YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş.
AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yapı Kredi Yatırım Menkul Değerler A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Yapı Kredi Yatırım Menkul Değerler A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition The Group has a total of TRY14,198,628,391 income that was recognised under "revenue" in the profit or loss for the period between 1 January 2017 and 31 December 2017. Disclosures and notes related to the revenue are presented under notes 2.4.(b) and 23 of the accompanying financial statements prepared as of 31 December 2017. We focussed on this area as a key audit matter for the following reasons: the magnitude of revenue in the financial statements; revenue being earned through variable channels, such as sales of marketable securities, intermediary commissions, portfolio management income and corporate finance income; revenue being generated as a result of multiple transactions and calculated by using different methods and parameters due to the nature of the Group's operations.	Within the scope of the audit procedures we applied related to revenue recognition, we evaluated compliance of accounting policies determined by Group management regarding revenue recognition with TAS and the relevant legislation. Furthermore, we evaluated and tested the design and operational efficiency of the internal controls applied by the management to ensure revenue is recognised in accordance with relevant accounting standards. We tested the transaction details using a selected sample from revenue transactions subject to the audit by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognised properly on a transaction basis. In addition, we confirmed the transaction volumes with the third parties, which were used to calculate the intermediary income based on a selected sample.

4. Other Matter

The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 31 January 2017 expressed an unqualified opinion.

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 5 February 2018

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

Assets	Notes	*(Audited)* 31 December 2017	*(Audited)* 31 December 2016
Current assets			
Cash and cash equivalents	6	4,133,674,967	4,066,342,016
Financial investments	7	84,626,764	64,890,270
- Fair value through profit or loss financial assets		*45,582,488*	*6,634,877*
- Available for sale financial assets		*16,276,067*	*31,557,102*
- Financial investments held to maturity		*22,768,209*	*26,698,291*
Trade receivables	10	467,498,048	422,608,809
- Trade receivables due from related parties	*28*	*592,860*	*22,449*
- Trade receivables due from other parties		*466,905,188*	*422,586,360*
Receivables from financial activities	11	13,052,034	11,102,981
- Receivables from financial activities due from related parties	*28*	*13,001,319*	*11,085,928*
- Receivables from financial activities due from other parties		*50,715*	*17,053*
Other receivables	12	77,514,382	32,752,156
- Other receivables due from other parties		*77,514,382*	*32,752,156*
Derivatives	16	63,844,422	10,162,301
- Derivatives held for trading		*63,844,422*	*10,162,301*
Prepaid expenses	19	4,798,824	4,127,062
- Prepaid expenses due to related parties	*28*	*107,539*	*91,932*
- Prepaid expenses due to other parties		*4,691,285*	*4,035,130*
Current income tax assets	22	58,299,605	34,942,464
Other current assets		14,237	2,854
- Other current assets due from other parties		*14,237*	*2,854*
Total current assets		**4,903,323,283**	**4,646,930,913**
Non-current assets			
Financial investments	7	68,947,495	32,192,533
- Available for sale financial assets		*68,947,495*	*32,192,533*
Property, plant and equipment	13	8,226,214	9,010,160
Intangible assets	14	26,986,668	20,486,897
Deferred tax assets	22	748,648	7,747,772
Total non-current assets		**104,909,025**	**69,437,362**
Total assets		**5,008,232,308**	**4,716,368,275**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

Liabilities	**Notes**	***(Audited)*** **31 December 2017**	***(Audited)*** **31 December 2016**
Short term liabilities			
Short term liabilities	9	4,164,699,945	3,874,184,964
- Short term liabilities due to other parties		*4,164,699,945*	*3,874,184,964*
Trade payables	10	203,430,761	223,795,759
- Trade payables due to related parties	*28*	*7,671,381*	*5,074,174*
- Trade payables due to other parties		*195,759,380*	*218,721,585*
Liabilities for employee benefits	18	2,730,418	1,955,580
Other payables	12	21,955,019	26,216,430
- Other payables due to other parties		*21,955,019*	*26,216,430*
Derivatives	16	7,324,981	43,808,926
- Derivatives held for trading		*7,324,981*	*43,808,926*
Tax liability for the period	22	3,236,732	2,503,661
Short term provisions		20,853,239	16,118,117
- Short term provisions for employee benefits	*17*	*18,862,294*	*14,601,960*
- Other short term provisions	*15*	*1,990,945*	*1,516,157*
Other short term liabilities	20	7,141,104	4,865,980
- Other short term liabilities due to other parties		*7,141,104*	*4,865,980*
Total short term liabilities		**4,431,372,199**	**4,193,449,417**
Long term liabilities			
Long term provisions		9,970,995	7,169,539
- Provisions for employee benefits	*17*	*9,970,995*	*7,169,539*
Deferred tax liabilities	22	9,691,380	-
Total long term liabilities		**19,662,375**	**7,169,539**
Total liabilities		**4,451,034,574**	**4,200,618,956**
Shareholder's equity			
Paid in capital	21	98,918,083	98,918,083
Adjustments to share capital	21	63,078,001	63,078,001
Accumulated other comprehensive income or (expenses) that will be reclassified to profit or loss		27,235	(12,139,553)
- Revaluation and reclassification gains (losses)		27,235	*(12,139,553)*
Accumulated other comprehensive income or (expenses) that will not be reclassified to profit or loss		(2,500,064)	291,196
- Revaluation and remeasurement gains (losses)		*(2,500,064)*	*291,196*
Restricted reserves	21	236,535,668	236,738,667
Retained earnings		55,548,498	55,545,320
Net income for the period		97,326,500	66,470,179
Equity attributable to owners of the parent		**548,933,921**	**508,901,893**
Non-controlling interests	**21**	**8,263,813**	**6,847,426**
Total shareholder's equity		**557,197,734**	**515,749,319**
Total liabilities and shareholder's equity		**5,008,232,308**	**4,716,368,275**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	*(Audited)* 1 January - 31 December 2017	*(Audited)* 1 January - 31 December 2016
PROFIT OR LOSS			
Revenue	23	14,198,628,391	11,558,219,911
Cost of sales (-)	23	(14,105,483,089)	(11,502,623,893)
Gross profit from business operations		**93,145,302**	**55,596,018**
Revenue from financial activities	24	77,442,446	63,133,870
Cost of financial activities (-)	24	(6,972,773)	(6,355,679)
Gross profit from financial activities		**70,469,673**	**56,778,191**
Gross profit/loss		**163,614,975**	**112,374,209**
General administrative expenses (-)	25	(110,034,360)	(97,272,039)
Marketing, selling and distribution expenses (-)	25	(15,609,949)	(12,317,168)
Other income from operating activities	26	664,983,408	528,231,226
Other expense from operating activities (-)	27	(577,021,790)	(444,381,537)
Operating profit		**125,932,284**	**86,634,691**
Tax expense from continuing operations (-)		**(23,766,751)**	**(16,342,774)**
- Tax expense for the period (-)	22	(9,720,625)	(13,693,533)
- Deferred tax expense (-)	22	(14,046,126)	(2,649,241)
Total profit		**102,165,533**	**70,291,917**
Total profit attributable to:		**102,165,533**	**70,291,917**
Non-controlling interests	21	4,839,033	3,821,738
Equity holders of the parent		97,326,500	66,470,179
Earnings per share from continuing operations (Krş)		1.03	0.71

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	*(Audited)* 1 January - 31 December 2017	*(Audited)* 1 January- 31 December 2016
OTHER COMPREHENSIVE INCOME			
Total profit/loss		**102,165,533**	**70,291,917**
Items that will be reclassified to profit or loss		**12,166,788**	**(35,015)**
Revaluation and/or reclassification profit/loss of available for sale financial assets		15,598,446	(43,769)
Taxes related other comprehensive income that will be reclassified to profit or loss		(3,431,658)	8,754
- Deferred tax (expense)/income	22	(3,431,658)	8,754
Items that will not be reclassified to profit or loss		**(2,791,260)**	**100,179**
Defined benefits plans remeasurement gains (losses)		(3,578,540)	125,224
Taxes related other comprehensive income that will not be reclassified to profit or loss		787,280	(25,045)
- Deferred tax (expense) income	22	787,280	(25,045)
Other comprehensive income		**9,375,528**	**65,164**
Total comprehensive income		**111,541,061**	**70,357,081**
Total comprehensive income attributable to:			
Non-controlling interests		4,839,033	3,821,738
Equity holders of the parent		106,702,028	66,535,343
Total comprehensive income per share from continuing operations (Krş)		1.13	0.71

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

				Accumulated other Comprehensive income or expenses will be reclassified to profit or loss	Accumulated other Comprehensive income or expenses will not be reclassified to profit or loss		Accumulated profits				
	Notes	**Paid capital**	**Adjustments to share capital**	**Revaluation and reclassification gains / losses**	**Defined benefit plans remeasurement gains / losses**	**Restricted reserves**	**Retained earnings**	**Net profit/loss for the year**	**Equity attributable to owners of the parent**	**Non controlling interests**	**Total equity**
1 January 2016		**98,918,083**	**63,078,001**	**(12,104,538)**	**191,017**	**235,511,667**	**62,545,052**	**62,927,268**	**511,066,550**	**6,321,570**	**517,388,120**
Transfers		-	-	-	-	-	62,927,268	(62,927,268)	-	-	-
Dividends	21	-	-	-	-	1,227,000	(69,927,000)	-	(68,700,000)	(3,295,882)	(71,995,882)
Total comprehensive income		-	-	(35,015)	100,179	-	-	66,470,179	66,535,343	3,821,738	70,357,081
- Net income (loss) for the period		-	-	-	-	-	-	66,470,179	66,470,179	3,821,738	70,291,917
- Other comprehensive income (expense)		-	-	(35,015)	100,179	-	-	-	65,164	-	65,164
31 December 2016	**21**	**98,918,083**	**63,078,001**	**(12,139,553)**	**291,196**	**236,738,667**	**55,545,320**	**66,470,179**	**508,901,893**	**6,847,426**	**515,749,319**
1 January 2017		**98,918,083**	**63,078,001**	**(12,139,553)**	**291,196**	**236,738,667**	**55,545,320**	**66,470,179**	**508,901,893**	**6,847,426**	**515,749,319**
Transfers		-	-	-	-	-	66,470,179	(66,470,179)	-	-	-
Dividends	21	-	-	-	-	(202,999)	(66,467,001)	-	(66,670,000)	(3,422,646)	(70,092,646)
Total comprehensive income		-	-	12,166,788	(2,791,260)	-	-	97,326,500	106,702,028	4,839,033	111,541,061
- Net income (loss) for the period		-	-	-	-	-	-	97,326,500	97,326,500	4,839,033	102,165,533
- Other comprehensive income (expense)		-	-	12,166,788	(2,791,260)	-	-	-	9,375,528	-	9,375,528
31 December 2017	**21**	**98,918,083**	**63,078,001**	**27,235**	**(2,500,064)**	**236,535,668**	**55,548,498**	**97,326,500**	**548,933,921**	**8,263,813**	**557,197,734**

