

Dedication to Deliver

We remain deeply saddened by the untimely death of Koç Holding Chairman Mustafa V. Koç.

Mustafa V. Koç leaves behind a substantial, highly successful and proud legacy from his 32-year professional career, which included 13 years as Chairman of Koç Holding.

During his tenure as Chairman, groundbreaking investments were undertaken with determination. The Holding's position in the domestic market was reinforced through successful acquisitions. Koç corporate banner was planted in new countries and our international operations expanded. The Holding's and nation's overseas revenues significantly increased through large-scale export projects. Mustafa V. Koç's global vision turned the Holding into one of the world's leading corporations and Koç Holding achieved the honor of being the only Turkish firm on the Fortune 500 list.

During his life, Mustafa V. Koç was committed to the motto of Holding founder Vehbi Koç, "I exist as long as my country exists and prospers". He was not only a leader who took on ambitious business ventures, but also a pioneer in social responsibility projects, which he wholeheartedly embraced to contribute to the nation's social advancement.

Always a firm believer in Turkey's bright future, Mustafa V. Koç leaves behind a permanent mark with his vision, philanthropy, leadership and most important of all, humanitarian values. He was truly a man of the people. A leader who energized and supported his employees, he was also a source of inspiration with his global perspective, determination, values and business ethics.

Going forward, we shall transform Koç Holding from a company with international operations into a truly global company in line with his values, broad vision and dynamism...

We will remember him with respect, affection and gratitude.

KOÇ GROUP



Mustafa V. Koç
(1960-2016)

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Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.

Report on the Audit of the Annual Report of the Board of Directors in Accordance with the Independent Auditing Standards

We have audited the annual report of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") as at December 31, 2015.

Responsibility of the Bank's Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code (TCC) no.6102 and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006, the Bank management is responsible for the preparation and fair presentation of annual report consistent with the consolidated and unconsolidated financial statements prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; "BRSA Accounting and Reporting Legislation" ("consolidated and unconsolidated financial statements") and for the internal control considered for the preparation of a report of such quality.

Independent Auditor's responsibility

Our responsibility is to express an opinion based on the independent audit we performed on the Bank's annual report, in accordance with the Article 397 of TCC and "Communique on Independent Audit of Banks" published in the Official Gazette no.29314 dated April 2, 2015 on whether the financial information provided in this annual report is presented fairly and consistent with the Bank's consolidated and unconsolidated financial statements there on which auditor's report dated February 2, 2016 has been issued.

We conducted our audit in accordance Independent Standards of Auditing ("ISA") which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). These standards require compliance with ethical requirements the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

An independent audit involves performing audit procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the independent auditor's professional judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated and unconsolidated financial statements in all material respects.

Report on other responsibilities arising from regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention to be disclosed which causes us to believe that the Bank will not be able to continue as a going concern in the foreseeable future.

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



İstanbul, March 9, 2016

Part I

Introduction

Annual Shareholders' Meeting Agenda

31 March 2016 Annual Shareholders' Meeting Agenda

1. Opening and the constitution of the Council for the Meeting,
2. Presentation of the Annual Activity Report of the Board of Directors, Financial Statements and Summary of Report of External Auditors related to the activities of the year 2015 and consideration and approval of the Annual Activity Report and Financial Statements for the year 2015,
3. Submission of appointment made by the Board of Directors for the vacated membership of Board of Directors during the year as per article 363 of Turkish Commercial Code for approval by the General Assembly,
4. Clearing of members of the Board of Directors of liability related to activities of the Bank during the year 2015,
5. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding amendment to article 6 of the Articles of Association (titled "Capital"), related to extending Banks' Capital Ceiling Registration period until 2020 as well as article 14 of the Articles of Association (titled "Remunerations of the Members of Board of Directors, Executive members and the Committee Members"),
6. Determining the number and term of office of the Board members, electing members of the Board of Directors and independent members of the Board of Directors,
7. Submitting, according to Corporate Governance Principles, the Remuneration Policy for the Members of Board of Directors and Senior Managers and the payments made within the scope of the policy to the shareholders' knowledge and approval of,
8. Determining the gross attendance fees for Members of the Board of Directors,
9. Approval, approval with amendment or rejection of the proposal of the Board of Directors regarding distribution for the year 2015 created as per the Bank's Dividend Distribution Policy,
10. Approval of the Independent Audit Institution selected by the Board of Directors with the requirement of the Regulation issued by the Banking Regulation and Supervision Agency and the Turkish Commercial Code,
11. Submitting, according to the regulations of the Capital Markets Board, the donations and charities made by the Bank in 2015 to foundations and associations with the aim of social relief to the shareholders' knowledge and determining a ceiling amount for the donations to be made in 2016 in line with the Banking Legislation and the regulations of the Capital Markets Board,
12. Granting permission to shareholders holding management control, Members of the Board of Directors, senior managers and their spouses, blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during the year 2015 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,
13. Wishes and comments.

Dividend Distribution Policy

Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect shareholders, taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorised to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase.

As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves.

It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realisation of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

Note on 2015 Net Profit

It is resolved that of the TL 1,860,545,261.33 unconsolidated net profit for the accounting period, TL 93,027,263.07 be reserved as first legal reserve, TL 2,619,743.96 be set aside as special reserve (corresponding to 75% of the profit from the sale of the real estate and share stocks on the basis of Article 5 clause 1/e of the Corporate Tax Law 5520), TL 1,764,898,254.30 be set aside as extraordinary reserves. The related 2015 dividend distribution table, as given on page 7, was submitted at the Annual Shareholder's Meeting for approval.

2015 Dividend Distribution Table

Yapı ve Kredi Bankası A.Ş. 2015 Profit Distribution Table (TL)		
1. Paid-in Capital		4,347,051,284.00
2. Legal Reserves (per Legal Book)		751,512,161.00
Information on whether Articles of Association has any privilege regarding profit distribution		None
		Per legal book
3	Gross Profit	2,389,488,158.33
4	Reserve for Taxes (-)	528,942,897.00
5	Net Profit (=)	1,860,545,261.33
6	Prior Years' Losses (-)	0
7	Legal Reserves (-)	93,027,263.07
8	NET DISTRIBUTABLE PROFIT (=)	1,767,517,998.26
9	Donations made during the year (+)	
10	Net distributable profit including donations	
11	1st dividend to shareholders	0
	-Cash	0
	-Bonus shares	0
	-Total	0
12	Dividend to shareholders which possess preferred shares	0
13	Dividend to Members of Board of Directors and employees etc.	0
14	Dividend to shareholders which possess redeemed shares	0
15	2nd dividend to shareholders	0
16	Legal Reserves	0
17	Statutory Reserves	0
18	Special Reserves	2,619,743.96
19	EXTRAORDINARY RESERVES	1,764,898,254.30
20	Other sources which are accepted as distributable	-

DIVIDEND RATIO TABLE						
	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT	DIVIDEND TO 1 TL NOMINAL VALUE SHARE	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	-	-	-	-	-
NET	-	-	-	-	-	-

Chairman's Message

BY SHARING HIS LAST STATEMENT, WE ONCE AGAIN REMEMBER OUR CHAIRMAN, WHO PASSED AWAY ON JANUARY 21, 2016, WITH RESPECT, AFFECTION AND GRATITUDE

Dear Shareholders,

In 2015, the Turkish banking sector operated in a volatile environment due to both global and domestic developments. Domestically, although volatility continued after the June elections, uncertainty in the operating environment decreased to some extent following the formation of a government as a result of snap elections held in November. On the global front, the timing and magnitude of FED rate increases, European Central Bank policy, slowdown in China's economic growth and geopolitical risks were the key focus areas.

