.350 | 1.232 |
| Unemployment insurance – employer | 2.702 | 2.465 |
| Other | - | - |
| Total | 42.474 | 38.762 |

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

None (December 31, 2017 - None).

Unconsolidated financial statements as of June 30, 2018

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

2.9. Information on subordinated debt⁽¹⁾:

| | Current Period | | Prior Period | |
|--|----------------|-------------------|--------------|------------------|
| | TL | FC | TL | FC |
| Debt instruments to be included in additional capital calculation | - | - | - | - |
| Subordinated loans | - | - | - | - |
| Subordinated debt | - | - | - | - |
| Debt instruments to be included in contribution capital calculation | - | 11.750.820 | - | 9.718.804 |
| Subordinated loans | - | 4.830.971 | - | 3.996.099 |
| Subordinated debt | - | 6.919.849 | - | 5.722.705 |
| Total | - | 11.750.820 | - | 9.718.804 |

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

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

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock | 8.447.051 | 4.347.051 |
| Preferred stock | - | - |

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

| Capital System | Paid-In Capital | Registered Share Capital Ceiling |
|---------------------------|-----------------|----------------------------------|
| Registered Capital System | 8.447.051 | 10.000.000 |

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

| Capital increase date | Capital increase amount | Cash | Profit reserves subject to capital increase | Capital reserves subject to capital increase |
|-----------------------|-------------------------|-----------|---|--|
| June 29, 2018 | 4.100.000 | 4.100.000 | - | - |

The Bank increased its paid in capital by TL 4.100.000, fully paid in cash, from TL 4.347.051 to TL 8.447.051 within registered share capital ceiling of TL 10.000.000. (31 December 2017 – None.)

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

None (December 31, 2017 - None).

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

None (December 31, 2017 - None).

2.10.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock:

None (December 31, 2017 - None).

Unconsolidated financial statements as of June 30, 2018

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

2.10.8. Information on marketable securities value increase fund:

| | Current Period | |
|--|------------------|------------------|
| | TL | FC |
| From investments in associates, subsidiaries, and joint ventures | 741.686 | 2.074.504 |
| Revaluation difference ⁽¹⁾ | 741.686 | 436.070 |
| Foreign currency difference ⁽¹⁾ | - | 1.638.434 |
| Financial assets at fair value through other comprehensive income | (958.232) | (213.710) |
| Revaluation difference ⁽²⁾ | (958.232) | (213.710) |
| Foreign currency differences | - | - |
| Total | (216.546) | 1.860.794 |

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

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

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

2.10.9. Information on profit distribution:

It was decided to distribute unconsolidated net profit of TL 3.614.081 as of December 31, 2017, in accordance with the General Assembly dated March 20, 2018 as follows: TL 127.833 to be transferred to special funds account in accordance with the article No 5 1/e section of the Corporate Tax Law numbered 5520 as 75% of the profit from the sale of real estate and the remaining TL 3.486.248 to be transferred to extraordinary reserves.

3. Explanations and notes related to off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

| | Current Period | Prior Period |
|-----------------------------------|--------------------|--------------------|
| Commitments on credit card limits | 36.167.354 | 33.700.364 |
| Loan granting commitments | 12.876.907 | 10.125.035 |
| Commitments for cheques | 3.365.156 | 6.844.741 |
| Other irrevocable commitments | 50.360.666 | 83.371.921 |
| Total | 102.770.083 | 134.042.061 |

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 147.134 (December 31, 2017 - TL 111.917) and specific provision amounting to TL 895.008 (December 31, 2017 - TL 944.029) for non-cash loans which are not indemnified yet amounting to TL 658.298 (December 31, 2017 - 139.143).

