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

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH

CONVENIENCE TRANSLATION INTO ENGLISH OF REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Yapı Kredi Yatırım Menkul Değerler A.Ş. and its subsidiary (collectively referred to as the "Group") as at 30 June 2017 and the related consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Group management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with Turkish Accounting Standard 34, "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, the consolidated financial statements present fairly, in all material respects, the financial position of Yapı Kredi Yatırım Menkul Değerler A.Ş. and its subsidiary as at 30 June 2017 and their financial performance and cash flows for the six-month period then ended in accordance with TAS 34.

Other Matter

The consolidated financial statements of the Yapı Kredi Yatırım Menkul Değerler A.Ş. and its subsidiary as of 31 December 2016 and for the year then ended were audited and the interim consolidated financial statements as of 30 June 2016 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 31 January 2017 expressed an unqualified opinion and whose review report dated 28 July 2016 expressed a conclusion that nothing has come to their attention that would cause them to conclude that the interim consolidated financial statements were not prepared in accordance with TAS 34.

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 31 July 2017

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız 0-1460-0224-0500015

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

CONTENTS	PAGE

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

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

Assets	**Notes**	**(*Reviewed*) 30 June 2017**	***(Audited)* 31 December 2016**
Current assets			
Cash and cash equivalents	6	4,206,924,505	4,066,342,016
Financial investments	7	86,134,150	64,890,270
- Fair value through profit or loss financial assets		*31,689,473*	*6,634,877*
- Available for sale financial assets		*26,680,537*	*31,557,102*
- Financial investments held to maturity		*27,764,140*	*26,698,291*
Trade receivables	10	433,821,904	422,608,809
- Trade receivables due from related parties	*28*	*185,974*	*22,449*
- Trade receivables due from other parties		*433,635,930*	*422,586,360*
Receivables from financial activities	11	7,688,257	11,102,981
- Receivables from financial activities due from related parties		*6,336,439*	*11,085,928*
- Receivables from financial activities due from other parties		*1,351,818*	*17,053*
Other receivables	12	114,909,565	32,752,156
- Other receivables due from related parties	*28*	*18,215*	-
- Other receivables due from other parties		*114,891,350*	*32,752,156*
Derivatives	16	4,441,446	10,162,301
Prepaid expenses	19	3,933,054	4,127,062
- Prepaid expenses due to related parties	*28*	*153,777*	*91,932*
- Prepaid expenses due to other parties		*3,779,277*	*4,035,130*
Current income tax assets	22	43,345,564	32,438,803
Other current assets	20	4,075	2,854
- Other current assets due from other parties		*4,075*	*2,854*
Total current assets		**4,901,202,520**	**4,644,427,252**
Non-current assets			
Financial investments	7	35,752,053	32,192,533
- Available for sale financial assets		*32,192,533*	*32,192,533*
- Financial investments held to maturity		*3,559,520*	-
Property and equipment	13	8,433,241	9,010,160
Intangible assets	14	21,860,805	20,486,897
- Other intangible assets	*14*	*21,860,805*	*20,486,897*
Deferred tax assets	22	1,720,980	7,747,772
Total non-current assets		**67,767,079**	**69,437,362**
Total assets		**4,968,969,599**	**4,713,864,614**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

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

Liabilities	**Notes**	***(Reviewed)*** **30 June 2017**	***(Audited)*** **31 December 2016**
Short term liabilities			
Short term liabilities	9	4,181,295,538	3,874,184,964
- Short term liabilities due to related parties	*9,28*	*3,001,242*	-
- Short term liabilities due to other parties		*4,178,294,296*	*3,874,184,964*
Trade payables	10	244,407,028	221,873,484
- Trade payables due to related parties		*3,478,393*	*3,251,345*
- Trade payables due to other parties		*240,928,635*	*218,622,139*
Liabilities for employee benefits	18	2,037,684	1,955,580
Other payables	12	20,152,575	28,138,705
- Other payables due to related parties	*28*	*249,218*	*217,519*
- Other payables due to other parties		*19,903,357*	*27,921,186*
Derivatives	16	2,347,518	43,808,926
Short term provisions		9,744,589	16,118,117
- Short term provisions for employee benefits	*17*	*8,071,544*	*14,601,960*
- Other short term provisions	*15*	*1,673,045*	*1,516,157*
Other short term liabilities	20	5,364,443	4,865,980
- Other short term liabilities due to other parties		*5,364,443*	*4,865,980*
Total short term liabilities		**4,465,349,375**	**4,190,945,756**
Long term liabilities			
Long term provisions		7,120,526	7,169,539
- Provisions for employee benefits	*17*	*7,120,526*	*7,169,539*
Total long term liabilities		**7,120,526**	**7,169,539**
Total liabilities		**4,472,469,901**	**4,198,115,295**
Shareholder's equity			
Share capital	21	98,918,083	98,918,083
Adjustments to share capital	21	63,078,001	63,078,001
Accumulated other comprehensive income or (expenses) that will be reclassified to profit or loss		(12,122,093)	(12,139,553)
- Revaluation and/or reclassification profit (loss)		*(12,122,093)*	*(12,139,553)*
Accumulated other comprehensive income or (expenses) that will not be reclassified to profit or loss		95,549	291,196
- Revaluation and remeasurement profit (loss)		*95,549*	*291,196*
Restricted reserves	21	236,535,668	236,738,667
- Legal reserves		*236,535,668*	*236,738,667*
Retained earnings		55,548,498	55,545,320
Net income for the period		49,116,466	66,470,179
Equity attributable to owners of the parent		**491,170,172**	**508,901,893**
Non controlling interests	21	**5,329,526**	**6,847,426**
Total shareholder's equity		**496,499,698**	**515,749,319**
Total liabilities and shareholder's equity		**4,968,969,599**	**4,713,864,614**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

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

	Notes	*(Reviewed)* **1 January - 30 June 2017**	*(Not Reviewed)* **1 April - 30 June 2017**	*(Reviewed)* **1 January - 30 June 2016**	*(Not Reviewed)* **1 April - 30 June 2016**
PROFIT OR LOSS					
Revenue	23	3,974,158,295	2,096,033,253	8,701,063,526	3,403,914,896
Cost of sales (-)	23	(3,931,315,611)	(2,072,559,311)	(8,673,767,388)	(3,390,057,114)
Gross profit from business operations		**42,842,684**	**23,473,942**	**27,296,138**	**13,857,782**
Revenue from financial activities	24	33,225,989	18,035,330	28,289,779	14,642,028
Cost of financial activities (-)	24	(3,723,603)	(1,947,240)	(3,250,402)	(1,732,959)
Gross profit from financial activities		**29,502,386**	**16,088,090**	**25,039,377**	**12,909,069**
Gross profit/loss		**72,345,070**	**39,562,032**	**52,335,515**	**26,766,851**
General administrative expenses (-)	25	(54,057,375)	(26,592,594)	(49,026,039)	(24,145,566)
Marketing, selling and distribution expenses (-)	25	(6,302,170)	(3,084,744)	(6,144,031)	(3,404,645)
Other income from operating activities	26	363,016,385	128,490,862	245,254,981	114,491,398
Other expenses from operating activities (-)	27	(312,601,275)	(98,421,188)	(205,973,986)	(97,235,632)
Operating profit/(loss)		**62,400,635**	**39,954,368**	**36,446,440**	**16,472,406**
Tax expense from continuing operations (-)					
- Tax expense for the period (-)	22	(5,308,085)	(3,471,072)	(3,300,559)	(1,657,561)
- Deferred tax expense (-)	22	(6,071,338)	(2,904,270)	(2,317,377)	(814,292)
Total profit/loss		**51,021,212**	**33,579,026**	**30,828,504**	**14,000,553**
Total profit/loss attributable to:		**51,021,212**	**33,579,026**	**30,828,504**	**14,000,553**
Non-controlling interests	21	1,904,746	1,082,158	1,547,598	806,921
Equity holders of the parent		49,116,466	32,496,868	29,280,906	13,193,632

