

Yapı ve Kredi Bankası A.Ş.

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

**(Convenience translation of publicly announced consolidated 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 consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 September 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-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 consolidated financial information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries at 30 September 2018 and of the results of its operations and its cash flows for the nine-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 consolidated 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 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.

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

Halûl Yalçın, SMMM
Partner

Istanbul, 31 October 2018

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

THE CONSOLIDATED INTERIM FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF SEPTEMBER 30, 2018

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Levent, 34330, İstanbul
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Fax number : 0212 339 60 00
Web Site : www.yapikredi.com.tr
E-Mail : financialreports@yapikredi.com.tr

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

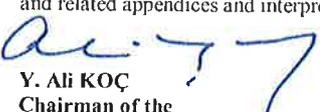
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL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

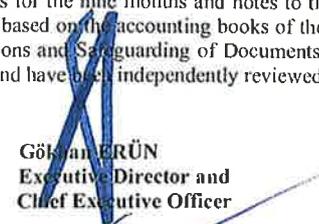
Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

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

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

The accompanying consolidated financial statements for the nine 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


Göksan ERÜN
Executive Director and
Chief Executive Officer


Massimo FRANCESE
Chief Financial Officer


B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President


Wolfgang SCHILK
Chairman of the Audit
Committee


Adil G. ÖZTOPRAK
Member of the Audit
Committee

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

Name-Surname / Title : Umut HALLAÇ / International Reporting and Consolidation Manager
Telephone Number : 0212 339 98 87
Fax Number : 0212 339 61 05

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2018

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

Section One - General Information

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

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

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

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of September 30, 2018, almost 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 organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. 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 Parent 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%.

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

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

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 September 30, 2018 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2018

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

Board of Directors Members:

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

Audit Committee Members:

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

General Manager and Deputy General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO

Assistant General Managers:

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
Hakan ALP ⁽¹⁾	Human Resources and Organization Management
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
Albert ANGERSBACH	Risk Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

(1) Hakan Alp was appointed as Assistant General Manager in charge of Human Resources and Organization Management As of September 4, 2018.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2018

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

4. Information on the individual and corporate shareholders having control shares of the Parent 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 Parent Bank's activities and service types:

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

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

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

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

As of September 30, 2018, the Parent Bank has 866 branches operating in Turkey and 1 branch in overseas (December 31, 2017 - 865 branches operating in Turkey, 1 branch in overseas).

As of September 30, 2018, the Parent Bank has 18.088 employees (December 31, 2017 - 17.944 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of September 30, 2018 the Group has 18.957 employees (December 31, 2017 - 18.839 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 of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué 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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of September 30, 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

Assets	Note (Section five)	Current Period (30/09/2018)		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		61.892.454	74.585.313	136.477.767
I.1 Cash and cash equivalents	1.1	9.217.231	56.700.077	65.917.308
1.1.1 Cash and balances at Central Bank		7.762.033	48.874.792	56.636.825
1.1.2 Banks	1.4	1.281.806	7.825.285	9.107.091
1.1.3 Receivables from Money Markets		173.392	-	173.392
I.2 Financial assets at fair value through profit or loss	1.2	80.233	278.750	358.983
1.2.1 Public debt securities		43.827	58.346	102.173
1.2.2 Equity instruments		18.545	220.404	238.949
1.2.3 Other financial assets		17.861	-	17.861
I.3 Financial assets at fair value through other comprehensive income	1.5,6	21.081.381	4.442.155	25.523.536
1.3.1 Public debt securities		20.987.447	2.394.001	23.381.448
1.3.2 Equity instruments		64.141	3.053	67.194
1.3.3 Other financial assets		29.793	2.045.101	2.074.894
I.4 Financial assets measured at amortised cost	1.8	12.512.358	11.318.574	23.830.932
1.4.1 Public debt securities		12.512.358	10.379.812	22.892.170
1.4.2 Other financial assets		-	938.762	938.762
I.5 Derivative financial assets	1.3	19.038.677	1.928.331	20.967.008
1.5.1 Derivative financial assets at fair value through profit or loss	1.3,1,2	12.953.880	1.331.411	14.285.291
1.5.2 Derivative financial assets at fair value through other comprehensive income	1.3,2	6.084.797	596.920	6.681.717
I.6 Non-performing financial assets		-	88	88
I.7 Allowance for expected credit losses (-)		37.426	82.662	120.088
II. LOANS (Net)	1.7	132.681.330	132.121.193	264.802.523
2.1 Loans		128.399.436	121.027.338	249.426.774
2.1.1 Loans measured at amortised cost		128.399.436	121.027.338	249.426.774
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	2.337.443	11.677.046	14.014.489
2.2.1 Finance lease receivables		3.021.125	13.364.086	16.385.211
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		683.682	1.687.040	2.370.722
2.3 Factoring receivables		1.413.244	2.326.440	3.739.684
2.3.1 Factoring receivables measured at amortised cost		1.413.244	2.326.440	3.739.684
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	9.970.571	325.457	10.296.028
2.5 Allowance for expected credit losses (-)		9.439.364	3.235.088	12.674.452
2.5.1 .12-Month expected credit losses (Stage 1)		813.820	1.044.839	1.858.659
2.5.2 Significant increase in credit risk (Stage 2)		439.911	1.944.934	2.384.845
2.5.3 Credit-Impaired (Stage 3)	1.7,7	8.185.633	245.315	8.430.948
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	1.15	253.346	9.073	262.419
3.1 Held for sale		253.346	9.073	262.419
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		281.487	873.984	1.155.471
4.1 Investments in associates (Net)	1.9	255.841	873.984	1.129.825
4.1.1 Associates accounted by using equity method		249.740	873.984	1.123.724
4.1.2 Non-consolidated associates		6.101	-	6.101
4.2 Investments in subsidiaries (Net)	1.10	7.300	-	7.300
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		7.300	-	7.300
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	1.11	18.346	-	18.346
4.3.1 Jointly controlled partnerships accounted by using equity method		18.346	-	18.346
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)		3.192.775	20.659	3.213.434
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		1.709.986	27.795	1.737.781
6.1 Goodwill		979.493	-	979.493
6.2 Other		730.493	27.795	758.288
VII. INVESTMENT PROPERTIES (Net)	1.13	-	-	-
VIII. CURRENT TAX ASSETS		123.550	16.765	140.315
IX. DEFERRED TAX ASSETS	1.14	196.860	-	196.860
X. OTHER ASSETS	1.16	3.149.063	10.838.724	13.987.787
TOTAL ASSETS		203.480.851	218.493.506	421.974.357

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of December 31, 2017

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

				Prior Period (31/12/2017)
Assets	Note (Section Five)	TL	FC	Total
I. Cash and balances with Central Bank	1.1	7.595.701	34.856.269	42.451.970
II. Financial assets at fair value through profit or (loss) (net)	1.2	3.681.893	548.187	4.230.080
2.1 Trading financial assets		3.681.893	548.187	4.230.080
2.1.1 Government debt securities		26.584	30.396	56.980
2.1.2 Share certificates		38.442	-	38.442
2.1.3 Derivative financial assets held for trading	1.3	3.609.726	517.791	4.127.517
2.1.4 Other marketable securities		7.141	-	7.141
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-
2.2.1 Government debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. Banks	1.4	81.883	4.755.329	4.837.212
IV. Money markets	1.4	4.215	812.790	817.005
4.1 Interbank money market placements		-	812.790	812.790
4.2 Receivables from Istanbul Stock Exchange Money Market		4.097	-	4.097
4.3 Receivables from reverse repurchase agreements		118	-	118
V. Financial assets available-for-sale (net)	1.5,6	21.300.288	3.196.236	24.496.524
5.1 Share certificates		61.114	96.693	157.807
5.2 Government debt securities		20.856.199	1.631.451	22.487.650
5.3 Other marketable securities		382.975	1.468.092	1.851.067
VI. Loans and receivables	1.7	128.114.248	73.884.539	201.998.787
6.1 Loans and receivables		126.036.381	73.837.686	199.874.067
6.1.1 Loans to bank's risk group		1.696.954	970.762	2.667.716
6.1.2 Government debt securities		-	-	-
6.1.3 Other		124.339.427	72.866.924	197.206.351
6.2 Loans under follow-up		9.024.397	139.187	9.163.584
6.3 Specific provisions (-)		(6.946.530)	(92.334)	(7.038.864)
VII. Factoring receivables	1.7	1.812.219	2.030.948	3.843.167
VIII. Held-to-maturity investments (net)	1.8	6.771.736	7.425.330	14.197.066
8.1 Government debt securities		6.771.736	6.574.845	13.346.581
8.2 Other marketable securities		-	850.485	850.485
IX. Investments in associates (net)	1.9	247.144	529.384	776.528
9.1 Consolidated based on equity method		242.641	529.384	772.025
9.2 Unconsolidated		4.503	-	4.503
9.2.1 Investments in financial associates		-	-	-
9.2.2 Investments in non-financial associates		4.503	-	4.503
X. Subsidiaries (net)	1.10	7.300	-	7.300
10.1 Unconsolidated financial subsidiaries		-	-	-
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		18.386	-	18.386
11.2 Unconsolidated		-	-	-
11.2.1 Financial joint ventures		-	-	-
11.2.2 Non-financial joint ventures		-	-	-
XII. Lease receivables	1.12	2.181.856	8.129.868	10.311.724
12.1 Financial lease receivables		2.767.260	9.419.554	12.186.814
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		(585.404)	(1.289.686)	(1.875.090)
XIII. Derivative financial assets held for hedging	1.12	1.587.942	168.669	1.756.611
13.1 Fair value hedge		67.028	1.188	68.216
13.2 Cash flow hedge		1.520.914	167.481	1.688.395
13.3 Foreign net investment hedge		-	-	-
XIV. Property and equipment (net)	1.12	2.596.539	15.310	2.611.849
XV. Intangible assets (net)	1.12	1.663.441	18.785	1.682.226
15.1 Goodwill		979.493	-	979.493
15.2 Other		683.948	18.785	702.733
XVI. Investment property (net)	1.13	-	-	-
XVII. Tax asset	1.13	68.080	-	68.080
17.1 Current tax asset		14.766	-	14.766
17.2 Deferred tax asset	1.14	53.314	-	53.314
XVIII. Assets held for resale and related to discontinued operations (net)	1.15	204.048	5.806	209.854
18.1 Held for sale purposes		204.048	5.806	209.854
18.2 Related to discontinued operations		-	-	-
XIX. Other assets	1.16	2.467.613	3.284.136	5.751.749
Total assets		180.404.532	139.661.586	320.066.118

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of September 30, 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (30/09/2018)		
		TL	FC	Total
I. DEPOSITS	2.1	88.588.522	132.460.047	221.048.569
II. LOANS RECEIVED	2.3.1	1.640.887	60.625.374	62.266.261
III. MONEY MARKET FUNDS		5.627.778	956.243	6.584.021
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.3	5.343.975	23.173.561	28.517.536
4.1 Bills		1.920.293	57.388	1.977.681
4.2 Asset backed securities		-	4.516.466	4.516.466
4.3 Bonds		3.423.682	18.599.707	22.023.389
V. FUNDS		-	-	-
5.1 Borrower funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2.3.4	-	8.229.282	8.229.282
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	13.009.709	1.207.890	14.217.599
7.1 Derivative financial liabilities at fair value through profit or loss		12.699.408	1.188.976	13.888.384
7.2 Derivative financial liabilities at fair value through other comprehensive income		310.301	18.914	329.215
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES	2.5	-	-	-
9.1 Finance lease payables		-	-	-
9.2 Operating lease payables	2.5.2	-	-	-
9.3 Other		-	-	-
9.4 Deferred finance lease expenses (-)		-	-	-
X. PROVISIONS	2.6	3.609.545	241.752	3.851.297
10.1 Provision for restructuring		-	-	-
10.2 Reserves for employee benefits	2.6.2	620.219	2.171	622.390
10.3 Insurance technical reserves (Net)		-	-	-
10.4 Other provisions	2.6.4	2.989.326	239.581	3.228.907
XI. CURRENT TAX LIABILITIES	2.7	537.205	2.128	539.333
XII. DEFERRED TAX LIABILITIES		387.817	12.638	400.455
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	-	15.452.966	15.452.966
14.1 Loans		-	6.345.740	6.345.740
14.2 Other debt instruments		-	9.107.226	9.107.226
XV. OTHER LIABILITIES	2.4	13.445.608	7.115.414	20.561.022
XVI. SHAREHOLDERS' EQUITY	2.10	40.224.986	81.030	40.306.016
16.1 Paid-in capital		8.447.051	-	8.447.051
16.2 Capital reserves		1.985.050	-	1.985.050
16.2.1 Equity share premiums		556.937	-	556.937
16.2.2 Share cancellation profits		-	-	-
16.2.3 Other capital reserves		1.428.113	-	1.428.113
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1.677.549	7.315	1.684.864
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		3.051.936	115.122	3.167.058
16.5 Profit reserves		19.836.600	(41.407)	19.795.193
16.5.1 Legal reserves		869.410	-	869.410
16.5.2 Statutory reserves		-	-	-
16.5.3 Extraordinary reserves		18.959.274	(41.407)	18.917.867
16.5.4 Other profit reserves		7.916	-	7.916
16.6 Profit or loss		5.226.208	-	5.226.208
16.6.1 Prior years' profits or losses		1.639.954	-	1.639.954
16.6.2 Current period net profit or loss		3.586.254	-	3.586.254
16.7 Minority interest		592	-	592
TOTAL LIABILITIES		172.416.032	249.558.325	421.974.357