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

| | Current Period | Prior Period |
|----------------------------------|-------------------|-------------------|
| Bank acceptance loans | 223.192 | 212.685 |
| Letter of credits | 15.828.586 | 10.944.238 |
| Other guarantees and collaterals | 7.613.738 | 6.811.093 |
| Total | 23.665.516 | 17.968.016 |

Unconsolidated financial statements as of June 30, 2018

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

3.1.2.2. Guarantees, suretyships and other similar transactions:

| | Current Period | | Prior Period | |
|---------------------------------------|-------------------|--|-------------------|--|
| Temporary letter of guarantees | 2.316.377 | | 2.273.465 | |
| Definite letter of guarantees | 39.984.438 | | 37.461.264 | |
| Advance letter of guarantees | 12.451.340 | | 9.606.133 | |
| Letter of guarantees given to customs | 2.559.885 | | 2.351.305 | |
| Other letter of guarantees | 11.649.065 | | 8.506.111 | |
| Total | 68.961.105 | | 60.198.278 | |

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

| | Current Period | | Prior Period | |
|--|-------------------|--|-------------------|--|
| Non-cash loans given against cash loans | 11.131.274 | | 8.052.720 | |
| With original maturity of 1 year or less than 1 year | 2.697.888 | | 1.878.094 | |
| With original maturity of more than 1 year | 8.433.386 | | 6.174.626 | |
| Other non-cash loans | 81.495.347 | | 70.113.574 | |
| Total | 92.626.621 | | 78.166.294 | |

3.2 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 73.676 (December 31, 2017 - TL 63.729) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

| | Current Period | | Prior Period | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Short-term loans ⁽¹⁾ | 3.158.603 | 96.557 | 2.559.967 | 88.155 |
| Medium/long-term loans ⁽¹⁾ | 5.091.192 | 2.347.219 | 3.955.814 | 1.692.898 |
| Interest on loans under follow-up | 275.873 | - | 45.575 | - |
| Premiums received from resource utilization support fund | - | - | - | - |
| Total | 8.525.668 | 2.443.776 | 6.561.356 | 1.781.053 |

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

4.1.2. Information on interest income on banks:

| | Current Period | | Prior Period | |
|----------------------------------|----------------|---------------|---------------|---------------|
| | TL | FC | TL | FC |
| From the CBRT | 239.357 | - | 54.370 | 18 |
| From domestic banks | 32.680 | 287 | 39.528 | 524 |
| From foreign banks | 615 | 24.002 | 843 | 14.496 |
| Headquarters and branches abroad | - | - | - | - |
| Total | 272.652 | 24.289 | 94.741 | 15.038 |

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2018

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

4.1.3. Information on interest income on marketable securities:

| | Current Period | |
|--|------------------|----------------|
| | TL | FC |
| From financial assets at fair value through profit or loss | 6.725 | 481 |
| From financial assets at fair value through other comprehensive income | 1.223.921 | 80.471 |
| From financial assets measured at amortised cost | 426.394 | 179.194 |
| Total | 1.657.040 | 260.146 |

| | Prior Period | |
|--|------------------|----------------|
| | TL | FC |
| From financial assets at fair value through profit or loss | 1.279 | 835 |
| From available-for-sale financial assets | 919.259 | 80.552 |
| From held-to-maturity investments | 236.920 | 192.813 |
| Total | 1.157.458 | 274.200 |

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

| | Current Period | Prior Period |
|--|----------------|---------------|
| Interest received from associates and subsidiaries | 34.555 | 28.351 |
| Total | 34.555 | 28.351 |

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

| | Current Period | | Prior Period | |
|----------------------------------|----------------|----------------|---------------|----------------|
| | TL | FC | TL | FC |
| Banks | 19.140 | 764.930 | 22.643 | 474.914 |
| The CBRT | - | 514 | - | 2.626 |
| Domestic banks | 5.958 | 2.119 | 5.346 | 1.974 |
| Foreign banks | 13.182 | 762.297 | 17.297 | 470.314 |
| Headquarters and branches abroad | - | - | - | - |
| Other institutions | - | 177.833 | - | 98.442 |
| Total ⁽¹⁾ | 19.140 | 942.763 | 22.643 | 573.356 |

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

| | Current Period | Prior Period |
|--|----------------|---------------|
| Interest paid to associates and subsidiaries | 74.985 | 97.387 |
| Total | 74.985 | 97.387 |