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
A. Cash flows from operating activities		**368,418,268**	**439,858,949**
Net profit for the period		**102,165,533**	**70,291,917**
Adjustments for to reconcile net income/loss to net cash provided by operating activities		**311,202,507**	**499,659,503**
Adjustments for depreciation and amortization	13,14	2,639,124	2,928,609
Adjustments for provisions		23,433,222	30,445,539
- Adjustments for provision for employee benefits		*22,958,434*	*30,183,116*
- Adjustments for lawsuit provisions		*474,788*	*262,423*
Adjustments for interest income and expenses		265,798,695	382,136,890
- Adjustments for interest income		*(265,112,934)*	*(302,525,407)*
- Adjustments for interest expenses		*530,911,629*	*684,662,297*
Adjustments for unrealized foreign currency translation differences		7,731,503	5,175,573
Adjustments for fair value losses (gains)		(12,166,788)	45,022,192
- Adjustments for financial assets fair value losses (gains)		*(12,166,788)*	*45,022,192*
Adjustments for tax income/expense	22	23,766,751	13,693,533
Other adjustments for to reconcile profit/(loss)		-	20,257,167
Changes in operating profit		**(229,272,794)**	**(83,940,537)**
Adjustments for decrease (increase) in financial investments		(81,981,885)	-
Adjustments for increase/decrease in trade receivables		(44,889,239)	(200,820,749)
- Adjustments for (increase)/decrease in trade receivables due from related parties		*(570,411)*	*(2,511)*
- Adjustments for increase in trade receivables due from other parties (-)		*(44,318,828)*	*(200,818,238)*
Adjustments for decrease (increase) in receivables from financial activities		(1,949,053)	-
Adjustments for increase/decrease in other receivables		(44,762,226)	(4,742,884)
- Adjustments for decrease (increase) in other receivables due from other parties		*(44,762,226)*	*(4,742,884)*
Adjustments for decrease in derivatives		(53,682,121)	-
Adjustments for increase in prepaid expenses (-)		(671,762)	-
Adjustments for increase/decrease in trade payables		(20,364,998)	133,965,065
- Adjustments for increase in trade payables due to related parties		*2,597,207*	*(155,651)*
- Adjustments for increase/(decrease) in trade payables due to other parties		*(22,962,205)*	*134,120,716*
Adjustments for decrease in payables due to employee benefits (-)		774,838	-
Adjustments for increase/decrease in other payables		(1,986,287)	(12,341,969)
- Adjustments for increase/(decrease) in other payables due to related parties		-	*106,595*
- Adjustments for increase/(decrease) in other payables due to other parties		*(1,986,287)*	*(12,448,564)*
Adjustments for increase in derivative liabilities		(36,483,945)	-
Adjustments for other increase (decrease) in operating capital		56,723,884	-
- Adjustments for other increase (decrease) in operating activities		*56,723,884*	-
Other cash flows from operating activities		**184,095,246**	**486,010,883**
Payments for provision for employee benefits		(15,835,100)	-
Dividend received		5,315,993	-
Interest received		259,796,941	-
Taxes paid		(64,954,812)	(46,151,934)
B, Cash flows from investing activities		**(8,354,949)**	**(18,029,771)**
Cash outflows from purchase of property, equipment and intangible assets		(8,354,949)	(6,229,771)
- Cash outflows from purchase of property and equipment	*13*	*(795,543)*	*(661,246)*
- Cash outflows from purchase of intangible assets	*14*	*(7,559,406)*	*(5,568,525)*
Other cash inflows/(outflows)		-	(11,800,000)
C, Cash flows from financing activities		**(280,187,316)**	**768,743,432**
Dividend paid	21	(70,092,646)	(71,995,882)
Cash inflows from borrowings		52,649,242,163	42,874,368,232
- Cash inflows from loans		*47,278,040,750*	*39,085,947,383*
- Cash inflows from issued bonds		*5,371,201,413*	*3,788,420,849*
Cash outflows from debt payments		(52,333,236,753)	(41,679,719,013)
- Cash outflows from loan repayments		*(47,309,563,100)*	*(38,162,370,342)*
- Cash outflows from issued bonds repayments		*(5,023,673,653)*	*(3,517,348,671)*
Interest paid		(530,911,629)	(353,909,905)
Other cash inflows (outflows)		4,811,549	-
Net increase/decrease in cash and cash equivalents before exchange currency effect (A+B+C)		**79,876,003**	**1,190,572,610**
D, Exchange currency effect on cash and cash equivalents		**(7,731,503)**	**(5,175,573)**
Net increase/decrease in cash and cash equivalents (A+B+C+D)		**72,144,500**	**1,185,397,037**
E, Cash and cash equivalents at the beginning of the period		**4,029,683,610**	**2,844,286,573**
Cash and cash equivalents at the end of the period (A+B+C+D+E)	**6**	**4,101,828,110**	**4,029,683,610**

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

1. ORGANISATION AND NATURE OF OPERATIONS

Yapı Kredi Yatırım Menkul Değerler A.Ş. (named as “the Company” or the “Group” with its subsidiary in these consolidated financial statements) was established on 15 September 1989 under the name of Finanscorp Finansman Yatırım Anonim Şirketi, to engage in capital markets transactions and to serve as a brokerage company in accordance with the Law No. 2499 “Capital Market Law” and related legislation. In 1996, 99.6% of the shares of the Company were transferred to Yapı ve Kredi Bankası Anonim Şirketi (“Bank”). The name of the Company was changed to Yapı Kredi Yatırım Anonim Şirketi on 9 September 1996 and Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi on 5 October 1998.

As of 28 September 2005, 57.4% of the shares of Yapı ve Kredi Bankası A.Ş., the main shareholder of the Company, were sold in accordance with the share purchase agreement between Çukurova Holding A.Ş., several Çukurova Group Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş. (“KFH”), Koçbank N.V. and Koçbank A.Ş. In the framework of the agreement, KFH became the ultimate parent company of Yapı ve Kredi Bankası A.Ş. with 57.4% shares. The main shareholder of the Company is Yapı ve Kredi Bankası A.Ş.(YKB) and ultimate parent of the Company is KFH.

At the Extraordinary General Assembly of the Company at 29 December 2006 the decision to legally merge with Koç Yatırım Menkul Değerler A.Ş. (“Koç Yatırım”) in accordance with the related articles of Turkish Commercial Code, Corporate Tax Law, and Capital Market Law and permission of Capital Markets Board No. B.02.1.SPK.0.16-1955 dated 15 December 2006 and to approve the merger agreement has been taken. Accordingly, all rights, receivables, liabilities and obligations were transferred to the Company due to consequential dissolution without liquidation of Koç Yatırım Menkul Değerler A.Ş.

Commercial Registration Office of Istanbul has registered the Extraordinary General Assembly decision dated 29 December 2006 and the merger agreement as of 12 January 2007 and announced the registration at Trade Registry Gazette No. 6724 and dated 16 January 2007.

The main operations of the Company can be summarized as follows without lending money, except where legislation allows:

a) Buying and selling of capital market instruments within the scope of Capital Market Legislation in the name and account of the customer, in their own name and account or in their own name and in the account of the customer,

b) According to the Capital Market Law and Capital Market Board’s Regulations (“SPK” or “Board”) and “Intermediary Firm with Broad Authority” the Company have the following activities:

- Intermediation Activities (Domestic and Foreign),
- Shares,
- Other Securities,
- Derivatives Based on Shares,
- Derivatives Based on Share Indices,
- Other Derivatives,
- Portfolio Management Activities (Domestic),

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

- Leverage Trading,
- Investment Consulting Activities,
- Intermediation for Public Offering,
- Underwriting,
- Best Effort Underwriting,
- Limited Custodian Service.

c) Performing transactions in exchange markets by being a member of exchanges,

d) Buying and selling of securities with repurchase and sale commitment,

e) Using the right to receive the bonus shares, the payment of capital, interest, dividends and similar incomes of the capital market instruments on its customers behalf and accounts in accordance with the authorization given by the customers.

f) Margin trading, short selling and borrowing and lending the financial instruments,

The Company has 33 investment funds (31 December 2016: 35). As of 31 December 2017 The Group has 280 employees (31 December 2016: 298).

The head office of the Company is located at Yapı Kredi Plaza A Blok Kat:11 Büyükdere Cad. Levent - İstanbul.

Subsidiary;

As of 31 December 2017 and 31 December 2016, details of the subsidiary of the Group are as follows:

Name of the shareholder	31 December 2017 Share in capital	31 December 2016 Share in capital	Main activity
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87.32%	87.32%	Portfolio Management

Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy" or "subsidiary") is subject to full scope consolidation as the Company is the main shareholder and has control rights over subsidiary.

The Company's subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87,32% (31 December 2016: 87,32%) of the voting rights.

Within the context of the Capital Markets Board regulations, the Subsidiary's principal activities are managing mutual and private funds and performing discretionary portfolio management ("DPM") for institutions, endowments and individuals.

Approval of financial statements:

Consolidated financial statements prepared as of 31 December 2017 have been approved by the Board of Directors of the Company at 5 February 2018. General Assembly and regulatory bodies have the right to amend the approved financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 BASIS OF PRESENTATION

2.1.1 Accounting standards and the compliance to TAS

Attached consolidated financial statements had been prepared in accordance with clauses of "Principles Statement Related To Financial Reporting In Capital Market" Serie II-14.1, which had been published in Official Gazette dated 13 June 2013 no. 28676 by CMB. Turkish Accounting Standarts / Turkish Financial Reporting Standarts ("TAS/TFRS") and additions and comments related to these standarts ("TAS/TFRS") which had been constituted by Public Oversight Accounting And Auditing Standarts Board ("POA") had been grounded on relying on the 5th article of this communiqué.

The consolidated financial statements were based on the legal records of the Group and expressed in Turkish Lira; and they have been subject to certain adjustments and classifications in order to fairly present the financial position of the Group in accordance with the Turkish accounting standards issued by POA.

The Company has prepared the consolidated financial statements in accordance with the 2016 TMS Taxonomy approved by the Board decision dated 2 June 2016 and numbered 30, developed on the basis of Article 9 (b) of the Legislation Decree numbered 660 by Public Oversight Accounting and Auditing Standards Authority.

2.1.2 Financial statement amendments in hyperinflation economies

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's financial statements have been prepared in accordance with this decision.

2.1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial statements when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.4 Going concern

The Group prepared its consolidated financial statements based on going concern principle.