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

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

	Notes	*(Reviewed)* **1 January - 30 June 2017**	*(Not Reviewed)* **1 April - 30 June 2017**	*(Reviewed)* **1 January - 30 June 2016**	*(Not Reviewed)* **1 April - 30 June 2016**
OTHER COMPREHENSIVE INCOME					
Total profit/loss		**51,021,212**	**33,579,026**	**30,828,504**	**14,000,553**
Items that will be reclassified to profit or loss					
Revaluation and/or reclassification profit/loss of available for sale financial assets		21,826	4,584	(45,808)	(74,485)
Taxes related other comprehensive income that will be reclassified to profit or loss		(4,366)	(917)	9,162	14,897
- Deferred tax (expense)/income	22	(4,366)	(917)	9,162	14,897
Items that will not be reclassified to profit or loss					
Defined benefits plans remeasurement gains (losses)		(244,559)	(244,559)	170,428	170,428
Taxes related other comprehensive income that will not be reclassified to profit or loss		48,912	48,912	(34,086)	(34,086)
- Deferred tax (expense) income	22	48,912	48,912	(34,086)	(34,086)
Other comprehensive (expense)/income		**(178,187)**	**(191,980)**	**99,696**	**76,754**
Total comprehensive income		**50,843,025**	**33,387,046**	**30,928,200**	**14,077,307**
Total comprehensive income attributable to:					
Non-controlling interests		1,904,746	1,082,158	1,547,598	806,921
Equity holders of the parent		48,938,279	32,304,888	29,380,602	13,270,386

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

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

			Accumulated other comprehensive income or expenses will be reclassified to profit o loss	Accumulated other comprehensive income or expenses will not be reclassified to profit or loss		Accumulated profits				
	Paid capital	Adjustments to share capital	Revaluation and reclassification gains / losses	Defined benefit plans remeasurement gains / losses	Restricted reserves	Retained earnings	Net profit/loss for the year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2016	**98,918,083**	**63,078,001**	**(12,104,538)**	**191,017**	**235,511,667**	**62,545,052**	**62,927,268**	**511,066,550**	**6,321,570**	**517,388,120**
Transfers	-	-	-	-	-	62,927,268	(62,927,268)	-	-	-
Dividends	-	-	-	-	1,227,000	(69,927,000)	-	(68,700,000)	(3,295,882)	(71,995,882)
Total comprehensive income	-	-	(36,646)	136,342	-	-	29,280,906	29,380,602	1,547,598	30,928,200
- Net income (loss) for the period	-	-	-	-	-	-	29,280,906	29,280,906	1,547,598	30,828,504
- Other comprehensive income (expense)	-	-	(36,646)	136,342	-	-	-	99,696	-	99,696
30 June 2016	**98,918,083**	**63,078,001**	**(12,141,184)**	**327,359**	**236,738,667**	**55,545,320**	**29,280,906**	**471,747,152**	**4,573,286**	**476,320,438**
1 January 2017	**98,918,083**	**63,078,001**	**(12,139,553)**	**291,196**	**236,738,667**	**55,545,320**	**66,470,179**	**508,901,893**	**6,847,426**	**515,749,319**
Transfers	-	-	-	-	-	66,470,179	(66,470,179)	-	-	-
Dividends	-	-	-	-	(202,999)	(66,467,001)	-	(66,670,000)	(3,422,646)	(70,092,646)
Total comprehensive income	-	-	17,460	(195,647)	-	-	49,116,466	48,938,279	1,904,746	50,843,025
- Net income (loss) for the period	-	-	-	-	-	-	49,116,466	49,116,466	1,904,746	51,021,212
- Other comprehensive income (expense)	-	-	17,460	(195,647)	-	-	-	(178,187)	-	(178,187)
30 June 2017	**98,918,083**	**63,078,001**	**(12,122,093)**	**95,549**	**236,535,668**	**55,548,498**	**49,116,466**	**491,170,172**	**5,329,526**	**496,499,698**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017 ORIGINALLY ISSUED IN TURKISH

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

	Notes	*Reviewed* 1 January- 30 June 2017	*Reviewed* 1 January- 30 June 2016
A. Cash flows from operating activities		**(84,508,445)**	**67,854,752**
Net profit for the period		**51,021,212**	**30,828,504**
Adjustments for to reconcile net income/loss to net cash provided by operating activities		**(86,913,044)**	**140,477,331**
Adjustments for depreciation and amortization	13,14	1,492,198	1,578,116
Adjustments for provisions		5,635,094	16,020,053
- Adjustments for provision for employee benefits		*5,478,206*	*16,020,053*
- Adjustments for lawsuit provisions		*156,888*	-
Adjustments for interest income and expenses		103,071,700	196,921,512
- Adjustments for interest income		*(136,398,929)*	-
- Adjustments for interest expenses		*239,470,629*	*196,921,512*
Adjustments for unrealized foreign currency translation differences		1,158,669	3,002,343
Adjustments for fair value losses (gains)		(209,650,128)	4,527,541
- Adjustments for financial assets fair value losses (gains)		*231,300*	-
- Adjustments for derivatives fair value losses (gains)		*(209,881,428)*	*4,527,541*
Adjustments for tax income/expense	22	11,379,423	5,617,936
Other adjustments for to reconcile profit/(loss)		-	(87,190,170)
Changes in operating profit		**(125,029,558)**	**(80,750,537)**
Adjustments for decrease (increase) in financial investments		(46,162,223)	-
Adjustments for increase/decrease in trade receivables		(11,213,095)	11,535,645
- Adjustments for (increase)/decrease in trade receivables due from related parties		*(163,525)*	*(4,243)*
- Adjustments for increase in trade receivables due from other parties (-)		*(11,049,570)*	*11,539,888*
Adjustments for decrease (increase) in receivables from financial activities		3,414,724	-
Adjustments for increase/decrease in other receivables		(82,157,409)	(51,653,215)
- Adjustments for decrease in other receivables due from related parties		*(18,215)*	-
- Adjustments for decrease (increase) in other receivables due from other parties		*(82,139,194)*	*(51,653,215)*
Adjustments for decrease in derivatives		5,720,855	-
Adjustments for increase in prepaid expenses (-)		194,008	-
Adjustments for increase/decrease in trade payables		22,533,544	(24,416,135)
- Adjustments for increase in trade payables due to related parties		*227,048*	*(151,234)*
- Adjustments for increase/(decrease) in trade payables due to other parties		*22,306,496*	*(24,264,901)*
Adjustments for decrease in payables due to employee benefits (-)		82,104	-
Adjustments for increase/decrease in other payables		(7,487,667)	(16,216,832)
- Adjustments for increase/(decrease) in other payables due to related parties		*31,699*	-
- Adjustments for increase/(decrease) in other payables due to other parties		*(7,519,366)*	*(16,216,832)*
Adjustments for increase in derivative liabilities		(41,461,408)	-
Adjustments for other increase (decrease) in operating capital		31,507,009	-
- Adjustments for other increase (decrease) in operating activities		*31,507,009*	-
Other cash flows from operating activities		**76,412,945**	**(22,700,546)**
Payments for provision for employee benefits		(12,057,635)	-
Dividend received		8,064,543	6,018,276
Interest received		128,334,386	-
Taxes paid		(47,771,988)	(28,718,822)
Other cash inflows/(outflows)		(156,361)	-
B. Cash flows from investing activities		**(2,289,187)**	**(2,028,289)**
Cash outflows from purchase of property, equipment and intangible assets		(2,289,187)	(2,028,289)
- Cash outflows from purchase of property and equipment	*13*	*(238,288)*	*(55,183)*
- Cash outflows from purchase of intangible assets	*14*	*(2,050,899)*	*(1,973,106)*
C. Cash flows from financing activities		**227,849,843**	**729,758,762**
Dividend paid	21	(70,092,646)	(71,995,882)
Cash inflows from borrowings		27,169,558,288	965,460,661
- Cash inflows from loans		*25,978,842,255*	*965,460,661*
- Cash inflows from issued bonds		*1,190,716,033*	-
Cash outflows from debt payments		(26,841,337,651)	-
- Cash outflows from loan repayments		*(25,839,332,758)*	-
- Cash outflows from issued bonds repayments		*(1,002,004,893)*	-
Cash inflows from derivatives		222,631,830	-
Cash outflows from derivatives		(12,750,402)	-
Interest paid		(239,470,629)	(163,706,017)
Other cash inflows (outflows)		(688,947)	-
Net increase/decrease in cash and cash equivalents before exchange currency effect (A+B+C)		**141,052,211**	**795,585,225**
D. Exchange currency effect on cash and cash equivalents		**(1,158,669)**	**(3,002,343)**
Net increase/decrease in cash and cash equivalents (A+B+C+D)		**139,893,542**	**792,582,882**
E. Cash and cash equivalents at the beginning of the period		**4,029,683,610**	**2,844,286,573**
Cash and cash equivalents at the end of the period (A+B+C+D+E)		**4,169,577,152**	**3,636,869,455**

Takip eden açıklama ve dipnotlar bu konsolide finansal tabloların tamamlayıcı bir parçasını oluştururlar.

1. ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

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

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

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

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

The Company has 33 investment funds (31 December 2016: 35). As of 30 June 2017 The Group has 276 employees (31 December 2016: 298).

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

Subsidiary;

As of 30 June 2017 and 31 December 2016, details of the subsidiary of the Group are as follows:

Name of the shareholder	30 June 2017 Share in capital	31 December 2016 Share in capital	Main activity
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87.32%	87.32%	Portfolio Management

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

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

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

<u>Approval of financial statements:</u>

Consolidated financial statements prepared as of 30 June 2017 have been approved by the Board of Directors of the Company at 31 July 2017. General Assembly and regulatory bodies have the right to amend the approved financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 BASIS OF PRESENTATION

2.1.1 Accounting standards and the compliance to TAS

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

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

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

2.1.2 Financial statement amendments in hyperinflation economies

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

2.1.3 Offsetting

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

2.1.4 Going concern

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

2.1.5 Functional and presentation currency

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 BASIS OF PRESENTATION (Continued)

2.1.7 New standards, amendments and interpretations

The Group adopted the standards, amendments and interpretations published by TAS and TFRS and which are mandatory for the accounting periods beginning on or after 30 June 2017.

New standards, amendments and interpretations effective as of 30 June 2017:

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

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

- **Annual improvements 2014–2016**;
    - TFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

New standards and amendments effective after 30 June 2017:

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. BASIS OF PRESENTATION (Continued)

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

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

- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 9, 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
    - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
    - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. BASIS OF PRESENTATION (Continued)

- **Annual improvements 2014 - 2016;**
  - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

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

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

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

2.2. CHANGES IN ACCOUNTING POLICIES AND ERRORS

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

2.3 CHANGES IN ACCOUNTING ESTIMATES

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates are not changed for the 1 January - 30 June 2017 period.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

As of 30 June 2017 and 31 December 2016, details of the subsidiary and associate of the Group are as follows:

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

Subsidiary

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue recognition

(i) Fee and commission income and expenses

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

(ii) Interest income and expenses and dividend income

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

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

(c) Trade receivables

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

(d) Financial assets

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The assets in this category are classified as current assets.

(ii) Available for sale financial assets

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

Available-for-sale financial assets are subsequently re-measured at fair value. When fair value calculations, based on market prices, cannot be obtained reliably, the available-for-sale financial assets are carried at amortized cost using the effective interest method.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Held-to-maturity financial assets

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

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

(iv) Loans and other receivables

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

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

(v) Reverse repurchase agreements

Funds given against securities purchased under agreements ("Reverse Repo") to resell are accounted under "Cash and cash Equivalents" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method and is recorded as receivables from reverse repo transactions.

(e) Property and equipment

Property and equipment are carried at cost less accumulated depreciation.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for the impairment in value is charged to the income statement.

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

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

(f) Intangible assets

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

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

(g) Impairment of financial assets

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(h) Financial liabilities

(i) Repurchase agreements

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

Funds obtained from repurchase agreements are accounted under "Financial Liabilities" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "effective interest method" and is added to the cost of the financial assets which are subject to repurchase agreements.

The Group has no securities lending transactions.

(ii) Other financial liabilities

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

(ı) Borrowing costs

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Foreign exchange transactions

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

(j) Provisions and contingent assets and liabilities

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in the period in which the change occurs.

(k) Finance leases - the Group as lessee

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

(l) Operational lease - the Group as lessee

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Subsequent events

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

(n) Related parties

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

(o) Taxes calculated over Group's profit

Corporate tax

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

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

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

Deferred tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(ö) Employee benefits

Defined benefit plans:

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

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

Defined contribution plans:

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

(p) Capital and dividends

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

(r) Statement of cash flows

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

(s) Share certificates and issuance

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ş) Assets held for sale and discontinued operations

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

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

(t) Derivatives

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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

3. BUSINESS COMBINATIONS

None (31 December 2016: None).

4. JOINT VENTURES

None (31 December 2016: None).

5. SEGMENT REPORTING

Since the Group is not publicly held, there is no segment reporting in the consolidated financial statements as of 30 June 2017.

6. CASH AND CASH EQUIVALENTS

	30 June 2017	**31 December 2016**
Banks		
- Demand deposits	45,747,802	52,583,368
- Time deposits	4,161,104,015	4,013,506,914
Receivables from reverse repo agreements	72,688	251,734
	4,206,924,505	**4,066,342,016**

As of 30 June 2017, TL 1,784,359,891 of bank deposits (31 December 2016: TL 2,801,930,778) are held by related parties and institutions (Note 28).

TL 37,347,353 of demand deposits (31 December 2016: TL 36,658,406) are held by the Group's bank accounts in the collateral status of the Group's customers. (Note 15).

As of 30 June 2017, the average maturity for TL and EUR deposits is 27 and 35 days respectively, while the average interest rates are 15% and 2.5% (31 December 2016: 10.13% and 2%) respectively. As of 30 June 2017, there are no USD time deposits (31 December 2016: 3.60%).

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

	30 June 2017	**31 December 2016**
Time deposits with maturity less than 3 months	4,161,104,015	4,013,506,914
Demand deposits	8,400,449	15,924,962
Reveivables from reverse repo agreements	72,688	251,734
	4,169,577,152	**4,029,683,610**

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

7. FINANCIAL INVESTMENTS

Short term financial investments

	30 June 2017	**31 December 2016**
Financial assets at fair value through profit and loss		
- *Shares certificate listed on the stock market*	*24,943,454*	*6,634,877*
- *Investment funds*	*6,746,019*	-
Available for sale financial assets		
- *Private sector bonds and bills*	*26,680,537*	*31,557,102*
Held to maturity financial investments		
- *Government bonds and treasury bills*	*27,764,140*	*26,698,291*
Total short term financial investments	**86,134,150**	**64,890,270**

Long term financial investments

	30 June 2017	**31 December 2016**
Available for sale financial assets		
- *Share certificates*	*32,192,533*	*32,192,533*
Held to maturity financial investments		
- *Government bonds and treasury bills*	*3,559,520*	-
Total long term financial investments	**35,752,053**	**32,192,533**
Total financial investments	**121,886,203**	**97,082,803**

As of 30 June 2017; financial assets held to maturity whose the total amount of fair value is TL 30,695,705 and the total amount of net book value is TL 31,323,660, are held as collaterals in CBRT, BİST and Istanbul Settlement and Custody Bank Inc. ("Takasbank"). (31 December 2016: Financial assets held to maturity with fair value of TL 16,816,407 and net book value of TL 16,857,745).