Total loans in the banking sector increased by 21% annually to TL 1,427 billion while total deposits grew by 19% to TL 1,245 billion. Asset quality in the banking sector remained intact with non-performing loan ratio at 3%.

For Yapı Kredi, the 4th largest private bank in Turkey in terms of total asset size, 2015 was a year where the Bank continued its Growth Oriented Investment strategy and customer oriented approach with the aim of achieving sustainable and healthy growth and profitability. In line with this strategy, Yapı Kredi proceeded to gain market share in both total loans and deposits supported by ongoing customer acquisition and strengthened delivery channels. Sustaining its "Dedication to Deliver" philosophy, Yapı Kredi maintained its contribution to the financing of the Turkish economy in 2015.

In 2015, sustainability continued to hold critical importance on the Bank's agenda. Yapı Kredi maintained its position as one of the 15 organizations in the BIST Sustainability Index created by Borsa İstanbul in association with the Ethical Investment Research Services (EIRIS) owing to its successful performance in environmental, social and corporate governance related issues.

Building on its strong dedication to corporate governance, Yapı Kredi further increased its corporate governance rating in 2015, which is granted based on the principles set by the Capital Markets Board, to 9.34 from 9.25 in 2014.

In 2015, Yapı Kredi's successful performance was crowned with important domestic and international awards. As was the case in previous years, Yapı Kredi was amongst the top organizations in Capital Magazine's "The Most Admired Companies" list and was ranked as one of "the three most admired banks" in Turkey. Additionally, three large-scaled projects financed by Yapı Kredi received four awards in the 2015 Bonds&Loans, which is regarded as the "Oscars of Finance". In the area of digital banking, the Bank was acknowledged with 4 "Stevie Awards", one of the most respected business awards in the world, including the "Best Mobile Application" and "Website". On the other hand, Yapı Kredi demonstrated its loyalty to ethical principles and values by winning Etika, one of the most prestigious awards in Turkey, for a third consecutive year.

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

Mustafa V. Koç
Chairman of the Board

CEO's Message

Dear Shareholders,

We experienced an awful and deeply saddening incident in the early days of 2016. Mr. Mustafa V. Koç, the Chairman of Koç Holding and Yapı Kredi, was laid to rest all too sudden. He was a true leader who dedicated himself to serving this country as a foresighted, visionary and unique man. His unexpected passing has been a great loss to the business world, our country and even the world at large. We will always commemorate Mr. Mustafa V. Koç with gratitude and gratefulness and miss him very much.

Despite experiencing challenging operating environment resulting from both global and domestic developments, Yapı Kredi continued with its Growth Oriented Investment strategy. Within this context, the Bank achieved a resilient commercial performance in 2015 by successfully moving towards its targets.

Over the last two years, Yapı Kredi has been strongly focused on strengthening its distribution network and infrastructure in order to ensure customer satisfaction and healthy growth. As of the end of 2015, the Bank has completed the majority of its growth related investments with 77 new branches, ~1,300 new ATMs and 2,661 increase in headcount over the last two years. Accordingly, the Bank closed the year with a strong network of 1,000 branches, 19,345 employees and 4,332 ATMs. At the same time, with the rapidly changing operating environment and varying customer needs, improvement and enrichment of all digital channels, especially mobile banking, were among the key focus areas for the Bank in 2015. Leading the digital transformation of banking, Yapı Kredi was able to widen its digital banking active customer base substantially to 2.6 million in the last two years, indicating a growth of 80%. Yapı Kredi's market shares in internet and mobile banking segments increased by 330bps and 147bps over the last two years to 14.9% and 12.4%, respectively, once again confirm the Bank's solid position in digital banking in the sector.

Since its establishment in 1944, the Bank's key focus has been customer-oriented banking activities. The main aim of the Yapı Kredi's growth strategy in the first phase was to increase its customer base, strengthen its positioning in the sector with market share gains and therefore achieve accelerated revenue generation compared to sector. 2015 was a confirmation that the Bank was able to successfully achieve all of these targets.

Since 2014, the Bank has recorded a significant acceleration in customer acquisition. Yapı Kredi acquired a total of 1.2 million net new customers in this two year period. As of the end of 2015, Yapı Kredi provides its wide umbrella of innovative and tailored products to a total of 11 million active and 21.3 million total customers.

Supported by customer acquisition, growth investments and infrastructure improvements, Yapı Kredi was able to significantly strengthen its market positioning. The Bank gained a total of 178 bps and 156 bps of market share compared to private banks in cash loans and deposits, respectively over the last two years.

Accordingly, cash loans in total assets increased up to 65%, one of the highest levels in the sector. During the year, Yapı Kredi's cash loans increased by 21% and reached TL 152.5 billion. Including cash and non-cash loans, total loan volume rose up to TL 210.1 billion with 21% yearly growth. Loan growth was primarily driven by growth in retail and SME banking while the Bank confirmed its 27 year-leadership in the card payment systems. On the other hand, deposits increased by 21% and reached TL 130 billion.

Diversification of the funding base also continued to hold significant importance for Yapı Kredi. Accordingly, Yapı Kredi raised US\$ 4.6 billion funding through syndications, securitizations, bond issuances and other financial instruments. Through successful execution of these deals, the Bank's strong financial structure and reputation were once again confirmed in the international arena.

Yapı Kredi's net income reached 1,909 million TL as of end of 2015 supported by 17% yearly growth in total revenues, which indicates a significant outperformance compared to private bank's growth of 12%. As of end of 2015, the capital adequacy ratio of the Bank stood at 13.8%.

In 2016, with a majority of the growth investments finalised, Yapı Kredi will move to the second phase of its growth strategy and start recording rapid improvement in its profitability while continuing its strong focus on customer satisfaction and ongoing customer acquisition. Strong liquidity, capitalisation and asset quality will remain part of the main priorities of the Bank.

I would like to take this opportunity to thank our customers and shareholders for their trust and our employees for their continuous efforts while we progress with our Growth Oriented Growth strategy.