2.1.5 Comparative figures and the reclassification to the financial statements of the prior period

In order to determine the financial status and performance trends, the consolidated financial statements of the Group have been prepared in comparison with the consolidation financial statements of previous periods. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Classifications made in year 2016 consolidated financial statements

TL 1,922,275 classified in "Short term other payables" in the consolidated financial statements of the Group for the year ended 31 December 2016 has been classified in "Short term trade payables" in the comparative consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 BASIS OF PRESENTATION (Continued)

2.1.6 New standards, amendments and interpretations

The Group adopted the standards, amendments and interpretations published by TAS and TFRS and which are mandatory for the accounting periods beginning on or after 31 December 2017.

New standards, amendments and interpretations effective as of 31 December 2017:

- **Amendments to TAS 7 'Statement of cash flows'** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- **Amendments TAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- **Annual improvements 2014-2016**;
    - **TFRS 12, "Explanations on shares in other entities";** 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

New standards and amendments effective after 1 January 2018:

- **TFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- **TFRS 15 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. BASIS OF PRESENTATION (Continued)

- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 9, 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.

- **Amendment to TAS 40, Investment property'** relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- **Amendments to TFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- **TFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if TFRS 15, 'Revenue from Contracts with Customers', is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. BASIS OF PRESENTATION (Continued)

- **Annual improvements 2014 - 2016;**

  - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- **TFRIC 22, 'Foreign currency transactions and advance consideration'**, effective from annual periods beginning on or after 1 January 2018. This TFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- **Amendment to TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **Amendment to IAS 28**, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual reporting periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that IAS 37 'Provisions, contingent liabilities and contingent assets', not IAS 12 should be applied to accounting for uncertain income tax treatments. IFRIC 23 clarifies how to measure and account deferred income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **TFRS 17, 'Insurance contracts'**, effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

  The Group management does not foresee any material impact of adoption of the aforementioned standards and interpretations on the financial statements of the Group in the upcoming periods.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. CHANGES IN ACCOUNTING POLICIES AND ERRORS

Accounting policy changes arising from the initial application of a new TAS / TFRS are applied retroactively or in accordance with the transition provisions of TAS / TFRS, if applicable. Changes which are not included in any transition decree, significant changes in accounting policy or detected accounting errors are applied retrospectively and the prior period financial statements are restated.

2.3 CHANGES IN ACCOUNTING ESTIMATES

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates are not changed for the 1 January – 31 December 2017 period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its Subsidiary. Control is exercised when a company has power over financial and operational policies of a business with the purpose of benefiting from the business' operations.

As of 31 December 2017 and 31 December 2016, details of the subsidiary and associate of the Group are as follows:

Legal entity	2017 Ratio of shares in capital	2016 Ratio of shares in capital	Service Line
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87.32%	87.32%	Portfolio Management

Subsidiary

Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy" or "subsidiary") is subject to full consolidation as the Company is the main shareholder and has control rights over subsidiary.

The Company's subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2016: 87.32%) of the voting rights.

Within the context of the Capital Markets Board regulations, the Subsidiary's principal activities are managing mutual and private funds and performing discretionary portfolio management ("DPM") for institutions, endowments and individuals.

The balance sheets and statements of income of the subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity.

The minority shares in net assets and operating results are classified as "minority interest". Intercompany transactions and balances between the Company and the subsidiary are eliminated during consolidation. Subsidiary is consolidated from the date on which control is transferred to the Company and will no longer be consolidated from the date that control ceases.

Where necessary, accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue recognition

(i) Fee and commission income and expenses

Fees and commissions are recognized in the income statement when they are collected or paid. However, fund management, investment consulting fees, intermediary commissions and portfolio management commissions are recognized on an accrual basis. Common stock transaction commissions are netted off with commission rebates.

(ii) Interest income and expenses and dividend income

Interest income and expenses are recognized in the income statement in the period to which they relate on an accrual basis. Interest income consists of income derived from coupons of fixed-rate and variable-rate instruments, income arising from the valuation of discounted government securities on an internal rate of return basis, and interest rates arising from the Money Market and reverse repurchase transactions.

Dividend income from common stock investments are recognized when the shareholders have the right to take the dividend.

(c) Trade receivables

Trading receivables that arise as a result of providing services to the receiver by the Group are disclosed by offsetting unearned financing income. After the unearned financing income, trading receivables are calculated with the discounted amounts of receivables that are recorded with their original invoice value and realized in next periods with the effective interest method. Short term receivables that do not have any specified interest rate are disclosed with their cost values when there is no major effect of using original effective interest rate.

(d) Financial assets

The Group classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity".

Sales and purchases of the financial assets mentioned above are recognized at the "settlement dates".

The appropriate classification of financial assets of the Group is determined at the time of purchase and according to the "market risk policies" by the Group management, taking into consideration the purpose of holding the investment.

All financial assets initially are recognized at fair value with purchase expenses of investment, except financial assets at fair value through profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets at fair value through profit and loss

In the Group, 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. It is accepted that the fair value is recognized as the best buy order as of the balance sheet date. However, if fair values cannot be obtained from the market transactions, it is accepted that the fair value cannot be measured reliably and that the financial assets are carried at "amortized cost" using the effective interest method. All gains and losses arising from these evaluations are recognized in the income statement.

All gains and losses arising from these evaluations, coupon and interest income are recognized in "Financial income" account in the income statement.

The assets in this category are classified as current assets.

(ii) Available for sale financial assets

Available-for-sale financial assets are defined as non-derivative 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 value calculations, based on market prices, cannot be obtained reliably, the available-for-sale financial assets are carried at amortized cost using the effective interest method.

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the equity as "Revaluation fund", until there is a permanent decline in the values of such assets or they are disposed of.

When these financial assets are disposed of or impaired, the related fair value differences accumulated in the equity are transferred to the income statement.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets that are not classified under loans and receivables or held-for-trading at the time of acquisition and are not included in available-for-sale financial assets, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognized at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "amortized cost" using the "effective interest method" after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

There are no financial assets of the Group that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the breaching of classification principles.

(iv) Loans and other receivables

Loans and receivables of the Group which are given with the purpose of providing cash to the debtor are carried at amortized cost. All loans are recognized in financial statements after transferring the cash amounts to debtors.

The Group provides loans to the customers for the share certificate purchases.

(v) Reverse repurchase agreements

Funds given against securities purchased under agreements ("Reverse Repo") to resell are accounted under "Cash and cash Equivalents" 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 and is recorded as receivables from reverse repo transactions.

(e) Property and equipment

Property and equipment are carried at cost less accumulated depreciation.

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related asset. The estimated useful lives of assets are as follows:

Buildings	50 years
Furnitures and fixtures	4-5 years
Leasehold improvements	4-5 years

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated useful life and depreciation method are reviewed at each balance sheet date in order to detect the effects of changes in the estimates and if appropriate, the changes in estimates are accounted.

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 the impairment in value is charged to the income statement.

Gains and losses on the disposal of assets are determined by deducting the net book value of the assets from its sales proceeds and charged to the income statement in the current period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

(f) Intangible assets

Intangible assets consist of acquired rights, information systems and softwares. These assets are recorded at original costs and amortized over their estimated useful lives, approximately 3-5 years, using the straight-line method. Estimated useful lives and amortization method are reviewed annually and the changes in estimates are recognized to determine the possible effects of the changes in estimates.

The book value of intangible assets are reduced to recoverable value, if impairment exists.

(g) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets.

The Group books a provision for the doubtful receivables when there is an objective evidence that trade receivables are not fully collectible. The correspondent provision amount is the difference between the book value and collectible receivable amount. The collectible amount is the discounted value of trade receivables by effective interest rate including the collectible guarantees and securities. In the event of the collections of the doubtful receivables whether the whole amount or some part of it, after booking the provision for the doubtful receivables, the collected amount is deducted from the doubtful receivables provision and recorded as income.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a trade receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in income statement.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(h) Financial liabilities

(i) Repurchase agreements

Securities subject to repurchase agreements ("Repo") are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong.

Funds obtained from repurchase agreements are accounted under "Financial Liabilities" 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" and is added to the cost of the financial assets which are subject to repurchase agreements.

The Group has no securities lending transactions.

(ii) Other financial liabilities

Other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

(ı) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions; monetary assets and liabilities are accounted for at the period-end bid rate of Central Bank of the Republic of Turkey ("CBRT"). Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(j) Provisions and contingent assets and liabilities

Provisions are recognized when there is 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. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, 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 in the period in which the change occurs.

(k) Finance leases - the Group as lessee

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the amount of lower of the fair value of the leased asset, and the present value of the lease payment. Assets acquired under finance lease agreements are classified under property and equipment and depreciated as per assets useful lives. Liabilities arising from financial lease agreements are followed under the "Financial lease payables" account in the balance sheet.

(l) Operational lease - the Group as lessee

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Operating lease payments are recognized in the consolidated income statements as an expense on a straight line basis over the lease term. Benefits obtained or to be obtained are also recorded on a straight line basis over the lease term.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Subsequent events

Subsequent events cover any events which arise between the date of approval of the financial statements and the balance sheet date, even if they occurred after declaration of the net profit for the period or specific financial information is publicly disclosed. The Group adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

(n) Related parties

For the purpose of these consolidated financial statements, shareholders, subsidiaries of Yapı ve Kredi Bankası A.Ş. with direct and/or indirect capital relation, Koç Holding A.Ş. and Unicredito Italiano S.p.A group companies, key management personnel and board members, their families and companies are considered as "related parties".

(o) Taxes calculated over Group's profit

Corporate tax

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognized in operating expenses.

Turkish tax regulations do not enable the parent company to give tax statement over the consolidated financial statements of its subsidiaries and affiliates. Due to this reason, tax provisions reflected to these consolidated financial statements are calculated for each company the full consolidation scope.

Corporate tax is subject to offsetting when a legal right about netting off the current tax assets and liabilities or when they are related to the corporate tax collected by the same tax regulatory.

Deferred tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred tax assets and the deferred tax liabilities can be netted off only if there is a legal right in this respect according to the tax legislation of the country they are dependent on.

Significant temporary differences arise from provision for employment termination benefits, provision for unused vacation rights, valuation differences of buildings and other fixed assets, valuation differences of available for sale financial assets and various expense provisions.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax and financial reporting purposes are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

Current tax except for the related items accounted under "Value increase fund" account in equity and deferred tax of the regarding period is accounted as income or expense in the statement of income.

(ö) Employee benefits

Defined benefit plans:

The Group accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and they are classified under "provisions for employee benefits" in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Company arising from this liability regarding the actuarial projections and reflected to financial statements.

Defined contribution plans:

The Group has to pay contribution to Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Group does not have other liabilities to its employees or to Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

(p) Capital and dividends

Ordinary shares are classified in equity. Dividends over ordinary shares are classified as dividend payable by deducting from accumulated profits, when the decision of dividend distribution is taken.

(r) Statement of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include due from banks with maturity less than three months, receivables from reverse repo transactions and investment funds.

