# Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

## Consolidated financial statements for the period January 1 - June 30, 2016 together with independent auditor's report

**(Convenience translation of financial statements and auditor's report originally issued in Turkish, see note 2.7)**

(Convenience translation of financial statements originally issued in Turkish, see note 2.7)

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

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**(Convenience translation of independent auditor's report originally issued in Turkish)**

## Independent auditor's report on consolidated financial statements for the period ended June 30, 2016

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

### Introduction

We have reviewed the accompanying financial statements of Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi ( "the Company") as of June 30, 2016, which comprise the statement of financial position and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month-period then ended. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with TAS 34 Interim Financial Reporting. ("TAS 34"). Our responsibility is to express a conclusion on these interim financial information based on our review.

### Responsibility of the Group management related to the financial statements

The Group's management is responsible for the preparation and fair presentation of these (consolidated) financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Conclusion*

Based on our review, nothing has come to our attention that may cause us to believe that the accompanying interim condensed financial information are not prepared, in all material respects, in accordance with TAS 34.

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

Yaşar Bivas, SMMM
Partner

July 28, 2016
İstanbul, Türkiye

## Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

### Consolidated statement of financial position as of June 30, 2016 and 2015

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

| | | (Reviewed) | (Audited) |
|---|---|---|---|
| **Assets** | **Notes** | **June 30, 2016** | **December 31, 2015** |
| **Current Assets** | | **4.156.562.802** | **3.281.319.210** |
| Cash and cash equivalents | 6 | 3.668.705.447 | 2.924.820.319 |
| Financial investment | 7 | 152.227.851 | 73.298.566 |
| Trade receivable | 10 | 210.252.415 | 220.895.662 |
| - Due from related parties | 28 | 24.181 | 19.938 |
| - Due from other parties | | 210.228.234 | 220.875.724 |
| Receivables from financial activities | 11 | 5.973.879 | 7.681.847 |
| - Due from related parties | 28 | 4.965.030 | 7.642.401 |
| - Due from other parties | | 1.008.849 | 39.446 |
| Other receivables | 12 | 19.311.101 | 22.504.542 |
| - Due from related parties | | - | - |
| - Due from other parties | | 19.311.101 | 22.504.542 |
| Derivative financial instruments | 16 | 71.616.005 | 17.129.240 |
| Prepaid expenses | 19 | 2.994.188 | 2.611.790 |
| Current period tax assets | 22 | 25.398.660 | 12.321.329 |
| Other current asset | 20 | 83.256 | 55.915 |
| **Sub Total** | | **4.156.562.802** | **3.281.319.210** |
| Assets classified as held for sale | 8 | - | - |
| **Total current assets** | | **4.156.562.802** | **3.281.319.210** |
| **Non-current assets** | | | |
| Financial investments | 7 | 32.192.533 | 32.192.533 |
| Property and equipment | 13 | 9.122.083 | 9.847.677 |
| Intangible assets | 14 | 18.409.762 | 16.348.218 |
| - Other intangible assets | 14 | 18.409.762 | 16.348.218 |
| Deffered tax assets | 22 | 8.071.003 | 10.413.304 |
| **Total non-current assets** | | **67.795.381** | **68.801.732** |
| **Total assets** | | **4.224.358.183** | **3.350.120.942** |

## Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

### Consolidated statement of financial position
### as of June 30, 2016 and 2015
**(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

| Liabilities | Notes | (Reviewed) June 30, 2016 | (Audited) December 31, 2015 |
|---|---|---|---|
| **Short term liabilities** | | **3.739.579.935** | **2.825.320.510** |
| Short term financial liabilities | 9 | 3.643.347.679 | 2.660.507.987 |
| - Due to related parties | 27 | 3.401.146 | - |
| - Due to other parties | | 3.639.946.533 | 2.660.507.987 |
| Trade payables | 10 | 63.492.284 | 87.908.417 |
| - Due to related parties | 27 | 3.038.243 | 3.189.477 |
| - Due to other parties | | 60.454.041 | 84.718.940 |
| Payables due to employee benefits | 18 | 1.502.651 | 1.392.990 |
| Other payables | 12 | 18.179.825 | 26.209.902 |
| - Due to related parties | 27 | 115.021 | 110.924 |
| - Due to other parties | | 18.064.804 | 26.098.978 |
| Derivative financial instruments | 16 | - | 30.041.714 |
| Current income taxes payable | 22 | - | - |
| Short term provisions | 17 | 8.735.292 | 14.174.131 |
| - Short term provisions for employee benefits | 17 | 7.300.980 | 12.920.400 |
| - Other short term provisions | 15 | 1.434.312 | 1.253.731 |
| Other short term liabilities | 20 | 4.322.204 | 5.085.369 |
| **Other short term liabilities** | | **3.739.579.935** | **2.825.320.510** |
| **Long term liabilities** | | **8.457.809** | **7.412.310** |
| Long term provisions | | | |
| - Provision for employee benefits | 17 | 8.457.809 | 7.412.310 |
| **Other long term liabilities** | | **8.457.809** | **7.412.310** |
| **Total liabilities** | | **3.748.037.744** | **2.832.732.820** |
| **Equity** | | | |
| Paid-in share capital | 21 | 98.918.083 | 98.918.083 |
| Adjustment to share capital | 21 | 63.078.001 | 63.078.001 |
| Other comprehensive income and expenses to be reclassified in profit or loss | 21 | (11.913.521) | (11.913.520) |
| - Revaluation and measurement gains/losses | | (12.141.183) | (12.104.537) |
| - Other gains/losses | | 327.359 | 191.017 |
| Restricted reserves | 21 | 236.738.667 | 235.511.669 |
| Retained earnings | 21 | 55.545.320 | 62.545.052 |
| Net profit/(loss) for the period | | 29.280.906 | 62.927.267 |
| **Equity attributable to equity holders of the Parent** | | **471.747.153** | **511.066.552** |
| **Non-controlling interest** | 21 | **4.573.286** | **6.321.570** |
| **Total equity** | | **476.320.439** | **517.388.122** |
| **Total liabilities and equity** | | **4.224.358.183** | **3.350.120.942** |

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

## Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

## Consolidated statement of comprehensive income for the periods ended June 30, 2016 and 2015

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

| | Notes | (Reviewed) January 1 – June 30, 2016 | (Reviewed) April 1 – June 30, 2016 | (Reviewed) January 1 – June 30, 2015 | (Reviewed) April 1 – June 30, 2015 |
|---|---|---|---|---|---|
| **Profit and loss** | | | | | |
| **Revenue** | 23 | 8.701.063.526 | 3.403.914.896 | 7.417.093.558 | 3.662.478.007 |
| Cost of sales(-) | 23 | (8.673.767.388) | (3.390.057.114) | (7.387.182.305) | (3.645.295.223) |
| **Gross profit from commercial activities** | | **27.296.138** | **13.857.782** | **29.911.253** | **17.182.784** |
| Revenue from financial activities | 24 | 28.289.779 | 14.642.028 | 26.789.229 | 13.762.457 |
| Cost of financial activities (-) | 24 | (3.250.402) | (1.732.959) | (2.804.041) | (1.384.969) |
| **Gross profit from financial activities** | | **25.039.377** | **12.909.069** | **23.985.188** | **12.377.488** |
| **Gross profit/(loss)** | | **52.335.515** | **26.766.851** | **53.896.441** | **29.560.272** |
| General administrative expenses (-) | | (49.026.039) | (24.145.566) | (44.455.002) | (22.550.762) |
| Selling, marketing and distribution expenses (-) | | (6.144.031) | (3.404.645) | (3.815.250) | (1.563.279) |
| Other operating income | 25 | 245.254.981 | 114.491.398 | 206.454.031 | 94.867.580 |
| Other operating expense (-) | 26 | (205.973.986) | (97.235.632) | (167.981.865) | (74.299.969) |
| **Operating profit/(loss)** | | **36.446.440** | **16.472.406** | **44.098.355** | **26.013.842** |
| **Profit/(loss) before tax from continuing operations** | | **36.446.440** | **16.472.406** | **44.098.355** | **26.013.842** |
| **Tax (income)/expense for continuing operations** | | | | | |
| - Current tax expense/income | 22 | (3.300.559) | (1.657.561) | (3.685.862) | 5.729.465 |
| - Deferred tax income/(expense) | 22 | (2.317.377) | (814.292) | (3.933.085) | (9.789.503 |
| **Profit/(loss) before tax from continuing operations** | | **30.828.504** | **14.000.553** | **36.479.408** | **21.953.804** |
| **Net profit for the period** | | **30.828.504** | **14.000.553** | **36.479.408** | **21.953.804** |
| **Distribution of profit/loss** | | **30.828.504** | **14.000.553** | **36.479.408** | **21.953.805** |
| Non-controlling interest | 21 | 1.547.598 | 806.921 | 1.492.056 | 779.359 |
| Attributable equity holders of the parent | | 29.280.906 | 13.193.632 | 34.987.352 | 21.174.446 |