4.2.3. Information on interest expense to marketable securities issued:

| | Current Period | | Prior Period | |
|--|----------------|----------------|---------------|----------------|
| | TL | FC | TL | FC |
| Interest expense to marketable securities issued | 210.292 | 366.824 | 87.478 | 208.138 |
| Total | 210.292 | 366.824 | 87.478 | 208.138 |

Unconsolidated financial statements as of June 30, 2018

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

4.2.4. Maturity structure of the interest expense on deposits:

| Account name | Demand deposit | Time deposit | | | | | Accumulating deposit | Total | Prior Period |
|-----------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------------------|------------------|------------------|
| | | Up to 1 month | Up to 3 months | Up to 6 months | Up to 1 year | More than 1 year | | | |
| TL | | | | | | | | | |
| Bank deposits | 122 | 111.213 | 29.160 | 1.782 | 256 | - | - | 142.533 | 52.449 |
| Saving deposits | - | 116.375 | 2.416.800 | 99.502 | 13.894 | 9.092 | 635 | 2.656.298 | 1.982.563 |
| Public sector deposits | - | 18 | 297 | 3 | 25 | 1 | - | 344 | 1.142 |
| Commercial deposits | 18 | 418.461 | 761.449 | 24.754 | 37.844 | 13.503 | - | 1.256.029 | 1.405.701 |
| Other deposits | - | 10.759 | 254.225 | 66.106 | 17.897 | 27 | - | 349.014 | 396.837 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - | - |
| Total | 140 | 656.826 | 3.461.931 | 192.147 | 69.916 | 22.623 | 635 | 4.404.218 | 3.838.692 |
| FC | | | | | | | | | |
| Foreign currency deposits | 33 | 160.081 | 678.167 | 41.118 | 105.078 | 32.766 | - | 1.017.243 | 795.428 |
| Bank deposits | 899 | 36.751 | 822 | 120 | - | - | - | 38.592 | 14.769 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - | - |
| Precious metal vault | - | 418 | 929 | 96 | 231 | 53 | - | 1.727 | 1.604 |
| Total | 932 | 197.250 | 679.918 | 41.334 | 105.309 | 32.819 | - | 1.057.562 | 811.801 |
| Grand total | 1.072 | 854.076 | 4.141.849 | 233.481 | 175.225 | 55.442 | 635 | 5.461.780 | 4.650.493 |

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

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Gain | 42.152.732 | 21.239.433 |
| Gain from capital market transactions | 106.174 | 67.500 |
| Derivative financial transaction gains | 21.112.131 | 6.931.333 |
| Foreign exchange gains | 20.934.427 | 14.240.600 |
| Loss (-) | 42.904.093 | 21.420.986 |
| Loss from capital market transactions | (25.250) | (21.223) |
| Derivative financial transaction losses | (17.700.272) | (8.771.688) |
| Foreign exchange loss | (25.178.571) | (12.628.075) |
| Net gain/loss | (751.361) | (181.553) |

4.4. Allowance for expected credit losses:

| | Current period |
|---|------------------|
| Allowance for expected credit losses | 2.008.582 |
| 12-month expected credit losses (Stage 1) | 340.114 |
| Significant increase in credit risk (Stage 2) | 363.255 |
| Credit-Impaired (Stage 3) | 1.305.213 |
| Impairment provisions for financial assets | - |
| Financial assets at fair value through profit or loss | - |
| Financial assets at fair value through other comprehensive income | - |
| Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships | - |
| (Joint ventures) | - |
| Investments in associates | - |
| Subsidiaries | - |
| Jointly controlled partnerships (joint ventures) | - |
| Other | 339.513 |
| Total | 2.348.095 |