(s) Share certificates and issuance

At capital increases, the Group accounts the difference between the issued value and nominal value as share issue premium under equity, in the case where the issued value is higher than the nominal value. The Group has no decision for profit distribution after the balance sheet date.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ş) Assets held for sale and discontinued operations

Discontinued operation is defined as a part of the Group with distinguished operations and cash flows that is disposed of or classified as held for sale. Results of discontinued operations are disclosed separately in the income statement.

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) 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.

(t) Derivatives

The Group's derivative transactions are composed of foreign currency/interest rates swaps, forward contracts and future transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting periods.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities or amounts of contingent assets and liabilities, and income and expense reported in the related period. Even though these assumptions and estimates are based on the best estimates of the Group's management, the actual results might differ from them.

Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Held-to-maturity financial assets; Management applies judgement in assessing whether financial assets can be categorized as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than for certain specific circumstances – for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortized cost.

Impairment of available for-sale equity investments; The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would not suffer any additional loss, being the transfer of the total debit balance in the revaluation reserve to profit or loss.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Deferred income tax asset recognition; Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

3. BUSINESS COMBINATIONS

None (31 December 2016: None).

4. JOINT VENTURES

None (31 December 2016: None).

5. SEGMENT REPORTING

Since the Group is not publicly held, there is no segment reporting in the consolidated financial statements as of 31 December 2017.

6. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Banks		
- Demand deposits	38,139,599	52,583,368
- Time deposits	4,095,417,603	4,013,506,914
Receivables from reverse repo agreements	117,765	251,734
	4,133,674,967	**4,066,342,016**

As of 31 December 2017, TL 2,447,494,617 of bank deposits (31 December 2016: TL 2,801,930,778) are held by related parties and institutions (Note 28).

TL 31,846,857 of demand deposits (31 December 2016: TL 36,658,406) are held by the Group's bank accounts in the collateral status of the Group's customers. (Note 15).

As of 31 December 2017, the average maturity for TL and EUR deposits is 4 and 62 days respectively, while the average interest rates are 11.44% and 1.99% (31 December 2016: 10.13% and 2%) respectively. As of 31 December 2017, there are no USD time deposits due (31 December 2016: 3.60%).

For the purpose of statement of cash flows, details of cash and cash equivalents are as follows:

	31 December 2017	31 December 2016
Time deposits with maturity less than 3 months	4,095,417,603	4,013,506,914
Demand deposits	6,292,742	15,924,962
Receivables from reverse repo agreements	117,765	251,734
	4,101,828,110	**4,029,683,610**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

7. FINANCIAL INVESTMENTS

Short term financial investments

	31 December 2017	**31 December 2016**
Financial assets at fair value through profit and loss	45,582,488	6,634,877
- Shares certificate listed on the stock market	*38,441,543*	*6,634,877*
- Investment funds	*7,140,945*	-
Available for sale financial assets	16,276,067	31,557,102
- Private sector bonds and bills	*16,276,067*	*31,557,102*
Held to maturity financial investments	22,768,209	26,698,291
- Government bonds and treasury bills	*22,768,209*	*26,698,291*
Total short term financial investments	**84,626,764**	**64,890,270**

Long term financial investments

Available for sale financial assets	68,947,495	32,192,533
- Share certificates	*47,770,354*	*32,192,533*
- Corporate bonds and bills	*21,177,141*	-
Total long term financial investments	**68,947,495**	**32,192,533**
Total financial investments	**153,574,259**	**97,082,803**

As of 31 December 2017, financial assets held to maturity whose the total amount of fair value is TL 14,344,413 and the total amount of net book value is TL 13,671,235, are held as collaterals in CBRT, BİST and Istanbul Settlement and Custody Bank Inc. ("Takasbank"). (31 December 2016: Financial assets held to maturity with fair value of TL 16,816,407 and net book value of TL 16,857,745).

Movements of the held to maturity financial assets are as follows:

	31 December 2017	**31 December 2016**
3 months - 1 year	22,768,209	26,698,291
	22,768,209	**26,698,291**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

7. FINANCIAL INVESTMENTS (Continued)

Short term financial investments:

	31 December 2017		
	Cost	**Fair value**	**Carrying Value**
Financial assets at fair value through profit and loss			
- Shares certificate listed on the stock market	36,572,410	38,441,543	38,441,543
- Investment funds	7,000,000	7,140,945	7,140,945
Available for sale financial assets			
- Corporate bonds and bills	15,517,250	16,276,067	16,276,067
Held to maturity financial investments			
- Government bonds and treasury bills	21,551,669	22,596,870	22,768,209
	80,641,329	**84,455,425**	**84,626,764**

	31 December 2016		
	Cost	**Fair value**	**Net book value**
Financial assets at fair value through profit and loss			
- Shares certificate listed on the stock market	6,549,335	6,634,877	6,634,877
Available for sale financial assets			
- Corporate bonds and bills	31,297,809	31,557,102	31,557,102
Held to maturity financial investments			
- Government bonds and treasury bills	26,752,578	26,650,454	26,698,291
	64,599,722	**64,842,433**	**64,890,270**

Long term financial investments:

	31 December 2017		
	Cost	**Fair value**	**Net book value**
Available for sale financial assets			
- Share certificates	32,192,533	47,770,354	47,770,354
- Corporate bonds and bills	20,592,417	21,177,141	21,177,141
	52,784,950	**68,947,495**	**68,947,495**

	31 December 2016		
	Cost	**Fair value**	**Net book value**
Available for sale financial assets			
- Share certificates	32,192,533	32,192,533	32,192,533
	32,192,533	**32,192,533**	**32,192,533**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

7. FINANCIAL INVESTMENTS (Continued)

Movements of the held-to-maturity financial assets as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
1 January	**26,698,291**	**40,149,237**
Purchases during the period	253,174,000	45,000,000
Valuation increase/decrease (rediscount rate is included)	(930,082)	(1,650,946)
Disposals in the period	(256,174,000)	(56,800,000)
31 December	**22,768,209**	**26,698,291**

The details of share certificates which are classified as long term available for sale financial assets are as follows:

	31 December 2017		31 December 2016	
Type	**Amount (TL)**	**Share (%)**	**Amount (TL)**	**Share (%)**
Share certificates not listed on the stock market				
Istanbul Settlement and Custody Bank Inc.	44,938,800	4.38	31,488,051	4.38
Borsa İstanbul A.Ş.	2,683,144	0.08	574,287	0.08
Yapı Kredi Azerbaycan Ltd.	110,279	0.10	92,064	0.10
Allianz Yaşam ve Emeklilik A.Ş.	26,432	0.04	26,432	0.04
Koç Kültür Sanat ve Tanıtım Hiz. Tic. A.Ş.	11,699	4.90	11,699	4.90
	47,770,354		**32,192,533**	

As of December 31, 2017, the Group valued its Takasbank shares (26,280,000 Nominal) with bid price of TL 1.71 announced by Takasbank notice with no. 2016/27365.

As of December 31, 2017, the Group valued its Borsa İstanbul A.Ş. shares (319,422 Nominal) with bid price of TL 8.4 announced by Borsa İstanbul A.Ş. notice with no 2016/110.

8. ASSETS HELD FOR SALE

None (31 December 2016: None).

(Amounts expressed in Turkish lira (“TL”) unless otherwise indicated.)

9. SHORT TERM LIABILITIES

	31 December 2017	31 December 2016
Payables to Money Markets (*)	2,842,561,658	2,904,116,758
Issued bonds	1,290,482,553	942,954,793
Bank loans (**)	30,032,750	-
Payables from short selling	1,622,984	27,113,413
	4,164,699,945	**3,874,184,964**

(*) Payables to Money Markets have an average maturity of 41 days and the average interest rate is 14.40% (31 December 2016: 19 days, 10.71%).

(**) The average maturity of the bank loans is 4 days and the average interest rate is 13.10% (31 December 2016: None).

Details of bonds issued as 31 December 2017 are as follows:

Marketable Security	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest (%)	Compound Interest (%)	Interest Type
Bond	224,750,000	TL	17 October 2017	16 January 2018	13.56	14.47	Fixed
Bond	4,446,388	TL	20 October 2017	17 January 2018	13.74	14.68	Fixed
Bond	9,984,789	TL	24 October 2017	22 January 2018	13.89	14.83	Fixed
Bond	1,552,225	TL	26 October 2017	24 January 2018	13.94	14.89	Fixed
Bond	124,900,000	TL	26 October 2017	19 January 2018	13.58	14.49	Fixed
Bond	113,578,698	TL	30 October 2017	27 April 2018	14.75	15.50	Fixed
Bond	44,951,001	TL	31 October 2017	29 January 2018	14.13	15.09	Fixed
Bond	8,057,756	TL	31 October 2017	8 January 2018	13.84	14.82	Fixed
Bond	50,000,000	TL	1 November 2017	15 January 2018	13.69	14.63	Fixed
Bond	200,000,000	TL	3 November 2017	2 February 2018	13.65	14.53	Fixed
Bond	18,037,652	TL	3 November 2017	1 February 2018	14.01	14.94	Fixed
Bond	63,787,717	TL	6 November 2017	30 January 2018	14.10	15.05	Fixed
Bond	3,144,448	TL	6 November 2017	30 January 2018	14.02	14.96	Fixed
Bond	4,742,487	TL	8 November 2017	5 January 2018	13.76	14.74	Fixed
Bond	172,200,000	TL	10 November 2017	19 February 2018	13.72	14.56	Fixed
Bond	1,195,903	TL	10 November 2017	9 January 2018	13.86	14.85	Fixed
Bond	15,139,892	TL	13 November 2017	12 January 2018	13.87	14.84	Fixed
Bond	172,050,000	TL	6 December 2017	6 March 2018	14.13	14.98	Fixed
Bond	79,350,000	TL	20 December 2017	21 March 2018	14.32	15.14	Fixed

Details of bonds issued as 31 December 2016 are as follows:

Marketable Security	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest (%)	Compound Interest (%)	Interest Type
Bond	190,680,000	TL	19 October 2016	18 January 2017	10.30	10.71	Fixed
Bond	15,000,000	TL	25 October 2016	23 January 2017	11.17	11.65	Fixed
Bond	268,980,000	TL	27 October 2016	26 January 2017	10.20	10.60	Fixed
Bond	80,000,000	TL	8 November 2016	6 February 2017	10.05	10.44	Fixed
Bond	167,130,000	TL	18 November 2016	17 February 2017	10.10	10.49	Fixed
Bond	179,000,000	TL	9 December 2016	9 March 2017	10.65	11.09	Fixed
Bond	52,000,000	TL	13 December 2016	27 January 2017	12.16	12.83	Fixed

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

10. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	31 December 2017	31 December 2016
Receivables from loan customers	219,391,578	183,040,394
Receivables from customers	149,893,728	44,745,696
Receivables from settlement and custody bank	96,521,222	193,353,075
Commission receivables	1,691,520	1,469,644
Doubtful trade receivables	864,527	943,693
Provision for doubtful trade receivables	(864,527)	(943,693)
	467,498,048	**422,608,809**

The Group allocates credit to its customers for use in stock trading. As of 31 December 2017, the amount of loans allocated to customers by the Group is TL 219,391,578 (31 December 2016: TL 183,040,394) and the Group holds the total market value of the share certificates which are listed on the stock market is TL 447,857,278 as collateral. (31 December 2016: TL 358,432,341) (Note 15).