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

## Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

## Consolidated statement of comprehensive income
## for the periods ended June 30, 2016 and 2015
### (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | (Reviewed) January 1– June 30, 2016 | (Reviewed) April 1 – June 30, 2016 | (Reviewed) January 1 – June 30, 2015 | (Reviewed) April 1 – June 30, 2015 |
|---|---|---|---|---|
| **Net profit/loss for the period** | **30.828.504** | **14.000.553** | **36.479.408** | **21.953.804** |
| **Other comprehensive income:** | | | | |
| **Adjustments to net income/(loss) reconciliation** | | | | |
| Change in foreign currency translation differences | - | - | - | - |
| Adjustments/revaluation in financial assets available for sale | (45.806) | (74.485) | 59.324 | 4.042 |
| Profit/loss on cash flow hedges (effective part of the fair value changes) | - | - | - | - |
| Profit/loss on foreign net investment hedges (effective part of the fair value changes) | - | - | - | - |
| Adjustment of investments carried at equity method from other comprehensive income in profit/loss | - | - | - | - |
| Other comprehensive income elements adjusted as other profit or loss | 170.429 | 170.429 | - | - |
| Tax income/expense in other comprehensive income adjusted in profit or loss | (24.926) | (19.188) | 11.281 | 808 |
| - Current tax expense/income | - | - | - | - |
| - Deferred tax expense/income | (24.926) | (19.188) | 11.281 | 808 |
| **Other comprehensive income** | **99.697** | **76.756** | **70.605** | **4.850** |
| **Total comprehensive income** | **30.928.201** | **14.077.309** | **36.550.013** | **21.958.654** |
| **Distribution of total comprehensive income** | | | | |
| Non-controlling interest | 1.547.598 | 806.921 | 1.492.056 | 779.359 |
| Attributable equity holders of the Parent | 29.380.603 | 13.270.388 | 35.057.957 | 21.179.295 |

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

## Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

## Consolidated statement of changes in equity for the periods ended June 30, 2016 and 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | | | Other comprehensive income and expenses not to be reclassified in profit or loss | | | Accumulated profits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Paid –in share capital | Adjustment to share capital | Revaluation and measurement gains/losses | Other gains /Losses | Restricted reserves | Retained earnings | Net profit for the period | Equity attributable to equity holders of the parent | Non-controlling interest | Total equity |
| **Balance as at January 1, 2015 (Beginning of the period)** | 98.918.083 | 63.078.001 | (12.093.153) | (94.131) | 238.768.671 | 55.481.121 | 60.236.932 | 504.295.524 | 5.833.994 | 510.129.518 |
| Transfers | - | - | - | - | - | 60.236.932 | (60.236.932) | - | - | - |
| Dividends | - | - | - | - | (3.256.999) | (53.173.001) | - | (56.430.000) | (3.042.352) | (59.472.352) |
| Total comprehensive income | - | - | 70.605 | - | - | - | 34.987.352 | 35.057.957 | 1.492.056 | 36.550.013 |
| Other | - | - | - | - | - | - | - | - | - | - |
| **Balance as at June 30, 2015 (End of the period)** | 98.918.083 | 63.078.001 | (12.022.548) | (94.131) | 235.511.672 | 62.545.052 | 34.987.352 | 482.923.481 | 4.283.698 | 487.207.179 |
| **Balance as at January 1, 2016 (Beginning of the period)** | 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 | - | - | - | - | 1.227.000 | (69.927.000) | - | (68.700.000) | (3.295.882) | (71.995.882) |
| Total comprehensive income | - | - | - | - | - | - | 29.280.906 | 29.280.906 | 1.547.598 | 30.828.504 |
| Other | - | - | (36.645) | 136.342 | - | - | - | 99.697 | - | 99.697 |
| **Balance as at June 30, 2016 (End of the period)** | 98.918.083 | 63.078.001 | (12.141.183) | 327.359 | 236.738.667 | 55.545.320 | 29.280.906 | 471.747.153 | 4.573.286 | 476.320.439 |

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

## Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

### Consolidated statement of cash flows for the periods ended June 30, 2016 and 2015
**(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

| | Notes | June 30, 2016 (Reviewed) | June 30, 2015 (Reviewed) |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Current period profit | | 30.828.504 | 36.479.408 |
| **Adjustments to net income/(loss) reconciliation** | | | |
| - Adjustments related to depreciation and amortization | 13,14 | 1.578.116 | 1.231.868 |
| - Adjustments related to provisions | | 16.020.053 | 2.344.302 |
| - Adjustments related with interest income and expense | | 196.921.512 | 132.044.694 |
| - Adjusments related to unrealized translation differences | | 3.002.343 | (22.905.064 |
| - Adjustments related to fair value losses/gains | | 4.527.541 | 52.520.137 |
| - Adjustments related to tax expenses/incomes | | 3.275.635 | (247.223) |
| - Adjustments in other components related with the investments or financial activities | | (78.829.593) | 3.803.471 |
| **Changes in working capital** | | | |
| - Change in trade receivables | | 11.535.645 | (31.853.075) |
| - Change in other receivables related to operations | | (51.653.215) | 66.127.564 |
| - Change in trade payables | | (24.416.135) | 23.980.777 |
| - Change in other payables related to operations | | (16.216.832) | (6.284.516) |
| **Cash Flow from operating activities** | | | |
| Taxes paid | 22 | (28.718.822) | (23.274.558) |
| **Cash flow from operating activities** | | **67.854.752** | **233.967.785** |
| **Cash flows from investing activities:** | | | |
| Cash outflow for acquisition of tangible and intangible assets | | (2.028.289) | (2.480.033) |
| Cash inflow from sale of subsidiary | | - | - |
| **Cash flows from investing activities** | | **2.028.289** | **(2.480.033)** |
| **Cash flows from investing activities:** | | | |
| Cash provided from financial liabilities | | 965.460.661 | 189.493.117 |
| Interest paid | | (163.706.017) | (130.369.811) |
| Dividend paid | 21 | (71.995.882) | (59.472.352) |
| **Cash flows from financial activities** | | **729.758.762** | **(349.046)** |
| **Effect of foreign curreny translation differences** | | **(3.002.343)** | **22.905.064** |
| **Net increase in cash and cash equivalents** | | **792.582.882** | **254.043.770** |
| **Cash and cash equivalents at the beginning of the period** | 6 | **2.844.286.573** | **2.719.459.381** |
| **Cash and cash equivalents at the end of the period** | 6 | **3.636.869.455** | **2.973.503.151** |

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

## 1 - Organization 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 September 15, 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 September 9, 1996 and Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi on October 5, 1998.

As of September 28, 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 December 29, 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 December 15, 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 December 29, 2006 and the merger agreement as of January 12, 2007 and announced the registration at Trade Registry Gazette No. 6724 and dated January 16, 2007.