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of December 31, 2017

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

				Prior Period (31/12/2017)	
Liabilities		Note (Section Five)	TL	FC	Total
I.	Deposits	2.1	75.881.343	97.502.290	173.383.633
1.1	Deposits of the Bank's risk group		7.462.541	16.486.429	23.948.970
1.2	Other		68.418.802	81.015.861	149.434.663
II.	Derivative financial liabilities held for trading	2.2	3.537.677	283.028	3.820.705
III.	Funds borrowed		2.292.830	40.057.223	42.350.053
IV.	Money markets		15.433.064	623.076	16.056.140
4.1	Funds from interbank money market		3.703.931	-	3.703.931
4.2	Funds from Istanbul stock exchange money market		2.925.828	-	2.925.828
4.3	Funds provided under repurchase agreements		8.803.305	623.076	9.426.381
V.	Marketable securities issued (net)	2.3.3	4.796.710	18.481.161	23.277.871
5.1	Bills		1.212.509	107.682	1.320.191
5.2	Asset backed securities		-	8.278.912	8.278.912
5.3	Bonds		3.584.201	10.094.567	13.678.768
VI.	Funds		-	-	-
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	Miscellaneous payables		10.462.397	2.291.832	12.754.229
VIII.	Other liabilities	2.4	1.386.759	555.067	1.941.826
IX.	Factoring payables		-	-	-
X.	Lease payables	2.5	-	-	-
10.1	Financial lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred lease expenses (-)		-	-	-
XI.	Derivative financial liabilities held for hedging		300.335	12.443	312.778
11.1	Fair value hedge		205.148	63	205.211
11.2	Cash flow hedge		95.187	12.380	107.567
11.3	Foreign net investment hedge		-	-	-
XII.	Provisions	2.6	4.137.465	1.345.038	5.482.503
12.1	General loan loss provision		2.162.793	1.248.012	3.410.805
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee rights		581.606	2.773	584.379
12.4	Insurance technical provisions (net)		-	-	-
12.5	Other provisions	2.6.4	1.393.066	94.253	1.487.319
XIII.	Tax liability	2.7	846.595	19.155	865.750
13.1	Current tax liability		628.470	12.002	640.472
13.2	Deferred tax liability	2.7.3	218.125	7.153	225.278
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	29.873.141	228.685	30.101.826
16.1	Paid-in capital		4.347.051	-	4.347.051
16.2	Capital reserves		2.574.496	228.685	2.803.181
16.2.1	Share premium		543.881	-	543.881
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities valuation differences		(445.780)	60.864	(384.916)
16.2.4	Property and equipment revaluation differences		1.373.713	7.315	1.381.028
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		5.667	-	5.667
16.2.8	Hedging funds (effective portion)		(42.581)	160.506	117.925
16.2.9	Value increase in assets held for sale and related to discontinued operations		-	-	-
16.2.10	Other capital reserves		1.139.596	-	1.139.596
16.3	Profit reserves		17.697.018	-	17.697.018
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		1.152.585	-	1.152.585
16.4	Income or (loss)		5.254.035	-	5.254.035
16.4.1	Prior years' income or (loss)		1.639.954	-	1.639.954
16.4.2	Current year income or (loss)		3.614.081	-	3.614.081
16.5	Minority interest		541	-	541
Total liabilities and shareholders' equity			148.948.316	171.117.802	320.066.118

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2018 and December 31, 2017

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

2. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (30/09/2018)			Prior Period (31/12/2017)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I-II+III)		243.116.817	479.539.862	722.656.679	296.244.062	392.441.545	688.685.607
I. Guarantees and warranties	3.1.2,3	27.274.208	76.488.345	103.762.553	26.495.214	52.356.201	78.851.415
1.1 Letters of guarantee	3.1.2.2	27.202.586	49.965.405	77.167.991	26.441.208	33.858.543	60.299.751
1.1.1 Guarantees subject to state tender law		601.036	1.616.300	2.217.336	791.090	1.168.552	1.959.642
1.1.2 Guarantees given for foreign trade operations		3.973.757	48.161.537	52.135.294	3.381.312	32.588.518	35.969.830
1.1.3 Other letters of guarantee		22.627.793	187.568	22.815.361	22.268.806	101.473	22.370.279
1.2 Bank acceptances		-	311.588	311.588	-	212.685	212.685
1.2.1 Import letter of acceptance		-	311.588	311.588	-	212.685	212.685
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		52.118	17.042.095	17.094.213	20.000	11.507.886	11.527.886
1.3.1 Documentary letters of credit		52.118	17.041.447	17.093.565	20.000	11.507.373	11.527.373
1.3.2 Other letters of credit		-	648	648	-	513	513
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		19.504	4.605.948	4.625.452	34.006	2.421.805	2.455.811
1.9 Other warranties		-	4.563.309	4.563.309	-	4.355.282	4.355.282
II. Commitments	3.1.1	64.264.995	61.677.900	125.942.895	93.480.873	92.506.787	185.987.660
2.1 Irrevocable commitments		63.380.513	47.855.841	111.236.354	92.020.358	42.021.703	134.042.061
2.1.1 Asset purchase and sale commitments		6.278.989	43.723.298	50.002.287	36.662.381	40.236.824	76.899.205
2.1.2 Deposit purchase and sales commitments		37.025	19.076	56.101	29.564	762.402	791.966
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		10.132.674	3.731.240	13.863.914	9.349.555	775.480	10.125.035
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		3.260.737	-	3.260.737	6.844.741	-	6.844.741
2.1.8 Tax and fund liabilities from export commitments		1.475	-	1.475	7.297	-	7.297
2.1.9 Commitments for credit card limits		35.821.972	-	35.821.972	33.700.364	-	33.700.364
2.1.10 Commitments for credit cards and banking services promotions		23.072	-	23.072	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		7.824.569	382.227	8.206.796	5.408.134	246.997	5.655.131
2.2 Revocable commitments		884.482	13.822.059	14.706.541	1.460.515	50.485.084	51.945.599
2.2.1 Revocable loan granting commitments		884.482	13.718.813	14.603.295	1.460.515	50.417.185	51.877.700
2.2.2 Other revocable commitments		-	103.246	103.246	-	67.899	67.899
III. Derivative financial instruments		151.577.614	341.373.617	492.951.231	176.267.975	247.578.557	423.846.532
3.1 Derivative financial instruments for hedging purposes		52.729.314	57.006.120	109.735.434	42.981.037	30.901.265	73.882.302
3.1.1 Transactions for fair value hedge		599.664	4.370.777	4.970.441	491.387	2.804.166	3.295.553
3.1.2 Transactions for cash flow hedge		52.129.650	52.635.343	104.764.993	42.489.650	28.097.029	70.586.749
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		98.848.300	284.367.497	383.215.797	133.286.938	216.677.292	349.964.230
3.2.1 Forward foreign currency buy/sell transactions		9.007.126	16.593.803	25.600.929	11.622.183	15.192.560	26.814.743
3.2.1.1 Forward foreign currency transactions-buy		3.814.427	9.370.916	13.185.343	4.545.311	8.808.854	13.354.165
3.2.1.2 Forward foreign currency transactions-sell		5.192.699	7.222.887	12.415.586	7.076.872	6.383.706	13.460.578
3.2.2 Swap transactions related to foreign currency and interest rates		79.706.917	218.792.521	298.499.438	105.854.508	169.948.833	275.803.341
3.2.2.1 Foreign currency swap-buy		25.358.558	78.020.930	103.379.488	21.536.219	88.609.675	110.145.894
3.2.2.2 Foreign currency swap-sell		50.238.359	53.736.497	103.974.856	79.188.289	32.339.368	111.527.657
3.2.2.3 Interest rate swap-buy		2.055.000	43.517.547	45.572.547	2.565.000	24.499.895	27.064.895
3.2.2.4 Interest rate swap-sell		2.055.000	43.517.547	45.572.547	2.565.000	24.499.895	27.064.895
3.2.3 Foreign currency, interest rate and securities options		8.929.656	22.638.129	31.567.785	9.678.309	16.400.673	26.078.982
3.2.3.1 Foreign currency options-buy		3.630.613	10.299.582	13.930.195	3.910.315	7.906.039	11.816.354
3.2.3.2 Foreign currency options-sell		5.299.043	8.287.346	13.586.389	5.467.994	6.672.990	12.140.984
3.2.3.3 Interest rate options-buy		-	2.597.566	2.597.566	-	1.058.039	1.058.039
3.2.3.4 Interest rate options-sell		-	1.453.635	1.453.635	300.000	763.605	1.063.605
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		384.593	375.993	760.586	-	-	-
3.2.4.1 Foreign currency futures-buy		-	375.993	375.993	-	-	-
3.2.4.2 Foreign currency futures-sell		384.593	-	384.593	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		820.008	25.967.051	26.787.059	6.131.938	15.135.226	21.267.164
B. Custody and pledges received (IV+V+VI)		2.895.852.484	753.790.783	3.649.643.267	644.580.477	284.931.511	929.511.988
IV. Items held in custody		425.946.105	605.429.455	1.031.375.560	359.521.535	192.501.757	552.023.292
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		401.442.400	604.554.322	1.005.996.722	337.338.561	191.854.708	529.193.269
4.3 Checks received for collection		18.698.814	78.406	18.777.220	17.339.675	93.109	17.432.784
4.4 Commercial notes received for collection		5.746.747	704.057	6.450.804	4.785.155	494.096	5.279.251
4.5 Other assets received for collection		-	73.988	73.988	-	47.846	47.846
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		58.144	18.682	76.826	58.144	11.998	70.142
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		2.450.541.831	136.906.505	2.587.448.336	271.152.739	91.536.890	362.689.629
5.1 Marketable securities		248.455	664	249.119	193.385	418	193.803
5.2 Guarantee notes		1.136.065	471.989	1.608.054	930.316	272.363	1.202.679
5.3 Commodity		19.120	-	19.120	23.010	-	23.010
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		2.303.560.277	100.750.784	2.404.311.061	119.604.456	71.034.836	190.639.292
5.6 Other pledged items		145.577.914	35.672.306	181.250.220	150.401.572	20.222.475	170.624.047
5.7 Pledged items-depository		-	10.762	10.762	-	6.798	6.798
VI. Accepted independent guarantees and warranties		19.364.548	11.454.823	30.819.371	13.906.203	892.864	14.799.067
Total off-balance sheet commitments (A+B)		3.138.969.301	1.233.330.645	4.372.299.946	940.824.539	677.373.056	1.618.197.595

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of September 30, 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Consolidated income statement

	Note (Section Five)	Current Period (01/01/2018- 30/09/2018)	Current Period (01/07/2018- 30/09/2018)
Income and expense items			
I. INTEREST INCOME	4.1	24.489.639	10.134.607
1.1 Interest on loans	4.1.1	18.648.111	7.385.634
1.2 Interest received from reserve deposits		285.863	108.885
1.3 Interest received from banks	4.1.2	553.358	210.748
1.4 Interest received from money market transactions		30.857	8.276
1.5 Interest received from marketable securities portfolio	4.1.3	3.945.691	2.010.896
1.5.1 Financial assets at fair value through profit or loss		9.663	2.457
1.5.2 Financial assets at fair value through other comprehensive income		2.568.087	1.257.000
1.5.3 Financial assets measured at amortised cost		1.367.941	751.439
1.6 Finance lease income		698.974	273.381
1.7 Other interest income		326.785	136.787
II. INTEREST EXPENSES	4.2	14.124.548	5.823.144
2.1 Interest on deposits	4.2.4	9.263.816	3.784.497
2.2 Interest on funds borrowed	4.2.1	1.844.334	798.351
2.3 Interest expense on money market transactions		1.071.065	399.706
2.4 Interest on securities issued	4.2.3	1.625.346	716.987
2.5 Other interest expenses		319.987	123.603
III. NET INTEREST INCOME/EXPENSE (I - II)		10.365.091	4.311.463
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		3.120.829	1.035.780
4.1 Fees and commissions received		4.047.669	1.422.232
4.1.1 Non-cash loans		553.617	209.742
4.1.2 Other		3.494.052	1.212.490
4.2 Fees and commissions paid		926.840	386.452
4.2.1 Non-cash loans		20.042	6.800
4.2.2 Other		906.798	379.652
V. PERSONNEL EXPENSES (-)	4.7	2.242.768	862.156
VI. DIVIDEND INCOME		12.753	719
VII. TRADING PROFIT/LOSS (Net)	4.3	(57.643)	389.448
7.1 Profit/losses from capital market transactions		127.263	43.453
7.2 Profit/losses from derivative financial transactions	4.5	13.742.363	10.081.456
7.3 Foreign exchange profit/losses		(13.927.269)	(9.735.461)
VIII. OTHER OPERATING INCOME		1.092.331	288.159
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		12.290.593	5.163.413
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	4.4	5.340.348	2.955.536
XI. OTHER OPERATING EXPENSES (-)	4.7	2.443.295	820.419
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		4.506.950	1.387.458
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		83.930	30.915
XV. NET MONETARY POSITION GAIN/LOSS)		-	-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	4.8	4.590.880	1.418.373
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	4.9	1.004.533	303.317
17.1 Current tax provision		264.392	23.539
17.2 Expense effect of deferred tax (+)		740.141	279.778
17.3 Income effect of deferred tax (-)		-	-
XVIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)		3.586.347	1.115.056
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)		-	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1 Current tax provision		-	-
22.2 Expense effect of deferred tax (+)		-	-
22.3 Income effect of deferred tax (-)		-	-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	4.10	3.586.347	1.115.056
24.1 Group's profit/loss		3.586.254	1.115.022
24.2 Minority shares		93	34
Profit/Loss per share (in TL full)		0,0062	0,0013

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2017

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

3. Consolidated income statement

	Note (Section Five)	Prior Period (01/01/2017- 30/09/2017)	Prior Period (01/07/2017- 30/09/2017)
Income and expense items			
I. Interest income	4.1	16.544.827	5.812.864
1.1 Interest on loans	4.1.1	13.148.825	4.574.295
1.2 Interest received from reserve deposits		164.242	65.455
1.3 Interest received from banks	4.1.2	262.059	87.378
1.4 Interest received from money market transactions		19.988	3.076
1.5 Interest received from marketable securities portfolio	4.1.3	2.281.440	839.161
1.5.1 Trading financial assets		2.876	762
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.611.693	609.376
1.5.4 Held to maturity investments		666.871	229.023
1.6 Financial lease income		471.127	169.915
1.7 Other interest income		197.146	73.584
II. Interest expense	4.2	(9.619.954)	(3.459.970)
2.1 Interest on deposits	4.2.4	(7.175.197)	(2.525.461)
2.2 Interest on funds borrowed	4.2.1	(1.042.116)	(380.108)
2.3 Interest expense on money market transactions		(521.747)	(227.417)
2.4 Interest on securities issued	4.2.3	(854.939)	(325.029)
2.5 Other interest expenses		(25.955)	(1.955)
III. Net interest income (I + II)		6.924.873	2.352.894
IV. Net fees and commissions income		2.474.138	799.144
4.1 Fees and commissions received		3.144.714	1.051.564
4.1.1 Non-cash loans		429.546	137.764
4.1.2 Other		2.715.168	913.800
4.2 Fees and commissions paid		(670.576)	(252.420)
4.2.1 Non-cash loans		(15.307)	(5.768)
4.2.2 Other		(655.269)	(246.652)
V. Dividend income		10.306	28
VI. Trading gain/(loss) (net)	4.3	(201.420)	(160.133)
6.1 Trading gains/(losses) on securities		49.664	13.116
6.2 Derivative financial transactions gains/(losses)	4.5	(1.837.448)	(207.897)
6.3 Foreign exchange gains/(losses)		1.586.364	34.648
VII. Other operating income	4.6	878.766	249.911
VIII. Total operating income / loss (III+IV+V+VI+VII)		10.086.663	3.241.844
IX. Provision for impairment of loans and other receivables (-)	4.4	(2.554.280)	(839.845)
X. Other operating expenses (-)	4.7	(4.154.483)	(1.362.991)
XI. Net operating income/(loss) (VIII-IX-X)		3.377.900	1.039.008
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		65.754	18.660
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)		3.443.654	1.057.668
XVI. Tax provision for continuing operations (±)		(709.035)	(216.281)
16.1 Current tax provision		(871.303)	(82.250)
16.2 Deferred tax provision		162.268	(134.031)
XVII. Net profit/loss from continuing operations (XV±XVI)	4.8	2.734.619	841.387
XVIII. Income from discontinued operations	4.9	-	-
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	2.734.619	841.387
23.1 Group's profit/loss		2.734.566	841.368
23.2 Minority interest profit/losses (-)		53	19
Earnings/(loss) per share (in TL full)		0,0063	0,0019