Short term trade payables

	31 December 2017	31 December 2016
Payables to customers	194,242,184	218,556,414
Payables to vendors	4,294,108	1,922,275
Agent commision payable	3,583,745	1,670,179
Expense accruals	169,176	814,629
Other trade payables	1,141,548	832,262
	203,430,761	**223,795,759**

11. RECEIVABLES FROM FINANCIAL ACTIVITIES

Receivables from financial activities

	31 December 2017	31 December 2016
Investment fund management fee receivables (Note 28)(*)	5,687,977	4,426,383
Individual pension fund performance fee receivables (Note 28) (**)	4,776,383	4,448,863
Individual pension fund management fee receivables (Note 28) (**)	1,292,340	1,014,397
Investment advisory receivables (Note 28)	1,245,779	1,196,285
Discretionary portfolio success fee receivables	25,115	2,826
Discretionary portfolio management fee receivables	9,432	11,319
Other	15,008	2,908
	13,052,034	**11,102,981**

(*) Investment fund management commission receivables are obtained management fee receivables from 33 (31 December 2016: 35) investment funds established in accordance with the Capital Markets Law and related legislations.

(**) Pension fund commission and performance fee receivables are derived from 25 (31 December 2016: 21) individual pension funds, 24 of which are related institutions.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

12. OTHER RECEIVABLES AND PAYABLES

Other receivables

	31 December 2017	31 December 2016
Deposits and collaterals given	44,113,739	13,351,571
Collaterals given to markets	33,400,643	19,400,585
	77,514,382	**32,752,156**

Other payables

	31 December 2017	31 December 2016
Deposits and collaterals received	21,463,675	25,725,086
Payables to marketable securities disposal fund	491,344	491,344
	21,955,019	**26,216,430**

13. PROPERTY AND EQUIPMENT

31 December 2017	Buildings	Furniture and fixtures	Leasehold improvements	Total
Net book value, 1 January	**5,377,955**	**2,882,078**	**750,127**	**9,010,160**
Additions	-	636,911	158,632	795,543
Depreciation expense	(294,657)	(1,087,518)	(197,314)	(1,579,489)
Net book value, 31 December	**5,083,298**	**2,431,471**	**711,445**	**8,226,214**
Cost	11,026,598	17,524,371	5,032,129	33,583,098
Accumulated depreciation	(5,943,300)	(15,092,900)	(4,320,684)	(25,356,884)
Net book value, 31 December	**5,083,298**	**2,431,471**	**711,445**	**8,226,214**

31 December 2016	Buildings	Furniture and fixtures	Leasehold improvements	Total
Net book value, 1 January	5,672,614	3,215,128	959,935	9,847,677
Additions	-	635,906	25,340	661,246
Depreciation expense	(294,659)	(968,956)	(235,148)	(1,498,763)
Net book value, 31 December	**5,377,955**	**2,882,078**	**750,127**	**9,010,160**
Cost	11,026,598	16,887,460	4,873,497	32,787,555
Accumulated depreciation	(5,648,643)	(14,005,382)	(4,123,370)	(23,777,395)
Net book value, 31 December	**5,377,955**	**2,882,078**	**750,127**	**9,010,160**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

14. INTANGIBLE ASSETS

	31 December 2017
Net book value, 1 January 2017	**20,486,897**
Additions	7,559,406
Amortization	(1,059,635)
Net book value, 31 December 2017	**26,986,668**
Cost	39,806,228
Accumulated amortization	(12,819,560)
Net book value, 31 December 2017	**26,986,668**

	31 December 2016
Net book value, 1 January 2016	**16,348,218**
Additions	5,568,525
Amortization	(1,429,846)
Net book value, 31 December 2016	**20,486,897**
Cost	32,246,822
Accumulated amortization	(11,759,925)
Net book value, 31 December 2016	**20,486,897**

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Short term provisions

	31 December 2017	31 December 2016
Legal provisions	1,990,945	1,516,157
	1,990,945	**1,516,157**

Total amount of several outstanding legal cases against the Group is TL 2,172,477. Related to the legal cases against the Group, based on the best estimates, TL 1,990,945 has been reflected to the consolidated financial statements as of 31 December 2017.

ii) Collaterals Given

	31 December 2017	31 December 2016
Collaterals given	3,445,187,138	3,351,157,557

Letters of guarantee are given to BIST, CMB and to Takasbank for money market transactions. Foreign currency denominated letters of guarantee amount to TL 324,428,555 (31 December 2016: TL 337,880,299).

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

iii) Cash collaterals given on behalf of customers

	31 December 2017	31 December 2016
VİOP collaterals given on behalf of customers (*)	130,888,146	90,921,216
	130,888,146	**90,921,216**

(*) As of 31 December 2017, cash amounting to TL 130,888,146 has been pledged by the Group as collateral for the Futures and Options Market on behalf of the customers (31 December 2016: TL 90,921,216).

iv) Customer deposits

Treasury bills, government bonds, share certificates and other financial assets held in trust for the purpose of hiding on behalf of customers as of 31 December 2017 and 31 December 2016 are as follows:

Customer deposits	31 December 2017	31 December 2016
Investment funds	66,304,701,554	66,229,202,692
Reverse repo agreements (Money Markets)	2,572,652,952	1,048,722,777
Share certificates	2,281,743,453	3,810,437,555
Corporate bonds	133,709,081	12,124,000
Government bonds	79,784,518	247,281,131
Other	-	7,976,226
	71,372,591,558	**71,355,744,381**

v) Other

i. The transactions in the market are under the scope of "Third Party Financial Liability and Employer Liability Insurance Policy" amounting to TL 9,000,000 (31 December 2016: TL 5,000,000) made to Generali Sigorta A.Ş.

ii. Demand deposits amounting to TL 31,846,857 (31 December 2016: TL 36,658,406) belongs to the Group's customers as a partial collateral and is held in the Group's bank accounts (Note 6).

iii. The Group allocates credit to its customers for use in stock trading. As of 31 December 2017, the Group has TL 219,391,578 (31 December 2016: TL 183,040,394) of loans granted to its customers and the total market value of the shares kept as collecteral against those credits given is amounting to TL 447,857,278 (31 December 2016: TL 358,432,341) (Note 10).

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

16. DERIVATIVES

Nominal details of derivative transactions as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017 TL Equivalent		31 December 2016 TL Equivalent	
	USD	**EUR**	**USD**	**EUR**
Forward transactions (buy)	-	13,116,305	890,334	7,073,219
Forward transactions (sell)	-	12,818,629	954,149	7,079,023
Swap transactions (buy)	1,525,795	4,129,031,688	127,238,103	3,351,651,619
Swap transactions (sell)	1,508,760	4,027,413,789	136,461,809	3,354,386,078
	3,034,555	**8,182,380,411**	**265,544,395**	**6,720,189,939**

Receivables from derivative transactions

	31 December 2017	31 December 2016
Swap transactions	63,680,472	10,142,468
Forward transactions	163,950	19,833
	63,844,422	**10,162,301**

Payables from derivative transactions

Swap transactions	7,295,858	43,664,594
Forward transactions	29,123	144,332
	7,324,981	**43,808,926**

17. PROVISION FOR EMPLOYEE BENEFITS

Short term provisions

	31 December 2017	31 December 2016
Provision for employee bonus	18,862,294	14,601,960
	18,862,294	**14,601,960**

Long term provisions

Provision for unused vacation	7,104,033	3,499,840
Provision for employee termination benefits	2,866,962	3,669,699
	9,970,995	**7,169,539**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

17. PROVISION FOR EMPLOYEE BENEFITS (Continued)

Under the Turkish Labour Law, the Group required to pay the employment termination benefits to each employee who have completed one year of service at the Group when they retire (for women 58, for men 60) and when they are dismissed or called up for military services or die. Due to changes in the Law on September 8, 1999, some sections regarding the temporary period related with the working period before retirement have been removed. The indemnity is one month's salary for each working year and is limited to TL 5,001.76 as of 1 January 2018 (1 January 2017: TL 4,426.16).

The liability is not funded, as there is no legal funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of employees.

TFRS requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability.

	31 December 2017	31 December 2016
Discount rate (%)	4.95	4.50
Turnover rate to estimate retirement probability (%) (*)	95.50	96.38

(*) The rate reflects the parent company's rate.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year end calculation, the effective amount as of 1 January 2018 of TL 5,001.76 TL (1 January 2017 - TL 4,426.16).

Movement of provision for employee benefits during the period are as follows:

	31 December 2017	31 December 2016
1 January	**3,499,840**	**3,227,685**
Service cost	288,951	619,185
Interest cost	426,547	384,204
Payments during the period (-)	(689,845)	(606,010)
Actuarial loss/(gain)	3,578,540	(125,224)
31 December	**7,104,033**	**3,499,840**

Movement of provision for unused vacations during the period are as follows:

	2017
1 January	**3,669,699**
Payments during the period	(604,839)
Changes during the period	(197,898)
31 December	**2,866,962**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

17. PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movement of provision for employee benefits during the period are as follows:

	2017
1 January	**14,601,960**
Changes during the period, net	4,260,334
31 December	**18,862,294**

18. LIABILITIES FOR EMPLOYEE BENEFITS

	31 December 2017	**31 December 2016**
Taxes and liabilities payable	1,772,530	1,063,441
Social security premiums payable	957,888	892,139
	2,730,418	**1,955,580**

19. PREPAID EXPENSES

	31 December 2017	**31 December 2016**
Prepaid expenses	2,695,253	2,097,737
Commissions for letters of guarantees	2,103,571	2,029,325
	4,798,824	**4,127,062**

20. OTHER ASSETS AND LIABILITIES

	31 December 2017	**31 December 2016**
Other short term liabilities		
Payable taxes and funds	3,258,598	1,095,634
Blocked customer deposits	2,167,150	1,167,931
Takasbank-BIST commission provision	1,002,993	900,000
Provision for operating expenses	600,000	820,000
Other expense accruals	112,363	882,415
	7,141,104	**4,865,980**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

21. SHAREHOLDER'S EQUITY

Paid-in capital and adjustment differences

The paid-in capital of the Company is TL 98,918,083 (31 December 2016: TL 98,918,083) and consists of 9,891,808,346 (31 December 2016: 9,891,808,346) authorized shares with a nominal value of Krş 1 each. The Group has no preferred share as of 31 December 2017.