Approval of Financial Statements:

Consolidated financial statements prepared as of June 30, 2016 have been approved by the Board of Directors of the Company at July 28, 2016. General Assembly and regulatory bodies have the right to amend the approved financial statements.

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 ")
   - Execution of orders (In domestic and cross-border markets)
   - Shares,
   - Other securities,
   - Derivatively financial instruments of shares specific,
   - Derivatively financial instruments of shares index specific,
   - Other derivative financial instruments,
   - Intermediary activities dealing on own account (In domestic markets),
   - Shares,
   - Other securities,

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

## 1 - Organization and nature of operations (continued)

- Leveraged buying and selling transactions,
- Derivatively financial instruments of shares specific,
- Derivatively financial instruments of shares index specific,
- Other derivative instruments,
- Investment advice related activities,
- Intermadiation for public offer transactions,
- Ancillary service,
- Best effort ancillary service,
- Limited custodian service,

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

d) Buying and selling instruments with repurchase agreement

e) Providing services of collection, payment of principal, interest, dividends and related income and to obtain shares through gratis issue in the name and account of customers on the basis of authorization taken from them.

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

The Company has 35 funds (December 31, 2015: 10) which are established by the Company itself founded by the Group. As of December 31, 2015 Group has 300 employees (December 31, 2015:299).

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

As of June 30, 2016 and 2015, details of the subsidiary of the Group are as follows:

| Company Name | June 30, 2016 Share in capital | December 31, 2015 Share in capital | Principal activity |
|---|---|---|---|
| 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. ("Koç Portföy") 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% (December 31, 2015: 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.

## 2 - Basis of presentation of financial statements

### 2.1 Basis of presentation

### 2.1.1 Applicable accounting standards

The accompanying financial statements have been prepared in accordance with the Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") in compliance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the CMB on June 13, 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations.

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 accouting standards issued by POA.

The company's accompanying financial statements prepared in accordance with 2016 TAS Taxonomy approved by No. 30 Board decision dated 2/6/2016 developed on the basis of (b) subparagraph of 9th article of statutory decree No. 660 of POA.

### 2.1.2 Adjustments to financial statements in hyperinflationary periods

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 is reported in the balance sheet 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 financial statements according to the going concern assumption.

### 2.1.5 Functional currency

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (functional currency). The results and financial position of the Group is expressed in TL, which is the functional and presentation currency of the Group.

### 2.2. Change in accounting policies and errors

Accounting policy changes taking place as a result of a new TAS/TFRS's first time use are applied in line with the transition rules if there is any, retrospective or prospectively. If transition rules are absent for such changes, intended significant changes regarding the accounting policy or identified accounting mistakes are applied retrospectively and financial statements of prior period are revised accordingly.

## 2 - Basis of presentation of financial statements (continued)

### 2.3 Change in accounting estimations

If the application of changes in the accounting estimates affects the financial results of a specific period, the accounting estimate change is applied in that specific period, if they affect the financial results of current and following periods; the accounting estimate is applied prospectively in the periods in which such change is made.

### 2.4 Changes in accounting policies and interpretations

#### a) Changes in accounting policies and interpretations

**The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at June 30, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:**

**IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment did not have an impact on the consolidated financial statements of the Group.

**IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendment did not have an impact on the consolidated financial statements of the Group.

**IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants**

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

## 2 - Basis of presentation of financial statements (continued)

### IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9,
Or
• Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment did not have an impact on the consolidated financial statements of the Group.

### IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment did not have an impact on the consolidated financial statements of the Group.

### IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

### IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim consolidated financial statements of the Group.

### Annual Improvements to TAS/TFRSs

POA issued the below amendments to the standards in relation to "Annual Improvements - 2012–2014 Cycle". POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

## 2 - Basis of presentation of financial statements (continued)

### Annual Improvements - 2012–2014 Cycle

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- TAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have significant impact on the financial position or performance of the Group.

### ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

### TFRS 9 Financial Instruments – Classification and measurement

As amended in is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

### The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

## 2 - Basis of presentation of financial statements (continued)

### Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

### Annual Improvements – 2011–2013 Cycle

### IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

### Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

### IFRS 9 Financial Instruments - Final standard (2014)

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

## 2 - Basis of presentation of financial statements (continued)

### IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

### IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

### IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

### IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

## 2 - Basis of presentation of financial statements (continued)

### IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments) (continued)

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

### 2.5 Critical accounting judgements, estimates and assumptions

The significant accounting policies followed in the preparation of these financial statements are summarized below:

#### (a) Consolidation principles

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 June 30, 2016 and December 31, 2015, details of the subsidiary and associate of the Group are as follows:

| Company Name | 2016 Share in capital | 2015 Share in capital | Principal activity |
|---|---|---|---|
| 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. ("Koç Portföy") 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% (December 31, 2015: 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)

### (b) Revenue recognation

#### (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 (Note 23).

#### (ii) Interest income/expense and dividend income

Interest income and expense are recognized on an accrual basis in the relevant period's income statement.income includes coupon income from fixed and floating income securities and discounted treasury bills valued by amortized cost, income from reverse repo and stock exchange money market transactions.

Dividend income from common stock investments is recognized when shareholders are entitled to receive dividend.

### (c) Trade receivables

Trading receivables that arise as a result of providing services to the receiver by the Company 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 Company is determined at the time of purchase and according to the "market risk policies" by the Company 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.

#### (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

## 2 - Basis of presentation of financial statements (continued)

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

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.

### (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 Company provides loans to the customers for the share certificate takings.

## 2 - Basis of presentation of financial statements (continued)

### (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 (Note 13).

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 |
| Motor vehicles | 4-5 years |
| Leasehold improvements | 4-5 years |

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 (Note 14). The useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet

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.

## 2 - Basis of presentation of financial statements (continued)

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

### (i) Foreign Currency 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") (Note 29). 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 (Note 15).

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.

### (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.

## 2 - Basis of presentation of financial statements (continued)

### (n) Related parties

For the purpose of these consolidated financial statements, shareholders, subsidiaries of Yapı ve Kredi Bankası A.Ş. with 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 on corporate income

***Corporate tax***

Corporation tax is calculated in conformity with Tax Procedural Law and tax expenses other than corporation tax are accounted for in operating expenses (Note 22).

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

If there is a legal right for offsetting of current tax assets and liabilities or taxation of these assets and liabilities are determined by the same authority, offsetting is realized.

***Deffered tax***

Deferred tax is calculated, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset accordingly.

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.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Current tax and deferred tax are accounted as income or expense in the income statement, except those related to items accounted under "Revaluation fund" in equity

## 2 - Basis of presentation of financial statements (continued)

### (ö) Employee benefits

*Defined benefit plans*

The Company 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 "provision for employee benefits" in the balance sheet.

Under the Turkish Labour Law, the Company 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 (Note 17).

*Defined contribution plans*

The Company has to pay contribution to Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Company 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 Company 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 Company has no decision for profit distribution after the balance sheet date.

### (ş) Assets held for resale 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.

## 2 - Basis of presentation of financial statements (continued)

### (t) Derivative financial instruments

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.

## 2.6 Critical 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.

***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.

## 2.7 Convenience translation into English of financial statements originally issued in Turkish

The accounting principles described above (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

## 3 - Business Combinations

None (December 31, 2015 - None).

## 4 - Joint ventures

None (December 31, 2015 - None).

## 5 - Segment reporting

The main operations of the Grup is purchasing and selling of capital market instruments. As the Group's shares are not publicly traded, therefore there is no separate segment reporting disclosed in December 31, 2015 year-end financial statements.