Faik Açıklın
CEO

Vision, Mission and Strategy

Vision

To be the undisputed leader in the finance sector

Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees

Strategy

Healthy and consistent growth: Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness and funding diversification to sustain long-term performance with a customer-oriented approach

Strong and sustainable profitability: Address specific customer needs via a segment-based service model, optimise cost to serve to improve competitiveness and maintain effective liquidity, risk and capital management

Superior and long-lasting customer satisfaction: Enhance easy to work with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty

Values

Freedom: Yapı Kredi employees express their opinions easily through appropriate and constructive methods; they act in accordance with the Bank's values and contribute to the future of the Bank

Respect: Yapı Kredi employees listen to their customers and colleagues, irrespective of their identities, to understand their needs. They respect the opinion of others and know that their opinions and ideas also count

Fairness: Yapı Kredi employees treat their customers, colleagues and the Bank's stakeholders in a consistent manner without seeking personal gain; they make objective decisions and act in accordance with their values while focusing on corporate and social responsibility

Transparency: Yapı Kredi employees share relevant corporate information with their customers, colleagues and other stakeholders in a transparent and timely manner while adhering to the Bank's confidentiality principles and ensuring accessibility; they express their opinions with the same degree of transparency

Trust: Yapı Kredi employees build relationships based on trust with all relevant parties utilising their banking knowledge, skills and commitment to corporate values; they trust those that they grant responsibility and authority to. Consistent with the Bank's corporate values, Yapı Kredi employees keep their promises in a timely and accurate manner. They take responsibility for their customers' problems, find rapid solutions and follow up on the results

History

The Origins: Established in 1944 as Turkey's first retail focused private bank with a nationwide presence, Yapı Kredi has always played a pioneering role in the banking sector. Since its origins, Yapı Kredi has maintained a strong reputation in the banking sector leveraging on its customer-centric approach, dedication to innovation and contribution to the development of the financial sector in Turkey. In 2006, Yapı Kredi successfully completed the largest merger in the Turkish banking sector. The merger between Koçbank (8th largest bank) and Yapı Kredi (7th largest bank) formed the new Yapı Kredi, which became the 4th largest private bank. Since the merger, Yapı Kredi has consistently delivered a sustainable and strong performance.

2006: Merger and Integration

- Legal merger of Yapı Kredi and Koçbank
- Merger of the two banks' core subsidiaries operating in the same sectors
- Restructuring of the capital base
- Integration of information technology systems

2007: Restructuring

- Launch of branch expansion
- Completion of segment based service model
- Streamlining governance by bringing subsidiaries under the Bank
- Efficiency initiatives in systems and processes

2008: Re-launch of Growth

- Acceleration of branch expansion
- Innovation in product, service and delivery channels
- Tight cost discipline and emphasis on decreasing cost to serve
- Strengthening of capital base via capital increase

2009: Global Crisis

- Temporary suspension of branch expansion
- Continuous support for customers
- Tight cost management and efficiency efforts
- Proactive credit risk management

2010: Back to Strong Growth

- Re-launch of branch expansion
- Focus on innovation and customer acquisition
- Above sector growth and tight cost discipline
- Simplification of processes and improvement in efficiency

2011: Smart Growth

- Continuation of branch expansion
- Growth in value generating segments and products
- Sustainable revenue generation and tight cost control
- Diversification of funding base

2012: Smart Growth

- Continuation of branch expansion
- Growth in value generating segments and products
- Focus on core banking and disciplined cost control
- Diversification of funding base

2013: Continuation of Smart Growth

- Continuation of branch expansion
- Strengthening of capital base
- Effective liquidity management via balanced growth in loans and deposits
- Sustainable revenue generation via growth in value generating segments

2014: Growth Oriented Investment Strategy

- Balanced growth in both loans and deposits with strong market share gains
- Network expansion (headcount, branch, ATM)
- Focus on innovation and customer acquisition
- Continued focus on solid capital base and maintaining healthy liquidity profile

2015: Continuation of Growth Oriented Investment Strategy

- Ongoing network expansion and strong focus on digital
- Focus on rapid and healthy customer acquisition
- Balanced growth in both loans and deposits
- Strong revenue generation via effective loan book remix

Yapı Kredi at a Glance

Yapı Kredi has been sustainably strengthening its positioning in the sector since its establishment in 1944 through a customer-centric approach and focus on innovation. Yapı Kredi is the **4th largest private bank in Turkey** with **total asset size of TL 235.3 billion** as of the end of 2015. **Constantly in the pursuit of increasing its contribution to the financing of the Turkish economy, Yapı Kredi** increased the volume of its total cash and non-cash loans by 21% annually to TL 210.1 billion. Accordingly, Yapı Kredi maintained its position at 3rd place among private banks.

Yapı Kredi serves **11.0 million active (21.3 million total) customers** through a widespread and multi-channel service network. The Bank's branch network consists of **1,000 branches** covering all regions of Turkey supported by dynamic employee base of **19,345 people**. Yapı Kredi's Alternative Delivery Channels (ADCs) comprise **4,332 ATMs, innovative internet banking**, leading **mobile banking, 4 call centers** and around **620 thousand POS** terminals. The Bank's ADCs handle 85% of total banking transactions.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through **retail banking** (comprising of individual banking, Small and Medium Size Enterprises (SME) banking and card payment systems), **corporate and commercial banking** as well as **private banking and wealth management**. The Bank's operations are supported by **domestic subsidiaries** in asset management, brokerage, leasing and factoring as well as **international banking subsidiaries** in the Netherlands, Russia, Malta and Azerbaijan.

Shareholding Structure

Yapı Kredi has a strong shareholding structure which ensures sustainable and profitable growth. 81.8% of the Bank's shares are owned by Koç Financial Services, a 50%-50% joint venture between UniCredit Group and Koç Group. The remaining 18.2% is publicly traded on Borsa Istanbul and Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange.

Koç Group, founded in 1926, is the largest conglomerate in Turkey with its turnover, exports and 91 thousand employees. Koç Group's turnover comprises 8% of Turkey's total Gross Domestic Product (GDP) and exports comprise 9% of Turkey's total exports.

UniCredit Group, with roots dating back to 1473, is a systematically important European financial institution based in Italy. The Group has a widespread network of 7.934 branches and 144 thousand employees in 17 countries.

Shareholding Title	Share Price (TL)	Share Ratio (%)
Koç Financial Services	3,555,712,396.07	81.80
Other ⁽¹⁾	791,338,887.93	18.20
Total	4,347,051,284.00	100.00

(1) As per the announcement made by the Bank's shareholder Dodge & Cox International Stock Fund to Public Disclosure Platform on February 16,2015, it has been acknowledged that the direct shareholding of the relevant company in the Bank has fallen below 5% to 4.84% as a result of sale of shares and it is being included in the annual report in the context of Article 198 of Turkish Commercial Code