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

	30 June 2017	**31 December 2016**
Maturity less than 3 months	1,964,740	-
3 months - 1 year	25,799,400	26,698,291
1 - 5 years	3,559,520	-
	31,323,660	**26,698,291**

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

7. FINANCIAL INVESTMENTS (Continued)

Short term financial investments:

		30 June 2017	
	Cost	**Fair value**	**Net book value**
Financial assets at fair value through profit and loss			
- Shares certificate listed on the stock market	24,670,273	24,943,454	24,943,454
- Investment funds	7,000,000	6,746,019	6,746,019
Available for sale financial assets			
- Private sector bonds and bills	26,400,881	26,680,537	26,680,537
Held to maturity financial investments			
- Government bonds and treasury bills	27,771,968	27,146,927	27,764,140
	85,843,122	**85,516,937**	**86,134,150**

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

Long term financial investments:

		30 June 2017	
	Cost	**Fair value**	**Net book value**
Available for sale financial assets			
- Share certificates	32,192,533	32,192,533	32,192,533
Held to maturity financial investments			
- Government bonds and treasury bills	3,558,664	3,548,780	3,559,520
	35,751,197	**35,741,313**	**35,752,053**

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

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

7. FINANCIAL INVESTMENTS (Continued)

Movements of the held-to-maturity financial assets as of 30 June 2017 and 2016 are as follows:

	2017	**2016**
1 January	**26,698,291**	**40,149,237**
Purchases during the period	121,300,000	18,000,000
Valuation increase/decrease (rediscount rate is included)	(1,874,631)	(1,120,587)
Disposals in the period	(114,800,000)	(26,100,000)
30 June	**31,323,660**	**30,928,650**

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

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

As of 30 June 2017 and 31 December 2016, the Group's share in Takasbank is 4.38% and the Group has 26,280,000 shares with a nominal value of TL 26,280,000 (31 December 2016: 26,280,000 shares).

The fair value shown in the table above is not reliably estimated and stock investments that are not traded in the stock market are shown at cost, if any, they are shown by deducting provision for impairment.

8. ASSETS HELD FOR SALE

None (31 December 2016: None).

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

9. SHORT TERM LIABILITIES

	30 June 2017	31 December 2016
Payables to Money Markets	3,040,625,013	2,904,116,758
Issued bonds	1,131,665,933	942,954,793
Payables from short selling	6,003,350	27,113,413
Bank loans (Note 28)	3,001,242	-
	4,181,295,538	**3,874,184,964**

Details of bonds issued as 30 June 2017 are as follows:

Marketable Security	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest (%)	Compound Interest (%)	Interest Type
Bond	277,730,000	TL	19 April 2017	19 July 2017	10.30	10.71	Fixed
Bond	100,000,000	TL	28 April 2017	27 July 2017	11.17	11.65	Fixed
Bond	59,000,000	TL	16 June 2017	27 July 2017	10.13	10.60	Fixed
Bond	51,000,000	TL	5 June 2017	4 August 2017	10.01	10.44	Fixed
Bond	235,560,000	TL	8 May 2017	8 August 2017	10.10	10.49	Fixed
Bond	247,330,000	TL	15 May 2017	15 August 2017	10.65	11.09	Fixed
Bond	176,580,000	TL	5 June 2017	7 September 2017	12.26	12.83	Fixed

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

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

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

10. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	30 June 2017	**31 December 2016**
Receivables from loan customers	231,174,192	183,040,394
Receivables from customers	201,091,286	44,745,696
Commission receivables	1,556,426	1,469,644
Doubtful trade receivables	893,693	943,693
Provision for doubtful trade receivables	(893,693)	(943,693)
Receivables from settlement and custody center	-	193,353,075
	433,821,904	**422,608,809**

The Group allocates credit to its customers for use in stock trading. As of 30 June 2017, the amount of loans allocated to customers by the Group is TL 231,174,192 (31 December 2016: TL 183,040,394) and the Group holds the total market value of the share certificates which are listed on the stock market is TL 497,968,432 as collateral. (31 December 2016: TL 358,432,341) (Note 15).

Short term trade payables

	30 June 2017	**31 December 2016**
Payables to customers	122,777,157	218,556,414
Payables to settlement and custody center	116,525,792	-
Commission payables to agencies	2,350,682	1,670,179
Expense accruals	1,245,877	814,629
Other trade payables	1,507,520	832,262
	244,407,028	**221,873,484**

11. RECEIVABLES FROM FINANCIAL ACTIVITIES

Receivables from financial activities

	30 June 2017	**31 December 2016**
Investment fund management fee receivables (Note 28) (*)	4,867,841	4,426,383
Individual pension fund management fee receivables (Note 28) (*)	1,133,415	1,014,397
Discretionary portfolio success fee receivables (**)	933,985	2,826
Discretionary portfolio management fee receivables (***)	725,967	11,319
Individual pension fund performance fee receivables (Note 28)	-	4,448,863
Investment advisory receivables (Note 28)	-	1,196,285
Other	27,049	2,908
	7,688,257	**11,102,981**

(*) Investment fund and private pension fund management commission receivables are obtained management fee receivables from 33 (31 December 2016: 35) investment funds and 25 (31 December 2016: 21) individual pension funds established in accordance with the Capital Markets Law and related legislations. Management fee receivables are accounted on an accrual basis and collected monthly.

(**) Discretionary portfolio management success premium receivables amounting to TL 148,077 are received from Koç Family and TL 59,485 from Vehbi Koç Foundation (Note 28).

(***) Discretionary portfolio management fees amounting to TL 127,621 are received from the Koç Family and are treated as related party balances (Note 28).

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

12. OTHER RECEIVABLES AND PAYABLES

Other receivables

	30 June 2017	31 December 2016
Deposits and collaterals given	85,528,200	19,400,585
Collaterals from Takasbank	29,363,150	13,351,571
Other short term receivables from related parties (Note 28)	18,215	-
	114,909,565	**32,752,156**

Other payables

	30 June 2017	31 December 2016
Deposits and collaterals received	19,147,614	25,725,086
Payables to marketable securities disposal fund	513,617	1,922,275
Payables to parties other than suppliers or customers	491,344	491,344
	20,152,575	**28,138,705**

13. PROPERTY AND EQUIPMENT

30 June 2017	**Buildings**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Net book value, 1 January	5,377,955	2,882,078	750,127	9,010,160
Additions	-	215,539	22,749	238,288
Depreciation expense	(147,328)	(570,090)	(97,789)	(815,207)
Net book value, 30 June	**5,230,627**	**2,527,527**	**675,087**	**8,433,241**
Cost	11,026,598	17,102,999	4,896,246	33,025,843
Accumulated depreciation	(5,795,971)	(14,575,472)	(4,221,159)	(24,592,602)
Net book value, 30 June	**5,230,627**	**2,527,527**	**675,087**	**8,433,241**

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

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

14. INTANGIBLE ASSETS

	30 June 2017
Net book value, 1 January 2017	**20,486,897**
Additions	2,050,899
Amortization	(676,991)
Net book value, 30 June 2017	**21,860,805**
Cost	34,297,721
Accumulated amortization	(12,436,916)
Net book value, 30 June 2017	**21,860,805**

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Short term provisions

	30 June 2017	31 December 2016
Lawsuit provisions	1,673,045	1,516,157
	1,673,045	**1,516,157**

Several outstanding legal cases against the Group have been considered and provision amounting to TL 1,673,045 based on the best estimates has been reflected to the consolidated financial statements as of 30 June 2017 (31 December 2016: TL: 1,516,157).

ii) Collaterals Given

	30 June 2017	31 December 2016
Collaterals given	3,437,651,213	3,351,157,557

Letters of guarantee are given to BIST, CMB and to Takasbank for money market transactions. Foreign currency denominated letters of guarantee amount to TL 336,721,630 (31 December 2016: TL 337,880,299).

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

iii) Cash collaterals given on behalf of customers

	30 June 2017	**31 December 2016**
VİOP collaterals given on behalf of customers (*)	116,406,666	90,921,216
	116,406,666	**90,921,216**

(*) As of 30 June 2017, cash amounting to TL 116,406,666 has been pledged by the Group as collateral for the Futures and Options Market on behalf of the customers (31 December 2016: TL 90,921,216).

iv) Customer deposits

Treasury bills, government bonds, share certificates and other financial assets held in trust for the purpose of hiding on behalf of customers as of 30 June 2017 and 31 December 2016 are as follows:

Customer deposits	**30 June 2017**	**31 December 2016**
Government bonds	286,407,805	247,281,131
Private sector bonds	16,065,000	12,124,000
Share certificates	3,840,506,664	3,810,437,555
Reverse repo agreements (Money Markets)	2,084,730,966	1,048,722,777
Investment funds	66,305,564,268	66,229,202,692
Other	5,849,307	7,976,226
	72,539,124,010	**71,355,744,381**

v) Other

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

ii. Demand deposits amounting to TL 37,347,353 (31 December 2016: TL 36,658,406) belongs to the Group's customers as a partial collateral and is held in the Group's bank accounts (Note 6).

iii. The Group allocates credit to its customers for use in stock trading. As of 30 June 2017, the Group has TL 231,174,192 (31 December 2016: TL 183,040,394) of loans granted to its customers and the total market value of the shares kept as collecteral against those credits given is amounting to TL 497,968,432 (31 December 2016: TL 358,432,341) (Note 10).