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2018 and September 30, 2017

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

4. Consolidated statement of income and expense items accounted under shareholders’ equity

		Current Period (30/09/2018)
I.	PROFIT (LOSS)	3.586.347
II.	OTHER COMPREHENSIVE INCOME	2.667.381
2.1	Other comprehensive income that will not be reclassified to profit or loss	462.535
2.1.1.	Gains (losses) on Revaluation of Property, Plant and Equipment	545.509
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(31.831)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	2.379
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(53.522)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	2.204.846
2.2.1.	Exchange Differences on Translation	1.432.842
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(2.217.866)
2.2.3.	Income (loss) Related with Cash Flow Hedges	4.221.354
2.2.4.	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(1.013.954)
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	(217.530)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	6.253.728

		Prior Period (30/09/2017)
Income and expense items accounted under shareholders’ equity		
I.	Transfers to marketable securities valuation differences from financial assets available for sale	277.467
II.	Property and equipment revaluation differences	(3.277)
III.	Intangible assets revaluation differences	-
IV.	Currency translation differences for foreign currency transactions	239.443
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	(1.476)
VI.	Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(190.723)
VII.	Effects of changes in accounting policy and adjustment of errors	-
VIII.	Other income and expense items accounted under shareholders’ equity according to TAS	(232.749)
IX.	Deferred tax on valuation differences	30.899
X.	Net profit or loss accounted directly under shareholders’ equity (I+II+...+IX)	119.584
XI.	Current year profit/loss	2.734.619
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	38.209
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	163.093
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-
11.4	Other	2.533.317
XII.	Total income/loss accounted for the period (X+XI)	2.854.203

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

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

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

5. Consolidated statement of changes in shareholders' equity

Current Period (30/09/2018)	Other Accumulated Comprehensive Income				Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income								
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
					1	2	3	4	5	6						
I. Balance at the beginning of the period	4.347.051	543.881	-	1.329.747	1.381.028	(184.484)	25.785	1.144.663	(410.701)	117.925	16.552.355	1.639.954	3.614.081	30.101.285	541	30.101.826
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
III. New balance (I+II)	4.347.051	543.881	-	1.329.747	1.381.028	(184.484)	25.785	1.144.663	(300.376)	117.925	16.308.951	1.639.954	3.614.081	29.968.206	541	29.968.747
IV. Total comprehensive income (loss)	-	-	-	-	485.503	(24.824)	1.856	1.432.842	(1.729.767)	2.501.771	-	-	3.586.254	6.253.635	93	6.253.728
V. Capital increase in cash	4.100.000	13.056	-	(29.467)	-	-	-	-	-	-	-	-	-	4.083.589	-	4.083.589
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)	-	(6)
XI. Profit distribution	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-	(42)	(42)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(42)	(42)
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	-	1.428.113	1.866.531	(209.308)	27.641	2.577.505	(2.030.143)	2.619.696	19.795.193	1.639.954	3.586.254	40.305.424	592	40.306.016

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,
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 consolidated financial statements.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

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

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

5. Consolidated statement of changes in shareholders' equity

Prior Period (30/09/2017)		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽²⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽²⁾	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
I.	Prior period-end balance		4.347.051	-	543.881	-	844.539	-	12.913.149	1.982.740	2.932.795	1.639.954	(463.754)	1.469.697	4.561	(93.962)	-	26.120.651	502	26.121.153
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	222.938	-	-	-	-	222.938	-	222.938
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(153.759)	-	(153.759)	-	(153.759)
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(1.181)	-	(1.181)	-	(1.181)
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(152.578)	-	(152.578)	-	(152.578)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	(2.829)	-	-	-	(2.829)	-	(2.829)
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	1.106	-	-	1.106	-	1.106
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	238.180	-	-	(408)	75	-	1.365	-	239.212	-	239.212
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(187.084)	-	-	-	-	-	-	-	(187.084)	-	(187.084)
XVII.	Current year income or loss		-	-	-	-	-	-	-	-	2.734.566	-	-	-	-	-	-	2.734.566	53	2.734.619
XVIII.	Profit distribution		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-	(38)	(38)
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38)	(38)
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+.....+XVII+XVIII)		4.347.051	-	543.881	-	869.410	-	15.675.023	2.179.886	2.734.566	1.639.954	(241.224)	1.466.943	5.667	(246.356)	-	28.974.801	517	28.975.318

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of September 30, 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Consolidated statement of cash flows

	Notes (Section Five)	Current Period (30/09/2018)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		7.802.213
1.1.1 Interest received		19.592.068
1.1.2 Interest paid		(13.518.012)
1.1.3 Dividend received		12.753
1.1.4 Fees and commissions received		4.047.669
1.1.5 Other income		807.598
1.1.6 Collections from previously written-off loans and other receivables		1.148.464
1.1.7 Cash Payments to personnel and service suppliers		(4.500.922)
1.1.8 Taxes paid		(597.269)
1.1.9 Other		809.864
1.2 Changes in operating assets and liabilities subject to banking operations		(5.416.424)
1.2.1 Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(255.576)
1.2.2 Net (increase) decrease in due from banks		(2.721.452)
1.2.3 Net (increase) decrease in loans		(49.185.008)
1.2.4 Net (increase) decrease in other assets		(13.529.297)
1.2.5 Net increase (decrease) in bank deposits		807.405
1.2.6 Net increase (decrease) in other deposits		46.360.973
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		3.631.796
1.2.8 Net increase (decrease) in funds borrowed		8.644.258
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		830.477
I. Net cash provided from banking operations		2.385.789
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(3.238.893)
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		(526.888)
2.4 Cash obtained from the sale of tangible and intangible asset		200.601
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(7.454.968)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		6.916.984
2.7 Cash paid for the purchase of financial assets at amortised cost		(3.951.109)
2.8 Cash obtained from sale of financial assets at amortised cost		1.576.487
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flows from financing activities		15.942.773
3.1 Cash obtained from funds borrowed and securities issued		17.601.288
3.2 Cash outflow from funds borrowed and securities issued		(5.742.062)
3.3 Equity instruments issued		4.083.589
3.4 Dividends paid		(42)
3.5 Payments for finance lease liabilities		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		9.152.118
V. Net increase/decrease in cash and cash equivalents		24.241.787
VI. Cash and cash equivalents at beginning of the period		23.844.278
VII. Cash and cash equivalents at end of the period		48.086.065

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

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6. Consolidated statement of cash flows

	Note (Section Five)	Prior Period (30/09/2017)
A. Cash flows from banking operations		
1.1 Operating profit before changes in operating assets and liabilities		5.670.394
1.1.1 Interest received		14.600.978
1.1.2 Interest paid		(9.634.321)
1.1.3 Dividend received		10.306
1.1.4 Fees and commissions received		3.144.714
1.1.5 Other income		548.797
1.1.6 Collections from previously written-off loans and other receivables		999.086
1.1.7 Payments to personnel and service suppliers		(3.556.809)
1.1.8 Taxes paid		(1.032.628)
1.1.9 Other		590.271
1.2 Changes in operating assets and liabilities		(5.762.156)
1.2.1 Net (increase)/decrease in trading securities		(84.178)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-
1.2.3 Net (increase)/decrease in banks		(1.512.194)
1.2.4 Net (increase)/decrease in loans		(19.168.840)
1.2.5 Net (increase)/decrease in other assets		469.446
1.2.6 Net increase /(decrease) in bank deposits		(1.614.429)
1.2.7 Net increase /(decrease) in other deposits		9.572.370
1.2.8 Net increase /(decrease) in funds borrowed		6.098.955
1.2.9 Net increase /(decrease) in payables		-
1.2.10 Net increase /(decrease) in other liabilities		476.714
I. Net cash flows from banking operations		(91.762)
B. Cash flows from investing activities		
II. Net cash flows from investing activities		(4.425.679)
2.1 Cash paid for acquisition of investments in associates subsidiaries and joint ventures		-
2.2 Cash obtained from disposal of investments in associates subsidiaries and joint ventures		-
2.3 Purchases of property and equipment		(273.664)
2.4 Disposals of property and equipment		39.448
2.5 Purchase of investments available-for-sale		(11.226.174)
2.6 Sale of investments available-for-sale		7.497.585
2.7 Purchase of investment securities		(654.884)
2.8 Sale of investment securities		192.010
2.9 Other		-
C. Cash flows from financing activities		
III. Net cash flows from financing activities		4.897.017
3.1 Cash obtained from funds borrowed and securities issued		15.350.882
3.2 Cash used for repayment of funds borrowed and securities issued		(10.453.827)
3.3 Issued capital instruments		-
3.4 Dividends paid		(38)
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		696.309
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		1.075.885
VI. Cash and cash equivalents at beginning of the period		15.959.013
VII. Cash and cash equivalents at end of the period		17.034.898

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

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Section Three - Accounting policies

1. Explanations on basis of presentation:

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

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

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

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

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets 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 consolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The 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 December 31, 2017.

The Group has adopted "TFRS 9: Financial Instruments" to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018, as issued by 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 Group did not early adopt TFRS 9 in previous periods.

As permitted by the transitional provisions of TFRS 9, the Group 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 reserves" of the current period. The Group has also elected to continue to apply the hedge accounting requirements of TAS 39.

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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.

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	27.253	83.811	Financial assets	111.064
Cash and balances with Central Bank	-	77.943	Cash and balances with Central Bank	77.943
Banks	27.253	5.446	Banks	32.699
Money markets	-	422	Money markets	422
Financial assets available-for-sale	18.326	4.317	Financial assets at fair value through other comprehensive income	22.643
Held-to-maturity investments	-	10.481	Financial assets measured at amortised cost	10.481
Loans and receivables	9.929.179	440.281	Loans	10.369.460
Lease receivables	268.765	153.181	Lease receivables	421.946
Factoring receivables	112.673	20.155	Factoring receivables	132.828
Other assets	186.856	(175.882)	Other assets	10.974
Off-balance sheet commitments	357.019	762.240	Off-balance sheet commitments	1.119.259
Total	10.900.071	1.298.584	Total	12.198.655

The effect of application of TFRS 9 to impairment of financial assets is, before tax, the negative TL 1.298.584. The Group 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 1.033.794 income, and as a result net-off tax TL 264.790 expense is recognized under "Profit Reserves" opening balance related to impairment of financial assets.

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 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. classified. 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 Group has no financial instrument that fails 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.

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

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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 Turkish Financial Reporting Standards ("TFRS") 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 TFRS.

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

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

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

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Other accumulated comprehensive income that will be reclassified in profit or loss " in equity.

The Group, classifies its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition.

3. Information on consolidation principles:

3.1. Consolidation principles applied:

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

3.1.1. Consolidation principles of subsidiaries:

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

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

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

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance

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

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

Title	Incorporation (City/ Country)	Main activities	Effective rates (%)	
			September 30, 2018	September 30, 2018
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

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

3.1.2. Consolidation principles of associates:

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

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

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

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

Title	(City/ Country)	Main activities	Effective rates %	
			September 30, 2018	September 30, 2018
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3.1.3. Consolidation principles of joint ventures:

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

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

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

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Title	(City/ Country)	Main activities	Effective rates % September 30, 2018	Direct and indirect rates % September 30, 2018
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

3.1.4. Transactions with minority shareholders:

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

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

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

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

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

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

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

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

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (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 the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in 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

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transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "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 of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "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 September 30, 2018, the Parent 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.

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

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

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

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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 Group 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 Group manages the assets in order to generate cash flows. Bank's business model may be to collect solely 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 Group 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.

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 the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value

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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 4 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 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 Parent 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 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.

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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 Parent 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 Group 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.

The Parent Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
 - the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
 - the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
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- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removing conservatism required for for IRB preparation purposes;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation purposes (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove conservatism and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by extending the 1 year regulatory or managerial model, removing margin of conservatism and including expectation about future drawing levels.

With reference to the quantitative component of the model for stage allocation, the Group has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

9. Explanations on offsetting financial assets:

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

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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 Group 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 Group 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 "IFRS-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 Group'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 recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

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 IFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "IFRS 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 "IAS 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.

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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 Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "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 utilise 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 equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16- 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 recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

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

14.1. Accounting of leasing operations according to lessee:

14.1.1 Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from financial leasing contracts are accounted under "financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

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14.1.2 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.

14.2. Accounting of leasing operations according to lessor:

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

14.2.1 Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the TFRS 9 rules.

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

15. Explanations on provisions and contingent assets and liabilities:

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

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

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

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

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

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16.2. Pension rights

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

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

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

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

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

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

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

16.3. Short term benefits of employee:

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

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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.

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

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

Corporations are required to pay advance corporate tax quarterly 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.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of September 30, 2018 are as follows:

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

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17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS 12-Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Group 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 utilised.

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

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

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

17.3. Transfer pricing:

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

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

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

18. Additional 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".

The Group classifies 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. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

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

Also, Group obtains funds by issuing bonds and bills.

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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 of the Parent Bank 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 Group 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.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the period 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	3.586.254	2.734.566
Weighted average number of issued ordinary shares(thousand)	574.888.952	434.705.128
Earnings per share (full TL)	0,0062	0,0063

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 (31 December 2017 - no bonus shares were issued).

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 5. of Section Five.

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25. Explanations on operating segments:

Information about operating segments which are determined in line with "IFRS 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:

"IFRS 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 IFRS 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 the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

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

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

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

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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 is accounted for in foreign exchange gain/loss accounts.

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

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 accrual are accounted under "Trading gains/(losses) on securities" according to the UCA.

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Section four - Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” and “Regulation Regarding Banks’ Shareholders’ Equity”.

The consolidated capital adequacy ratio of the Group is 16,11% (December 31, 2017 – 13,37%) and the Parent Bank is 17,38% (December 31, 2017 – 14,49%).