Unconsolidated financial statements as of June 30, 2018

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

Provision for impairment of loans and other receivables:

| | Prior period |
|---|---------------------|
| Specific provisions for loans and other receivables | 1.431.885 |
| III. Group loans and receivables | 52.966 |
| IV. Group loans and receivables | 83.852 |
| V. Group loans and receivables | 1.295.067 |
| General provision expenses | 104.092 |
| Provision expense for possible risks | 50.000 |
| Marketable securities impairment expenses ⁽¹⁾ | 37.320 |
| Financial assets at fair value through profit or loss | 285 |
| Available-for-sale financial assets | 37.035 |
| Impairment of investments in associates, subsidiaries and held-to-maturity securities | 35.789 |
| Investments in associates | - |
| Subsidiaries | - |
| Joint ventures | - |
| Held-to-maturity investments ⁽¹⁾ | 35.789 |
| Other | 9.067 |
| Total | 1.668.153 |

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

4.5. Information on derivatives financial transaction gain/loss:

The net loss resulting from the foreign exchange differences related to derivative financial transactions is TL 4.347.818 gain (June 30, 2017 – TL 1.507.933 loss).

4.6. Information on other operating income:

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

4.7. Information related to other operating expenses:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Personnel expenses ⁽¹⁾ | 1.284.585 | 1.144.305 |
| Reserve for employee termination benefits | 7.135 | 5.832 |
| Provision expense for pension fund | - | - |
| Impairment expenses of property and equipment | - | - |
| Depreciation expenses of property and equipment | 83.664 | 108.250 |
| Impairment expenses of intangible assets | - | - |
| Goodwill impairment expenses | - | - |
| Amortisation expenses of intangible assets | 47.528 | 61.149 |
| Impairment expenses of equity participations for which equity method applied | - | - |
| Impairment expenses of assets held for resale | - | - |
| Depreciation expenses of assets held for resale | - | - |
| Impairment expenses of fixed assets held for sale and assets related to discontinued operations | - | - |
| Other operating expenses | 1.063.229 | 942.142 |
| Operational lease expenses | 159.371 | 152.609 |
| Repair and maintenance expenses | 54.445 | 53.759 |
| Advertising expenses | 86.098 | 84.312 |
| Other expense | 763.315 | 651.462 |
| Loss on sales of assets | - | - |
| Other | 359.600 | 380.104 |
| Total | 2.845.741 | 2.641.782 |

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

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

The profit before tax includes 5.875.616 (June 30, 2017 – TL 4.314.865) of net interest income, TL 1.979.443 (June 30, 2017 – TL 1.590.971) of net fees and commissions and total other operating expense including personnel expenses amounting to TL 2.845.741 (June 30, 2017 – TL 2.641.782).

As of June 30, 2018, the Bank has no (June 30, 2017 – None) profit before tax from discontinued operations.

Unconsolidated financial statements as of June 30, 2018

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

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

As of June 30, 2018, the Bank has 132.976 TL tax expense from continued operations and from discontinued operations (June 30, 2017 – TL 740.421). Deferred tax expense from continued operations is amounting to TL 478.324 (June 30, 2017 – TL 311.501 deferred tax income).

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

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

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

4.11. Other items in income statement:

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

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

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

5.1.1. Information on loans of the Bank's risk group:

| Current Period | Associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Bank | | Other real and legal persons that have been included in the risk group | |
|--|---|--------------|--|--------------|--|--------------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Bank's risk group ⁽¹⁾⁽²⁾ | | | | | | |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | 213.845 | 215.564 | 275.684 | 1.358.830 | 2.435.357 | 2.957.565 |
| Balance at the end of the period | 244.944 | 326.345 | 338.711 | 1.378.681 | 2.508.314 | 3.983.570 |
| Interest and commission income received | 34.555 | 1.163 | 10.821 | 3.550 | 159.618 | 9.358 |

| Prior Period | Associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Bank | | Other real and legal persons that have been included in the risk group | |
|---|---|------------|--|--------------|--|--------------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Bank's risk group ⁽¹⁾⁽²⁾ | | | | | | |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | 35.428 | 168.459 | 367.000 | 1.158.561 | 2.317.430 | 2.502.492 |
| Balance at the end of the period | 213.845 | 215.564 | 275.684 | 1.358.830 | 2.435.357 | 2.957.565 |
| Interest and commission income received ⁽³⁾ | 28.351 | 630 | 3.587 | 4.200 | 124.758 | 5.978 |

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

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

(3) Previous period present profit / loss information of June 30, 2017.