The shareholders and their shares in capital with historic values as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
Name of the shareholder	**TL**	**Share %**	**TL**	**Share %**
Yapı ve Kredi Bankası A.Ş.	98,895,466	99.98	98,895,466	99.98
Temel Ticaret ve Yatırım A.Ş.	20,951	0.02	20,951	0.02
Other	1,666	0.00	1,666	0.00
	98,918,083	**100.00**	**98,918,083**	**100.00**
Adjustments to share capital	63,078,001		63,078,001	
Total paid-in capital	**161,996,084**		**161,996,084**	

Adjustment to share capital represents the difference between total restatement effect of cash and cash equivalent contributions to share capital due to the inflation adjustments and total amount before the inflation adjustment. There is no use of the adjustment to share capital other than to be added to the capital.

According to Turkish Commercial Code, legal reserves consist of primary and secondary reserves. Primary reserves are reserved at 5% rate of legal profit in the period until they reach a level of 20% of the group capital. Secondary reserves are reserved at a rate of 10% of all dividend distribution exceeding 5% of group capital. Primary and secondary reserves cannot be distributed until they exceed 50% of the total capital, however, they can be used to cover losses when voluntary reserves are exhausted.

As of 31 December 2017, restricted reserves are amounting to TL 236,535,668 (31 December 2016: TL 236,738,667).

Restricted reserves and retained earnings

	31 December 2017	**31 December 2016**
Primary legal reserves	18,891,100	18,891,100
Secondary legal reserves	36,740,351	36,943,350
Real estate and affiliate sales gain fund (*)	180,904,217	180,904,217
Total restricted reserves	**236,535,668**	**236,738,667**

(*) As of 31 December 2017, TL 4,626,817 of the TL 180,904,217 which is the gain on sale of property, equipment and subsidiary classified under equity, is 75% of the profit from the sale of buildings in the year 2010 and TL 176,277,400 is the 75% of the profit from the sale of subsidiaries in the year 2013.

The Group performs dividend distribution in accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of 1 February 2014.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

21. SHAREHOLDER'S EQUITY (Continued)

In accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of February 1, 2014, the dividend distribution rate for non-listed companies may not be less than twenty percent of the net distributable profit for the period including donations. In accordance with the same communiqué, non-listed companies are required to distribute the profit share in whole and in cash; and they cannot benefit from the practice of profit distribution by installments, which is granted to listed companies.

In accordance with the provisions of the said communiqué, non-listed companies may choose not to distribute dividends in the event that the calculated profit share is less than five percent of the capital stock in the most recent annual financial statements to be presented to the general assembly or in the event that the net distributable profit for the period is less than TL 100,000 according to these financial statements. In this case, the undistributed dividends are distributed in subsequent periods.

At the Ordinary General Assembly held on 17 March 2017, a dividend amounting to TL 66,670,000 is decided to be distributed to the shareholders in cash and the profit distribution date is determined as March 24, 2017. (2016: 68,700,000 TL).

Changes in the minority interest during the period are as follows:

	31 December 2017	31 December 2016
Beginning of the period	**6,847,426**	**6,321,570**
Minority interest decrease due to dividend payment (*)	(3,422,646)	(3,295,882)
Minority interest net income	4,839,033	3,821,738
End of the period	**8,263,813**	**6,847,426**

(*) Decrease in non-controlling interests due to profit distribution represents profit share distribution of the subsidiary during the period, share of the subsidiaries of the subsidiary excluding the Company.

22. TAX ASSETS AND LIABILITIES

Corporate tax

	31 December 2017	31 December 2016
Corporate taxes payable	9,891,939	13,713,131
Prepaid taxes (-)	(64,954,812)	(46,151,934)
Current period tax assets, net (-)	**(55,062,873)**	**(32,438,803)**

The Group's income tax expense for the periods ended 31 December 2017 and 2016 consists of the following items:

	1 January - 31 December 2017	1 January - 31 December 2016
Current period tax expense	9,720,625	13,693,533
Deferred tax expense	14,046,126	2,649,241
Total tax expense	**23,766,751**	**16,342,774**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

22. TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Group:

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	125,932,284	86,634,691
Theoretical tax expense with 20% tax rate	(25,186,457)	(17,326,938)
Effect of non-taxable dividend incomes	1,063,199	1,329,160
Non deductible expenses and other additions	356,507	(344,996)
Current period tax expense	**(23,766,751)**	**(16,342,774)**

The Corporate Tax Law was altered by Law No.5520 on 13 June 2006. The majority of regulations in Corporate Tax Law No.5520 became effective as of 1 January 2006. According to this Law, the corporation tax rate of the fiscal year 2017 is 20% (2016: 20%). Corporation tax is payable at a rate of 20% on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (e.g. research and development expenditures deductions). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance amount utilized within the scope of the Income Tax Law transitional article 61).

The Law on the Amendment of Certain Tax Acts was approved by the Parliament on 28 November 2017 and published in the Official Gazette dated December 5, 2017, putting the rate of corporate taxation to be increased from 20% to 22% for the years 2018, 2019 and 2020. In this context, the Group's effect on the tax rate change in deferred tax asset / liability calculation as of 31 December 2017 is taken into consideration.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10% in accordance with 94th article of Income Tax Law. Addition of profit to share capital is not considered a profit distribution.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their 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.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year following the date of filing during which 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.

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.

There are numerous exemptions in Corporate Tax Law concerning corporations. Accordingly, earnings of the above mentioned nature, which are in the commercial profit/loss figures, have been taken into account in the calculation of corporate tax.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 8, 9, 10, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

22. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

Deferred tax assets	10,556,602	11,148,560
Deferred tax liabilities (-)	(19,499,334)	(3,400,788)
Deferred tax assets, net	**(8,942,732)**	**7,747,772**

Deferred tax assets and liabilities based upon temporary differences are as follows:

	31 December 2017		31 December 2016	
	Cumulative temporary differences	Deferred tax assets/ (liabilities)	Cumulative temporary differences	Deferred tax assets / (liabilities)
Provision for employee bonus	14,267,982	3,138,956	387,427	77,485
Provision for unused vacation	2,866,962	630,732	3,575,560	715,112
Provision for employee termination benefits	7,104,033	1,562,887	3,499,840	699,968
Derivatives	7,324,981	1,611,496	43,808,926	8,761,785
Accumulated losses	13,881,358	3,053,899	-	-
Legal provisions	1,990,945	438,008	1,516,157	303,231
Expense provision	540,441	118,897	510,095	102,019
Other	7,849	1,727	2,444,800	488,960
Deferred tax assets		**10,556,602**		**11,148,560**
Investments in progress	5,546,525	1,220,235	4,045,398	809,080
Derivatives	63,844,422	14,045,773	10,162,301	2,032,460
Difference between the tax base and carrying amount of non current assets	1,493,521	328,575	2,147,653	429,531
Financial assets revaluation differences	17,600,779	3,872,171	246,231	49,246
Other	148,091	32,580	402,355	80,471
Deferred tax liabilities		**19,499,334**		**3,400,788**
Deferred tax (liabilities) / assets, net		**(8,942,732)**		**7,747,772**

	1 January - 31 December 2017	**1 January - 31 December 2016**
Beginning balance of deferred tax assets / (liabilities), net	7,747,772	10,413,304
Deferred tax expense / (income) (-)	(14,046,126)	(2,649,241)
Deferred tax accounted under equity	(2,644,378)	(16,291)
Period end deferred tax assets / (liabilities), net	**(8,942,732)**	**7,747,772**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

23. REVENUE AND COST OF SALES

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue		
Share certificates sales	12,488,049,502	10,459,544,367
Treasury bills and government bonds sales	1,619,760,209	1,031,503,258
Commissions on intermediary activities on stock market	72,515,106	48,587,108
Corporate finance fees	18,430,884	13,836,770
Futures exchange intermediary commissions	11,602,870	8,251,932
Other intermediary commissions	10,711,459	8,395,550
Income from leveraged transactions intermediation	3,758,792	3,328,053
Custody commissions	1,241,942	1,175,191
Fund management fees	1,216,378	2,187,964
Consultancy services	751,901	904,794
Repo intermediary commissions	186,772	245,687
Outright purchase-sale transactions intermediary commissions	36,974	55,460
Other services income	4,856,981	3,506,078
Total revenue	**14,233,119,770**	**11,581,522,212**
Service income discounts and allowances		
Commissions paid to agencies (-)	(33,073,220)	(21,517,493)
Commission returns (-)	(1,418,159)	(1,784,808)
Total discounts and allowances (-)	**(34,491,379)**	**(23,302,301)**
Revenue	**14,198,628,391**	**11,558,219,911**
Cost of sales		
Costs of share certificate sales (-)	(12,486,871,711)	(10,471,972,948)
Costs of treasury bills and government bond sales (-)	(1,618,611,378)	(1,030,650,945)
Total cost of sales (-)	**(14,105,483,089)**	**(11,502,623,893)**
Gross operating profit/loss	**93,145,302**	**55,596,018**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

24. REVENUE AND COST OF FINANCIAL ACTIVITIES

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue from financial activities		
Investment funds management fee	53,696,436	43,841,133
Individual pension funds management fee	17,725,359	14,902,810
Fund management fee	**71,421,795**	**58,743,943**
Discretionary portfolio management commission	3,136,145	2,756,752
Portfolio success premiums	1,660,755	458,042
Discretionary portfolio management income	**4,796,900**	**3,214,794**
Investment consultancy fee revenues	1,223,751	1,175,133
Other financial activities revenue	**1,223,751**	**1,175,133**
Financial activities revenue	**77,442,446**	**63,133,870**
Financial activities cost		
Commission expenses	(3,725,975)	(5,148,633)
Fund management commission expenses	(3,246,798)	(1,207,046)
Financial activities cost	**(6,972,773)**	**(6,355,679)**
Gross profit/loss from financial sector activities	**70,469,673**	**56,778,191**

25. OPERATING EXPENSES

General administrative expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	75,518,358	65,330,296
Information services expenses	7,747,085	7,286,453
Data processing expenses	6,486,996	5,946,997
Taxes, duties and charges	4,334,053	2,602,135
Rent expense	2,739,117	2,409,134
Depreciation and amortization expenses	2,639,124	2,928,609
Audit and advisory expenses	1,490,943	1,044,320
Communication expenses	1,369,482	1,967,293
Vehicle expenses	1,002,397	914,854
IT transformation expenses	819,417	1,200,703
Meeting and travelling expenses	734,455	554,194
Maintenance service expenses	584,240	619,825
Cleaning expenses	471,474	574,296
Insurance expenses	466,341	448,954
Stationary expenses	365,201	346,051
Representation expenses	249,805	268,122
Other	3,015,872	2,829,803
	110,034,360	**97,272,039**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

25. OPERATING EXPENSES (Continued)

Marketing expenses

	1 January - 31 December 2017	**1 January - 31 December 2016**
Brokerage and other operational fees	11,240,815	8,971,585
Advertising expenses	3,997,357	2,940,095
Custody commissions	371,777	405,488
	15,609,949	**12,317,168**