Positioning

	Market Share	Ranking	Market Share Change (among total sector) 2015-2013	Market Share Change (among private banks) 2015-2013
Total Bank				
Total Loans (Cash + Non-Cash)	11.0%	4	83 bps	196 bps
Cash Loans	10.3%	4	79 bps	178 bps
Cash Loans in Turkish Lira	10.1%	4	87 bps	172 bps
Cash Loans in Foreign Currency	10.7%	3	52 bps	198 bps
Deposits	10.2%	5	112 bps	156 bps
Deposits in Turkish Lira	9.6%	6	201 bps	352 bps
Deposits in Foreign Currency	10.9%	5	-43 bps	-84 bps
Delivery Channels				
Employees ⁽¹⁾	9.1%	4	113 bps	180 bps
Branches ⁽¹⁾	8.9%	3	32 bps	87 bps
ATMs	9.0%	4	183 bps	538 bps
Internet Banking	14.9%	-	335 bps	-
Mobile Banking	12.4%	-	152 bps	-
Retail Banking				
Credit Card Outstanding	21.2%	1	59 bps	117 bps
Credit Card Issuing	19.5%	1	182 bps	239 bps
Commercial Credit Card Outstanding	33.4%	1	26 bps	89 bps
Credit Card Acquiring	20.9%	1	165 bps	220 bps
Number of Credit Cards	18.1%	1	28 bps	59 bps
Consumer Loans	10.0%	5	231 bps	349 bps
General Purpose Loans	10.7%	5	432 bps	609 bps
Mortgages	9.3%	6	43 bps	132 bps
Auto Loans	7.4%	8	-656 bps	-725 bps
Commercial Installment Loans	6.7%	6	21 bps	56 bps
Corporate and Commercial Banking				
Corporate Loans	9.4%	5	75 bps	176 bps
Non-Cash Loans	13.5%	2	99 bps	265 bps
Leasing Transaction Volume	20.3%	1	588 bps	-
Factoring Turnover	17.6%	1	67 bps	-
Cheque Clearing	11.9%	1	80 bps	-
Private Banking and Wealth Management				
Mutual Funds	17.5%	2	-69 bp	-
Equity Transaction Volume	7.2%	2	27 bp	-

(1) Bank only employee number: 18,262; Bank only branch number: 1,000

Notes:

bps (basis points) indicates difference between ratios

Calculations are based on BRSA weekly data as of December 31, 2015 and BRSA monthly data as of December 2015

Internet and mobile banking market shares are calculated based on number of customers

Summary Financials

	2014	2015	Growth
Volumes			
Assets (billion TL)	195.0	235.3	21%
Cash + Non-Cash Loans (billion TL)	174.3	210.1	21%
Cash Loans (billion TL)	125.5	152.5	21%
Deposits (billion TL)	107.6	130.0	21%
Profitability			
Revenues (million TL)	8,754	10,263	17%
Operating Expenses (million TL)	4,146	5,077	22%
Net Income (million TL)	2,056	1,909	-7%
Return on Average Tangible Equity ⁽¹⁾	12.0%	9.7%	-231 bps
Return on Assets	1.1%	0.8%	-24 bps
Cost/Income Ratio	47%	49%	210 bps
Capital and Liquidity			
Bank Capital Adequacy Ratio	15.0%	13.8%	-122 bps
Bank Tier-1 Ratio	10.9%	10.3%	-65 bps
Bank Leverage ⁽²⁾	8.0x	8.5x	+0.5x
Bank Loans/Deposits Ratio	112%	114%	171 bps
Asset Quality			
Non-Performing Loans Ratio	3.4%	3.9%	53 bps
Total Coverage ⁽³⁾	113%	116%	328 bps
Cost of Risk ⁽⁴⁾	1.17%	1.47%	30 bps

(1) Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006

(2) (Total Assets-Shareholders' Equity)/Shareholders' Equity

(3) Indicates specific and general provision coverage

(4) Cost of Risk=(Total Loan Loss Provisions-Collections)/Total Gross Loans

Note: bps (basis points) indicates difference between ratios

Strategic Review

2013 - 2015

In the first phase of its Growth-Oriented Investment strategy, Yapı Kredi increased its customer base, strengthened its position in the sector with volume increases and therefore achieved accelerated revenue generation compared to sector

+77 new branches → 1,000

+2,661 headcount → 19,345

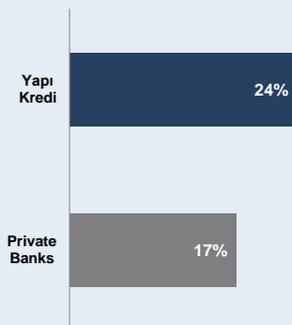
+1,299 ATMs → 4,332

+%80 ↑ in digital banking customers → 2.6 mln

+1.2 million
new customers acquired
in 2 years

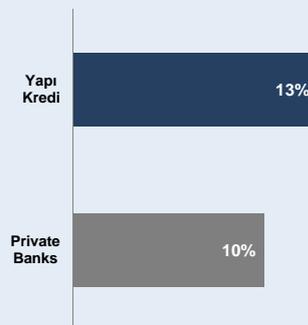
Balance Sheet

Loan Growth
(2 year CAGR)



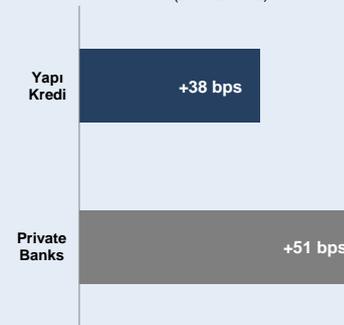
Income Statement

Revenue Growth
(2 year CAGR)

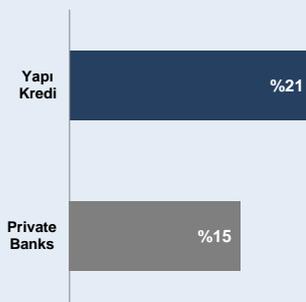


Key Indicators

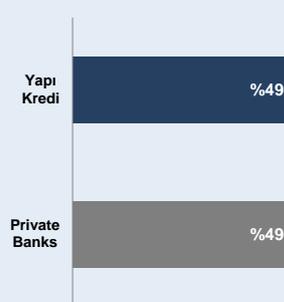
Non-performing loans ratio
(2013-2015 Δ)



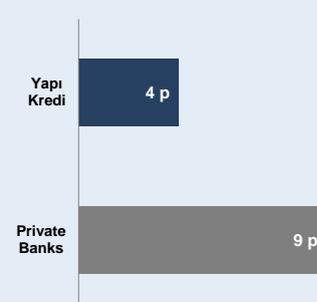
Deposit Growth
(2 year CAGR)



Cost/Income ratio



Loans / (Deposits + TL Bonds)
(2013-2015 Δ)



2016+

In the second phase of the Growth strategy, Yapı Kredi will focus on disciplined cost management and revenue generation while maintaining its position in the sector, reaping the benefits of its investments made during the last two years with continued pace of customer acquisition

- Volume growth relatively aligned with sector
- Optimization of branch network accompanied by digital strategy
- Revenues supported by customer acquisition
- NIM to be supported by effective loan repricing
- Conservative risk approach with NPL ratio slightly up
- Capital and liquidity at comfortable levels

Notes:

- (1) Calculations are based on BRSA weekly data as of December 31, 2015 and BRSA monthly data as of December 2015
- (2) bps (basis points) indicates difference between ratios