1.1. Information related to capital adequacy ratio:

	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	21.216.976		17.697.018	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	8.573.383		3.538.112	
Profit	5.226.208		5.254.035	
Net profit of the period	3.586.254		3.614.081	
Profit of the previous years	1.639.954		1.639.954	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	6.330		5.667	
Minority interest	592		541	
Common Equity Tier 1 capital before regulatory adjustments	44.027.477		31.386.305	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	99.216		91.324	
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	3.721.461		1.284.479	
Improvement costs for operating leasing	84.282		98.823	
Goodwill (net of related tax liability)	979.493		783.594	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	715.303		533.737	667.171
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	3.951.082		836.691	
Shortfall of provisions to expected losses	-		-	
Securitisation gain on sale	-		-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Investments in own shares	-		-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Mortgage servicing rights (amount above 10% threshold)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks’ Shareholders’ Equity	-		-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	1.142.070		790.411	
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	10.692.907		4.419.059	
Common Equity Tier 1 capital (CET1)	33.334.570		26.967.246	

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ADDITIONAL TIER 1 CAPITAL	Amounts subject to treatment		Amounts subject to treatment before 1/1/2014 ⁽¹⁾
	Current Period	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 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 (-)	-	-	329.333
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)	33.334.570		26.637.913
TIER 2 CAPITAL			
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	8.613.908		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
Shares of Third Parties in Additional Tier I Capital	-		-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-		-
Provisions (Article 8 of the Regulation on the Equity of Banks) ⁽²⁾	2.616.697		3.130.251
Tier 2 capital before regulatory adjustments	11.941.645		9.706.596
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	95.251		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	95.251		72.789
Total Tier 2 capital	11.846.394		9.633.807
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	45.102.693		36.132.636
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	3.958		3.885
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years ⁽³⁾	-		-
National specific regulatory adjustments which shall be determined by the BRSA	74.313		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 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 deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)			
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)			

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OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital) ⁽⁴⁾	47.105.195	36.132.636
Total Risk Weighted Assets ⁽⁵⁾	292.438.019	270.278.292
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12,08	9,98
Tier 1 Capital Adequacy Ratio (%)	12,08	9,86
Capital Adequacy Ratio (%)	16,11	13,37
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	3,038	2,017
a)Capital conservation buffer requirement (%)	1,875	1,250
b)Bank's specific countercyclical buffer requirement (%)	0,038	0,017
c)Systemically important Bank buffer	1,125	0,750
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 (%)	6,084	3,978
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2.717.204	1.780.093
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.509.864	3.410.805
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.354.740	3.130.251
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	5.279.160	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.

(2) Represents after 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.

(4) In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before August 12, 2018 classified under "securities at fair value through other comprehensive income" are not taken into consideration in the calculation of own funds according to BRSA letter No. 10513 dated August 12, 2018.

(5) In the calculation of credit risk, foreign exchange rate is the rate that used in the preparation of financial statements as of June 30, 2018, according to BRSA letter No. 10578 dated August 13, 2018.

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

	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)	2.803	2.815	712	2.995
Par value of instrument	3.504	2.815	5.991	2.995
Accounting classification	Liability – Subordinated Debt-amortized cost	Liability – Subordinated Debt-amortized cost	Liability – Subordinated Debt-amortized cost	Liability – Subordinated Debt-amortized 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+ 4,88% coupon)	5,5%	8,625% (5 Year MidSwap+ 7,40% coupon)
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	-

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- 1.3. 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 debts 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 Consolidation Based 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)	259.465.126	242.416.648	20.757.210
2 Of which standardised approach (SA)	259.465.126	242.416.648	20.757.210
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	8.904.752	7.955.474	712.380
5 Of which standardised approach for counterparty credit risk (SA-CCR)	8.904.752	7.955.474	712.380
6 Of which internal model method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – look-through approach	9.352	47.101	748
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	3.084.831	1.790.287	246.786
17 Of which standardised approach (SA)	3.084.831	1.790.287	246.786
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	20.973.958	18.068.782	1.677.917
20 Of which Basic Indicator Approach	20.973.958	18.068.782	1.677.917
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	292.438.019	270.278.292	23.395.041

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3. Explanations on consolidated currency risk:

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

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

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

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

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	5,9902	6,9505
First day current bid rate	6,0752	7,1130
Second day current bid rate	6,1242	7,2007
Third day current bid rate	6,1240	7,2057
Fourth day current bid rate	6,2287	7,3234
Fifth day current bid rate	6,2671	7,3794
Arithmetic average of the last 30 days:	6,3340	7,3896
Evaluation rate as of December 31, 2017:	3,7719	4,5155

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Information on currency risk of the Group:

	EUR	USD	Other FC ⁽⁴⁾	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.554.500	18.001.058	4.319.234	48.874.792
Banks	2.927.641	4.737.672	159.972	7.825.285
Financial assets at fair value through profit or loss	4.062	274.688	-	278.750
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	1.002.299	3.270.286	169.570	4.442.155
Loans ⁽¹⁾	66.932.935	69.578.478	2.155.806	138.667.219
Investments in associates, subsidiaries and joint ventures	-	-	873.984	873.984
Financial assets measured at amortised cost	1.390.108	9.928.466	-	11.318.574
Hedging derivative financial assets	248.587	535.573	-	784.160
Tangible assets	2.794	-	17.865	20.659
Other assets ⁽²⁾	7.431.813	3.842.348	435.800	11.709.961
Total assets	106.494.739	110.168.569	8.132.231	224.795.539
Liabilities				
Bank deposits	2.352.970	3.910.773	68.924	6.332.667
Foreign currency deposits	45.056.465	77.266.203	3.804.712	126.127.380
Funds from money market	769.858	186.385	-	956.243
Funds borrowed from other financial institutions	38.278.686	22.148.103	198.585	60.625.374
Marketable securities issued	1.342.049	21.689.038	142.474	23.173.561
Miscellaneous payables	5.128.973	334.650	36.732	5.500.355
Hedging derivative financial liabilities	18.914	-	-	18.914
Other liabilities ⁽³⁾	1.262.918	25.441.616	36.096	26.740.630
Total liabilities	94.210.833	150.976.768	4.287.523	249.475.124
Net on balance sheet position	12.283.906	(40.808.199)	3.844.708	(24.679.585)
Net off balance sheet position⁽⁵⁾	(11.192.596)	39.737.359	(2.672.852)	25.871.911
Financial derivative assets	22.871.272	95.029.975	2.795.294	120.696.541
Financial derivative liabilities	34.063.868	55.292.616	5.468.146	94.824.630
Net position	1.091.310	(1.070.840)	1.171.856	1.192.326
Non-cash loans	36.011.747	35.153.335	5.323.263	76.488.345
Prior period				
Total assets	62.118.972	75.562.254	7.676.524	145.357.750
Total liabilities	59.423.436	106.991.565	3.223.331	169.638.332
Net on-balance sheet position	2.695.536	(31.429.311)	4.453.193	(24.280.582)
Net off-balance sheet position⁽⁵⁾	(2.502.851)	31.509.469	(3.782.174)	25.224.444
Financial derivative assets	13.280.501	92.012.170	2.872.164	108.164.835
Financial derivative liabilities	15.783.352	60.502.701	6.654.338	82.940.391
Net position	192.685	80.158	671.019	943.862
Non-cash loans	23.039.874	25.396.253	3.920.074	52.356.201

(1) Includes FX indexed loans amounting to TL 6.628.688 (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 298.860 (December 31, 2017 - TL 180.916).

(3) Does not include foreign currency other comprehensive income and expense under equity.

(4) Other FC column also includes gold balance.

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

4. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, 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.

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The Parent Bank utilizes TL/FC 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 ⁽¹⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	20.669.792	-	-	-	-	35.967.033	56.636.825
Banks	3.559.746	766.949	971.615	96.796	-	3.711.985	9.107.091
Financial assets at fair value through profit/loss	1.898	6.498	16.495	19.961	57.321	256.810	358.983
Receivables from money markets	171.383	2.009	-	-	-	-	173.392
Financial assets at fair value through other comprehensive income	4.334.631	2.073.137	9.835.043	6.038.048	3.175.483	67.194	25.523.536
Loans ⁽¹⁾	40.852.666	47.226.815	79.569.846	84.889.840	14.641.780	(2.378.424)	264.802.523
Financial assets measured at amortised cost	1.325.795	1.634.612	6.223.285	3.679.589	10.967.651	-	23.830.932
Other assets	3.386.659	6.793.047	3.318.785	6.152.337	1.423.095	20.467.152	41.541.075
Total assets	74.302.570	58.503.067	99.935.069	100.876.571	30.265.330	58.091.750	421.974.357
Liabilities							
Bank deposits	6.749.772	1.145.297	805.441	-	-	1.544.922	10.245.432
Other deposits	139.658.783	20.741.080	7.444.997	2.986.090	230.041	39.742.146	210.803.137
Funds from money market	5.503.867	410.339	669.815	-	-	-	6.584.021
Miscellaneous payables	-	-	-	-	-	17.519.489	17.519.489
Marketable securities issued	1.883.624	8.922.109	407.929	14.363.015	2.940.859	-	28.517.536
Funds borrowed from other financial institutions	17.252.228	18.587.125	15.748.052	8.637.168	2.041.688	-	62.266.261
Other liabilities ⁽²⁾	2.495.510	11.191.249	4.454.897	13.056.056	6.635.417	48.205.352	86.038.481
Total liabilities	173.543.784	60.997.199	29.531.131	39.042.329	11.848.005	107.011.909	421.974.357
Balance sheet long position	-	-	70.403.938	61.834.242	18.417.325	-	150.655.505
Balance sheet short position	(99.241.214)	(2.494.132)	-	-	-	(48.920.159)	(150.655.505)
Off-balance sheet long position	15.997.681	37.203.205	-	-	-	-	53.200.886
Off-balance sheet short position	-	-	(4.145.501)	(37.534.305)	(8.982.991)	-	(50.662.797)
Total position	(83.243.533)	34.709.073	66.258.437	24.299.937	9.434.334	(48.920.159)	2.538.089

(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"

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing ⁽¹⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	24.310.693	-	-	-	-	18.141.277	42.451.970
Banks	2.228.405	962.918	378.192	-	-	1.267.697	4.837.212
Financial assets at fair value through profit/loss	1.288.265	1.446.905	732.989	456.707	266.772	38.442	4.230.080
Money market placements	817.005	-	-	-	-	-	817.005
Available-for-sale financial assets	2.919.646	4.497.489	6.552.573	7.178.172	3.095.993	252.651	24.496.524
Loans	35.840.806	28.636.612	64.250.098	59.321.829	11.824.722	2.124.720	201.998.787
Held-to-maturity investments	1.274.198	1.617.022	2.551.131	1.166.133	7.588.582	-	14.197.066
Other assets	2.576.869	2.563.465	3.170.180	7.116.493	947.801	10.662.666	27.037.474
Total assets	71.255.887	39.724.411	77.635.163	75.239.334	23.723.870	32.487.453	320.066.118
Liabilities							
Bank deposits	7.323.732	918.218	374.006	180.657	-	636.676	9.433.289
Other deposits	100.218.389	21.934.939	8.864.874	1.495.220	168.085	31.268.837	163.950.344
Funds from money market	14.863.333	1.023.972	168.835	-	-	-	16.056.140
Miscellaneous payables	-	-	-	-	-	12.754.229	12.754.229
Marketable securities issued	1.020.721	9.701.148	3.222.011	7.399.208	1.934.783	-	23.277.871
Funds borrowed from other financial institutions	11.723.277	10.596.151	11.324.147	6.843.545	1.862.933	-	42.350.053
Other liabilities ⁽¹⁾	1.191.465	860.765	982.538	4.694.916	6.131.340	38.383.168	52.244.192
Total liabilities	136.340.917	45.035.193	24.936.411	20.613.546	10.097.141	83.042.910	320.066.118
Balance sheet long position	-	-	52.698.752	54.625.788	13.626.729	-	120.951.269
Balance sheet short position	(65.085.030)	(5.310.782)	-	-	-	(50.555.457)	(120.951.269)
Off-balance sheet long position	12.080.130	24.294.289	-	-	-	-	36.374.419
Off-balance sheet short position	-	-	(3.383.971)	(27.300.898)	(7.175.587)	-	(37.860.456)
Total position	(53.004.900)	18.983.507	49.314.781	27.324.890	6.451.142	(50.555.457)	(1.486.037)

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

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4.2. Average interest rates for monetary financial instruments:

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,50	-	18,27
Banks	1,64	2,37	-	26,98
Financial assets at fair value through profit/loss	3,29	6,42	-	18,50
Receivables from money markets	-	-	-	28,00
Financial assets at fair value through other comprehensive income	4,06	5,46	-	18,02
Loans	4,86	7,13	5,15	19,35
Financial assets measured at amortised cost	2,81	5,38	-	18,11
Liabilities⁽¹⁾				
Bank deposits	0,85	2,30	-	26,76
Other deposits	2,40	5,61	1,76	22,25
Funds from money market	0,02	2,93	-	24,12
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,92	4,92	-	17,73
Funds borrowed from other financial institutions	1,62	4,08	2,64	11,22

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

Prior Period	EURO	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	1,92	1,61	-	12,36
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,03
Available-for-sale financial assets	4,02	5,32	-	13,05
Loans	4,33	6,43	4,98	14,15
Held-to-maturity investments	1,67	5,35	-	13,35
Liabilities⁽¹⁾				
Bank deposits	0,96	1,66	-	13,00
Other deposits	1,59	3,41	1,66	13,42
Funds from money market	0,47	2,85	-	13,01
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,77	4,66	-	14,00
Funds borrowed from other financial institutions	1,51	3,07	2,64	8,16

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

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

None.

6. Explanations on consolidated 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 Parent Bank doesn't 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 Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in 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 Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Parent 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 Parent Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

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

Funding sources of the Group mainly consist of deposits which constitute 52% of total liabilities of the Bank (December 31, 2017 – 56%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent 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 Parent 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.

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

The Parent 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.