## 6 – Cash and cash equivalents

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Banks** | | |
| - Demand Deposits | 36.968.616 | 49.153.392 |
| - Time Deposits | 3.631.718.936 | 2.875.655.602 |
| - Blocked Time Deposits | - | - |
| Receivables from reverse repurchase agreements | 17.895 | 11.325 |
| Investment funds | - | - |
| | **3.668.705.447** | **2.924.820.319** |

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

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Time deposits with maturity up to three months | 3.631.718.936 | 2.826.975.562 |
| Demand Deposits | 5.132.625 | 17.299.686 |
| Receivables from reverse repurchase agreements | 17.894 | 11.325 |
| Investment funds | - | - |
| | **3.636.869.455** | **2.844.286.573** |

Cash and cash equivalents belonging to the customers of the Company consist of demand deposit amounting of TL 31.835.991 as of June 30, 2016 (December 31, 2015: TL 31.853.706).

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

## 7 – Financial investments

| **Short term financial assets** | **June 30, 2016** | **December 31, 2015** |
|---|---|---|
| *Financial assets at fair value through profit and loss* | | |
| - Share certificates quoted to BIST | 60.324.626 | 8.040.334 |
| *Available for sale financial assets* | | |
| - Private sector bonds and bills | 58.141.664 | 25.108.995 |
| - Share certificates | - | - |
| - Goverment bonds and treasury bills | 2.832.911 | - |
| *Held to maturity financial assets* | | |
| - Goverment bonds and treasury bills | 30.928.650 | 40.149.237 |
| | **152.227.851** | **73.298.566** |
| **Long term financial assets** | | |
| *Held to maturity financial assets* | | |
| - Goverment bonds and treasury bills | - | |
| *Available for sale financial assets* | | |
| - Share certificates | 32.192.533 | 32.192.533 |
| - Goverment bonds and treasury bills | - | - |
| - Private sector bonds and bills | - | - |
| | 32.192.533 | 32.192.533 |
| **Total financial investments** | **184.420.384** | **105.491.099** |

Held-to-maturity financial investments, with the fair value of TL 30.569.627 and the carrying value of TL 29.425.026 are held as collateral in the CBRT, BIST and Takas ve Saklama Bankası A.Ş. ("Takasbank") as of June 30, 2016 (December 31,2015: held-to-maturity financial investments, with the fair value TL 31.099.144 and the carrying value of TL 30.844.032).

Maturity distribution of held-to-maturity financial assets is as follows:

| | **June 30,2016** | **December 31, 2015** |
|---|---|---|
| Up to 3 months | - | - |
| 3 months – 1 year | 30.928.650 | 40.149.237 |
| **Short term financial investments** | 30.928.650 | 40.149.237 |

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

## 7 – Financial investment (continued)

| | June 30, 2016 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| *Financial assets at fair value through profit or loss* | | | |
| - Goverment bonds and treasury bills | 2.834.287 | 2.832.912 | 2.832.911 |
| - Share certificates quoted to BIST | 62.382.513 | 60.324.626 | 60.324.626 |
| *Available-for-sale financial assets* | | | |
| - Private sector bonds and bills | 53.896.638 | 58.141.664 | 58.141.664 |
| *Held to maturity financial investments* | | | |
| - Government bonds and treasury bills | 29.757.947 | 30.916.892 | 30.928.650 |
| | **148.871.385** | **152.216.093** | **152.227.851** |

| | December 31, 2015 | | |
|---|---|---|---|
| | **Cost** | **Fair Value** | **Carrying value** |
| *Financial assets at fair value through profit/loss* | | | |
| - Share certificates quoted to BIST | - | - | - |
| - Goverment bonds and treasury bills | 8.065.246 | 8.040.334 | 8.040.334 |
| *Available-for-sale financial assets* | | | |
| - Private sector bonds and bills | 24.300.000 | 25.108.995 | 25.108.995 |
| *Held to maturity financial investments* | | | |
| - Government bonds and treasury bills | 39.620.745 | 40.105.859 | 40.149.237 |
| | **71.985.991** | **73.255.188** | **73.298.566** |

**Long term financial investments**

| | June 30, 2016 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| *Held-to-maturity financial investments* | | | |
| - Government bonds and treasury bills | - | - | - |
| *Available-for-sale financial asset* | | | |
| - Share certificates | 32.192.533 | 32.192.533 | 32.192.533 |
| - Government bonds and treasury bills | - | - | - |
| - Private sector bonds and bills | - | - | - |
| | 32.192.533 | 32.192.533 | 32.192.533 |

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

## 7 - Financial ınvestments (continued)

| | December 31, 2015 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| *Held-to-maturity financial investments* | | | |
| - Government bonds and treasury bills | - | - | - |
| *Available-for-sale financial assets* | | | |
| - Share certificates | 32.192.533 | 32.192.533 | 32.192.533 |
| - Government bonds and treasury bills | - | - | - |
| - Private sector bonds and bills | - | - | - |
| | 32.192.533 | 32.192.533 | 32.192.533 |

Movements of the held-to-maturity financial assets during the periods ended June 30, 2016 and December 31, 2015 are as follows:

| | **June 30, 2016** | **December 31, 2015** |
|---|---|---|
| **January 1** | **40.149.237** | **40.542.140** |
| Purchases during the period | 18.000.000 | 18.472.000 |
| Valuation increase/decrease (rediscount rate is included) | (1.120.587) | 1.700.673 |
| Disposals in the period | (26.100.000) | (24.000.000) |
| **December 31** | **30.928.650** | **36.714.813** |

As of June 30, 2016, available-for-sale financial assets subject to repurchase agreement is amounting to TL 17.894 (December 31, 2015 - TL 11.325).

Details of share certificates, that are classified as short- term available-for-sale financial assets are as follows;

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| **Type** | **Amount TL** | **Shareholding %** | **Amount TL** | **Shareholding %** |
| **Not quoted to stock exchange** | | | | |
| Takasbank | 31.488.051 | 4,38 | 31.488.051 | 4,38 |
| Borsa İstanbul | 574.287 | 0,08 | 574.287 | 0,08 |
| Yapı Kredi Azerbaycan Ltd | 92.064 | 0,10 | 92.064 | 0,10 |
| Allianz 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 |
| | **32.192.533** | | **31.192.533** | |

As of June 30, 2016 and 2015, the Group has 4,38% of the shares of Takasbank. The Group has TL 26.280.000 shares with a nominal value of TL 26.280.000.

The above unquoted and unlisted available-for-sale equity investments whose fair value cannot be reliably measured are stated at cost less impairment, if any.

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

## 8 – Assets held for sale

None (December 31, 2015 - None).

## 9 – Short term trade payables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Payables to stock exchange money market | 2.610.699.396 | 1.956.315.696 |
| Bank loans (*) | 89.429.633 | 20.028.055 |
| Short-term Bonds issued | 909.324.754 | 671.882.615 |
| Due to short selling transactions | 30.944.850 | 4.122.500 |
| Funds from repo transactions | 2.949.046 | 8.159.121 |
| | **3.643.347.679** | **2.660.507.987** |

(*) Bank loans consist of borrowings from Takasbank.