2015 Awards

Banking

Ruban d'Honneur - The Award for Customer Focus	European Business Awards
Etika Ethic Awards Turkey	EDMER
Best Private Banking	World Finance
Best Private Banking	Global Financial Market Review

Banking Product

World Shopping Assistant - Most Innovative Product	Visa Europe
Leading bank in Visa Credit Card and Commercial Credit Card Transaction Volume	Visa Europe
PlayCard Sponsorship Projects: 3 Bronze Awards in Media and Digital Area	Crystal Apple
Best Bank in Cash Management	Euro Money
Best Trade Finance Provider	Euromoney
Syndicated Loan Deal of the Year (Gebze İzmir Highway Project)	Bonds&Loans
Project Finance Deal of the Year (Gebze İzmir Highway Project)	Bonds&Loans
Infrastructure Finance Deal of the Year (Bilkent Integrated Healthcare Project)	Bonds&Loans
Natural Resource Finance Deal of the Year (Yeniköy Kemerköy Thermal Power Plant)	Bonds&Loans

Alternative Delivery Channels

Best Website in Banking and Finance	Golden Spider
2nd place in Internet Banking	Golden Spider
3rd place in Mobile Website	Golden Spider
Gold Winner - Yapi Kredi Bank's Mobile Banking App	Stevie Awards
Gold Winner - Yapi Kredi Bank's Official Website	Stevie Awards
Bronze Winner - Yapi Kredi's Official Web Site Financial Services	Stevie Awards
Bronze Winner - Yapi Kredi Bank's Website Interface Best Interface Design	Stevie Awards
Best Motivation Practice	IMI Turkey Call Center Awards
Most Awarded Call Center of 10 Years	IMI Turkey Call Center Awards
Most Awarded Bank Call Center of 10 Years	IMI Turkey Call Center Awards
Quality League Winner	Telephone Doctor Turkey
Outstanding Achievement Award	Interactive Media Awards

Human Resources and Yapi Kredi Banking Academy

Respect for People Award	Kariyer.net
Company Received the Most Job Application Award	Kariyer.net
Heroes Club - The Best Design Award for Print Ad	Kariyer.net
Excellence in Practice Citation	Association for Talent Development
ATD Best Award	Association for Talent Development

Subsidiaries

Yapi Kredi Azerbaijan: Best Retail Bank	Global Banking and Finance Review
Yapi Kredi Azerbaijan: Best Internet Banking Product	Global Banking and Finance Review
Yapi Kredi Asset Management: Best Asset Management Company	EMEA Finance Magazine
Yapi Kredi Asset Management: Best Asset Management Brand	Global Brands Magazine
Yapi Kredi Asset Management: Best Asset Management Company	Global Banking and Finance Review
Yapi Kredi Asset Management: Best Asset Management Company	Business Worldwide Magazine
Yapi Kredi Asset Management: Best Asset Management For Corporations	Global Finance Magazine
Yapi Kredi Asset Management: Best Asset Management Company	Global Investor Magazine
Yapi Kredi Asset Management: Best Asset Management Company	International Finance Magazine

Service Model

Retail Banking

Includes Card Payment Systems, Individual Banking and SME Banking. Individual Banking serves individuals with total personal financial assets up to TL 500 thousand and SME Banking serves companies with annual turnover of less than US\$ 10 million.

Breakdown by Business Unit

Revenues: %56

Loans: 50%

Deposits: 35%

Corporate and Commercial Banking

Serves companies with annual turnover more than US\$ 10 million, sub-segmented under Commercial Banking (between US\$ 10-100 million) and Corporate Banking (over US\$ 100 million).

Breakdown by Business Unit

Revenues: 33%

Loans: 50%

Deposits: 41%

Subsidiaries

Yapı Kredi Leasing

Yapı Kredi Factoring

Yapı Kredi Nederland

Yapı Kredi Moscow

Yapı Kredi Azerbaijan

Yapı Kredi Malta

Private Banking and Wealth Management

Serves customers with total personal financial assets above TL 500 thousand.

Breakdown by Business Unit

Revenues: 3%

Loans: 0.1%

Deposits: 24%

Subsidiaries

Yapı Kredi Asset Management

Yapı Kredi Invest

Notes:
Business units account for 92% of total revenues. The remaining 8% of revenues is attributable to treasury and other operations
Yapı Kredi's other subsidiaries include Yapı Kredi Koray Real Estate Investment Company, Banque de Commerce et de Placements, Yapı Kredi Culture, Art and Publishing, Yapı Kredi Technology as well as Allianz Yaşam ve Emeklilik

Retail Banking: Card Payment Systems

Profile

Credit Cards	10.5 million
Debit Cards	8.6 million
Customers	5.9 million
POS Terminals	619 thousand

Positioning

	Market Shares	Ranking
Credit Card Outstanding	21.2%	1
Credit Card Issuing	19.5%	1
Commercial Credit Card Outstanding	33.4%	1
Credit Card Acquiring	20.9%	1
Number of Credit Cards	18.1%	1

Awards

Leading Bank in Visa Credit Card and Commercial Card Shopping Volume
Yapı Kredi World Shopping Assistant: Best in Innovation Category
PlayCard Sponsorship Projects: 3 Bronze Awards

Institution

Visa Europe
Visa Europe
Crystal Apple

Products and Services

Worldcard, World Gold, World Platinum, Play, taksitçi, World Eko, Opet Worldcard, Fenerbahçe Worldcard, KoçAilem Worldcard, adios, adios Premium, Crystal, World Business, Debit cards (TLcard, Play TLcard, Business TLcard), World Gift Card

Sustained leadership for more than 25 years

Yapı Kredi has been the leader in card payment systems since 1988 with its main credit card brand World. This leadership is reinforced every year with the Bank's focus on always exceeding customer expectations and leading the sector in terms of innovation in card payment systems. In 2015, the Bank continued its innovative approach and maintained its leading position in the sector with over 10.5 million credit cards. According to the 2015 Nilson Report, Yapı Kredi's credit card program, World, still holds the 1st place in Continental Europe (excluding United Kingdom) and maintained its position as 7th largest credit card programme in Europe. Globally, Yapı Kredi ranks 48th.

Yapı Kredi finished 2015 with strong growth in number of credit cards and issuing volume despite intense competition and regulatory pressure. Throughout the year, the Bank focused on customer acquisition, retention, cross-sell and cost reduction activities while maintaining a disciplined approach to instalments and loyalty points. Due to the impact of regulations on the profitability of the credit card business, Yapı Kredi continued to focus on initiatives to fine-tune its business model to ensure long-term sustainability.

In terms of volumes, Yapı Kredi maintained its leadership with TL 19.9 billion credit card outstanding volume, TL 105.8 billion issuing volume and TL 114.5 billion acquiring volume.

The Bank also remained leader in commercial credit cards with TL 5.3 billion outstanding volume as of 2015. New initiatives were taken in 2015 to increase commercial credit card penetration in SMEs due to the strong growth potential of this segment. Additionally, Yapı Kredi's debit card POS volume increased by 51%, outperforming the sector.