Simple arithmetic average calculated for the last three months liquidity coverage ratio by using the amounts calculated based on weekly simple arithmetic averages

Current Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			69.871.848	42.076.944
Cash Outflows				
Retail and Small Business Customers Deposits	112.426.125	56.244.252	10.159.140	5.624.391
Stable deposits	21.669.458	681	1.083.473	34
Less stable deposits	90.756.667	56.243.571	9.075.667	5.624.357
Unsecured Funding other than Retail and Small Business Customers Deposits	95.724.679	58.843.955	54.245.697	30.537.022
Operational deposits	-	-	-	-
Non-Operational deposits	74.204.822	52.086.726	35.488.339	23.809.784
Other Unsecured funding	21.519.857	6.757.229	18.757.358	6.727.238
Secured funding			31.763	30.540
Other Cash Outflows	6.018.615	17.238.735	6.018.615	17.238.735
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	6.018.615	17.238.735	6.018.615	17.238.735
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	127.003.414	97.782.372	6.350.171	4.889.119
Other irrevocable or conditionally revocable commitments	85.313.650	24.530.721	6.574.706	1.742.571
Total Cash Outflows			83.380.092	60.062.378
Cash Inflows				
Secured Lending Transactions	-	-	21	-
Unsecured Lending Transactions	30.420.213	14.146.634	22.023.275	12.220.921
Other contractual cash inflows	4.290.849	26.499.263	4.290.849	26.499.263
Total Cash Inflows	34.711.062	40.645.897	26.314.145	38.720.184
			Capped Amounts	
Total High Quality Liquid Assets			69.871.848	42.076.944
Total Net Cash Outflows			57.065.946	21.342.194
Liquidity Coverage Ratio (%)			122,44	197,15

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	July 27, 2018	July 13, 2018	August 31, 2018	August 10, 2018
Ratio(%)	138,03	116,02	232,20	138,93

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	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
Previous Period				
High Quality Liquid Assets				
High Quality Liquid Assets			53.021.956	33.801.377
Cash Outflows				
Retail and Small Business Customers Deposits	89.425.852	38.790.605	7.996.187	3.879.021
Stable deposits	20.127.975	770	1.066.399	38
Less stable deposits	69.297.877	38.789.835	6.929.788	3.878.983
Unsecured Funding other than Retail and Small Business Customers Deposits	73.090.818	39.353.588	42.257.373	20.681.500
Operational deposits	-	-	-	-
Non-Operational deposits	54.744.574	34.700.478	26.379.618	16.041.016
Other Unsecured funding	18.346.244	4.653.110	15.877.755	4.640.484
Secured funding			99.619	75.988
Other Cash Outflows	2.738.736	16.955.309	2.738.736	16.955.309
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.738.736	16.955.309	2.738.736	16.955.309
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	101.640.533	74.133.944	5.082.027	3.706.697
Other irrevocable or conditionally revocable commitments	68.214.017	9.586.970	5.056.909	650.347
Total Cash Outflows			63.230.851	45.948.862
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.919.538	10.698.139	19.026.494	8.885.738
Other Contractual Cash Inflows	1.465.832	23.273.539	1.465.832	23.273.539
Total Cash Inflows	29.385.370	33.971.678	20.492.326	32.159.277
			Capped Amounts	
Total High Quality Liquid Assets			53.021.956	33.801.377
Total Net Cash Outflows			42.678.526	13.789.585
Liquidity Coverage Ratio (%)			124,24	245,12

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

	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

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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 ⁽¹⁾⁽²⁾	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	35,649,149	20,987,676	-	-	-	-	-	56,636,825
Banks	3,711,985	3,559,746	766,949	971,615	96,796	-	-	9,107,091
Financial assets at fair value through profit or loss	17,771	1,753	5,614	16,397	20,987	57,422	239,039	358,983
Receivables from money markets	-	171,383	2,009	-	-	-	-	173,392
Financial assets at fair value through other comprehensive income	-	145,744	13,476	2,266,485	15,523,018	7,507,619	67,194	25,523,536
Loans ⁽¹⁾	-	36,290,466	30,294,945	64,387,928	109,037,360	27,170,248	(2,378,424)	264,802,523
Financial assets measured at amortised cost	-	269,630	577,147	243,136	6,427,106	16,313,913	-	23,830,932
Other assets	4,140,431	2,126,199	3,866,517	6,565,344	7,773,136	1,703,393	15,366,055	41,541,075
Total assets	43,519,336	63,552,597	35,526,657	74,450,905	138,878,403	52,752,595	13,293,864	421,974,357
Liabilities								
Bank deposits	1,544,922	6,749,772	1,145,297	805,441	-	-	-	10,245,432
Other deposits	39,742,146	139,658,783	20,741,080	7,444,997	2,986,090	230,041	-	210,803,137
Funds borrowed from other financial institutions	-	10,875,501	6,307,874	26,102,328	14,872,512	4,108,046	-	62,266,261
Funds from money market	-	5,503,867	410,339	669,815	-	-	-	6,584,021
Marketable securities issued	-	1,883,626	4,550,927	813,887	17,927,079	3,342,017	-	28,517,536
Miscellaneous payables	1,120,620	15,818,610	238,948	178,499	-	-	162,812	17,519,489
Other liabilities ⁽²⁾	2,605,709	1,727,356	3,262,946	5,241,617	17,665,616	11,693,964	43,841,273	86,038,481
Total liabilities	45,013,397	182,217,515	36,657,411	41,256,584	53,451,297	19,374,068	44,004,085	421,974,357
Net liquidity gap	(1,494,061)	(118,664,918)	(1,130,754)	33,194,321	85,427,106	33,378,527	(30,710,221)	-
Net Off-Balance Sheet Position	-	359,060	550,528	1,453,448	(536,181)	711,234	-	2,538,089
Derivative Financial Assets	-	60,141,770	30,277,992	39,782,993	76,177,073	41,364,832	-	247,744,660
Derivative Financial Liabilities	-	59,782,710	29,727,464	38,329,545	76,713,254	40,653,598	-	245,206,571
Non-Cash Loans	-	4,983,626	10,664,217	36,344,484	16,072,729	7,323,506	28,373,991	103,762,553
Prior Period								
Total assets	17,962,578	68,336,143	25,920,067	57,867,451	100,157,626	39,717,971	10,104,282	320,066,118
Total liabilities	34,885,551	138,433,810	31,060,939	35,430,384	30,562,707	14,659,896	35,032,831	320,066,118
Liquidity gap	(16,922,973)	(70,097,667)	(5,140,872)	22,437,067	69,594,919	25,058,075	(24,928,549)	-
Net Off-Balance Sheet Position	-	(39,758)	(695,253)	(757,568)	238,808	(232,266)	-	(1,486,037)
Derivative Financial Assets	-	55,513,608	40,938,729	39,537,030	52,729,207	22,461,674	-	211,180,248
Derivative Financial Liabilities	-	55,553,366	41,633,982	40,294,598	52,490,399	22,693,940	-	212,666,285
Non-Cash Loans	-	2,723,038	8,573,550	28,219,034	11,357,744	4,504,619	23,473,430	78,851,415

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

(2) Shareholders' equity is presented in the "Unclassified" column.

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7. Explanations on consolidated leverage ratio:

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

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

	Current Period ⁽²⁾	Prior Period ⁽²⁾
1 Total assets in the consolidated financial statements prepared in accordance with TAS ^{(1),(2)}	410.582.061	309.328.383
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	2.622.252	2.100.914
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	6.022.471	3.950.590
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(3.197.371)	(6.787.912)
5 Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(35.430.272)	(27.545.631)
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(16.001.708)	(2.164.440)
7 Total Risks	613.299.354	521.671.690

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

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
1 On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	391.399.021	304.383.598
2 (Asset amounts deducted in determining Tier 1 capital)	(4.152.019)	(3.890.154)
3 Total on-Balance sheet exposures	387.247.002	300.493.444
Derivative financial instruments and credit derivatives		
4 Replacement cost of derivative financial instruments and credit derivatives	7.628.406	2.392.792
5 Potential credit risk of derivative financial instruments and credit derivatives	6.022.471	3.950.590
6 Total derivative financial instruments and credit derivatives exposure	13.650.877	6.343.382
Securities financing transaction exposure		
7 Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	2	211.588
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	2	211.588
Off-balance sheet items		
10 Off-balance sheet exposure at gross notional amount	247.831.745	242.168.907
11 (Adjustments for conversion to credit equivalent amounts)	(35.430.272)	(27.545.631)
12 Total risk of off-balance sheet items	212.401.473	214.623.276
Capital and total exposure		
13 Tier 1 capital	33.289.772	26.481.586
14 Total exposures	613.299.354	521.671.690
15 Leverage ratio (%)	5,44	5,08

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

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8. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of September 30, 2018:

- Fair value Hedge ("FVH")
- 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. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at September 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 swap (CFH)	51.903.813	6.681.717	329.215	35.070.052	1.688.395	107.567
Cross currency interest rate swap (FVH)	2.576.566	187.240	442.087	1.615.006	68.216	205.211
Total	54.480.379	6.868.957	771.302	36.685.058	1.756.611	312.778

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 55.255.055 (December 31, 2017 - TL 37.197.244) the total notional of derivative financial assets amounting to TL 109.735.434 (December 31, 2017 - TL 73.882.302) 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 detail in the accounting principles section of these financial statements in Section 3. Part 4.

8.1. Fair value hedge accounting:

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

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

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

The impact of application of FVH accounting is summarized below;

Current Period					Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾	
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⁾		
				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	60.979	-	442.087	37.554

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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 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 32.065 loss (December 31 2017- TL 1.439 loss).

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

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

8.2. Cash flow hedge accounting:

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

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	6.681.717	329.215	(51.547)	(888.238)

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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 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 39.303 income (December 31, 2017 – TL – 6.987 income).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS 39- 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 and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

8.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at September 30, 2018 is EUR 425 million (December 31, 2017 - EUR 410 million).

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

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

10. Explanations on consolidated operating segments:

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

- Retail Banking
- Corporate and Commercial Banking.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and 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

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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 Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

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

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

	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Current Period							
Operating revenue continuing	5.937.538	4.992.106	293.116	738.565	2.564.783	(5.500)	14.520.608
Operating expenses continuing	(3.640.395)	(3.343.245)	(107.442)	(248.993)	(2.691.836)	5.500	(10.026.411)
Net operating income continuing	2.297.143	1.648.861	185.674	489.572	(127.053)	-	4.494.197
Dividend income ⁽²⁾	-	-	-	-	12.753	-	12.753
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	83.930	-	83.930
Profit before tax	2.297.143	1.648.861	185.674	489.572	(30.370)	-	4.590.880
Tax expense ⁽²⁾	-	-	-	-	(1.004.533)	-	(1.004.533)
Net period income from continuing operations	2.297.143	1.648.861	185.674	489.572	(1.034.903)	-	3.586.347
Minority interest (-)	-	-	-	-	(93)	-	(93)
Group income/loss	2.297.143	1.648.861	185.674	489.572	(1.034.996)	-	3.586.254
Segment assets	85.551.048	152.861.306	17.776.869	23.701.894	144.583.483	(3.655.714)	420.818.886
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.155.471	-	1.155.471
Total assets	85.551.048	152.861.306	17.776.869	23.701.894	145.738.954	(3.655.714)	421.974.357
Segment liabilities	168.220.371	92.083.432	14.512.539	20.942.832	89.564.296	(3.655.129)	381.668.341
Shareholders' equity	-	-	-	-	40.306.016	-	40.306.016
Total liabilities	168.220.371	92.083.432	14.512.539	20.942.832	129.870.312	(3.655.129)	421.974.357
Prior Period⁽³⁾							
Operating revenue continuing	3.627.578	2.437.953	235.690	506.843	3.273.479	(5.186)	10.076.357
Operating expenses continuing	(3.434.223)	(658.119)	(103.157)	(186.123)	(2.332.327)	5.186	(6.708.763)
Net operating income continuing	193.355	1.779.834	132.533	320.720	941.152	-	3.367.594
Dividend income ⁽²⁾	-	-	-	-	10.306	-	10.306
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	65.754	-	65.754
Profit before tax	193.355	1.779.834	132.533	320.720	1.017.212	-	3.443.654
Tax expense ⁽²⁾	-	-	-	-	(709.035)	-	(709.035)
Net period income from continuing operations	193.355	1.779.834	132.533	320.720	308.177	-	2.734.619
Minority interest (-)	-	-	-	-	(53)	-	(53)
Group income/loss	193.355	1.779.834	132.533	320.720	308.124	-	2.734.566
Segment assets	80.176.176	102.108.817	10.313.957	20.087.720	110.165.690	(3.588.456)	319.263.904
Investments in associates, subsidiaries and joint ventures	-	-	-	-	802.214	-	802.214
Total assets	80.176.176	102.108.817	10.313.957	20.087.720	110.967.904	(3.588.456)	320.066.118
Segment liabilities	104.782.107	61.810.968	8.274.543	17.565.319	101.119.318	(3.587.963)	289.964.292
Shareholders' equity	-	-	-	-	30.101.826	-	30.101.826
Total liabilities	104.782.107	61.810.968	8.274.543	17.565.319	131.221.144	(3.587.963)	320.066.118

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

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

(3) Income statements items presents the balances as of September 30, 2017.

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Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.478.529	4.504.376	1.563.328	998.685
The CBRT ⁽¹⁾	6.283.504	42.743.841	6.032.373	33.445.287
Other	-	1.626.575	-	412.297
Total	7.762.033	48.874.792	7.595.701	34.856.269

(1) The balance of gold amounting to TL 3.995.419 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⁾	3.263.083	24.873.846	1.914.852	8.868.143
Time unrestricted amount	3.020.421	-	4.117.521	-
Time restricted amount	-	1.251.090	-	745.058
Reserve requirement ⁽²⁾	-	16.618.905	-	23.832.086
Total	6.283.504	42.743.841	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 Group 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 Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (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	1.725.552	132	398.063	474
Swap transactions	10.249.197	1.052.403	3.073.713	459.241
Futures transactions	-	-	-	-
Options	974.259	91.608	137.137	58.049
Other	4.872	28	813	27
Total	12.953.880	1.144.171	3.609.726	517.791

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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⁾	-	187.240	67.028	1.188
Cash flow hedges ⁽¹⁾	6.084.797	596.920	1.520.914	167.481
Hedges for investments made in foreign countries	-	-	-	-
Total	6.084.797	784.160	1.587.942	168.669

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1.189.380	1.674.033	68.359	1.834.979
Foreign ⁽¹⁾	92.426	6.151.252	13.524	2.920.350
Head quarters and branches abroad	-	-	-	-
Total	1.281.806	7.825.285	81.883	4.755.329

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 15.096 (December 31, 2017 –TL 11.102).

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 September 30, 2018 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 2.556.314 and subject to repo transactions amounts to TL 2.928.344

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 amount 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	27.258.062
Quoted on stock exchange ⁽¹⁾	26.958.551
Not quoted	299.511
Share certificates	112.632
Quoted on stock exchange	238
Not quoted	112.394
Impairment provision (-) ⁽²⁾	1.847.158
Total	25.523.536

(1) As of January 1, 2018, the Group 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 financial 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:

	Current Period
Debt securities	24.476.615
Quoted on stock exchange	24.029.378
Not quoted	447.237
Share certificates	203.244
Quoted on stock exchange	133
Not quoted	203.111
Impairment provision (-) ⁽¹⁾	278.059
Other ⁽²⁾	94.724
Total	24.496.524

(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.