Bonds issued as June 30, 2016 as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Bonds issued | 909.324.754 | 671.882.615 |
| | 909.324.754 | 671.882.615 |

| Type | Nominal Amount | Currency | Issue Date | Maturity Date | Simple Interest Rate | Compound Interest Rate | Interest Rate Type |
|---|---|---|---|---|---|---|---|
| Bond | 53.200.000 | TL | March 31, 2016 | July 1, 2016 | 11,50 | 12,00 | Fixed |
| Bond | 15.000.000 | TL | May 12, 2016 | July 1, 2016 | 12.13 | 12.78 | Fixed |
| Bond | 133.000.000 | TL | April 15, 2016 | July 15, 2016 | 11,39 | 11,90 | Fixed |
| Bond | 1.000.000 | TL | June 23, 2016 | July 26, 2016 | - | - | - |
| Bond | 250.000.000 | TL | April 28, 2016 | July 29, 2016 | 11,00 | 11,46 | Fixed |
| Bond | 61.000.000 | TL | May 10, 2016 | Aug 10, 2016 | 11,00 | 11,46 | Fixed |
| Bond | 50.000.000 | TL | May 18, 2016 | Aug 18, 2016 | 11,00 | 11,46 | Fixed |
| Bond | 108.870.000 | TL | June 2, 2016 | Sept 2, 2016 | 10,84 | 11,30 | Fixed |
| Bond | 183.310.000 | TL | June 15, 2016 | Sept 9, 2016 | 10,74 | 11,20 | Fixed |
| Bond | 65.400.000 | TL | June 23, 2016 | Sept 19, 2016 | 10,57 | 11,00 | Fixed |

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

## 9 – Short term trade payables (continued)

Bonds issued as 31 December 2015 as follows:

| | January 30, 2016 | December 31, 2015 |
|---|---|---|
| Bonds issued | 671.882.615 | - |
| | **671.882.615** | **-** |

| Type | Nominal Amount | Currency | Issue Date | Maturity Date | Simple Interest Rate | Compound Interest Rate | Interest Rate Type |
|---|---|---|---|---|---|---|---|
| Bond | 170.000.000 | TL | October 2, 2015 | January 2, 2016 | 11,50% | 12,00% | Fixed |
| Bond | 200.000.000 | TL | November 5, 2015 | February 1, 2016 | 11,40% | 11,90% | Fixed |
| Bond | 128.200.000 | TL | November 18, 2015 | February 1, 2016 | 11,40% | 11,90% | Fixed |
| Bond | 100.000.000 | TL | November 30, 2015 | March 1, 2016 | 11,50% | 12,00% | Fixed |
| Bond | 20.626.301 | TL | December 9, 2015 | March 8, 2016 | 12.75% | 13,38% | Fixed |
| Bond | 62.000.000 | TL | December 14, 2015 | March 15, 2016 | 11,50% | 12,00% | Fixed |

## 10 – Trade receivables and payables

### Trade receivables:

### Short term trade receivables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Receivables from loan customers | 133.116.370 | 143.900.456 |
| Receivables customers | 74.144.569 | 75.214.050 |
| Receivables from clearing and settlement center | 1.688.363 | - |
| Project receivables | 338.026 | 338.026 |
| Commission receivables | 965.087 | 1.443.130 |
| Doubtful receivables | 1.003.693 | 1.003.693 |
| Provision for doubtful receivables | (1.003.693) | (1.003.693) |
| | **210.252.415** | **220.895.662** |

The Group provides loans to customers for using in share certificate transactions. The Company has quoted share certificates as collateral against loans given whose total market value amounts to TL 264.289.043 (December 31, 2015: 274.923.261 TL).

### Trade payables:

### Short term trade payables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Payables to customers | 59.563.477 | 42.021.432 |
| Payables to clearing and settlement center | - | 42.174.201 |
| Agent commissions payable | 1.767.263 | 2.513.099 |
| Expense accruals | 1.617.813 | 433.843 |
| Taxes and funds payables | 324.127 | 424.292 |
| Other trade payables | 219.604 | 341.550 |
| | **63.492.284** | **87.908.417** |

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

## 11 – Receivables and payables from financial sector activities

Receivables and payables from financial activities consists of the the transactions of the consolidated subsidiary.

### Receivables from financial sector activities

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Fund management fee receivables | 4.049.792 | 3.673.667 |
| Individual pension fund performance management receivables | - | 1.734.922 |
| Investment advisory receivables | - | 1.311.728 |
| Individual pension fund management receivables | 915.238 | 853.835 |
| Private portfolio management fee receivables | 701.099 | 2.453 |
| Private portfolio management success fee receivables | 307.521 | 23.867 |
| Other | 229 | 81.375 |
| | **5.973.879** | **7.681.847** |

Portfolio management fee receivable amounting to TL 3.673.667 managed by the subsidiary, consists of management fee receivables from 36 (December 31, 2015: 32) investment funds and 20 (December 31, 2015: 20) pension funds, which were established according to the Capital Market Law and related legal provisions.

Management fee receivables are recognized on accrual basis and collected every month.

## 12 – Other receivables and payables

### Other receivables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Collaterals from Takasbank | 10.866.033 | 6.510.840 |
| Deposits and collaterals given | 8.445.068 | 15.993.702 |
| | **19.311.101** | **22.504.542** |

### Other payables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Payables to parties other than suppliers or customers | 17.688.481 | 25.718.558 |
| Payables to marketable securities disposal fund | 491.344 | 491.344 |
| | **18.179.825** | **26.209.902** |

## 13 – Property and equipment

The group purchased tangible assets amounting to TL 55.183 during the period ended June 30, 2016 (June 30, 2015 – TL 334.055) and did not sell any tangible asset during this period (June 30, 2015 – None). The Group amortized TL 780.777 at the same period (June 30, 2015 – TL 581.484)

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

## 14 – Intangible assets

The group purchased intangible assets amounting to TL 1.973.106 during the period ended June 30, 2016 (June 30, 2015 – TL 2.145.977). The Group distinguished amortization amounting to TL 797.339 (June 30, 2015 – TL 650.384).

## 15 – Provisions, contingent assets and liabilities

| Short Term Provisions | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Legal Provisions | 1.434.312 | 1.253.731 |
| | **1.434.312** | **1.253.731** |

### i) Legal Provisions

Several outstanding legal cases against the Group have been considered and provision amounting to TL 1.434.312 based on the best estimates has been reflected to the consolidated financial statements as of June 30, 2016 (December 31, 2015: TL 1.253.731).

### ii) Guarantees Given

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Letters of Guarantee | 3.109.543.402 | 2.500.629.223 |

Letters of guarantee are given to BIST, CMB and to Takasbank for Stock Exchange Money Market transactions. Foreign currency denominated letters of guarantee amount to TL 321.221.644 (December 31, 2015: TL 322.775.376).

## 16. Derivative transactions

As of June 30, 2016 and December 31, 2015, the details of TL nominal amounts of derivative transaction are as follows:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | TL-Equivalent | | TL-Equivalent | |
| | USD | EUR | USD | EUR |
| Forward transactions(buy) | - | 3.510.179 | - | 4.979.609 |
| Forward transactions(sell) | - | 3.344.129 | - | 4.960.812 |
| Swap transactions(buy) | 440.535 | 1.812.892.738 | 10.597.188 | 2.435.395.094 |
| Swap transactions(sell) | 434.040 | 1.731.168.834 | 10.525.512 | 2.432.764.205 |
| | **874.575** | **3.550.915.880** | **21.122.700** | **4.878.099.720** |

### Receivables from derivative transactions

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Forward transactions | - | 36.722 |
| Swap transactions | 71.616.005 | 17.092.518 |
| | **71.616.005** | **17.129.240** |

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

## 16. Derivative transactions (continued)

### Payables to derivative transactions

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Forward transactions | - | 56.908 |
| Swap transactions | - | 29.984.806 |
| | **-** | **30.041.714** |

## 17 – Provision for employee benefits

| Short-term provisions | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Provision for personnel premiums | 7.300.980 | 12.920.400 |
| | 7.300.980 | 12.920.400 |
| **Long-term provisions** | | |
| Provision for employment termination benefits | 3.533.095 | 3.227.685 |
| Provision for unused vacations | 4.924.714 | 4.184.625 |
| | **8.457.809** | **7.412.310** |

## 18- Liabilities for employee benefits

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Taxes payable and liabilities | 964.527 | 958.474 |
| Social security premiums payables | 538.124 | 434.516 |
| | **1.502.651** | **1.392.990** |

## 19- Prepaid expenses

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Commissions for letters of guarantees | 1.632.895 | 1.049.216 |
| Prepaid expenses | 1.361.293 | 1.562.574 |
| | **2.994.188** | **2.611.790** |

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

## 20 – Other assets and liabilities

### Other current assets

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Due from personnel | 23.250 | 5.740 |
| Other | 60.006 | 50.175 |
| | **83.256** | **55.915** |

### Other short-term liabilities

| | June 30, 2015 | December 31, 2015 |
|---|---|---|
| Other payable taxes and funds | 1.268.602 | 1.801.665 |
| Blocked client account amounts | 1.264.827 | 2.033.764 |
| Other expense accruals | 603.775 | 567.384 |
| Takasbank-BIST commission provision | 570.000 | 430.000 |
| Other | 615.000 | 252.556 |
| | **4.322.204** | **5.085.369** |

## 21 - Equity

### Paid-in capital and adjustment differences

The paid-in capital of the Company is TL 98.918.083 (December 31, 2015: TL 98.918.083) and consists of 9.891.808.346 (December 31, 2015: 9.891.808.346) authorized shares with a nominal value of kr 1 each.The Group has no preferred share as of June 30, 2016.