26. OTHER INCOME FROM OPERATING ACTIVITIES

	1 January - 31 December 2017	**1 January - 31 December 2016**
Income due to derivative operations	394,072,686	203,626,324
Interest income on deposit at banks	220,238,509	271,968,861
Interest income on loans	31,153,439	17,852,449
Interest income on treasury bills and government bonds	8,404,993	6,058,295
Dividend income	5,315,993	6,645,802
Foreign exchange gains	2,016,581	21,355,130
Other interest income	55,942	430,414
Other income	3,725,265	293,951
	664,983,408	**528,231,226**

27. OTHER EXPENSE FROM OPERATING ACTIVITIES

	1 January - 31 December 2017	**1 January - 31 December 2016**
Interest paid to money markets	377,025,790	282,977,799
Interest expense from issued bonds and bills	148,521,471	84,560,476
Losses due from derivative operations	17,727,865	49,331,438
Commissions paid for guarantee letters	15,520,651	11,439,455
Commission expenses	11,296,129	8,361,748
Interest expense	5,164,368	5,399,389
Foreign exchange losses	330	1,901
Other expenses	1,765,186	2,309,331
	577,021,790	**444,381,537**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Bank deposits in related parties

	31 December 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş.	2,447,494,617	2,801,930,678
Yapı Kredi Nederland N.V.	-	100
	2,447,494,617	**2,801,930,778**

(b) Receivables due from related parties

Trade receivables

	31 December 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş.	390,002	22,449
Koç Fiat Kredi Finansmanı A.Ş.	200,634	-
YKS Tesis Yönetimi Hizmetleri A.Ş.	2,224	-
	592,860	**22,449**

Receivables from financial activities

Allianz Yaşam ve Emeklilik A.Ş. Pension Funds	6,067,563	5,463,260
Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds	5,687,977	4,426,383
Yapı ve Kredi Bankası A.Ş. - Investment consulting	1,245,779	1,196,285
	13,001,319	**11,085,928**

Prepaid expenses

Allianz Sigorta A.Ş.	105,834	89,771
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,705	1,730
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	431
	107,539	**91,932**

(c) Payables due to related parties

Trade payables

	31 December 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş.	4,842,996	3,127,749
Yapı Kredi Portföy Investment Funds	976,431	290,132
Allianz Sigorta A.Ş	948,336	892,261
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	499,440	342,918
Allianz Yaşam ve Emeklilik A.Ş.	274,519	176,590
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	52,422	42,203
Zer Merkezi Hizmetler ve Ticaret A.Ş.	12,197	157,433
Opet Petrolcülük A.Ş.	10,365	-
Setur Servis Turistik A.Ş.	-	1,735
Other	54,675	43,153
	7,671,381	**5,074,174**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(d) Income due from related parties

Operating income due from related parties

	1 January - 31 December 2017	1 January - 31 December 2016
Yapı Kredi Portföy Investment Funds	53,696,436	43,804,455
Allianz Hayat ve Emeklilik A.Ş. Pension Funds	17,713,254	14,902,810
Yapı ve Kredi Bankası A.Ş.	1,767,408	697,397
Koç Finansman A.Ş.	822,500	872,500
Koç Fiat Kredi Finansman A.Ş.	751,080	-
Koç Ailesi Üyeleri	740,882	477,397
Türk Traktör A.Ş.	722,150	14,989
Aygaz A.Ş.	490,750	277,489
Otokoç Otomotiv Tic. ve San, A.Ş.	440,700	-
Koçtaş A.Ş.	350,000	-
Vehbi Koç Vakfı	77,920	-
Tat Konserve ve Sanayi A.Ş.	18,250	189,989
Türk Eğitim Vakfı	6,768	5,363
SICAV	-	36,678
Other	127,750	139,923
	77,725,848	**61,418,990**

Interest income due from related parties

Yapı ve Kredi Bankası A.Ş.	99,575,335	159,638,239
	99,575,335	**159,638,239**

Derivative income due from related parties

Yapı ve Kredi Bankası A.Ş.	205,355,574	78,308,069
	205,355,574	**78,308,069**

Commission income due from related parties

Yapı ve Kredi Bankası A.Ş.	4,653,630	3,487,240
Yapı Kredi Finansal Kiralama A.O.	4,128,750	2,572,000
Yapı Kredi Faktoring A.Ş.	1,503,375	2,088,900
	10,285,755	**8,148,140**

Dividend income due from related parties

	1 January - 31 December 2017	1 January - 31 December 2016
Takasbank	3,285,000	3,285,000
Allianz Yaşam ve Emeklilik A.Ş.	49,016	36,308
	3,334,016	**3,321,308**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(e) Expenses paid to related parties

Operating expenses paid to related parties

	1 January - 31 December 2017	1 January - 31 December 2016
Yapı ve Kredi Bankası A.Ş.	2,164,010	2,316,536
YKS Tesis Yönetimi	739,691	849,536
Zer Merkezi Hizmetler ve Tic. A.Ş.	513,504	481,521
Koç Sistem Bilgi ve İletişim Hizm, A.Ş.	470,854	480,557
Otokoç Otomotiv Tic. ve San, A.Ş.	430,557	472,930
Allianz Sigorta A.Ş.	368,303	114,455
Setur Servis Turistik A.Ş.	304,324	334,166
Avis A.Ş.	259,317	272,844
YK Bina Yönetimi	215,996	-
Opet Petrolcülük A.Ş.	158,074	63,676
Koç Holding A.Ş.	53,149	105,095
Divan Tur	8,376	-
Other	408,100	630,584
	6,094,255	**6,121,900**

Commission expenses paid to related parties

Yapı ve Kredi Bankası A.Ş.	36,404,768	24,640,591
Allianz Yaşam ve Emeklilik A.Ş.	274,519	174,366
	36,679,287	**24,814,957**

Financial expenses paid to related parties

Yapı ve Kredi Bankası A.Ş.	162,284	298,457
	162,284	**298,457**

Benefits provided to key management

Top management consists of general manager, vice general managers, directors and other top management members. As of 31 December 2017, the total amount of salary and other benefits provided to the top management by the Group is TL 5,759,428
(1 January - 31 December 2017: TL 5,706,381).

Dividends paid to related parties

The Group paid dividend amounting to TL 70,092,646 in 2017 (2016: TL 71,995,882). (Note 21).

29. FINANCIAL RISK MANAGEMENT

The Group is subject to risks as a result of its commercial activities. The details and management of these risks are explained below. The Group management is fully responsible for the management of financial risk.

a. Information on credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet the terms of their agreements as foreseen and cause the other party to incur a financial loss.

For the loans provided, a default risk that the counterparty will not be able to fulfill the liabilities associated with the loan is present. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group also manages credit risk by keeping equity shares obtained from loan customers as collateral. Credit risk is fully concentrated in Turkey where the Group mainly operates.

Limits of new credits and additional credit limits are bound by the limits approved by Credit Committee and Board of Directors. Limits to be provided to customers are initially proposed by the Credit Committee and approved by the Board of Directors.

The Group makes a regular collateral/equity check for credit transactions where the current equity and benchmark equity is compared. If the collateral amount falls below the benchmark amount, additional collateral is requested from the customer.

The common stocks which the customers would like to buy using credit are bound to be in the "Marketable Securities Accepted for Credit Purchase" list. The items to be included in this list are determined by considering factors like transaction volume, changes in transaction volume, free float rate, liquidity and amount of shares in circulation. The common stocks in the customer's portfolio are accepted as collateral if the customer would like to buy common stocks other than the stocks listed in "Marketable Securities Accepted for Credit Purchase".

The share of the receivables from the biggest 10 credit customers in the total receivables from credit customers of the Group is 77% (31 December 2016: 77%).

The table below shows credit risk exposure based on financial instruments as of 31 December 2017 and 31 December 2016. In the determination of the maximum amount of credit risk exposure, in addition to the collaterals received, factors that lead to credit enhancement are not taken into account.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivables		Other receivables				
31 December 2017	**Related party**	**Other**	**Related party**	**Other**	**Bank Deposits**	**Financial Investments**	**Derivatives**
Total credit risk exposure (A+B+C)	**592,860**	**466,905,188**	**-**	**77,514,382**	**4,133,674,967**	**153,574,259**	**63,844,422**
- Amount of risk that is guaranteed with collateral (*)	-	447,857,278	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	592,860	466,905,188	-	77,514,382	4,133,674,967	153,574,259	-
B. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	864,527	-	-	-	-	-
- Impairment	-	(864,527)	-	-	-	-	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	63,844,422

	Receivables						
	Trade receivables		Other receivables				
31 December 2016	**Related party**	**Other**	**Related party**	**Other**	**Bank Deposits**	**Financial Investments**	**Derivatives**
Total credit risk exposure (A+B+C)	**22,449**	**422,586,360**	**-**	**32,752,156**	**4,066,342,016**	**97,082,803**	**10,162,301**
- Amount of risk that is guaranteed with collateral (*)	-	358,432,341	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	22,449	422,586,360	-	32,752,156	4,066,342,016	97,082,803	-
B. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	943,693	-	-	-	-	-
- Impairment	-	(943,693)	-	-	-	-	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	10,162,301

(*) Related collaterals consist of common stocks that are traded at BIST and the values that are shown in the above table are amounts valued by the "best bid" price at the balance sheet date.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

b. Information on market risk

Interest rate risk

The need of Group's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Group to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

On the balance sheet of the Group, available for sale and variable interest rate held to maturity financial assets are subject to price risk due to changes in interest rates. Also, the Group is subject to reinvestment rate risk when the cash resulting from the redemption of fixed interest held to maturity investment securities are reinvested.

The table below shows the interest rate position details and sensitivity analysis as of 31 December 2017 and 31 December 2016:

Interest rate position table

Fixed rate financial instruments

Financial assets	**31 December 2017**	**31 December 2016**
Banks	4,095,417,603	4,013,506,914
Receivables from reverse repo agreements	117,765	251,734
Financial assets available for sale	16,276,067	31,557,102
Financial assets held to maturity (*)	22,768,209	26,698,291
Financial liabilities		
Funds generated from Takasbank Money Market	2,842,561,658	2,904,116,758
Marketable securities issued	1,290,482,553	942,954,793
Bank loans	30,032,750	-

(*) Financial assets that bear an interest rate and are classified as held to maturity.