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1.7. Explanations on loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	88.830	1.672.056	23.229	1.358.830
Loans granted to employees	166.567	580	157.969	569
Total	255.397	1.672.636	181.198	1.359.399

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	230.181.737	13.111.610	2.224.163	3.909.264
Loans given to enterprises	116.600.546	10.532.392	1.386.804	2.154.284
Export loans	21.647.925	161.591	14.581	170.499
Import loans	-	-	-	-
Loans given to financial sector	3.446.899	-	-	-
Consumer loans	33.042.616	859.603	31.269	502.552
Credit cards	26.730.342	675.476	406.121	-
Other ⁽¹⁾	28.713.409	882.548	385.388	1.081.929
Specialized loans	-	-	-	-
Other receivables	16.889.335	864.838	-	-
Total	247.071.072	13.976.448	2.224.163	3.909.264

(1) Fair value differences of the hedged items amounting to TL 43.982 are classified in other loans as explained in Note 8, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.858.659	-
Significant increase in credit risk	-	2.384.845
Total	1.858.659	2.384.845

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	-	5.975.723
Extended by 3,4 or 5 times	-	144.107
Extended by more than 5 times	-	13.597
Total	-	6.133.427

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of modifications made to extend payment plan		
0 - 6 Months	-	411.090
6 - 12 Months	-	162.842
1 - 2 Years	-	1.157.139
2 - 5 Years	-	3.402.025
5 Years and over	-	1.000.331
Total	-	6.133.427

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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	413.991	32.012.294	32.426.285
Real estate loans	6.017	13.118.699	13.124.716
Automotive loans	14.415	491.170	505.585
Consumer loans	393.559	18.402.425	18.795.984
Other	-	-	-
Consumer loans-FC indexed	-	26.001	26.001
Real estate loans	-	25.743	25.743
Automotive loans	-	-	-
Consumer loans	-	258	258
Other	-	-	-
Consumer loans-FC	30.916	78.084	109.000
Real estate loans	3.111	21.635	24.746
Automotive loans	32	1.385	1.417
Consumer loans	9.006	44.775	53.781
Other	18.767	10.289	29.056
Individual credit cards-TL	18.527.792	521.811	19.049.603
With installments	9.280.140	370.220	9.650.360
Without installments	9.247.652	151.591	9.399.243
Individual credit cards-FC	60.429	40.783	101.212
With installments	42.848	40.783	83.631
Without installments	17.581	-	17.581
Personnel loans-TL	4.933	55.160	60.093
Real estate loans	-	2.223	2.223
Automotive loans	21	288	309
Consumer loans	4.912	52.649	57.561
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	226	775	1.001
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	226	775	1.001
Other	-	-	-
Personnel credit cards-TL	102.004	362	102.366
With installments	48.890	345	49.235
Without installments	53.114	17	53.131
Personnel credit cards-FC	696	292	988
With installments	335	292	627
Without installments	361	-	361
Credit deposit account-TL (Real Person)⁽¹⁾	1.813.615	-	1.813.615
Credit deposit account-FC (Real Person)	45	-	45
Total	20.954.647	32.735.562	53.690.209

(1) TL 2.119 of the credit deposit account belongs to the loans used by personnel.

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

	Short- term	Medium and long-term	Total
Commercial installments loans-TL	1.287.116	15.439.802	16.726.918
Business loans	1.676	1.593.055	1.594.731
Automotive loans	55.080	966.939	1.022.019
Consumer loans	1.230.360	12.879.808	14.110.168
Other	-	-	-
Commercial installments loans-FC indexed	5.878	205.915	211.793
Business loans	-	11.832	11.832
Automotive loans	-	50.484	50.484
Consumer loans	5.878	143.599	149.477
Other	-	-	-
Corporate credit cards-TL	8.554.771	1.084	8.555.855
With installment	5.212.171	794	5.212.965
Without installment	3.342.600	290	3.342.890
Corporate credit cards-FC	1.915	-	1.915
With installment	-	-	-
Without installment	1.915	-	1.915
Credit deposit account-TL (legal person)	1.213.008	-	1.213.008
Credit deposit account-FC (legal person)	-	-	-
Total	11.062.688	15.646.801	26.709.489

1.7.5. Distribution of domestic and foreign loans:

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

	Current Period
Domestic loans	257.614.857
Foreign loans	9.566.090
Total	267.180.947

	Prior Period
Domestic loans	196.689.796
Foreign loans	3.184.271
Total	199.874.067

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	8.298	8.523
Indirect loans granted to associates and subsidiaries	-	-
Total	8.298	8.523

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

	Current Period
Loans with limited collectability	1.007.484
Loans with doubtful collectability	1.281.507
Uncollectible loans	6.141.957
Total	8.430.948

Specific provisions provided against loans:

	Prior Period
Loans and other receivables with limited collectability	120.985
Loans and other receivables with doubtful collectability	560.094
Uncollectible loans and other receivables	6.357.785
Total	7.038.864

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 collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	299.291	478.630	741.427
Restructured loans	299.291	478.630	741.427
Prior Period			
(Gross amounts before specific reserves)	10.849	55.493	150.698
Restructured 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 collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period⁽¹⁾	1.005.936	1.557.121	7.069.127
Additions (+)	3.104.959	128.134	484.692
Transfers from other categories of non-performing loans (+)	-	2.439.265	2.029.805
Transfer to other categories of non-performing loans (-)	2.439.265	2.029.805	-
Collections (-)	236.450	273.908	638.106
FX valuation differences	494	35.830	75.389
Write-offs (-)	-	-	1.471
Sold (-)	-	-	2.015.719
Corporate and commercial loans	-	-	499.171
Consumer loans	-	-	911.818
Credit cards	-	-	604.151
Other	-	-	579
Current Period	1.435.674	1.856.637	7.003.717
Specific provision (-)	1.007.484	1.281.507	6.141.957
Net balance on balance sheet	428.190	575.130	861.760

(1) Prior period balance includes non-performing loans from leasing transactions and factoring receivables.

By Board of Directors resolution; 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 2.014.893 to a selection of asset management companies for a total amount of TL 105.172.

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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	573.176	805.282	1.047.061
Specific provision (-)	479.368	551.485	965.103
Net balance on-balance sheet	93.808	253.797	81.958
Prior Period			
Period end balance	53.880	48.666	848.664
Specific provision (-)	49.030	46.852	792.037
Net balance on-balance sheet	4.850	1.814	56.627

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)	428.190	575.130	861.760
Loans granted to real persons and corporate entities (gross)	1.393.021	1.689.425	6.651.710
Provision amount (-)	976.348	1.123.378	5.804.729
Loans granted to real persons and corporate entities (net)	416.673	566.047	846.981
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	42.653	167.212	322.824
Provision amount (-)	31.136	158.129	308.045
Other loans (Net)	11.517	9.083	14.779
Prior Period (net)	759.660	983.521	381.539
Loans granted to real persons and corporate entities (gross)	880.645	1.543.615	6.626.153
Specific provision amount (-)	120.985	560.094	6.244.614
Loans granted to real persons and corporate entities (Net)	759.660	983.521	381.539
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, discounts 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)	46.339	24.054	539
Interest accruals and discounts and valuation differences	153.765	124.324	8.104
Provision amount (-)	107.426	100.270	7.565
Prior Period (net)			
Interest accruals and discounts and valuation differences	-	-	-
Provision amount (-)	-	-	-

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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 September 30, 2018 financial assets measured at amortised cost given as collateral/blocked amounts to TL 11.053.893 and subject to repo transactions amounts to TL 412.090.

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 7.759.071. The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.740.515.

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

	Current Period
Government bond	22.892.170
Treasury bill	-
Other debt securities	938.762
Total	23.830.932

Information on government debt securities held-to-maturity:

	Prior Period
Government bond	13.346.581
Treasury bill	-
Other debt securities	850.485
Total	14.197.066

1.8.3. Information on financial assets measured at amortized cost:

	Current Period
Debt securities	24.537.767
Quoted on stock exchange	24.537.767
Not quoted	-
Impairment provision (-) ⁽¹⁾	706.835
Total	23.830.932

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

Information on investment securities held-to-maturity:

	Prior Period
Debt securities	14.574.865
Quoted on stock exchange	14.574.865
Not quoted	-
Impairment provision (-) ⁽¹⁾	377.799
Total	14.197.066

(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.

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

	Current Period
Beginning balance	14.197.066
Foreign currency differences on monetary assets ⁽¹⁾	5.589.930
Purchases during year	3.951.109
Transfers ⁽²⁾	1.998.350
Disposals through sales and redemptions	1.576.487
Impairment provision (-) ⁽³⁾	329.036
Period end balance	23.830.932

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

(2) As of January 1, 2018, the Group 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 "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost".

(3) Includes amortization 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	11.588.890
Foreign currency differences on monetary assets ⁽¹⁾	837.591
Purchases during year	3.231.152
Disposals through sales and redemptions	1.381.405
Impairment provision (-) ⁽²⁾	79.162
Period end balance	14.197.066

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

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

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Türkiye	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	Market Value
1	296.536	193.394	177.837	5.984	-	23.681	28.103	-
2	94.425	57.724	48.696	1.137	-	8.630	3.260	-

(1) Financial statement information disclosed above shows June 30, 2018 results.

1.9.3. Consolidated investments in associates:

1.9.4. Information on consolidated investments in associates:

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

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

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

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	25.694.980	3.077.105	21.517	260.674	31.845	159.706	121.058	-
2	1.579.208	503.937	81.745	187.848	-	198.242	107.615	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	772.025	664.614
Movements during the period	351.699	107.411
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	83.970	87.340
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽¹⁾	307.447	57.558
Impairment provision (-) ⁽²⁾	39.718	37.487
Balance at the end of the period	1.123.724	772.025
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	873.984	529.384
Insurance companies	249.740	242.641
Total financial investments	1.123.724	772.025

1.9.8. Investments in associates quoted on stock exchange: None.

1.10. Information on 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.

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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 comprehensive income that will not be classified under profit or loss	44.066	(1.227)	(1.927)	(945)	-
Other comprehensive income that will be classified under profit or loss	4.041	-	-	-	1.648.206
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	30.653	183.499	1.193.531	25.296	121.500
Current Year Income/Loss	100.599	81.741	248.712	25.296	121.500
Prior Years' Income/Loss	(69.946)	101.758	944.819	-	-
Leasehold improvements (-)	350	251	-	232	262
Intangible assets (-)	27.786	3.467	7.946	560	563
Total core capital	534.880	287.019	2.095.186	54.685	2.515.854
Supplementary capital	18.135	19.461	91.858	-	62.617
Capital	553.015	306.480	2.187.044	54.685	2.578.471
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	553.015	306.480	2.187.044	54.685	2.578.471

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of September 30, 2018.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

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.

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1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

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

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	42.393	31.135	1.327	30	-	3.687	4.354	-
2	43.614	30.774	4.856	2.694	-	2.551	1.774	-
3	14.564	11.476	2.715	1.033	-	3.102	1.508	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

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

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

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

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1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	235.027	234.756	-	-	-	82	(895)	-	-
2	4.619.703	563.016	47.920	156.604	1.774	100.599	71.921	-	-
3	3.928.572	290.737	4.138	291.950	-	81.741	30.912	-	-
4	15.339.009	2.103.132	9.058	706.465	-	248.712	186.628	-	-
5	67.910	55.477	982	4.807	-	25.296	24.078	-	-
6	14.953.361	2.516.679	1.918	501.967	14.533	121.500	74.405	-	-
7	1.816.144	308.671	44.151	54.371	7.975	14.236	14.602	-	-
8	992.789	424.676	2.384	18.523	536	3.974	2.918	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.800.064	4.225.724
Movements during the period	1.468.644	574.340
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	566.362	529.252
Sales(-) ⁽¹⁾	-	247.343
Revaluation (decrease) / increase ^{(2), (3)}	950.663	396.485
Impairment provision (-) ⁽⁴⁾	48.381	104.054
Balance at the end of the period	6.268.708	4.800.064
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Group has concluded the sale of 100% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.300.000.000 in 2017.

(2) Includes the differences in the other comprehensive income of consolidated subsidiaries.

(3) Includes the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.

(4) 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	2.000.352	1.243.843
Insurance companies	-	-
Factoring companies	290.599	222.753
Leasing companies	2.103.005	1.966.487
Finance companies	-	-
Other financial subsidiaries	1.874.752	1.366.981
Total financial subsidiaries	6.268.708	4.800.064

1.10.6. Subsidiaries quoted on stock exchange:

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None.

1.11.2. Consolidated joint ventures:

1.11.2.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	85.574	70.076	25.105	60.468	8.327	33.538	(33.118)
Total			85.574	70.076	25.105	60.468	8.327	33.538	(33.118)

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	5.563.606	4.570.446	4.229.930	3.435.283
Between 1- 4 years	8.679.035	7.512.203	6.146.058	5.244.154
More than 4 years	2.142.570	1.931.840	1.810.826	1.632.287
Total	16.385.211	14.014.489	12.186.814	10.311.724

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	3.021.125	13.364.086	2.767.260	9.419.554
Unearned financial income from leases (-)	683.682	1.687.040	585.404	1.289.686
Amount of cancelled leases (-)	-	-	-	-
Total	2.337.443	11.677.046	2.181.856	8.129.868

1.13. Information on investment property:

None (December 31, 2017 - None).

1.14. Information on deferred tax asset

There is a deferred tax asset amounting to TL 196.860 as of September 30, 2018 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2017 – TL 53.314 deferred tax asset).

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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	209.854	166.183
Additions	108.019	154.214
Disposals (-), net	59.376	111.432
Impairment provision reversal	1.441	385
Impairment provision (-)	-	-
Translation differences	2.481	504
Net book value at the end of the period	262.419	209.854
Cost at the end of the period	271.640	222.369
Accumulated depreciation at the end of the period (-)	9.221	12.515
Net book value at the end of the period	262.419	209.854

As of September 30, 2018, the Group booked impairment provision on assets held for resale with an amount of TL 4.520 (December 31, 2017 - TL 5.961)

1.16. Information on other assets:

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

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2. Explanations and notes related to consolidated 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 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	7.122.577	3.612.664	39.158.878	1.751.716	415.462	297.020	1.268	52.359.585
Foreign currency deposits	23.717.608	17.947.005	64.188.624	6.106.381	5.063.979	7.282.999	-	124.306.596
Residents in Turkey	20.480.070	17.056.085	62.862.027	5.312.725	2.101.595	1.812.764	-	109.625.266
Residents abroad	3.237.538	890.920	1.326.597	793.656	2.962.384	5.470.235	-	14.681.330
Public sector deposits	688.811	189	5.435	25	473	22	-	694.955
Commercial deposits	6.873.055	7.589.886	12.513.086	866.155	446.893	15.301	-	28.304.376
Other institutions deposits	123.710	500.209	1.766.723	590.930	303.823	31.446	-	3.316.841
Precious metals vault	1.216.385	90.105	380.853	42.238	64.103	27.100	-	1.820.784
Bank deposits	1.544.922	5.546.305	1.931.822	995.940	226.443	-	-	10.245.432
The CBRT	-	2.696.339	-	-	-	-	-	2.696.339
Domestic banks	12.235	2.524.029	575.906	346.961	75.165	-	-	3.534.296
Foreign banks	545.018	325.937	1.355.916	648.979	151.278	-	-	3.027.128
Participation banks	987.669	-	-	-	-	-	-	987.669
Other	-	-	-	-	-	-	-	-
Total	41.287.068	35.286.363	119.945.421	10.353.385	6.521.176	7.653.888	1.268	221.048.569

Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.797.877	2.360.382	35.134.409	1.472.504	190.818	150.872	967	46.107.829
Foreign currency deposits	15.860.217	15.973.319	42.352.407	5.158.608	6.940.090	3.624.464	-	89.909.105
Residents in Turkey	13.886.368	15.396.053	41.375.032	4.221.274	3.504.726	1.220.550	-	79.604.003
Residents abroad	1.973.849	577.266	977.375	937.334	3.435.364	2.403.914	-	10.305.102
Public sector deposits	250.278	3	5.876	3	453	10	-	256.623
Commercial deposits	7.499.106	7.865.606	7.794.055	637.070	448.428	301.136	-	24.545.401
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	636.676	5.338.543	2.599.859	374.986	483.220	5	-	9.433.289
The CBRT	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	1.197.005	1.600.797	226.297	26.983	5	-	3.060.279
Foreign banks	158.991	79.657	999.062	148.689	456.237	-	-	1.842.636
Participation banks	468.493	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-
Total	31.905.513	32.066.052	89.046.715	8.165.516	8.102.641	4.096.229	967	173.383.633

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 ⁽¹⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	25.497.105	23.637.528	26.950.591	22.558.092
Foreign currency savings deposit	13.157.512	9.714.974	42.038.660	27.176.316
Other deposits in the form of savings deposits	776.072	492.198	887.773	647.851
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	6.993	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	263.395	164.319
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	586.008	111	132.393	154
Swap transactions ⁽¹⁾	10.883.496	1.090.036	3.260.570	219.426
Futures transactions	-	-	-	-
Options	787.616	98.495	144.714	63.177
Other	201	334	-	271
Total	12.257.321	1.188.976	3.537.677	283.028

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⁾	442.087	-	205.148	63
Cash flow hedges ⁽¹⁾	310.301	18.914	95.187	12.380
Hedges for investments made in foreign countries	-	-	-	-
Total	752.388	18.914	300.335	12.443

(1) Explained in Note 8 of section 4

2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	18.766	-	460.152
From domestic banks and institutions	1.356.640	1.734.551	1.751.398	1.155.868
From foreign banks, institutions and funds	284.247	58.872.057	541.432	38.441.203
Total	1.640.887	60.625.374	2.292.830	40.057.223

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.100.009	17.999.505	1.720.619	9.723.350
Medium and long-term	540.878	42.625.869	572.211	30.333.873
Total	1.640.887	60.625.374	2.292.830	40.057.223

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2.3.3. Information on marketable securities issued

	Current Period	
	TL	FC
Bills	1.920.293	57.388
Asset backed securities ⁽¹⁾	-	4.516.466
Bonds	3.423.682	18.599.707
Total	5.343.975	23.173.561

	Prior Period	
	TL	FC
Bills	1.212.509	107.682
Asset backed securities ⁽¹⁾	-	8.278.912
Bonds	3.584.201	10.094.567
Total	4.796.710	18.481.161

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

2.3.4. Information on financial liabilities fair value through profit and loss:

The Group 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 September 30, 2018, the total amount of financial liabilities classified as fair value through profit/loss is TL 8.229.282 (December 31, 2017 –TL 4.929.709) with an accrued interest income of TL 497.441 (December 31, 2017 - TL 123.051 income) and with a fair value difference of TL 653.815 recognized in the income statement as an expense (December 31, 2017 - TL 216.465 income). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of September 30, 2018 are TL 8.427.213 (December 31, 2017: TL 4.618.063) for buy legs and TL 8.427.213 (December 31, 2017: TL 4.618.063) for sell legs with a fair value differences amounting to TL 505.434 liability (December 31, 2017 –TL 92.985 asset). The mentioned total return swaps have 9 year maturity in average.

Securitizations with a fair value amounting to TL 8.229.282 (December 31, 2017 - TL 4.929.709) are followed under “Marketable securities issued” in the prior years and is reclassified to “Financial liabilities at fair value through profit or loss” in line with the format of the balance sheet effective from January 1, 2018

2.4. Information on other liabilities:

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

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

None (December 31, 2017 - None).

2.5.2. Information on operational leasing agreements:

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

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2.6. Information on provisions:

2.6.1. Information on general provisions:

	Prior period
I. Provisions for first group loans and receivables	2.718.237
II. Provisions for second group loans and receivables	242.597
Provisions for non-cash loans	112.170
Other	337.801
Total	3.410.805

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	4,50
Possibility of being eligible for retirement (%)	93,79	93,63

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 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	400.547	129.510
Changes during the period	42.560	53.918
Recognized in equity	31.831	259.779
Paid during the period	(42.948)	(41.923)
Foreign currency differences	-	(737)
Balance at the end of the period	431.990	400.547

In addition, the Group has accounted for unused vacation rights provision amounting to TL 190.400 as of September 30, 2018 (December 31, 2017 - TL 183.832).

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

As of September 30, 2018, there is no provision related to the foreign currency difference of foreign currency indexed loans amounts. (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.

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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	757.369
Generic provisions on non cash loans	138.135
Provision on lawsuits	132.347
Provisions on credit cards and promotion campaigns related to banking services	51.131
Other	1.459.073
Total	3.228.907

	Prior Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	139.143
Provision on lawsuits	101.228
Provisions on credit cards and promotion campaigns related to banking services	44.497
Other	511.599
Total	1.487.319

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	26.330	255.616
Taxation of Marketable Securities	200.682	147.382
Property Tax	3.429	3.301
Banking Insurance Transaction Tax ("BITT")	144.359	137.588
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	4.444	10.173
Other	111.251	46.121
Total	490.495	600.181

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	887	722
Social security premiums - employer	1.023	807
Bank pension fund premiums - employee	20.834	17.263
Bank pension fund premiums - employer	21.482	17.802
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.537	1.232
Unemployment insurance - employer	3.075	2.465
Other	-	-
Total	48.838	40.291

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2.7.3. Information on deferred tax liability:

There is a deferred tax liability amounting to TL 400.455 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per "TAS 12-Income Taxes". (December 31, 2017 – TL 225.278 tax liabilities).

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

None. (December 31, 2017- None)

2.9. Information on subordinated debt⁽¹⁾:

	Current Period		Prior Period	
	TP	YP	TP	YP
Debt instruments to be included in additional capital calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	15.452.966	-	9.718.804
Subordinated loans	-	6.345.740	-	3.996.099
Subordinated debt	-	9.107.226	-	5.722.705
Total	-	15.452.966	-	9.718.804

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in 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. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

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

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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. (December 31, 2017 – None.)

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

None. (December 31, 2017 - None).

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

None. (December 31, 2017 - None).

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

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

2.10.7. Privileges on the corporate stock tors:

None. (December 31, 2017 - None).

2.10.8. Information on value increase fund of marketable securities:

	Current Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-
Revaluation difference	-	-
Foreign currency difference	-	-
Financial assets at fair value through other comprehensive income⁽¹⁾	(1.548.422)	(454.080)
Revaluation difference	(1.548.422)	(454.080)
Foreign currency differences	-	-
Total	(1.548.422)	(454.080)

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

	Prior Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-
Valuation difference	-	-
Foreign currency difference	-	-
Available for sale securities⁽¹⁾	(445.780)	60.864
Valuation differences	(445.780)	60.864
Foreign currency differences	-	-
Total	(445.780)	60.864

(1) 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.

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2.10.10. Information on minority interest:

	Current Period	Prior Period
Period opening balance	541	502
Current period income/(loss)	93	77
Dividends paid	(42)	(38)
Period ending balance	592	541

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

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	35.821.972	33.700.364
Loan granting commitments	13.863.914	10.125.035
Commitments for cheques	3.260.737	6.844.741
Other irrevocable commitments	58.289.731	83.371.921
Total	111.236.354	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 Group set aside general provision for its non-cash loans amounting to TL 138.135 (December 31, 2017 - TL 112.170) and specific provision amounting to TL 1.028.829 (December 31, 2017 - TL 944.029) for non-cash loans which are not indemnified yet amounting to TL 757.369 (December 31, 2017 - TL 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	311.588	212.685
Letter of credits	17.094.213	11.527.886
Other guarantees and collaterals	9.188.761	6.811.093
Total	26.594.562	18.551.664

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.637.163	2.273.465
Definite letter of guarantees	45.439.664	37.507.430
Advance letter of guarantees	14.710.009	9.606.133
Letter of guarantees given to customs	2.564.600	2.351.305
Other letter of guarantees	12.816.555	8.561.418
Total	77.167.991	60.299.751

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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	13.379.038	8.052.720
With original maturity of 1 year or less than 1 year	2.745.195	1.878.094
With original maturity of more than 1 year	10.633.843	6.174.626
Other non-cash loans	90.383.515	70.798.695
Total	103.762.553	78.851.415

3.2. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 132.347 (December 31, 2017 – TL 101.228) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the “Other provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

4. Explanations and notes related to consolidated 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⁾	5.221.774	580.346	3.833.116	358.427
Medium/long-term loans ⁽¹⁾	7.961.505	4.379.072	6.178.025	2.710.247
Interest on loans under follow-up	505.414	-	69.010	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	13.688.693	4.959.418	10.080.151	3.068.674

(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	323.691	-	83.626	18
From domestic banks	146.027	13.191	139.008	155
From foreign banks	1.409	69.040	1.576	37.676
Headquarters and branches abroad	-	-	-	-
Total	471.127	82.231	224.210	37.849

4.1.3. Information on interest income on marketable securities:

	Current Period	
	TL	FC
From financial assets where fair value change is reflected to income statement	8.325	1.338
From financial assets where fair value change is reflected to other comprehensive income statement	2.424.429	143.658
From financial Assets Measured at Amortised Cost	1.051.199	316.742
Total	3.483.953	461.738

	Prior Period	
	TL	FC
From financial assets at fair value through profit or loss	1.729	1.147
From available-for-sale financial assets	1.493.627	118.066
From held-to-maturity investments	371.115	295.756
Total	1.866.471	414.969

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	1.033	1.476

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	178.199	1.305.749	135.658	756.505
The CBRT	-	2.629	-	3.006
Domestic banks	149.498	41.260	102.151	38.765
Foreign banks	28.701	1.261.860	33.507	714.734
Headquarters and branches abroad	-	-	-	-
Other institutions	-	360.386	-	149.953
Total⁽¹⁾	178.199	1.666.135	135.658	906.458

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	3.097	4.039

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	614.023	1.011.323	368.064	486.875
Total	614.023	1.011.323	368.064	486.875

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	-	159.357	34.210	1.782	552	-	-	195.901	86.066
Saving deposit	-	231.436	3.983.577	170.139	24.971	13.199	-	4.423.322	3.142.232
Public sector deposit	-	2.227	503	7	39	1	-	2.777	1.859
Commercial deposit	26	761.185	1.163.535	57.798	55.440	13.967	-	2.051.951	2.030.517
Other deposit	-	24.831	381.722	92.942	34.428	46	-	533.969	574.260
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	26	1.179.036	5.563.547	322.668	115.430	27.213	-	7.207.920	5.834.934
FC									
Foreign currency deposit	2.122	347.313	1.248.335	89.437	197.760	93.561	-	1.978.528	1.286.087
Bank deposit	1.873	53.356	11.425	5.766	1.965	10	-	74.395	51.805
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	637	1.678	166	394	98	-	2.973	2.371
Total	3.995	401.306	1.261.438	95.369	200.119	93.669	-	2.055.896	1.340.263
Grand total	4.021	1.580.342	6.824.985	418.037	315.549	120.882	-	9.263.816	7.175.197

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

	Current Period	Prior Period
Gain	106.918.529	31.123.937
Gain from capital market transactions	170.475	75.794
Derivative financial transaction gains	53.200.536	10.159.424
Foreign exchange gains	53.547.518	20.888.719
Loss(-)	106.976.172	31.325.357
Loss from capital market transactions	43.212	26.130
Derivative financial transaction losses	39.458.173	11.996.872
Foreign exchange loss	67.474.787	19.302.355
Net gain/loss	(57.643)	(201.420)

4.4. Allowance for expected credit losses:

	Current Period
Allowance for expected credit losses	4.469.945
12-month expected credit losses (Stage 1)	155.156
Significant increase in credit risk (Stage 2)	1.536.938
Credit-Impaired (Stage 3)	2.777.851
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	870.403
Total	5.340.348

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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Provision for impairment of loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	2.233.829
III. Group loans and receivables	70.120
IV. Group loans and receivables	47.426
V. Group loans and receivables	2.116.283
General provision expenses	153.426
Provision expense for possible risks	50.000
Marketable securities impairment expenses ⁽¹⁾	44.971
Financial assets at fair value through profit or loss	369
Available-for-sale financial assets	44.602
Impairment of investments in associates, subsidiaries and held-to-maturity securities	56.093
Investments in associates	-
Subsidiaries	-
Joint ventures	-
Held-to-maturity investments ⁽¹⁾	56.093
Other	15.961
Total	2.554.280

(1) Includes amortization 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 gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 14.376.215 (September 30, 2017 - TL 1.422.084 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⁾	2.242.768	1.235.509
Reserve for employee termination benefits	4.380	6.190
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	130.619	112.993
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	84.037	65.117
Impairment expenses of equity participations for which equity method is 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	1.698.183	968.988
Operational lease expenses	244.690	152.762
Repair and maintenance expenses	96.918	56.835
Advertising expenses	101.077	85.268
Other expense	1.255.498	674.123
Loss on sales of assets	-	-
Other	526.076	402.695
Total	4.686.063	2.791.492

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

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

Income before tax includes net interest income amounting to TL 10.365.091 (September 30, 2017 -TL 6.924.873), net fee and commission income amounting to TL 3.120.829 (September 30, 2017 - TL 2.474.138) and total other operating expense including personnel expenses amounting to TL 4.686.063 (September 30, 2017 - TL 4.154.483).

As of September 30, 2018, the Group has no profit before taxes from discontinued operations (September 30, 2017 – None).

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

As of September 30, 2018, the Group has current tax expense amounting to TL 264.392 (September 30, 2017 - TL 871.303) and deferred tax expense amounting to TL 740.141 (September 30, 2017 - TL 162.268 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 Group'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. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	93	53

4.12. Other items in income statement:

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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5. Explanations and notes related to Group's risk group:

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

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

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ^{(1) (2)}						
Loans						
Balance at the beginning of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Balance at the end of the period	8.298	70.828	611.947	1.672.056	3.129.123	4.853.880
Interest and commission income received	1.033	107	19.219	5.861	322.795	15.967

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ^{(1) (2)}						
Loans						
Balance at the beginning of the period	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Balance at the end of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Interest and commission income received ⁽³⁾	1.476	87	5.176	6.067	236.462	9.816

(1) Defined in subsection 2 of the 49th article of 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 presents profit / loss information of September 30, 2017

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

Group's risk group ^{(1) (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	27.440	232.820	33.489.119	24.423.963	18.301.565	14.406.822
End of the period	31.321	27.440	51.686.608	33.489.119	24.364.408	18.301.565
Interest expense on deposits ⁽³⁾	3.097	4.039	1.658.457	1.042.887	720.301	583.673

(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 presents profit / loss information of September 30, 2017.