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

| Bank's risk group ⁽¹⁾⁽²⁾ | Associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Bank | | Other real and legal persons that have been included in the risk group | |
|--|---|---------------|--|----------------|--|----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Deposit | | | | | | |
| Beginning of the period | 3.193.655 | 4.074.057 | 27.662.849 | 19.715.780 | 17.865.257 | 13.596.912 |
| End of the period | 2.927.979 | 3.193.655 | 29.332.574 | 27.662.849 | 17.786.713 | 17.865.257 |
| Interest expense on deposits ⁽³⁾ | 74.985 | 97.387 | 889.398 | 611.935 | 437.862 | 363.135 |

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

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

(3) Previous period present profit / loss information of June 30, 2017

Unconsolidated financial statements as of June 30, 2018

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

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

| Bank's risk group ⁽¹⁾ | Associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Bank | | Other real and legal persons that have been included in the risk group | |
|--|---|----------------|--|----------------|--|-----------------|
| | Current Period | Current Period | Current Period | Current Period | Current Period | Current Period |
| Transactions at fair value through profit or loss | | | | | | |
| Beginning of the period ⁽²⁾ | 6.825.457 | 3.305.854 | 4.585.782 | 8.532.884 | 3.688.054 | 802.512 |
| End of the period ⁽²⁾ | 5.831.742 | 6.825.457 | 4.389.265 | 4.585.782 | 4.743.731 | 3.688.054 |
| Total profit / (loss)⁽³⁾ | (14.497) | 35.688 | 131.775 | 96.724 | (428.134) | (18.707) |
| Transactions for hedging purposes | | | | | | |
| Beginning of the period ⁽²⁾ | - | - | 1.375.186 | - | - | - |
| End of the period ⁽²⁾ | - | - | 1.451.787 | 1.375.186 | - | - |
| Total profit / (loss)⁽³⁾ | - | - | 101.787 | - | - | - |

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

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

(3) Previous period present profit / loss information of June 30, 2017

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

Salaries and benefits paid to the Bank's top management amount to TL 32.299 as of June 30, 2018 (June 30, 2017 – TL 33.255).

6. Explanations and notes related to subsequent events:

None

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

The unconsolidated financial statements for the period ended June 30, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, July 31, 2018 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

Section Seven⁽¹⁾

Interim activity report

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

In the first half of 2018, the macro environment continued to be volatile for the banking sector, given both global and local uncertainties. Increase in uncertainties prior to the general elections, worsening of international perception towards emerging markets and downgrade of rating agencies caused TL depreciation, increase in interest rates while the inflation level continued to be elevated. Central Bank of Turkey hiked the average funding rates by 500 bps and simplified the interest rate policy in order to prevent the volatilities in the market.

In the first half of the year, total loans in the banking sector reached TL 2,269 billion indicating 12% year-to-date growth, with the help of ongoing support from the Credit Guarantee Fund and depreciation in TL. During the same period, total deposits reached TL 1,897 billion, indicating 12% year-to-date growth. Accordingly, sector's loan to deposit ratio including TL bonds materialised at 120%. The banking sector's non-performing loan ratio improved 4 basis points year-to-date to 2.9% supported by non-performing loan sales of TL 3,015 billion (13 basis points impact).

In this period, Yapı Kredi successfully completed the biggest rights issue of the last ten years. This rights issue once again restored the trust of Koc Holding, the leader group of Turkey and UniCredit, the simple and successful Pan-European bank regarding Turkey.

In the first six months of 2018, Yapı Kredi recorded a strong profitability improvement with a balanced volume growth while preserving its solid fundamentals. The Bank's healthy liquidity profile was further reinforced by renewal of its syndication loan with 111% roll-over ratio and the issuance of a five-year US\$ 500 million Eurobond in the international debt capital markets. In addition, the Bank issued US\$ 215 million securitisation and US\$ 369 million covered bond in the period. All of these international issuances reaffirm the confidence of international markets in both Yapı Kredi and Turkey.