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

16. DERIVATIVES

Nominal details of derivative transactions as of 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 TL Equivalent		31 December 2016 TL Equivalent	
	USD	**EUR**	**USD**	**EUR**
Forward transactions (buy)	-	3,310,655	890,334	7,073,219
Forward transactions (sell)	-	3,279,460	954,149	7,079,023
Swap transactions (buy)	711,120	989,364,166	127,238,103	3,351,651,619
Swap transactions (sell)	701,420	980,590,508	136,461,809	3,354,386,078
	1,412,540	**1,976,544,789**	**265,544,395**	**6,720,189,939**

Receivables from derivative transactions

	30 June 2017	31 December 2016
Swap transactions	2,356,474	10,142,468
Forward transactions	2,084,972	19,833
	4,441,446	**10,162,301**

Payables from derivative transactions

	30 June 2017	31 December 2016
Swap transactions	2,347,518	43,664,594
Forward transactions	-	144,332
	2,347,518	**43,808,926**

17. PROVISION FOR EMPLOYEE BENEFITS

Short term provisions

	30 June 2017	31 December 2016
Provision for employee bonus	8,071,544	14,601,960
	8,071,544	**14,601,960**

Long term provisions

	30 June 2017	31 December 2016
Provision for unused vacation	3,848,313	3,669,699
Provision for employee termination benefits	3,272,213	3,499,840
	7,120,526	**7,169,539**

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

17. PROVISION FOR EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits

Under the Turkish Labour Law, the Group required to pay the employment termination benefits to each employee who have completed one year of service at the Group when they retire (for women 58, for men 60) and when they are dismissed or called up for military services or die. Due to changes in the Law on September 8, 1999, some sections regarding the temporary period related with the working period before retirement have been removed. The indemnity is one month's salary for each working year and is limited to TL 4,426.16 as of 1 January 2017 (1 January 2016: TL 4,092.53).

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

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

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

	30 June 2017	31 December 2016
Discount rate (%)	4.50	4.60
Turnover rate to estimate retirement probability (%) (*)	96.38	97.00

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year end calculation, the effective amount as of 1 January 2017 of TL 4,426.16 TL (1 January 2016 - TL 4,092.53).

	1 January - 30 June 2017	1 January - 30 June 2016
Openning balance, 1 January	3,499,840	3,227,685
Service and interest cost	108,907	587,579
Actuarial loss/(gain)	244,559	(170,428)
Payments during the period (-)	(581,093)	(111,741)
End of the period	**3,272,213**	**3,533,095**

18. LIABILITIES FOR EMPLOYEE BENEFITS

	30 June 2017	31 December 2016
Taxes and liabilities payable	1,501,846	1,063,441
Social security premiums payable	535,838	892,139
	2,037,684	**1,955,580**

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

19. PREPAID EXPENSES

	30 June 2017	**31 December 2016**
Commissions for letters of guarantees	2,191,750	2,029,325
Prepaid expenses	1,741,304	2,097,737
	3,933,054	**4,127,062**

20. OTHER ASSETS AND LIABILITIES

Other current assets

	30 June 2017	**31 December 2016**
Receivables from employees	3,349	2,000
Other	726	854
	4,075	**2,854**

Other short term liabilities

Payable taxes and funds	1,183,140	1,095,634
Blocked customer deposits	1,311,423	1,167,931
Other expense accruals	886,171	857,415
Takasbank-BIST commission provision	700,000	900,000
Provision for operating expenses	705,000	820,000
Other	578,709	25,000
	5,364,443	**4,865,980**

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

21. SHAREHOLDER’S EQUITY

Paid-in capital and adjustment differences

The paid-in capital of the Company is TL 98,918,083 (31 December 2016: TL 98,918,083) and consists of 9,891,808,346 (31 December 2016: 9,891,808,346) authorized shares with a nominal value of Ykr 1 each. The Group has no preferred share as of 30 June 2017.

The shareholders and their shares in capital with historic values as of 30 June 2017 and 31 December 2016 are as follows:

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

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

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

As of 30 June 2017, restricted reserves are amounting to TL 236,535,668 (31 December 2016: TL 236,738,667).

Restricted reserves and retained earnings

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

(*) As of 30 June 2017, TL 4,626,817 of the TL 180,904,217 which is the gain on sale of property, equipment and subsidiary classified under equity, is 75% of the profit from the sale of buildings in the year 2010 and TL 176,277,404 is the 75% of the profit from the sale of subsidiaries in the year 2013.

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

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

21. SHAREHOLDER'S EQUITY (Continued)

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

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

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

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

	30 June 2017	30 June 2016
Beginning of the period	**6,847,426**	**6,321,570**
Minority interest decrease due to dividend payment	(3,422,646)	(3,295,882)
Minority interest net income	1,904,746	1,547,598
End of the period	**5,329,526**	**4,573,286**

Distribution of minority interest net income is as follows:

Minority interest net income from continuing operations	1,904,746	1,547,598
	1,904,746	**1,547,598**

22. TAX ASSETS AND LIABILITIES

Corporate tax

	30 June 2017	31 December 2016
Corporate taxes payable	5,308,085	13,713,131
Prepaid taxes (-)	(48,653,649)	(46,151,934)
Current period tax assets, net (-)	**(43,345,564)**	**(32,438,803)**

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

22. TAX ASSETS AND LIABILITIES (Continued)

The Group's income tax expense for the periods ended 30 June 2017 and 2016 consists of the following items:

	1 January - 30 June 2017	1 January - 30 June 2016
Current period tax expense	5,308,085	3,300,559
Deferred tax expense	6,071,338	2,317,377
Total tax expense	**11,379,423**	**5,617,936**

Deferred tax assets and liabilities

Deferred tax assets	3,958,201	11,148,560
Deferred tax liabilities (-)	(2,237,221)	(3,400,788)
Deferred tax assets, net	**1,720,980**	**7,747,772**

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

	1 January - 30 June 2017	1 January - 30 June 2016
Profit before tax	62,400,635	36,446,440
Theoretical tax expense with 20% tax rate	(12,480,127)	(7,289,288)
Non deductible expenses and other additions	1,100,704	1,671,352
Current period tax expense	**(11,379,423)**	**(5,617,936)**

The Corporate Tax Law was altered by Law No.5520 on 21 June 2006 and published in the Official Gazette No.26205. The majority of regulations in Corporate Tax Law No.5520 became effective as of 1 January 2006. According to this Law, the corporation tax rate of the fiscal year 2017 is 20% (2016: 20%). Corporation tax is payable at a rate of 20% on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (e.g. research and development expenditures deductions). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance amount utilized within the scope of the Income Tax Law transitional article 61).

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.

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

22. TAX ASSETS AND LIABILITIES

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

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

Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

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

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

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

	30 June 2017		31 December 2016	
	Cumulative temporary differences	Deferred tax assets/ (liabilities)	Cumulative temporary differences	Deferred tax assets / (liabilities)
Provision for employee bonus	6,145,118	1,229,024	387,427	77,485
Provision for unused vacation	3,848,313	769,663	3,575,560	715,112
Provision for employee termination benefits	3,272,213	654,443	3,499,840	699,968
Derivatives	2,347,518	469,504	43,808,926	8,761,785
Lawsuit provisions	1,673,045	334,609	1,516,157	303,231
Expense provision	945,155	189,031	510,095	102,019
Financial assets revaluation differences	226,933	45,387	-	-
Other	1,169,792	233,958	2,444,800	488,960
Deferred tax assets		**3,925,619**		**11,148,560**
Difference between the tax base and carrying amount of investment property	4,878,704	975,741	4,045,398	809,080
Derivatives	4,441,446	888,289	10,162,301	2,032,460
Difference between the tax base and carrying amount of non current assets	1,547,702	309,540	2,147,653	429,531
Financial assets revaluation differences	155,343	31,069	246,231	49,246
Other	-	-	402,355	80,471
Deferred tax liabilities		**2,204,639**		**3,400,788**
Deferred tax assets, net		**1,720,980**		**7,747,772**

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

22. TAX ASSETS AND LIABILITIES (Continued)

Starting from 1 January 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 group'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.