Continuous focus on innovation

In 2015, Yapı Kredi focused on several innovative projects to further strengthen its market positioning and boost customer satisfaction:

- Focusing on customer satisfaction increase and retention to maintain growth and effective management of profitability
- Implementing new perspectives to understand the card usage behaviour of customers and to present more effective and tailored offers for credit card users
- Increasing synergies with other business units to introduce suitable products and product features to individual and commercial customers
- Development of post-instalment and postponement features enabling customers to make instalments or postponement after their transactions through internet banking. Post-instalment was also made available to customers through sending them SMS following their transactions
- Developing card sales via internet banking for existing Yapı Kredi customers, thereby not only increasing customer satisfaction but also decreasing costs to serve
- Accelerating e-statement ownership of customers and providing effective cost management in the context of our focus on sustainability, efficiency and the environment
- Launching "Yapı Kredi Wallet" mobile application with a variety of benefits such as the possibility to display Worldcard campaigns, receiving notifications related to campaigns based on users' locations, access credit card information such as recent shopping transactions, limit status and points information. As the pioneer in the sector, Yapı Kredi embedded mobile payment feature to Yapı Kredi Wallet and enabled users to complete their transactions with their smartphones in a fast and secure way
- Enhancing the debit card infrastructure to provide a better customer experience

Pioneering position in merchant business

Yapı Kredi coordinates its merchant business with a focus on supplying its wide merchant base with innovative and market-shaping payment tools, platforms and services. The Bank's customer base in this area is comprised of 470 thousand merchants ranging from micro private companies to gigantic global brands. Yapı Kredi effectively manages its enhanced portfolio of products and sales channels leveraging on its strength in digital and size to ensure enhanced customer satisfaction.

In 2015, Yapı Kredi managed the volatile environment by focusing on taking dynamic actions including tailored services for different customer segments:

- Prioritizing digitalization in every level both for employees and customers
 - Increasing employee digital awareness and usage of straight-through processing and automation. Within this scope, the Bank developed integration between its information technologies infrastructure and CRM systems to ensure merchant process simplification, also through mobility integration with tablets to ensure rapid service
 - Boosting e-commerce business by enlarging the scope of Virtual POS services to acquire micro e-merchants
- Supporting merchant acquisition via tailoring pricing to reflect the requirements of specific sectors. In addition, solutions for high value merchants with low volume were prioritized. Services such as fixed priced POS and pricing offers that enable merchants to pay a fixed monthly fee for a specific amount of turnover with fee exemptions were received positively by customers. In addition to the five fixed priced POS offers launched in 2013 and 2014, three new offers with instalment options were introduced in 2015
- Improving data quality to ensure enhanced performance monitoring. Through improvements in this area, the Bank was able to effectively calibrate merchant pricing against interest rate volatility
- Enhancing sales channels with introduction of merchant acquisition via Yapı Kredi's powerful Direct Sales Force team, which also supports the Bank in terms of credit card acquisition
- Developing Yapı Kredi's banking application for ECR-POS devices in accordance with regulatory changes. The Bank has been a front-runner in the sector in terms of transformation from standard POS terminals to new generation ECR-POS devices
- Implementing ECR-POS acquisition campaigns with ECR-POS producers to establish a new portfolio of customers

Through these developments, Yapı Kredi generated a total of TL 115 million POS volume in 2015 and thereby regained its market leadership in terms of number of POS with around 620.000 POS terminals.

Future Outlook

- Increase acquiring volume and improve merchant payment infrastructure
- Enhance existing card acquisition channels to further accelerate customer acquisition
- Promote usage of debit cards through dedicated campaigns and enhanced product features
- Optimise operational costs by reducing dependence on printed materials

Retail Banking: Individual Banking

Profile

Customers	9.8 million
Branches	915
Relationship Managers	1,854

Positioning

	Market Shares	Ranking
Consumer Loans	10.0%	5
General Purpose Loans	10.7%	5
Mortgages	9.3%	6
Auto Loans	7.4%	8

Products and Services

Mortgages, Home Equity Loans, Home Improvement Loans, General Purpose Loans, Auto Loans, FordFinans, Individual Flexible Account, Product Bundles, Bill Payments, Regular Payments, Rent Payments, University Payments, Safety Deposit Box, Deposits (Time Deposit, Demand Deposit, Flexible Time Deposit, Fund Deposit, Gold Deposit, 5D Deposit), Scrap Gold Collection, Working Account, Private Pensions, Health insurance, Life insurance, Property and Casualty Insurance, Snowball, ilk Param

Value generating accelerated growth

In Individual Banking, Yapı Kredi serves value added products and services to customers with total personal financial assets up to TL 500 thousand. Individual Banking is divided into the Mass segment (personal financial asset up to TL 50 thousand) and the Platinum (Affluent) Segment (personal financial asset between TL 50-500 thousand). In addition, Yapı Kredi performs all its insurance activities under Individual Banking through a dedicated Bancassurance unit.

Retail Banking has a key role in Yapı Kredi's customer-oriented growth strategy. In 2015, the Bank focused on expanding its active customer base while providing more innovative products to its customers. One of the key priorities of the Bank was payroll customer acquisition.

Another focus area in 2015 was market share gains in strategic products supported by new product launches and increased usage of digital channels.

Mass Segment

In 2015, Yapı Kredi's successful customer acquisition strategy was supported by new payroll customer acquisition. As of the end of 2015, the Bank reached over 1.5 million payroll customers indicating an annual growth of 25%. This important customer segment is not only a key part of the Bank's retail strategy but also allows Yapı Kredi to create synergies with corporate customers.

In terms of service network, the Bank not only further enlarged its network through new branch openings during the year, digital channels were also enhanced as part of Yapı Kredi's focus on customer satisfaction and providing rapid access to easy to use products and services. As of the end of 2015, Yapı Kredi increased its retail banking branches to 915.

One of the key products where the Bank focused in 2015 was general purpose loans which cover various needs of its customers. During the year, two new channels were introduced to improve access to these loans. As of April 2015, customers were not only able to apply but also to finalise the full utilisation process for general purpose loans via internet and mobile banking. This innovation, a first in the banking sector, allowed customers the opportunity to access these loans without ever having to visit a branch. As of November 2015, the same process was introduced in the call center channel. This service was highly appreciated by customers and generated 27% of all general purpose sales for the Bank as of December 2015.

During the year, Yapı Kredi increased its general purpose loan volume by 37% and reached 10.7% market share. In mortgage loans, the Bank grew its volume by 12% and its market share realised at 9.3%. Additionally, Yapı Kredi's cooperation for providing auto loan for customers who want to buy new and used vehicles from exclusive Ford Otosan dealers has been continuing since 2008.

Platinum Segment

Yapı Kredi's Platinum customers are provided tailored and unique services and advisory through 402 branches, 531 dedicated relationship managers and a VIP Call Center Line. In addition to financial services, Yapı Kredi also provides its Platinum customers non-financial advantages to enhance their customer experience in areas such as travel, health, sports, consultancy and periodic discount campaigns from third parties.