The shareholders and their shares in capital with historic values as of June 30, 2016 and December 31, 2015 are as follows:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| **Shareholders** | **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** | | **98.918.083** | |
| Adjustment 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.

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

## 21 – Equity (continued)

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 company capital. Secondary reserves are reserved at a rate of 10% of all dividend distribution exceeding 5% of company 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 June 30, 2016, restricted reserves are amounting to TL 236.738.667 (December 31, 2015: TL 235.511.667).

**Restricted reserves and previous years' profits/losses**

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| First legal reserves | 18.891.100 | 18.891.100 |
| Second legal reserves | 36.943.350 | 35.716.350 |
| Special reserves (*) | 180.904.217 | 180.904.219 |
| **Total restricted reserves** | **236.738.667** | **235.511.669** |

(*) TL 4.626.817 of the special reserves amounting to TL 180.904.217 classified under equity as of December 31, 2015 is the amount which makes up 75% of the profit obtained from the sale of buildings in 2010 and TL 176.277.404 is the amount which makes up 75% of the profit obtained from the sale of affiliates.

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

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.

Ordinary General Meeting held on March 17, 2016 in the amount of TL 68,700,000 be distributed as cash dividends to the shareholders and dividend distribution date it has decided unanimously to set as March 24, 2016.

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

## 21 – Equity (continued)

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

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| **Beginning of the period** | **6.321.570** | **5.833.994** |
| Minority interest decrease due to dividend payment | (3.295.882) | (3.042.352) |
| Minority interest net income | 1.547.598 | 1.492.056 |
| **End of the period** | **4.573.286** | **4.283.698** |

Distribution of minority interest net income is as follows:

| | | |
|---|---|---|
| Minority interest income from continuing operations | 1.547.598 | 1.492.056 |
| | **1.547.598** | **1.492.056** |

## 22 – Tax assets and liabilities

*Corporate Tax*

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Corporate taxes payable | 3.320.162 | 7.056.549 |
| Less: prepaid taxes | (28.718.822) | (19.377.878) |
| **Taxes payable-net** | **(25.398.660)** | **(12.321.329)** |
| Current tax expenses | 3.300.559 | 3.685.862 |
| Deferred tax income/(expense) | 2.317.377 | 3.933.085 |
| **Total tax expense** | **5.617.936** | **7.618.947** |

**Deferred tax assets and liabilities**

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Deferred tax assets | 23.691.792 | 14.925.445 |
| Deferred tax liabilities | (15.620.789) | (4.512.141) |
| **Deferred tax (liabilities) / assets - net** | **8.071.003** | **10.413.304** |

(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 Company:

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Net profit before taxes | 36.446.440 | 44.098.355 |
| Theoretical tax expense with 20% tax rate | (7.289.288) | (8.819.671) |
| Non-deductible expenses | (1.252.018) | (1.795.813) |
| Non taxable income | 5.780.885 | 3.226.766 |
| Other | (2.857.515) | (230.229) |
| **Current year tax expense** | **(5.617.936)** | **(7.618.947)** |

The Corporate Tax Law was altered by Law No.5520 on June 21, 2006 and published in the Official Gazette No.26205. The majority of regulations in Corporate Tax Law No.5520 became effective as of January 1, 2006. According to this Law, the corporation tax rate of the fiscal year 2016 is 20% (2015: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company 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).

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 corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other 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 5 years from the beginning of the year that follows the date of filing during which time 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 taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. Tax 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.

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

## 22 – Tax assets and liabilities (continued)

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.

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

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Cumulative temporary differences | Deferred tax assets / (liabilities) | Cumulative temporary differences | Deferred tax assets / (liabilities)) |
| Valuation differences in financial assets | 2.143.589 | 428.718 | 162.937 | 32.587 |
| Provision for unused vacations | 4.830.574 | 966.115 | 4.090.485 | 818.097 |
| Provision for employment termination benefits | 3.215.803 | 643.161 | 3.227.685 | 645.537 |
| Provision for personnel premium | 7.300.980 | 1.460.196 | 1.170.000 | 234.000 |
| Legal cases provision | 1.314.312 | 262.862 | 1.253.731 | 250.746 |
| Derivatives | - | - | 30.041.714 | 6.008.343 |
| Tax Loss | 99.557.234 | 19.911.447 | 31.836.548 | 6.367.310 |
| Expense provision | 95.630 | 19.126 | 227.720 | 45.544 |
| Other | 836 | 167 | 2.616.403 | 523.281 |
| **Deferred tax assets** | | **23.691.792** | | **14.925.445** |
| Net difference between the tax base and carrying amount of property and equipment | 3.439.839 | 687.968 | 3.542.668 | 708.534 |
| Valuation differences in financial assets | 25.211 | 5.042 | 287.128 | 57.426 |
| Derivatives | 71.653.068 | 14.330.614 | 17.129.239 | 3.425.848 |
| Other | 2.985.820 | 597.165 | 1.601.669 | 320.333 |
| **Deferred tax liabilities** | | **15.620.789** | | **4.512.141** |
| **Deferred tax (liabilities) / assets, net** | | **8.071.003** | | **10.413.304** |

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

## 22 – Tax assets and liabilities (continued)

Starting from January 1, 2006 the treatment of tax exemption of capital gains from sales of property and participations as per the new Corporate Tax Law numbered 5520 and old Corporate Tax Law numbered 5422 was amended. According to the amendment, 75% of the gains from sales of property and shares of participation are exempted from corporate tax for property and shares that were held for at least two full years in the company's financial statements. However, for the exemption to be utilized, the exempted amounts should be accounted under a special fund account in liabilities for a period for 5 years. The remaining portion is subject to corporate tax.

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Beginning deferred tax assets / (liabilities), net | 10.413.304 | 19.698.798 |
| Deferred tax income / (expense | (2.317.377) | (9.211.418) |
| Deferred tax (expense) / income netted in revaluation fund | (24.924) | (74.076) |
| **Deferred tax (liabilities) / assets at period end, net** | **8.071.003** | **10.413.304** |