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

Y. Ali Koç

Chairman of the Board

2. Message from Yapı Kredi’s CEO Gökhan Erün:

In the first half of 2018, the volatility in the operating environment increased due to pre and post election uncertainties, increasing global uncertainties, and rating downgrades from international rating agencies. The Central Bank of Turkey continued to tighten the monetary policy and simplified the interest rate policy (in order to limit the depreciation in TL and to control the inflation levels). In May, the Government introduced the third tranche of the Credit Guarantee Fund, which supported the banking environment together with the improvement in consumer confidence.

In June 2018, Yapı Kredi successfully increased its paid capital by TL 4.1 billion with the support of its two main shareholders and market participants.

In the first half of the year, with the controlled growth resulting in a sustainable revenue generation, further focus on cost control, the Bank’s total assets increased to TL 338.4 billion and net income recorded at TL 2,471 million.

In terms of performing cash loans, with the support of active utilization of Credit Guarantee Fund, Yapı Kredi recorded 11% growth year-to-date reaching to TL 213.8 billion indicating 16.2% market share among private banks. Growth was driven by a balanced approach and the Bank continued to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 21.1% outstanding volume market share.

In terms of funding, the Bank recorded 10% deposit growth year-to-date reaching to TL 185.6 billion indicating 15.5% market share among private banks. Balanced growth in loans and deposits led to 114% loans to deposits ratio including TL bonds.

Digitalisation remained a strong focus area for Yapı Kredi. As “The Digital Bank of Turkey”, share of digital channels in non-cash transactions stands at 96%. Moreover, in the past one year, number of digital customers increased by 1.1 million to 4.9 and mobile banking customers increased by 1.2 million to 4.3 million.

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

Gökhan Erün
CEO

3. Overview of Financial Performance:

On 31 July 2018, Yapı Kredi announced its unconsolidated results for the first half of 2018 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 306.5 billion while total deposits rose to TL 185.6 billion. The Bank's net income increased by 31% year-over-year and reached TL 2,471 million indication return on average tangible equity of 16.3%.

Balanced volume growth

Yapı Kredi's market share among private banks in loans and deposits was recorded at 16.2% and 15.5%, respectively.

The Bank achieved 11% year-to-date growth in loans to TL 213.8 billion. Loan growth was mainly driven by commercial segment supported by the higher level of Credit Guarantee Fund utilisation compared to 2017. In the first half of 2018, Yapı Kredi increased its market share by 130 bps reaching 7.1% in Credit Guarantee Fund. The Bank's deposit growth was in line with loan growth at 10% year-to-date and reached TL 185.6 billion. Deposit growth was mainly driven by customer deposits, especially in FX currency, as a result of the volatility in exchange rate. Accordingly, loan-to-deposits plus TL bonds ratio realised at 114%. In line with the Bank's focus on effective diversification of funding sources, in May 2018, the Bank renewed its syndication at USD 1.5 billion corresponding to 111% roll-over ratio with the participation of 48 banks from 19 countries.

Improvement in capital ratios through TL 4.1 billion capital increase and ongoing internal capital generation

Despite the fluctuations in Lira and volatility in the interest rates, the Bank continued to support its capital ratios with internal capital generation and TL 4.1 billion worth of capital increase that has been completed in June 2018. As a result, consolidated Capital Adequacy Ratio and Common Equity Tier-1 ratio increased by 106 bps on a year to date basis to 15.1% and 86 bps to 11.7%, respectively.

Solid profitability driven by core business

In the first half of 2018, Yapı Kredi increased its total revenues by 25% year-over-year driven by double digit growth in both fees and net interest income. On the other hand, continued discipline in cost management was evident with cost growth contained at 8% compared to inflation of 15.4%. Accordingly, cost-to-income ratio improved by 545 basis points year-over-year to 34.4%. In the first period, Yapı Kredi classified a couple of corporate loans as non-performing with a cautious approach, together with the depreciation in TL and worsening operating environment, provisions increased by 41% year-on-year, cost-of-risk increased to 124 basis points. In the first half of 2018, Yapı Kredi sold a non-performing loan portfolio of TL 1.6 billion principal amount within the scope of continued active stock management. Hence, the npl ratio improved by 58 bps year-to-date reaching %3.9. All in all, net income increased 31% year-over-year and the Bank achieved 16.3% return on average tangible equity.