Financial liabilities and held to maturity investments with fixed interest rates are assumed to be insensitive to changes in interest rates. Reinvestment risk arises when the cash generated due to redemption of fixed interest held to maturity investment securities is reinvested.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2017 and 31 December 2016, average interest rates of financial instruments:

	31 December 2017		31 December 2016	
	TL (%)	**EUR (%)**	**TL (%)**	**EUR (%)**
Assets				
Cash and cash equivalents	11.44	2.10	11.00	2.00
Available for sale financial assets	16.06	-	12.20	-
Financial assets held to maturity	11.50	-	10.90	-
Liabilities				
Payables to Money Market	14.40	-	11.00	-
Issued bonds and bills	14.35	-	10.00	-
Bank loans	13.10	-	12.15	-
Funds generated from repo transactions	11.80	-	9.40	-

The Group's assets and liabilities are grouped based on their repricing maturities as follows as of 31 December 2017 and 31 December 2016:

	31 December 2017					
	Up to 1 month	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Non-interest bearing**	**Total**
Cash and cash equivalents	2,476,964,447	1,618,453,156	-	-	38,257,364	4,133,674,967
Financial investments	1,211,847	6,043,371	31,789,059	21,177,141	93,352,841	153,574,259
Trade receivables	219,391,578	-	-	-	248,106,470	467,498,048
Derivative financial assets held for trading	-	-	-	-	63,844,422	63,844,422
Other	-	-	-	-	189,640,612	189,640,612
	2,697,567,872	**1,624,496,527**	**31,789,059**	**21,177,141**	**633,201,709**	**5,008,232,308**
Financial liabilities	2,559,453,853	1,605,246,092	-	-	-	4,164,699,945
Trade payables	-	-	-	-	203,430,761	203,430,761
Other	-	-	-	-	82,903,868	82,903,868
	2,559,453,853	**1,605,246,092**	**-**	**-**	**286,334,629**	**4,451,034,574**
	138,114,019	**19,250,435**	**31,789,059**	**21,177,141**	**346,867,080**	**557,197,734**

	31 December 2016					
	Up to 1 month	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Non-interest bearing**	**Total**
Cash and cash equivalents	2,915,217,758	1,098,540,890	-	-	52,583,368	4,066,342,016
Financial investments	-	-	36,007,079	22,248,314	38,827,410	97,082,803
Trade receivables	183,040,394	-	-	-	239,568,415	422,608,809
Derivative financial assets held for trading	-	-	-	-	10,162,301	10,162,301
Other receivables	-	-	-	-	120,172,346	120,172,346
	3,098,258,152	**1,098,540,890**	**36,007,079**	**22,248,314**	**461,313,840**	**4,716,368,275**
Financial liabilities	2,845,818,318	1,028,366,646	-	-	-	3,874,184,964
Trade payables	-	-	-	-	223,795,759	223,795,759
Other payables	-	-	-	-	102,638,233	102,638,233
	2,845,818,318	**1,028,366,646**	**-**	**-**	**326,433,992**	**4,200,618,956**
	252,439,834	**70,174,244**	**36,007,079**	**22,248,314**	**134,879,848**	**515,749,319**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

a. *Exchange rate risk*

As of 31 December 2017 and 31 December 2016, the Group's assets and liabilities denominated in foreign currencies are as follows:

	31 December 2017				**31 December 2016**			
	TL equivalent	**USD**	**EUR**	**Other**	**TL equivalent**	**USD**	**EUR**	**Other**
Monetary financial assets	4,052,466,242	8,898,420	889,994,598	38,493	3,523,848,463	47,489,957	904,775,706	33,881
Current assets (a)	**4,052,466,242**	**8,898,420**	**889,994,598**	**38,493**	**3,523,848,463**	**47,489,957**	**904,775,706**	**33,881**
Financial liabilities	(30,330,315)	(7,820,633)	(166,407)	(26,152)	(33,786,882)	(9,000,845)	(545,543)	(31,514)
Short term financial liabilites (b)	**(30,330,315)**	**(7,820,633)**	**(166,407)**	**(26,152)**	**(33,786,882)**	**(9,000,845)**	**(545,543)**	**(31,514)**
Off-balance sheet derivatives denominated in foreign currency	(4,041,741,178)	(400,000)	(894,747,518)	-	(3,490,847,886)	(38,776,372)	(904,171,563)	-
Net asset/liability position of foreign currency denominated derivatives (c)	**(4,041,741,178)**	**(400,000)**	**(894,747,518)**	**-**	**(3,490,847,886)**	**(38,776,372)**	**(904,171,563)**	**-**
Total net foreign currency position (a+b+c)	**(19,605,251)**	**677,787**	**(4,919,327)**	**12,341**	**(786,305)**	**(287,260)**	**58,600**	**2,367**

Foreign currency assets consist of deposits and collaterals given to foreign markets.
Foreign currency liabilities consist of liabilities to customers.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

Off-balance sheet liabilities in foreign currencies consist of letter of guarantees and derivative transactions (Note 16).

The following table shows the sensitivity of the Group for the change of a 10% change in USD, EURO and other currencies. These amounts represent the equity effect apart from net profit for the period and effect of net profit for the period of US $, 10% increase of EURO and other foreign currencies against TL. According to the analyses of the Group's sensitivity where, all other variables are kept as constant.

Exchange rate sensitivity analysis table

	Profit / Loss		Equity	
31 December 2017	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**
In case of a 10% change in USD exchange rates:				
USD net asset/liability effect	(255,654)	255,654	-	-
In case of a 10% change in EURO exchange rates:				
EURO net asset/liability effect	2,221,322	(2,221,322)	-	-
In case of a 10% change in other exchange rates:				
Other foreign currency net effect	(5,143)	5,143	-	-
Total	**1,960,525**	**(1,960,525)**	**-**	**-**

	Profit / Loss		Equity	
31 December 2016	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**
In case of a 10% change in USD exchange rates:				
USD net asset/liability effect	101,093	(101,093)	-	-
In case of a 10% change in EURO exchange rates:				
EURO net asset/liability effect	(21,740)	21,740	-	-
In case of a 10% change in other exchange rates:				
Other foreign currency net effect	(717)	717	-	-
Total	**78,636**	**(78,636)**	**-**	**-**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

b. Share sertificate price risk

Majority of the equity shares classified in the balance sheet of the Group at fair value through profit or loss and available for sale financial assets are traded on BIST. According to the analyses of the Group where, all other variables are kept as constant, the effects of a 10% increase/decrease in the carrying value of common stocks, revaluation fund, net income for the period and equity are as follows:

31 December 2017

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity
Share certificates						
Financial assets at						
fair value through profit/loss		Increase	3,844,154	-	3,844,154	-
- Financial assets	10%	Decrease	(3,844,154)	-	(3,844,154)	-

31 December 2016

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity
Share certificates						
Financial assets at						
fair value through profit/loss		Increase	663,488	-	663,488	-
- Financial assets	10%	Decrease	(663,488)	-	(663,488)	-

c. Liquidity risk

Liquidity risk is the possibility that the Group is unable to meet its net funding commitments and is defined as the risk of loss as a result of not being able to close positions at all or at an appropriate price because of barriers in the market.Liquidity risk stems from deterioration in markets or occurrence of events resulting in diminution of fund resources such as fall of credit ratings. The management of the Group controls liquidity risk by allocating fund resources and keeping a sufficient level of cash and cash equivalents to meet its existing and possible obligations.

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

29. FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2017				
	Net book value	**Up to 1 month**	**1 month to 1 year**	**1 year to 5 years**	**Total of contractual cash outflows**
Financial liabilities	4,164,699,945	2,573,316,163	1,631,426,855	-	4,204,743,018
Trade payables	203,430,761	203,430,761	-	-	203,430,761
Other payables	21,955,019	21,955,019	-	-	21,955,019
	4,390,085,725	**2,798,701,943**	**1,631,426,855**	**-**	**4,430,128,798**

	31 December 2016				
	Net book value	**Up to 1 month**	**1 month to 1 year**	**1 year to 5 years**	**Total of contractual cash outflows**
Financial liabilities	3,874,184,964	2,854,830,066	1,040,742,427	-	3,895,572,493
Trade payables	223,795,759	223,795,759	-	-	223,795,759
Other payables	26,216,430	26,216,430	-	-	26,216,430
	4,124,197,153	**3,104,842,255**	**1,040,742,427**	**-**	**4,145,584,682**

30. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

30. FINANCIAL INSTRUMENTS (Continued)

i. Financial assets:

The fair values of financial assets carried at cost, including cash and cash equivalents and other financial assets, are considered to approximate their respective carrying values due to their short-term nature and their insignificant credit risk.

Market prices are used on the determination of the fair values of government bonds and common stocks.

Financial investments' costs, fair value and carrying values are disclosed in Note 7.

ii. Financial liabilities:

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and financial liabilities carried at fair value:

31 December 2017	**Level 1**	**Level 2**	**Level 3**
Financial assets designated at fair value through profit/loss	45,582,488	-	-
Share certificates trading on BIST	*38,441,543*	-	-
Investment funds	*7,140,945*	-	-
Available for sale financial assets	-	85,223,562	-
Share certificates	-	*47,770,354*	-
Corporate bonds and bills	-	*37,453,208*	-
Financial receivables from derivatives held for trading	-	63,844,422	-
Financial liabilities from derivatives held for trading	-	7,324,981	-

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

30. FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**Level 1**	**Level 2**	**Level 3**
Financial assets designated at fair value through profit/loss	6,634,877	-	-
Share certificates trading on BIST	*6,634,877*	-	-
Available for sale financial assets	-	63,749,635	-
Share certificates	-	*32,192,533*	-
Corporate bonds and bills	-	*31,557,102*	-
Financial receivables from derivatives held for trading	-	10,162,301	-
Financial liabilities from derivatives held for trading	-	43,808,926	-

31. DISCLOSURE OF OTHER MATTERS

a. Explanation on portfolio management operations

As of 31 December 2017, the Group managed 33 mutual funds and 25 pension funds (31 December 2016: 33 mutual funds and 21 pension funds) In accordance with the Funds' statute, the Group purchases and sells securities and share certificates for the Funds, markets their participation certificates and provides other services and charges daily management fees. As of 31 December 2017 the Group earned a management fee of TL 68,007,439 (31 December 2016: TL 57,536,897).

b. Capital management and capital adequacy requirements

The Group aims to increase its profit by using liability and equity balance in the most efficient way. The Group's funding structure is mainly composed of equity items.

The Group defines and manages its capital in accordance with CMB's Communiqué Series:V No:34 on capital and capital adequacy of intermediary institutions. According to the related communiqué, the equity of intermediary institutions is composed of the portion of total assets, which are valued according to the valuation principles discussed in Communiqué Series:V No:34 and are present in the balance sheet prepared as of the valuation date. According to the communique which is published on 11 July 2013 and named as Communiqué Series: V No: 34, capital adequacy base of intermediary institutions cannot be lower than any of the following; TL 2,000,000 for narrow authority intermediaries, TL 10,000,000 for partial authorized intermediaries and 25,000,000 for broad authority intermediaries. The Company has broad authority intermediation licence dated 15 January 2016 and numbered G-028 (286). In this respect, the required equity for the Group is TL 25,472,637 (31 December 2016: TL 25,000,000).

32. SUBSEQUENT EVENTS

None.

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