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

Group'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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	-	-	4.585.782	8.532.884	4.263.455	1.104.683
End of the period ⁽²⁾	-	-	3.739.433	4.585.782	5.646.748	4.263.455
Total profit / loss⁽³⁾	471	239	272.125	(62.544)	(650.543)	29.894
Transactions for hedging purposes⁽²⁾						
Beginning of the period ⁽²⁾	-	-	1.375.186	-	-	-
End of the period ⁽²⁾	-	-	1.529.011	1.375.186	-	-
Total profit / loss⁽³⁾	-	-	179.011	-	-	-

(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 presents profit / loss information of September 30, 2017.

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

Salaries and benefits paid to the Group's top management amount to TL 49.455 as of September 30, 2018 (September 30, 2017- TL 45.816).

6. Explanations and notes related to subsequent events :

None.

Section six - Explanations on independent audit review report

1. Explanations on independent auditor's report

The consolidated financial statements for the period ended September 30, 2018 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's review report dated October 31, 2018 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

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

Section Seven⁽¹⁾

Interim activity report

1.1. Message from Yapı Kredi's Board of Directors Chairman Y. Ali Koç:

The first nine months of 2018 was marked with continuing volatility in the macro environment for the banking sector, impacted by both global and local uncertainties. Worsening of international perception towards emerging markets, geopolitical challenges, and downgrade of rating agencies increased volatility in foreign exchange markets resulting with further TL depreciation and rise in interest rates while the inflation level continued to be further elevated. Central Bank of Turkey hiked the average funding rates by 625 basis points in September and simplified the interest rate policy in order to prevent the turbulences in the market. In the same period, the Ministry of Treasury and Finance announced the New Economic Plan, to support the economy by ensuring price stability, economic balance and fiscal discipline, which was well received by the markets.

In the first nine months of the year, total loans in the banking sector reached TL 2.501 billion indicating 24% 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 2.124 billion, indicating 25% year-to-date growth. Accordingly, sector's loan to deposit ratio including TL bonds improved to 115% in the first nine-months of 2018 from 116% at the end of 2017. The banking sector's non-performing loan ratio deteriorated 18 basis points year-to-date to 3,1% despite the support of non-performing loan sales of TL 4.201 billion (16 basis points impact).

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

In the first nine months of 2018, despite the volatile environment Yapı Kredi recorded sound profitability with a controlled volume growth while preserving its solid fundamentals with special focus on asset quality and a healthy balance sheet.

In October, Yapı Kredi has signed the highest amount of syndicated facility that achieved by a Turkish bank during the second haft of the year. The Bank's healthy liquidity profile was further reinforced by 1.07 billion worth of syndication with a 96% roll-over ratio.

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

Y. Ali Koç
Chairman of the Board

(1) Unless otherwise stated, all figures in the section seven are expressed in full TL.

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

1.2. Message from Yapı Kredi's CEO Gökhan Erün:

The first nine months of 2018 posed a challenging environment for the banking sector due to increasing market volatility resulting from rising uncertainties both in local and global political agenda and rating downgrades by 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 the meanwhile, Banking Regulation and Supervision Agency (BRSA) took several measures in order to support the banking sector in terms of liquidity, asset quality, and capital adequacy. Thanks to the strong and agile balance sheet structures of the sector with the support from the regulator as well as the economy ministry, Turkish banking sector maintains the strong fundamentals.

In the first nine months of the year, with the controlled growth resulting in a sustainable revenue generation, further focus on cost control and proactive asset quality approach, the Bank's total assets increased to TL 422,0 billion and net income recorded at TL 3.586 million.

Yapı Kredi's strong liquidity, mainly in the foreign currency with a three month average liquidity coverage ratio close to 200% level, supported the Bank's balance sheet during the elevated volatility mainly during August 2018.

In October, Yapı Kredi finalised its syndicated loans with the participation of 27 banks from 13 countries accomplishing the highest amount and highest number of participants that achieved by a Turkish Bank during the second haft of the year. With this syndication facility, reaffirm the confidence of international markets in both Yapı Kredi and Turkey.

In terms of performing cash loans, Yapı Kredi recorded 25% growth year-to-date reaching to TL 249,4 billion indicating 16,8% market share among private banks. Growth was driven by TL loans and the Bank continued to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 21,4% outstanding volume market share.

In terms of funding, the Bank recorded 27% deposit growth year-to-date driven by TL deposits, reaching to TL 221,0 billion indicating 15,6% market share among private banks. In line with stronger deposit growth; loans to deposits ratio including TL bonds 112%, implying a 261 basis points improvement since the end of 2017.

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 97%. Moreover, in the past one year, number of digital customers increased by 1,1 million to 5.2 and mobile banking customers increased by 1,2 million to 4,5 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

Yapı ve Kredi Bankası A.Ş.

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1.3. Overview of Financial Performance:

On 31 October 2018, Yapı Kredi announced its consolidated results for the first nine months of 2018 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 353,2 billion while total deposits rose to TL 221,0 billion. The Bank's net income increased by 31% year-over-year and reached TL 3.586 million indicating a return on average tangible equity of 14,3%.

Controlled volume growth with a healthy liquidity

Yapı Kredi's market share among private banks in loans and deposits was recorded at 16,8% and 15,6%, respectively. The Bank achieved 25% year-to-date growth in loans to TL 249,4 billion, mainly driven by the depreciation in Lira and TL loans. In the first nine months of 2018, the Bank's deposit growth was above the loan growth at 27% year-to-date and reached TL 221,0 billion. Deposit growth was mainly driven by TL denominated customer deposits. Accordingly, loan-to-deposits plus TL bonds ratio realised at 112%. During the volatile period especially in the third quarter of 2018, Yapı Kredi well-positioned itself in terms of liquidity. Accordingly, the Bank's total and FC liquidity coverage ratios realised at 122% and 197%, respectively.

Prudent and conservative asset quality approach with a strong coverage

Yapı Kredi carried out a precautionous approach in terms of asset quality where the Bank classified some loans from stage 1 to stage 2 as well as being proactive in NPL classification. Also coupled with depreciation in TL and worsening operating environment, generic and specific provisions increased considerably, decoupled with the Bank's conservative provisioning approach total provisions increased 109% year-over-year. Accordingly, cost of risk realised at 209 basis points (adjusted for provision reversals related to cheques in 2Q18). In the first nine months of 2018, Yapı Kredi sold a non-performing loan portfolio of TL 2,0 billion in principal amount within the scope of continued active stock management. Hence, the NPL ratio improved by 59 basis points year-to-date reaching 3,7% (adjusted for the NPL sales in 2017 NPL ratio would be at 4,4%). With the conservative provisioning approach of Yapı Kredi, provisions to gross loans remained strong at 4,6%.

Improvement in capital ratios through ongoing internal capital generation and capital injection despite challenging macro environment

Despite the fluctuations in Lira and volatility in the interest rates, the Bank continued to support its capital ratios through internal capital generation. Also supported by the successful completion of the 4,1 billion worth of rights issue in June 2018, consolidated Capital Adequacy Ratio and Common Equity Tier-1 ratio realised at 13,3% and 9,8%, respectively (16,1% and 12,1% respectively, when BRSA's recent forbearances are taken into account).

Solid top-line within conservative asset quality and liquidity approach

In the first nine months of 2018, Yapı Kredi increased its total revenues by 44% 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 13% compared to inflation of 24,5%. Accordingly, cost-to-income ratio improved by 762 basis points year-over-year to 33,3% (9M18 income adjusted for trading income from ECL hedging). During the quarter, net interest income was strongly supported by the change of the Bank's CPI assumption on which calculation of CPI linked securities is based on, from 9,3% to 16%. The Bank's conservative and prudent approach regarding the asset quality resulted in a jump in the total provisioning. All in all, net income increased 31% year-over-year and the Bank achieved 14,3% return on average tangible equity.

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

1.4. Summary of Consolidated Financials

TL million	Current Period	Prior Period
Total Assets	421.974	316.873
Performing Loans	249.427	199.874
Total Deposits	221.049	173.384
Shareholder's Equity	40.306	30.102
Loans/ Assets	%59	%63
Deposits/Assets	%52	%55
NPL	%3,7	%4,3
CAR	%16,1*	%13,4
TL million	Current Period	Prior Period
Net Profit	3.586	2.735
Return on Average Tangible Equity	%14,3	%14,0

* Excluding the regulatory forbearances: 13,3%

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

- On 26 October 2018, Yapı Kredi signed a syndicated loan agreement at 367 day maturity totalling US\$ 1,07 billion, a successful refinancing of Yapı Kredi's existing syndication loan signed on 9 October 2017 with a 96% roll-over ratio. The syndication is secured through two different tranches; US\$ 275 million and Euro 690,7 million at 367 day maturity. The Dual Currency Term Loan Facility has been raised by a syndicate including 27 of Yapı Kredi's key relationship banks from 13 countries. The all-in cost was realised at Libor + 275 basis points and Euribor + 265 basis points.
- In 3Q18, Yapı Kredi sold non-performing loan portfolio amounting to TL 367 million. The transaction was reflected in Yapı Kredi's 3Q18 financials.
- On 24 September 2018, International Rating Agency Moody's has downgraded Turkey's foreign currency deposit ceiling from "B1" to "B2". Following the downgrade of Turkey's rating, on 26 September 2018, Moody's has downgraded ratings of 9 Turkish banks, including Yapı ve Kredi Bankası. Accordingly, the rating agency downgraded Yapı ve Kredi Bankası's Long-term Foreign Currency Deposit rating from "B1" to "B2" setting the outlook as "Negative", while maintaining all the remaining rating scales.
- On 17 August 2018, International Rating Agency Moody's has downgraded Turkey's Sovereign rating from "Ba2" to "Ba3" and changed the outlook to "Negative". Following the Downgrade of Turkey's Sovereign rating, on 28 August 2018 Moody's has downgraded ratings of 18 Turkish financial institutions, including Yapı ve Kredi Bankası. Accordingly, the rating agency downgraded Yapı ve Kredi Bankası's Long-term Foreign Currency and Local Currency Deposit ratings from "Ba3" to "B1" setting the outlook as "Negative". On the other hand, Moody's confirmed the Short-term National Scale rating at "TR-1".
- On 17 August 2018, International Rating Agency Standard & Poor's (S&P) has downgraded Turkey's Sovereign rating from "BB-" to "B+" while maintaining the outlook at "Stable". Following the Downgrade of Turkey's Sovereign rating, S&P announced that, they now assess Turkey's Banking Industry Country Risk Assessment (BICRA) as being in Group 9. Therefore, the rating agency has revised down Turkish bank's anchor to 'b+' from 'bb' and this led to downward revision of six Turkish

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

Financial Institutions' rating including Yapı ve Kredi Bankası A.Ş., on the same day. As a result, the rating agency, lowered Yapı ve Kredi Bankası's Long-Term Issuer Credit Rating from "BB-" to "B+", Long-Term Turkey National Scale Rating from "trAA" to "trA+", while maintaining all the remaining rating scales. S&P maintained the Bank's outlook at "Stable".

- Fitch Ratings affirmed Yapı ve Kredi Bankası A.Ş.'s National Long Term Rating as 'AAA(tur)' and National Long Term Rating Outlook as 'Stable'. On 20 July 2018, international rating agency Fitch announced that, following the rating downgrade Turkish government's sovereign ratings on 13 July 2018, the rating agency downgrades 24 Turkish financial institutions Ratings, while removing from Rating Watch Negative, Fitch revised the outlook to Negative. Accordingly, Fitch revised the ratings of Yapı Kredi as; Long-term FC IDR downgraded to 'BB/Negative' from 'BBB-'; off Rating Watch Negative; Long-term Local Currency IDR: downgraded to 'BB+/Negative' from 'BBB-/Stable'; Short-term IDR downgraded to 'B' from 'F3', off Rating Watch Negative; Short-term Local Currency IDR downgraded to 'B' from 'F3'; Viability Rating downgraded to 'bb-' from 'bb+', off Rating Watch Negative Support Rating downgraded to '3' from '2', off Rating Watch Negative; Senior Unsecured Debt Rating downgraded to 'BB' from 'BBB-', off Rating Watch Negative; Senior Unsecured Short-term Debt Rating downgraded to 'B' from 'F3', off Rating Watch Negative; Subordinated Debt Rating downgraded to 'BB-' from 'BB+', off Rating Watch Negative.

1.6. Current Trends and Expectations for the Upcoming Period:

Yapı Kredi revised its current expectations for 2018 due to worsening macro environment, maintaining bottom-line.

2018 Yapı Kredi expectations:

- Fundamentals: Ample liquidity levels with loan-to-deposit ratio in between 110% - 115% (*confirmed*), and solid capital adequacy ratio above 13% excluding the regulatory forbearance (*previous: 15%*) supported by ongoing internal capital generation, newly introduced capital strengthening plan while the recent volatility in Turkish lira and interest rates resulted in a downward revision to our guidance
- Loan growth at 20 – 22% (*previous: 12 – 14%*): Further increase due to TL depreciation. Lending mainly driven by TL commercial and individual loans, contraction in FC loans
- Funding: Deposit growth at 23 – 25% (*previous: 12 – 14%*) due to depreciation in Lira: Further increase in the share of retail deposit and retail demand deposits in total
- Revenues: Flattish to slightly up NIM (*previous: flattish*) with ongoing repricing efforts and support from the CPI linked securities, fee growth at high-teens (*previous: low-teens*) supported by diversification efforts and customer acquisition, strong focus on digital sales and card payment systems
- Costs: Well below inflation cost growth (*previous: below inflation*); ongoing «cost elimination» through digitalization, digitalization focus to decrease «cost to serve»
- Asset Quality: Improvement in NPL ratio (around 30 basis points improvement – *previous: around 10 basis points improvement*) through NPL sales (might continue depending on the market conditions), increase in total CoR net of collections reaching to around 200 basis points (*previous: slightly down*), due to the deterioration in the macro environment also resulting in a more cautious approach
- All in all, in high-teens earnings growth with improvement in the ROATE has been maintained.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2018

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

		2018 Revised	2018B OLD	
Fundamentals	LDR	110% - 115%	110% - 115%	CONFIRMED
	CAR (w/o forbearance)	>13%	>15%	REVISED DOWN
Volumes	Loans	20 - 22%	12 - 14%	REVISED UP
	Deposits	23 - 25%	12 - 14%	REVISED UP
Revenues	NIM (w/o CPI impact)	Flattish	Flattish	CONFIRMED
	Fees	High-teens	Low-teens	REVISED UP
Costs	Costs	Well below CPI	Below CPI	CONFIRMED
	Cost/Income	< 35%	< 40%	REVISED UP
Asset Quality	NPL ratio (with NPL sales)	~-30bps	~-10bps	REVISED UP
	Total CoR	~200 bps	Slightly Down	REVISED DOWN
Profitability	Net profit	High-teens	High-teens	CONFIRMED
	RoTE	Flattish to slightly down	Improvement	REVISED DOWN