Unconsolidated financial statements as of June 30, 2018

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

4. Summary of Unconsolidated Financials

| TL million | 30.06.2018 | 31.12.2017 |
|-----------------------------|------------|------------|
| Total Assets | 338,353 | 297,810 |
| Performing Loans | 213,846 | 192,883 |
| Total Deposits | 185,604 | 169,347 |
| Shareholder's Equity | 37,801 | 30,098 |
| Loans/ Assets | 63% | 65% |
| Deposits/Assets | 55% | 57% |
| NPL | 3.9% | 4.5% |
| CAR | 15.1% | 14.5% |

| TL million | 30.06.2018 | 30.06.2017 |
|--|------------|------------|
| Net Profit | 2,471 | 1,893 |
| Return on Average Tangible Equity | 16.3% | 14.7% |

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

- In 2Q18, Yapı Kredi sold non-performing loan portfolio amounting to TL 1,020 million. The transaction was reflected in Yapı Kredi's 2Q18 financials.
- On 1 May 2018, international Rating Agency Standard & Poor's (S&P) has downgraded Turkey's Sovereign rating note from "BB" to "BB-" while upgrading the outlook from "Negative" to "Stable". Following the Downgrade of Turkey's Sovereign rating, S&P also revised six Turkish Banks' rating including Yapı ve Kredi Bankası A.Ş.. The rating agency, lowered Yapı ve Kredi Bankası's Long-Term Issuer Credit Rating from "BB" to "BB-", Long-Term Turkey National Scale Rating from "trAA-" to "trA+", while maintaining all the remaining rating scales. In accordance with the change in the Sovereign outlook, S&P upgraded the Bank's outlook from "Negative" to "Stable".
- In May 2018, the Bank renewed its syndication at USD 1.5 billion corresponding to 111% roll-over ratio with the participation of 48 banks from 19 countries.
- International rating agency Fitch's announced that, it has affirmed Yapı Kredi's long-term and short-term LC IDRs, as 'BBB-' and 'F3', respectively. Additionally, Fitch has affirmed National Long Term Rating as 'AAA(tur)'. Nonetheless, Fitch has placed the Bank's long-term FC IDR : "BBB-"; short-term FC IDR: "F3"; viability rating "bb+"; support rating: "2"; senior unsecured notes "BBB-/F3"; and subordinated notes "BB+" on "Rating Watch Negative".
- On 7 June 2018, international rating agency Moody's announced that, following the placement of Turkish government's rating under negative review for downgrade on 1 June 2018, it has downgraded ratings of 17 Turkish financial institutions and placed the ratings for negative review for downgrades. Accordingly, the rating agency downgraded Yapı Kredi's Long-term Local Currency Deposits, Baseline Credit Assessment, Adjusted Baseline Credit Assessment, Long term National Scale rating and Senior Unsecured rating by one notch and placed under review for further downgrade, also placing the Long-term Foreign Currency (Ba3) and Short-term National Scale rating (TR-1) on review for downgrade. The rating agency affirmed Yapı Kredi's Short-term ratings.
- On 31 May 2018, the Capital Markets Board (CMB) has approved the Bank's application with regards to the increase in the Bank's issued capital. After the necessary actions have been taken, in June 2018 the Bank completed the process of increasing its issued capital in cash by 4,100,000,000 TL to 8,447,051,284 TL from 4,347,051,284 TL.

6. Current Trends and Expectations for the Upcoming Period:

Yapı Kredi maintained its current expectations for 2018, by foreseeing a downside risk regarding cost of risk and capital adequacy ratio, due to worsening macro environment.

2018 Yapı Kredi Expectations:

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