## 23 – Revenue and cost of sales

| | Jan 1 – June 30, 2016 | April 1 – June 30, 2016 | Jan 1 – June 30, 2015 | April 1 – June 30, 2015 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Share certificates sales | 569.750.362 | 88.470.937 | 315.431.493 | 137.116.537 |
| Treasury bills and government bonds sales | 8.099.318.450 | 3.298.805.423 | 7.067.876.840 | 3.507.274.929 |
| Commissions on intermediary activities on share certificates | 26.127.255 | 13.126.895 | 28.430.327 | 12.577.869 |
| Intermediary commissions on futures market | 1.097.092 | 567.603 | 1.180.137 | 586.332 |
| Fund management fees | 4.247.176 | 2.080.465 | 4.068.547 | 2.022.282 |
| Consultancy services | 30.947 | 13.062 | 88.685 | 26.257 |
| Custody commissions | 170.604 | 95.037 | 270.603 | 117.737 |
| Repo intermediary commissions | 552.178 | 271.160 | 285.316 | 284.931 |
| Outright purchase-sale transactions intermediary commissions | 453.075 | 194.215 | 250.457 | 120.966 |
| Other service revenues | 7.733.804 | 2.646.267 | 8.964.867 | 7.084.561 |
| Other intermediary commissions | 4.166.503 | 3.623.113 | 5.155.036 | 2.161.361 |
| **Total revenue** | **8.713.647.446** | **3.409.894.177** | **7.432.002.308** | **3.669.373.762** |
| **Service income discounts and allowances** | | | | |
| Commissions paid to agencies | 12.010.440 | 5.739.906 | 14.624.104 | 6.691.960 |
| Commission returns | 573.480 | 239.375 | 284.646 | 203.795 |
| **Total discounts and allowances** | **12.583.920** | **5.979.281** | **14.908.750** | **6.895.755** |
| **Revenue** | **8.701.063.526** | **3.403.914.896** | **7.417.093.558** | **3.662.478.007** |
| **Cost of sales** | | | | |
| Costs of treasury bills and government bond sales | 569.492.949 | 88.239.097 | 315.591.135 | 137.125.261 |
| Costs of share certificate sales | 8.104.274.439 | 3.301.818.017 | 7.071.591.170 | 3.508.169.962 |
| **Total cost of sales** | **8.673.767.388** | **3.390.057.114** | **7.387.182.305** | **3.645.295.223** |
| **Gross operating profit** | **27.296.138** | **13.857.782** | **29.911.253** | **17.182.784** |

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

## 24 – Revenue and cost of financial activities

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| **Revenue from financial activities** | | |
| Investment funds management fee | 21.551.369 | 20.833.764 |
| Individual pension funds management fee | 5.078.482 | 4.221.201 |
| **Fund management fee** | **26.629.851** | **25.054.965** |
| Discretionary portfolio management commission | 1.350.725 | 1.548.614 |
| Portfolio achievement premiums | 309.203 | 185.650 |
| **Discretionary portfolio management income** | **1.659.928** | **1.734.264** |
| **Financial activities revenue** | **28.289.779** | **26.789.229** |
| **Financial activities revenue** | | |
| Commission expenses | (2.606.639) | (2.512.804) |
| Fund management commission expense | (643.763) | (291.237) |
| **Financial activities cost** | **(3.250.402)** | **(2.804.041)** |
| **Gross profit/(loss) from financial sector activities** | **25.039.377** | **23.985.188** |

## 25- Other income from operating activities

| | Jan 1 – June 30, 2016 | Jan 1 – June 30, 2015 |
|---|---|---|
| Income due to derivative operations | 101.457.579 | 140.307.949 |
| Interest income on deposit at banks | 118.485.305 | 49.552.446 |
| Foreign Exchange gains | 6.632.146 | - |
| Interest income on loans | 8.891.834 | 9.357.236 |
| Interest income on treasury bills and government bonds | 3.680.442 | 2.114.726 |
| Dividend income | 6.018.276 | 2.863.691 |
| Other income | 36.915 | 2.222.893 |
| Other interest income | 52.484 | 35.090 |
| | **245.254.981** | **206.454.031** |

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

## 26 - Other expense from operating activities

| | Jan 1 – June 30, 2016 | Jan 1 – June 30, 2015 |
|---|---|---|
| Money market interest expenses | 138.701.316 | - |
| Interest expenses on bonds issued | 38.251.794 | - |
| Derivative loss | 12.837.484 | 12.600.851 |
| Commissions paid for guarantee letters | 4.701.193 | 4.415.919 |
| Interest Expense | 4.131.936 | 147.800.217 |
| Commission expenses | 3.711.059 | 2.056.871 |
| Impairment of financial investments | 2.203.058 | - |
| Other expenses | 1.435.658 | 1.108.007 |
| Foreign Exchange loss | 488 | - |
| | **205.973.986** | **167.981.865** |

## 27 – Related party explanations

### Bank deposits in related parties

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. - shareholder | 2.121.084.083 | 1.818.373.987 |
| Yapı Kredi Nederland N.V. - other related party | 100 | 100 |
| | **2.121.084.183** | **1.818.374.087** |

The customer deposits that are deposited in Yapı ve Kredi Bankası A.Ş are amounting to TL 31.835.992 (December 31, 2015: TL 31.853.706).

### Receivables from related parties

### Commission and portfolio management fee receivables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. Investment funds - other related party | 4.049.792 | 5.053.644 |
| Allianz Emeklilik A.Ş. Pension funds - other related party | 915.238 | 2.588.757 |
| Yapı ve Kredi Bankası A.Ş. - shareholder | 24.181 | 19.938 |
| | **4.989.211** | **7.662.339** |

### Due to related parties

### Trade Payables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş.- shareholder | 3.038.243 | 3.189.477 |
| | **3.038.243** | **3.189.477** |

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

## 27 – Related party explanations (continued)

### Short term debts

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş.-ortak | 3.401.146 | - |
| | **3.401.146** | **-** |

### Financial and other payables

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Allianz Emeklilik | 71.623 | 87.627 |
| Avis AŞ – other related party | 23.000 | - |
| YKS Tesis Yönetimi Hizmetleri A.Ş-other related party | 10.198 | - |
| Zer Merkezi Hizmetler ve Ticaret A.Ş.7.300 | 8.767 | |
| Opet Petrolcülük A.Ş. other related party | 2.900 | 2.274 |
| Setur Servis Turistik A.Ş. – other related party | - | 1.031 |
| Koç Holding A.Ş. - other related party | - | 7.434 |
| Other | - | 3.791 |
| | **115.021** | **110.924** |

### Operating income from related parties

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Allianz Hayat Emeklilik AŞ Emeklilik Fonları–other related party | 5.078.482 | 4.221.201 |
| Koç Finansman A.Ş. – other related party | 487.500 | - |
| Aygaz A.Ş. – other related party | 277.489 | 491.811 |
| Koç Holding A.Ş. - other related party | 14.989 | 11.811 |
| Ford Otosan Otomotiv San. A.Ş. – other related party | 14.989 | 11.811 |
| Türkiye Petrol Rafinerileri A.Ş. – other related party | 14.989 | 11.811 |
| Türk Traktör A.Ş. – other related party | 14.989 | 11.811 |
| Tofaş Türk Otomobil Fabrikaları A.Ş. – other related party | 14.989 | 11.811 |
| Arçelik A.Ş. – other related party | 14.989 | 11.811 |
| Otokar Otobüs Karoseri A.Ş. – other related party | 14.989 | 11.811 |
| Tat Konserve ve Sanayi A.Ş. – other related party | 14.989 | 11.811 |
| Marmaris Altınyunus Turistik Tesisleri A.Ş. – other related party | 14.989 | 11.811 |
| Yapı ve Kredi Bankası A.Ş. Yatırım Fonları- other related party | - | 19.988.338 |
| Yapı Kredi Yatırım Menkul Değerler A.Ş.Yatırım Fonları - other related party | - | 827.580 |
| Allianz Hayat ve Emeklilik AŞ – other related party | - | 17.847 |
| Diğer– other related party | 267.666 | 252.892 |
| | **6.246.038** | **25.905.968** |

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

## 27 – Related party explanations (continued)

### Other income from related parties

**Interest income**

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. – shareholder | 74.530.593 | 26.006.430 |
| | **74.530.593** | **26.006.430** |

### Commission income from related parties

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş.-ortak | 894.100 | - |
| | **894.100** | **-** |

**Service sharing income**

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı Kredi Yatırım Ortaklığı – associate (liquidation) | - | 19.455 |
| | - | 19.455 |

**Rent income**

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı Kredi Yatırım Ortaklığı – associate(liquidation) | - | 19.455 |
| | - | 19.455 |