In 2015, Platinum customers continued to generate a strong deposits base for the Bank. Yearly deposit growth of 19% of this segment was mainly generated by the Bank's one-to-one deposit pricing approach that allows deposit rates to be determined based on customer price elasticity.

In mortgages, Yapı Kredi's success is supported by a wide range of tailored products, 1,500 specially trained mortgage experts, a newly launched mortgage bulletin with special offers as well as a dedicated info line and website. Additionally, the Bank collaborates with real estate developers and real estate agents to offer mortgages for housing projects. Yapı Kredi also leverages its expertise in life insurance products to provide customers more value when they utilise mortgages. In 2015, insurance penetration increased from 60% to 75%.

One of the key areas that Yapı Kredi pays utmost attention to is increasing simplicity in processes and improving ease of use for customers. Accordingly, the Bank recorded further improvements in 2015 and decreased the number of documents and signatures needed during the mortgage granting process by 30% and data entry fields by 63%.

In 2015, as a result of the Bank's ongoing customer-centric approach and focus on innovation, customer satisfaction among Platinum customers has continued to increase according to the global TRIM index.

Bancassurance

Yapı Kredi is the bancassurance leader in health insurance with 41% market share. Furthermore, the Bank increased its ranking in life insurance by 2 notches to 3rd place. In private pension funds, the Bank ranks 4th with 14% market share.

Yapı Kredi considers bancassurance an area with strong growth potential. As one of the leading banks in the Turkish banking sector, Yapı Kredi has a large customer base in need of both insurance and pension products. In 2015, the bank integrated its bancassurance products to its core banking system, which boosted sales via branches. At the same time, the Bank focused on actively utilising digital channel for insurance sales. As a result of this focus, time to market for new products was decreased and system flexibility to adapt to new conditions was enhanced. As a first in the market, Yapı Kredi started offering its customers life insurance products bundled together with general purpose loans via its digital channels.

Future Outlook

- Continue to expand customer base while improving customer penetration
- Increase sales effectiveness by leveraging unique sales and service models
- Further solidify leading positioning in digital channels via ongoing focus on innovation

Retail Banking: SME Banking

Profile

Customers	1.1 million
Branches	915
Relationship Managers	2,316

Positioning

	Market Shares	Ranking
SME Loans	13.7%	-
Commercial Installment Loans	6.7%	6

Products and Services

Commercial Installment Loans, Revolving Loans, Flexible Commercial Accounts, Product Bundles (Defne, Nar, Palmiye, Sedir, Çam), POS and Merchant Services, Agricultural Loans, Cash Management Products, Investment Products, Commercial Credit Cards, Commercial Purchasing Cards, Corporate Mobile Banking, Verimli Kart, SME web site

Locomotive for sustainable growth

Acting with “Service with no limits” approach, Yapı Kredi carries out its SME-oriented initiatives in accordance with long-term objectives of creating value for SMEs and supporting their sustainable development. SME banking is one of the main drivers of Yapı Kredi’s growth strategy. With its country-wide branch network and dedicated service model, Yapı Kredi offers tailored services to SMEs. In 2015, Yapı Kredi acted as a solution partner of SMEs that facilitates their access to financial requirements and support them with a wide range of products. SME loans increased by 35% annually and reached TL 48.9billion supported by customer acquisition, service enhancements and new products launches.⁽¹⁾

Customer acquisition continued to be one of the Yapı Kredi’s main priorities in SME banking in 2015. Accordingly, the Bank’s total number of SME customers reached over 1 million. Customer acquisition activities were also supported by our dedicated team SME Hunters, with the sole purpose of acquiring new customers. During the year, 16% of all new SME customers were acquired by this high performing team.

In 2015, to improve customer services, Yapı Kredi increased the number of relationship managers, introduced new products and services including “Loan Now SME”, a new channel for loan application via SMS and web and SME website to increase Yapı Kredi’s digital presence and support SME’s digitalization. In the meantime, in order to meet the same service level through all channels, the Bank uplifted corporate internet banking while continuously improving corporate mobile banking through new functions.

Agricultural Banking

Yapı Kredi provides customers tailored products and services for all parts of the agricultural sector and support in terms of agricultural productivity and modernization through 220 branches and dedicated relationship managers in 72 branches located in agricultural regions. Yapı Kredi Agri Banking increased number of Agri Relationship Managers and The Bank also continued to improve Agricultural Loan Evaluation System (ALES) for customers and for Relationship Managers.

Yapı Kredi Agri Banking also continued to leverage on special products for farmers, such as Agri Card (Verimli Card), NAR Package, agri-insurance (TARSİM) products in 2015.

As a result, agricultural loan volume increased by 21% annually to TL 1.6 billion and the number of active agricultural customers increased by 15% to over 115 thousand in 2015.

Future Outlook

- Continue to increase market share in SME banking
- Offer diverse financing options and fast&simple access to financial resources to SMEs
- Accelerate customer acquisition and penetration through an increased focus on sectoral needs and value chain agreements
- Support the digital transformation of SMEs to expand their business

⁽¹⁾ According to BRSA definition, SME Banking covers businesses with a turnover of up to 40 million TL and their shareholders

Corporate and Commercial Banking

Profile

Customers	41 thousand
Branches	57
Relationship Managers	625

Positioning

	Market Shares	Ranking
Company Loans	9.4%	5
Cheque Clearing	11.9%	1

Awards

Best Bank in Cash Management
Best Trade Finance Provider in Turkey
Syndicated Loan Deal of the Year (Gebze İzmir Highway Project)
Project Finance Deal of the Year (Gebze İzmir Highway Project)
Infrastructure Finance Deal of the Year (Bilkent Integrated Healthcare Project)
Natural Resource Finance Deal of the Year (Yeniköy Kemerköy Thermal Power Plant)

Institution

Euro Money
Euro Money
Bonds&Loans
Bonds&Loans
Bonds&Loans
Bonds&Loans

Products and Services

Letter of Guarantee, Money Transfers, Working Capital, Long-Term Loans, Project Finance, Direct Debit, BANKO™-OHES, Payment Products, Collection Products, Business Cards, POS, Public Payments, Derivatives, Import and Export Letter of Credit, Documentary Collection, Payments, Letters of Guarantee, Import and Export Financing Products (ECA's, Banker's Acceptance, Post Financing, Trade Loans, Forfaiting, Import and Prefinancing Promissory Note AVALISATION, T.Eximbank Credits), Corporate Finance Advisory, Financial Advisory, Merger and Acquisition Financing, Capital Structure Advisory

Yapı Kredi is one of the leading banks in the sector in terms of Corporate and Commercial Banking. The Bank not only serves a wide range of local companies but also focuses on providing tailored services to large international and multinational businesses. Products and services include project finance, cash management, trade finance and corporate finance advisory, financial advisory, capital structure advisory and merger and acquisition financing under investment banking.