	1 January - 30 June 2017	1 January - 30 June 2016
Beginning balance of deferred tax assets, net	7,747,772	10,413,304
Deferred tax expense (-)	(6,071,338)	(2,317,377)
Deferred tax accounted under equity	44,546	(24,924)
Period end deferred tax assets, net	**1,720,980**	**8,071,003**

23. REVENUE AND COST OF SALES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Revenue				
Treasury bills and government bonds sales	1,064,558,238	503,313,938	569,750,362	88,470,937
Share certificates sales	2,868,998,184	1,572,175,883	8,099,318,450	3,298,805,423
Commissions on intermediary activities on stock market	31,646,333	16,013,600	26,127,255	13,126,895
Fund management fees	767,534	114,317	1,097,092	567,603
Intermediary commissions on futures market	5,029,662	2,451,524	4,247,176	2,080,465
Outright purchase-sale transactions intermediary commissions	26,117	9,761	30,947	13,062
Repo intermediary commissions	103,708	57,523	170,604	95,037
Custody commissions	1,512,133	1,261,939	552,178	271,160
Consultancy services	222,886	115,432	453,075	194,215
Other service income	11,706,748	5,819,112	7,733,804	2,646,267
Other intermediary commissions	4,106,642	2,249,665	4,166,503	3,623,113
Total revenue	**3,988,678,185**	**2,103,582,694**	**8,713,647,446**	**3,409,894,177**
Service income discounts and allowances				
Commissions paid to agencies	13,963,218	7,199,496	12,010,440	5,739,906
Commission returns	556,672	349,945	573,480	239,375
Total discounts and allowances	**14,519,890**	**7,549,441**	**12,583,920**	**5,979,281**
Revenue	**3,974,158,295**	**2,096,033,253**	**8,701,063,526**	**3,403,914,896**
Cost of sales				
Costs of treasury bills and government bond sales	2,867,363,009	1,569,584,290	569,492,949	88,239,097
Costs of share certificate sales	1,063,952,602	502,975,021	8,104,274,439	3,301,818,017
Total cost of sales	**3,931,315,611**	**2,072,559,311**	**8,673,767,388**	**3,390,057,114**
Gross operating profit/loss	**42,842,684**	**23,473,942**	**27,296,138**	**13,857,782**

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

24. REVENUE AND COST OF FINANCIAL ACTIVITIES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Revenue from financial activities				
Investment funds management fee	24,576,422	13,110,631	21,551,369	11,050,170
Individual pension funds management fee	6,181,135	3,206,574	5,078,482	2,618,329
Fund management fee	**30,757,557**	**16,317,205**	**26,629,851**	**13,668,499**
Discretionary portfolio management commission	1,462,027	751,166	1,350,725	673,407
Portfolio success premiums	1,006,405	966,959	309,203	300,122
Discretionary portfolio management income	**2,468,432**	**1,718,125**	**1,659,928**	**973,529**
Financial activities revenue	**33,225,989**	**18,035,330**	**28,289,779**	**14,642,028**
Financial activities cost				
Investment and individual pension funds management commission expenses	(966,986)	(494,329)	(946,689)	(468,415)
Discretionary portfolio management commission expense	(1,637,008)	(783,405)	(1,659,950)	(913,067)
Other fund management commission expense	(1,119,609)	(669,506)	(643,763)	(351,477)
Financial activities cost	**(3,723,603)**	**(1,947,240)**	**(3,250,402)**	**(1,732,959)**
Gross profit/loss from financial sector activities	**29,502,386**	**16,088,090**	**25,039,377**	**12,909,069**

25. EXPENSES BY NATURE

General administrative expenses

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expenses	37,286,625	18,280,810	32,915,447	16,418,991
Data processing expenses	4,090,332	2,017,926	3,286,879	1,538,303
Information services expenses	3,464,363	1,771,575	2,927,617	1,379,277
Depreciation and amortization expenses	1,492,198	654,839	1,578,115	783,161
Rent expense	1,363,927	666,443	1,177,739	721,522
Taxes, duties and charges	1,314,552	774,959	1,419,242	418,964
Communication expenses	650,263	306,342	640,625	393,097
Audit and advisory expenses	502,162	279,062	818,872	275,981
Vehicle expenses	490,551	248,390	434,959	239,431
Meeting and travelling expenses	416,760	188,208	268,135	132,613
IT restructing expenses	376,824	54,999	642,891	73,989
Maintenance service expenses	328,450	121,391	316,693	152,609
Cleaning expenses	251,877	138,815	267,744	157,257
Insurance expenses	234,190	143,212	248,959	155,194
Stationary expenses	162,986	90,721	153,477	84,302
Representation expenses	119,426	56,105	135,370	75,711
Membership and subscription fees	23,927	23,052	11,985	11,419
Other	1,487,962	775,745	1,781,290	1,133,745
	54,057,375	**26,592,594**	**49,026,039**	**24,145,566**

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

25. EXPENSES BY NATURE (Continued)

Marketing expenses

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Brokerage and operation fees	4,246,903	1,970,683	4,603,412	2,388,187
Advertising expenses	1,896,302	1,037,102	1,396,735	1,160,253
Custody commissions	158,965	76,959	143,884	(143,795)
	6,302,170	**3,084,744**	**6,144,031**	**3,404,645**

26. OTHER INCOME FROM OPERATING ACTIVITIES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Derivative transactions gains	222,631,830	31,192,150	101,457,579	38,357,190
Interest income on deposit at banks	112,663,545	76,626,100	118,485,305	62,438,391
Interest income on loans	13,313,004	7,524,688	8,891,834	5,375,502
Dividend income	8,064,543	7,941,531	6,018,276	5,973,250
Interest income on treasury bills and government bonds	2,357,837	1,341,830	3,680,442	287,971
Foreign exchange gains	278,851	278,851	6,632,146	1,969,772
Other interest income	40,757	9,769	52,484	52,484
Other income	3,666,018	3,575,943	36,915	36,838
	363,016,385	**128,490,862**	**245,254,981**	**114,491,398**

27. OTHER EXPENSE FROM OPERATING ACTIVITIES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Interest paid to money markets	173,895,881	92,826,642	138,701,316	71,792,694
Interest expense from issued bonds and bills	61,539,965	34,811,733	38,251,794	19,799,375
Foreign exchange loss/(profit)	46,987,056	(34,675,698)	488	194
Derivative transaction losses	12,750,402	(2,751,536)	12,837,484	(5,293,562)
Commissions paid for guarantee letters	7,617,462	3,850,736	4,701,193	2,739,084
Commission expenses	4,746,546	2,692,505	3,711,059	3,576,467
Interest expense	4,034,783	3,013,477	4,131,936	2,138,717
Impairment of financial investments	248,760	(1,663,094)	2,203,058	2,040,083
Other expenses	780,420	316,423	1,435,658	442,580
	312,601,275	**98,421,188**	**205,973,986**	**97,235,632**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Bank deposits in related parties

	30 June 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş.	1,784,359,791	2,801,930,678
Yapı Kredi Nederland N.V.	100	100
	1,784,359,891	**2,801,930,778**

(b) Receivables from related parties

Trade receivables

	30 June 2017	31 December 2016
Koçtaş Yapı Marketleri Ticaret A.Ş.	183,750	-
Yapı ve Kredi Bankası A.Ş.	-	22,449
YKS Tesis Yönetimi Hizmetleri A.Ş.	2,224	-
	185,974	**22,449**