### Operating expenses paid to related parties

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 1.271.499 | - |
| YKS Tesis Yönetimi | 247.677 | 334.683 |
| Zer Merkezi Hizmetler ve Tic. A.Ş. – other related party | 206.221 | 218.985 |
| Koç Sistem Bilgi ve İletişim Hizm. A.Ş. - other related party | 181.717 | 141.543 |
| Avis AŞ – other related party | 134.025 | 96.069 |
| Setur Servis Turistik A.Ş. – other related party | 99.335 | 173.989 |
| Otokoç Otomotiv Tic. ve San. A.Ş. – other related party | 74.642 | 130.927 |
| Allianz Sigorta A.Ş. – other related party | 43.603 | 45.831 |
| Opet Petrolcülük A.Ş. – other related party | 27.136 | 64.859 |
| Koç Holding A.Ş. – other related party | 9.691 | 548 |
| Other | 159.460 | 171.156 |
| | **2.455.006** | **1.378.590** |

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

## 27 – Related party explanations (continued)

### Commission paid to related parties

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş.-shareholder | 14.227.047 | 14.809.864 |
| Allianz Emeklilik A.Ş. | 71.623 | 37.676 |
| | **14.298.670** | **14.847.540** |

### Financial expenses paid to related parties

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş.- shareholder | 149.088 | 137.403 |
| | 149.088 | 137.403 |

### Benefits provided to key management

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Benefits provided to key management | 3.741.243 | 3.255.522 |
| | **3.741.243** | **3.255.522** |

### Related Party Dividend Income

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Allianz Yaşam ve Emeklilik A.Ş. | 36.308 | 31.225 |
| Takasbank Takas ve Saklama Bankası A.Ş | 3.285.000 | 2.628.000 |
| | **3.321.308** | **2.659.225** |

## 28 – Nature and level of risks arising from financial instruments

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. 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 Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Company also manages credit risk by keeping equity shares obtained from loan customers as collateral. Credit risk is fully concentrated in Turkey where the Company 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 Company 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 Company is 69% (December 31, 2015: 66%).

The table below shows credit risk exposure based on financial instruments as of June 30, 2016 and 2015. 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.)**

## 28 – Nature and level of risks arising from financial instruments (continued)

### a. *Exchange rate risk*

As of June 30, 2016 and 2015, the Company's assets and liabilities denominated in foreign currencies are as follows:

| | June 30, 2016 | | | | December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | TL Equivalent | USD | EURO | Other | TL Equivalent | USD | EURO | Other |
| Monetary financial assets | 1.759.272.925 | 8.602.711 | 541.206.900 | 47.445 | 2.474.844.211 | 13.058.792 | 766.846.138 | 49.244 |
| **Current assets** | **1.759.272.925** | **8.602.711** | **541.206.900** | **47.445** | **2.474.844.211** | **13.058.792** | **766.846.138** | **49.244** |
| Financial liabilities | (24.833.952) | (7.945.225) | (534.083) | (45.766) | (28.408.077) | (8.937.712) | (722.288) | (44.266) |
| **Short-term financial liabilities** | **(24.833.952)** | **(7.945.225)** | **(534.083)** | **(45.766)** | **(28.408.077)** | **(8.937.712)** | **(722.288)** | **(44.266)** |
| Off-balance sheet derivative instruments denominated in foreign currency Derivative instruments | (1.731.602.874) | (150.000) | (540.247.420) | - | (2.443.289.717) | (3.620.000) | (765.598.000) | - |
| **Total Net foreign currency position(*)** | **2.836.099** | **507.486** | **425.397** | **1.679** | **3.146.417** | **501.080** | **525.850** | **4.978** |

(*) Foreign currency position of derivative instruments are solely considered in the net foreign currency position calculation in the above table.

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.)

## 28 – Nature and level of risks arising from financial instruments (continued)

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

According to the analyses of the Group's sensitivity 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:

**Exchange Rate Sensitivity Analysis Table**

| | Profit/Loss | | Equity | |
|---|---|---|---|---|
| **June 30, 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 | (147.557) | 147.557 | - | - |
| ***In case of a 10% change in EURO exchange rates:*** | | | | |
| EURO net asset/liability effect | (135.174) | 135.174 | - | - |
| ***In case of a 10% change in other exchange rates:*** | | | | |
| Other foreign currency net effect | (450) | 450 | - | |
| **Total** | **(283.180)** | **283.180** | - | - |

**Exchange Rate Sensitivity Analysis Table**

| | Profit/Loss | | Equity | |
|---|---|---|---|---|
| **December 31, 2015** | 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 | (145.694) | 145.694 | - | - |
| ***In case of a 10% change in EURO exchange rates:*** | | | | |
| EURO net asset/liability effect | (167.094) | 167.094 | - | - |
| ***In case of a 10% change in other exchange rates:*** | | | | |
| Other foreign currency net effect | (1.854) | 1.854 | - | - |
| **Total** | **(314.642)** | **314.642** | | |

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

## 28 – Nature and level of risks arising from financial instruments (continued)

### *b. Common stock 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 Company 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:

**June 30, 2016**

| Balance sheet item | Rate of change | Change direction | Effect on carrying value | Effect on revaluation fund | Effect on net income | Effect on equity |
|---|---|---|---|---|---|---|
| **Common stocks** | | | | | | |
| Financial assets | | Increase | - | - | - | - |
| available for sale | 10% | Decrease | - | - | - | |
| Financial assets at a | | | | | | |
| fair value through profit/loss | | Increase | 6.032.463 | - | 6.032.463 | - |
| Financial assets | 10% | Decrease | (6.032.463) | - | (6.032.463) | - |

**December 31, 2015**

| Balance sheet item | Rate of change | Change direction | Effect on carrying value | Effect on revaluation fund | Effect on net income | Effect on equity |
|---|---|---|---|---|---|---|
| **Common stocks** | | | | | | |
| Financial assets | | Increase | - | - | - | - |
| available for sale | %10 | Decrease | - | - | - | - |
| Financial assets at a | | | | | | |
| Fair value through profit/loss | | Increase | 804.033 | - | 804.033 | - |
| Financial assets | %10 | Decrease | 804.033 | - | 804.033 | - |

### 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.

| | June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | **Carrying value** | **Up to 1 month** | **1 month to 1 year** | **1 year to 5 years** | **Total of contractual cash outflows** |
| Financial liabilities | 3.643.347.679 | 3.183.469.641 | 483.466.681 | - | 3.666.936.322 |
| Trade payables | 63.492.284 | 63.492.283 | - | - | 63.492.284 |
| Other payables | 18.179.825 | 18.179.825 | - | - | 18.179.825 |

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | **Carrying value** | **Up to 1 month** | **1 month to 1 year** | **1 year to 5 years** | **Total of contractual cash outflows** |
| Financial liabilities | 2.660.507.987 | 2.149.681.686 | 520.130.542 | - | 2.669.812.228 |
| Trade payables | 87.908.417 | 87.908.417 | - | - | 87.908.417 |
| Other payables | 26.209.902 | 26.209.902 | - | - | 26.209.902 |

## 29. Other explanations on operations and other matters

### a. Explanation on portfolio management operations:

At June 30, 2016 the Company managed 36 mutual funds and 20 pension funds (December, 31 2015 - 32 mutual funds and 20 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. At June 30, 2015 the Group earned a management fee of TL 26.629.851 (December 31, 2015 - 25.054.965 TL).

### b. Capital management and capital adequacy requirements

The Company 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 Company 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. Communiqué Series:V No:34 and are present in the balance sheet prepared as of the valuation date. According to the clauses of Communiqué Series: V No: 34, narrow, partial and wide authrozied intermediaries require equity amounting to 2.000.000, 10.000.000, 25.000.000 TL respectively. In addition, intermediary institutions are obliged to increase their equity for each capital markets operation as follows. In this respect, the required equity for the Company is TL 25.000.000 (December 31, 2015: TL 2.139.000).

## 30 - Subsequent events

None.