Receivables from financial activities

Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds	4,867,841	4,426,383
Allianz Pension Funds	1,133,415	5,463,260
Koç Family	275,698	-
Vehbi Koç Foundation	59,485	-
Yapı ve Kredi Bankası A.Ş. – Investment consulting	-	1,196,285
	6,336,439	**11,085,928**

Other receivables

Yapı Kredi Bankası Azerbaycan	18,215	-
	18,215	**-**

Prepaid expenses

Allianz Sigorta A.Ş.	153,148	89,771
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	629	1,730
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	431
	153,777	**91,932**

(c) Payables to related parties

Short term liabilities

	30 June 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş.	3,001,242	-
	3,001,242	**-**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Trade payables

	30 June 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş.	3,315,618	3,033,826
Allianz Pension Funds	107,250	174,366
Other	55,525	43,153
	3,478,393	**3,251,345**

Other payables

Koç Holding A.Ş.	98,796	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	78,096	4,596
Avis A.Ş.	28,525	25,307
YKS Tesis Yönetimi Hizmetleri A.Ş.	13,564	4,313
Opet Petrolcülük A.Ş.	6,183	2,000
Setur Servis Turistik A.Ş.	3,802	6,937
Allianz Hayat ve Emeklilik A.Ş.	-	174,366
Other	20,252	-
	249,218	**217,519**

(d) Income from related parties

Operating income from related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Yapı Kredi Portföy Funds	24,576,122	12,288,061	21,551,369	10,775,685
Allianz Hayat ve Emeklilik AŞ Pension Funds	6,175,341	3,200,780	5,078,482	2,618,329
Koç Finansman A.Ş.	350,000	-	487,500	-
Aygaz A.Ş.	315,750	296,588	277,489	-
Türk Traktör A.Ş.	543,250	524,088	-	-
Yapı ve Kredi Bankası A.Ş.	566,364	386,858	-	(9,445,660)
Koçtaş A.Ş.	350,000	175,000	-	-
Other	398,389	139,486	387,578	(906,378)
	33,275,216	**17,010,861**	**27,782,418**	**3,041,976**

Interest income from related parties

Yapı ve Kredi Bankası A.Ş.	58,826,111	35,568,342	74,530,593	72,790,408
	58,826,111	**35,568,342**	**74,530,593**	**72,790,408**

Derivative income from related parties

Yapı ve Kredi Bankası A.Ş.	79,522,294	12,215,117	80,807,052	18,441,973
	79,522,294	**12,215,117**	**80,807,052**	**18,441,973**

Commission income from related parties

Yapı ve Kredi Bankası A.Ş.	3,421,770	1,280,880	894,100	894,100
Yapı Kredi Finansal Kiralama A.O.	1,453,750	-	1,046,000	1,046,000
Yapı Kredi Faktoring A.Ş.	937,500	-	1,023,750	1,023,750
	5,813,020	**1,280,880**	**2,963,850**	**2,963,850**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Dividend income from related parties				
Takasbank	3,285,000	3,285,000	3,285,000	-
Allianz Yaşam ve Emeklilik A.Ş.	49,016	-	36,308	-
	3,334,016	**3,285,000**	**3,321,308**	**-**

(e) Expenses paid to related parties

Operating expenses paid to related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Yapı ve Kredi Bankası A.Ş.	932,329	454,216	1,271,499	632,928
YKS Facility Management	286,569	76,005	247,677	76,462
Zer Merkezi Hizmetler ve Tic. A.Ş.	237,033	88,632	206,221	95,847
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	174,866	33,399	181,717	57,828
Avis AŞ	168,638	84,119	134,025	66,535
Setur Servis Turistik A.Ş.	192,868	172,930	99,335	11,686
Otokoç Otomotiv Tic. ve San. A.Ş.	95,681	-	74,642	300
Allianz Sigorta A.Ş.	182,193	114,417	43,603	39,628
Opet Petrolcülük A.Ş.	57,549	14,536	27,136	14,444
Koç Holding A.Ş.	640	321	9,691	9,371
YK Building Management	79,374	-	-	-
Divan Tur	6,440	-	-	-
Other	203,710	101,231	159,460	1,042
	2,617,890	**1,139,806**	**2,455,006**	**1,006,071**

Commission expenses paid to related parties

Yapı ve Kredi Bankası A.Ş.	15,549,660	8,004,944	14,227,047	6,440,523
Allianz Emeklilik A.Ş.	107,250	51,128	71,623	23,108
	15,656,910	**8,056,072**	**14,298,670**	**6,463,631**

Financial expenses paid to related parties

Yapı ve Kredi Bankası A.Ş.	109,282	55,120	149,088	147,565
	109,282	**55,120**	**149,088**	**147,565**

Benefits provided to key management

Top management consists of general manager, vice general manager, directors and other top management members. As of 30 June 2017, the total amount of salary and other benefits provided to the top management by the Group is TL 3,780,681 (1 January - 30 June 2016: TL 3,741,243).

Dividends paid to related parties

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

29. FINANCIAL RISK MANAGEMENT

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

a. Information on credit risk

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

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

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

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

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

The share of the receivables from the biggest 10 credit customers in the total receivables from credit customers of the Group is 82% (31 December 2016: 77%).

The table below shows credit risk exposure based on financial instruments as of 30 June 2017 and 31 December 2016. In the determination of the maximum amount of credit risk exposure, in addition to the collaterals received, factors that lead to credit enhancement are not taken into account.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivables		Other receivables				
30 June 2017	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**	**Financial Investments**	**Derivatives**
Total credit risk exposure (A+B+C)	**6,522,413**	**434,987,748**	**18,215**	**114,891,350**	**4,206,924,505**	**121,886,203**	**4,441,446**
- Amount of risk that is guaranteed with collateral *	-	-	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	6,522,413	434,987,748	18,215	114,891,350	4,206,924,505	121,886,203	-
B. Net book value of impaired assets	-	-	-	-	-		-
- Past due (gross book value)	-	943,693	-	-	-		-
- Impairment	-	(943,693)	-	-	-		-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-		-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	4,441,446

	Receivables						
	Trade receivables		Other receivables				
31 December 2016	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**	**Financial Investments**	**Derivatives**
Total credit risk exposure (A+B+C)	**11,108,377**	**422,603,413**	**-**	**32,752,156**	**4,066,342,016**	**97,082,803**	**10,162,301**
- Amount of risk that is guaranteed with collateral *	-	-	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	11,108,377	422,603,413	-	32,752,156	4,066,342,016	97,082,803	-
B. Net book value of impaired assets	-	-	-	-	-		-
- Past due (gross book value)	-	943,693	-	-	-		-
- Impairment	-	(943,693)	-	-	-		-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-		-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	10,162,301

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

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

29. FINANCIAL RISK MANAGEMENT (Continued)

b. Information on market risk

Interest rate risk

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

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

The table below shows the interest rate position details and sensitivity analysis as of 30 June 2017 and 31 December 2016:

Interest rate position table

Fixed rate financial instruments	**30 June 2017**	**31 December 2016**
Financial assets		
Financial assets held to maturity (*)	31,323,660	26,698,291
Financial assets available for sale	26,680,537	31,557,102
Banks	4,161,104,015	4,013,506,914
Receivables from reverse repo agreements	72,688	251,734
Financial liabilities		
Funds generated from Takasbank Money Market	3,040,625,013	2,904,116,758
Marketable securities issued	1,131,665,933	942,954,793
Bank loans	3,001,242	-

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

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

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

29. FINANCIAL RISK MANAGEMENT (Continued)

As of 30 June 2017 and 31 December 2016, average interest rates of financial instruments:

	30 June 2017		31 December 2016	
	TL (%)	EUR (%)	TL (%)	EUR(%)
Assets				
Cash and cash equivalents	15.00	2.50	11.00	2.00
Available for sale financial assets	11.50	-	12.20	-
Financial assets held to maturity	11.20	-	10.90	-
Credits originated by The Group	16.00	-	-	-
Liabilities				
Payables to Money Markets	13.50	-	11.00	-
Issued securities	14.00	-	10.00	-
Bank loans	14.90	-	12.15	-
Funds generated from repo transactions	14.90	-	9.40	-

The Group's assets and liabilities are grouped based on their repricing maturities as follows as of 30 June 2017 and 31 December 2016:

30 June 2017	Up to 1 month	Up to 3 months	3 months to 1 year	1 year to 5 years	Non-interest bearing	Total
Cash and cash equivalents	2,455,425,616	1,705,751,087	-	-	45,747,802	4,206,924,505
Financial investments	4,880,400	4,508,529	44,361,425	4,237,503	63,898,346	121,886,203
Trade receivables	231,174,192	-	-	-	202,647,712	433,821,904
Derivative financial assets held for trading	-	-	-	-	4,441,446	4,441,446
Other	-	-	-	-	201,895,541	201,895,541
	2,691,480,208	**1,710,259,616**	**44,361,425**	**4,237,503**	**518,630,847**	**4,968,969,599**
Financial liabilities	2,624,560,973	1,556,734,565	-	-	-	4,181,295,538
Trade payables	-	-	-	-	244,407,028	244,407,028
Other	-	-	-	-	46,767,335	46,767,335
	2,624,560,973	**1,556,734,565**	**-**	**-**	**291,174,363**	**4,472,469,901**
	66,919,235	**153,525,051**	**44,361,425**	**4,237,503**	**227,456,484**	**496,499,698**

31 December 2016	Up to 1 month	Up to 3 months	3 months to 1 year	1 year to 5 years	Non-interest bearing	Total
Cash and cash equivalents	2,915,217,758	1,098,540,890	-	-	52,583,368	4,066,342,016
Financial investments	-	-	36,007,079	22,248,314	38,827,410	97,082,803
Trade receivables	183,040,394	-	-	-	239,568,415	422,608,809
Derivative financial assets held for trading	-	-	-	-	10,162,301	10,162,301
Other receivables	-	-	-	-	117,668,685	117,668,685
	3,098,258,152	**1,098,540,890**	**36,007,079**	**22,248,314**	**458,810,179**	**4,713,864,614**
Financial liabilities	2,845,818,318	1,028,366,646	-	-	-	3,874,184,964
Trade payables	-	-	-	-	222,091,003	222,091,003
Other payables	-	-	-	-	101,839,328	101,839,328
	2,845,818,318	**1,028,366,646**	**-**	**-**	**323,930,331**	**4,198,115,295**
	252,439,834	**70,174,244**	**36,007,079**	**22,248,314**	**134,879,848**	**515,749,319**

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

29. FINANCIAL RISK MANAGEMENT (Continued)

a. *Exchange rate risk*

As of 30 June 2017 and 31 December 2016, the Group's assets and liabilities denominated in foreign currencies are as follows:

	30 June 2017				31 December 2016			
	TL equivalent	**USD**	**EUR**	**Other**	**TL equivalent**	**USD**	**EUR**	**Other**
Monetary financial assets	1,011,340,762	8,336,609	245,306,805	43,916	3,523,848,463	47,489,957	904,775,706	33,881
Current assets (a)	**1,011,340,762**	**8,336,609**	**245,306,805**	**43,916**	**3,523,848,463**	**47,489,957**	**904,775,706**	**33,881**
Financial liabilities	(31,899,436)	(8,153,054)	(803,871)	(30,620)	(33,786,882)	(9,000,845)	(545,543)	(31,515)
Short term financial liabilites (b)	**(31,899,436)**	**(8,153,054)**	**(803,871)**	**(30,620)**	**(33,786,882)**	**(9,000,845)**	**(545,543)**	**(31,515)**
Off-balance sheet derivatives denominated in foreign currency	(984,571,387)	(200,000)	(245,783,155)	-	(3,490,847,886)	(38,776,372)	(904,171,562)	-
Net asset/liability position of foreign currency denominated derivatives (c)	**(984,571,387)**	**(200,000)**	**(245,783,155)**	**-**	**(3,490,847,886)**	**(38,776,372)**	**(904,171,562)**	**-**
Total net foreign currency position (*) (a+b+c)	**(5,130,061)**	**(16,445)**	**(1,280,221)**	**13,296**	**(786,305)**	**(287,260)**	**58,601**	**2,366**

(*) Foreign currency position of derivatives 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.)

29. FINANCIAL RISK MANAGEMENT (Continued)

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

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

Exchange rate sensitivity analysis table

	Profit / Loss		**Equity**	
30 June 2017	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**
In case of a 10% change in USD exchange rates:				
USD net asset/liability effect	5,767	(5,767)	-	-
In case of a 10% change in EURO exchange rates:				
EURO net asset/liability effect	512,472	(512,472)	-	-
In case of a 10% change in other exchange rates:				
Other foreign currency net effect	(5,234)	5,234	-	-
Total	**513,005**	**(513,005)**		

Exchange rate sensitivity analysis table

	Profit / Loss		**Equity**	
31 December 2016	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**
In case of a 10% change in USD exchange rates:				
USD net asset/liability effect	101,092	(101,092)	-	-
In case of a 10% change in EURO exchange rates:				
EURO net asset/liability effect	(21,740)	21,740	-	-
In case of a 10% change in other exchange rates:				
Other foreign currency net effect	(716)	716	-	-
Total	**78,636**	**(78,636)**	**-**	**-**

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

29. FINANCIAL RISK MANAGEMENT (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 Group where, all other variables are kept as constant, the effects of a 10% increase/decrease in the carrying value of common stocks, revaluation fund, net income for the period and equity are as follows:

30 June 2017

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 at						
fair value through profit/loss		Increase	2,494,345	-	2,494,345	-
- Financial assets	10%	Decrease	(2,494,345)	-	(2,494,345)	-

31 December 2016

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

c. Liquidity risk

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

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

29. FINANCIAL RISK MANAGEMENT (Continued)

	30 June 2017				
	Net book value	**Up to 1 month**	**1 month to 1 year**	**1 year to 5 years**	**Total of contractual cash outflows**
Financial liabilities	4,181,295,538	2,599,485,093	1,603,197,974	-	4,202,683,067
Trade payables	244,244,253	244,244,253	-	-	244,244,253
Other payables	20,315,350	20,315,350	-	-	20,315,350
	4,445,855,141	**2,864,044,696**	**1,603,197,974**	**-**	**4,467,242,670**

	31 December 2016				
	Net book value	**Up to 1 month**	**1 month to 1 year**	**1 year to 5 years**	**Total of contractual cash outflows**
Financial liabilities	3,874,184,964	2,854,830,066	1,040,742,427	-	3,895,572,493
Trade payables	222,091,003	222,091,003	-	-	222,091,003
Other payables	27,921,186	27,921,186	-	-	27,921,186
	4,124,197,153	**3,104,842,255**	**1,040,742,427**	**-**	**4,145,584,682**

30. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

i. Financial assets:

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

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

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

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

30. FINANCIAL INSTRUMENTS

ii. Financial liabilities:

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

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

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

Financial assets and financial liabilities carried at fair value:

30 June 2017	**Level 1**	**Level 2**	**Level 3**
Financial assets designated at fair value through profit/loss	**31,689,473**	-	-
Share certificates trading on BIST	*24,943,454*	-	-
Investment funds	*6,746,019*	-	-
Available for sale financial assets	**-**	**26,680,537**	**-**
Private sector bonds and bills	-	*26,680,537*	-
Financial receivables from derivatives held for trading	-	*4,441,446*	-
Financial liabilities from derivatives held for trading	-	*2,347,518*	-

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

30. FINANCIAL INSTRUMENTS (Continued)

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

31. DISCLOSURE OF OTHER MATTERS

a. Explanation on portfolio management operations

As of 30 June 2017, the Group managed 33 mutual funds and 25 pension funds (31 December 2016: 35 mutual funds and 21 pension funds) In accordance with the Funds' statute, the Group purchases and sells securities and share certificates for the Funds, markets their participation certificates and provides other services and charges daily management fees. As of 30 June 2017 the Group earned a management fee of TL 30,757,557 (30 June 2016: TL 26,629,851 TL).

b. Capital management and capital adequacy requirements

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

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

32. SUBSEQUENT EVENTS

None.

………………………..