The Bank's Corporate and Commercial Banking activities are coordinated via six regional offices and 53 branches in Commercial Banking, three branches in Corporate Banking and one branch in International and Multinational Banking. In addition, Yapı Kredi leverages its presence in the international arena through its subsidiaries in Azerbaijan, the Netherlands, Malta and Russia as well as its off-shore banking unit in Bahrain.

Considering the challenging operating environment in 2015 marked by increased market volatility, Yapı Kredi continued to provide full support to its Corporate and Commercial Banking customers while focusing on risk minimisation.

The main focus of the Bank in 2015 was to capture the cash flow of customers by providing services which covered all of their needs and enhancing customer experience by increased usage of risk based pricing and digital channels and systems.

Project Finance

Yapı Kredi is one of the leading banks in long-term project and structured finance in Turkey with 19% and 21% market shares in energy (with focus on renewable energy) and infrastructure, respectively. The Bank prioritises project finance not only to support the growth of the country by promoting long term investment but also to build long-term partnerships with its customers. Yapı Kredi provides the strong underwriting capacity required for sizeable project financing leveraging on its strong balance sheet as well as cooperation and synergies with UniCredit. The Bank offers its customers a full set of financial services spanning financial advisory, structuring, arranging and project financing through a differentiated service model and leveraging on its long-standing expertise.

In 2015, project finance in Turkey was mainly driven by financing of privatizations and the infrastructure and energy sectors. The Bank's total project number increased to 211 with 28 new projects leading to a total underwriting amount of US\$ 13.7 billion. Through its sectoral expertise and focus on excellence, Yapı Kredi concentrates on four main sectors, namely energy (75% of total project finance exposure, almost half of which is renewable energy), infrastructure (12%), acquisition finance (7%), and real estate (6%). In the energy sector, the Bank focused particularly on financing energy production projects with thermal and renewable energy power plants. One of the Bank's key strengths in project finance is environmentally friendly renewable energy projects. In this area, Yapı Kredi's total underwriting amount stood at US\$ 3.6 billion with a total installed capacity of 5,900 MW as of 2015 year-end.

Yapı Kredi's in-depth industry know-how and expertise has been repeatedly recognized by established project finance institutions. In 2015, Yapı Kredi, received four awards as one of the arranging banks at Bonds&Loans (a respected event celebrating outstanding achievement in bonds and loans markets), namely Syndicated Loan Deal of the Year (Gebze İzmir Highway Project), Project Finance Deal of the Year (Gebze İzmir Highway Project), Infrastructure Finance Deal of the Year (Bilkent Integrated Healthcare Public Private Partnership-PPP Project), and Natural Resource Finance Deal of the Year (Yeniköy Kemerköy Thermal Power Plant).

Cash Management and Trade Finance

Yapı Kredi provides its customers cash management (both local currency and foreign currency) and trade finance products through diverse channels and maintains a strong position in the sector. In this area, Yapı Kredi also leverages on UniCredit's product scheme in offering multinational solutions to its local customers. Cash management and trade finance services are offered via a sales team of 21 through three corporate and multinational branches.

Yapı Kredi offers a wide range of products and cash management services including countrywide collection and payment services, cash transfer services, electronic banking and operational services, as well as a variety of data integration and reconciliation solutions related to these products. In 2015, Yapı Kredi further strengthened its market position in e-banking, with high turnover performance in direct debit and the BANKO bulk payment system and launched new products such as QR Coded cheques, custom tax payments via SMS and standing order for tax payments.

The Bank also provides a variety of support services and payment management mechanisms to Turkish companies engaging in international trade transactions. In addition to traditional import and export products, the Bank offers its customers innovative and alternative foreign trade products and structured solutions. Moreover, the Bank expands its trade finance business through export credit agencies and Eximbanks of other countries as well as originating long term and favourable financing through correspondent banks for the investment needs of its customers.

As of the end of 2015, Yapı Kredi serves 256 thousand customers cash management and trade finance products. The Bank also holds leading positions in cheque clearing with 11.9% market share, import flows with approximately 15% market share and export flows with approximately 16 % market share.

International and Multinational Banking (IMB)

In order to meet the needs of international and multinational companies in Turkey, Yapı Kredi has an expert team composed of highly qualified professionals who are fluent in wide range of languages. Yapı Kredi is the ideal commercial banking partner and the entry point for international companies in Turkey, also thanks to UniCredit's expertise and extensive network in Europe and Central Eastern Europe.

Yapı Kredi's IMB activities are structured under three different teams:

- **International Banking Branch:** Dedicated and fully operational branch staffed with senior relationship managers fluent in foreign languages and expert in understanding and meeting the needs of international and multinational companies
- **Sales and Credit Support:** Supports sales and lending activities of international and multinational clients in Yapı Kredi network coverage in coordination with IMB Branch in order to improve efficiency and effectiveness of these clients, and coordinates their investment and structured finance deals
- **Cross Border Banking Activities:** Cross Border Banking Unit is the single point of entry for international investors coming to Turkey, Azerbaijan, Netherlands, Russia and Malta as well as for Turkish investors, who are planning to invest abroad. The main focus of cross border banking activities is to acquire new international companies and bring the advantages of UniCredit's wide network to Turkish clients. The team provides advisory services needed for new entrants into the market being in close cooperation with reputable law offices and consultants and supports them during their newco establishment procedures and account opening processes mostly for the benefit of International Banking Branch as well as Yapı Kredi network and UniCredit network

Investment Banking

In line with Yapı Kredi's focus on enhancing positioning in advisory business, a dedicated Investment Banking team was established in 2015. Investment Banking oversees three advisory functions including corporate finance advisory, financial advisory and capital structure advisory.

- **Corporate Finance Advisory:** Yapı Kredi provides merger and acquisition advisory services to customers from every sector including energy, infrastructure, consumer goods, retail, financial institutions, telecom-media-technology and general industrials. In addition, the Bank focuses on cross-border merger and acquisition transactions and is strongly positioned to act as a bridge between the high growth Turkish market and UniCredit's strong footprint in Italy, Germany and Central and Eastern Europe. Yapı Kredi has successfully advised many landmark transactions including the acquisition of Yapı Kredi Sigorta by Allianz (the largest insurance transaction in Turkey), sale of three hydroelectric power plants by Enerjisa, sale of minority stake in Orka Group to Investcorp, acquisition of Gebze natural gas power plant of Unit Group by Ansaldo Energia and acquisition of Dentas Ambalaj by Prinzhorn
- **Financial Advisory:** Yapı Kredi, is the sector leader in financial advisory together with Unicredit. The Bank assists clients looking to finance large scale projects via advisory services in structuring, negotiating and obtaining the right mix of financing from various lenders. The Bank focuses primarily on infrastructure (airport, port, bridge, tunnel and highway) projects, healthcare PPPs as well as other sectors within UniCredit's field of expertise such as power, oil and gas and mining. Financial Consulting team has provided services as financial advisor in projects such as Bilkent PPP which is the largest project carried out under a single contract in the world and had financial closing in 2015, Etlik PPP which is one of the largest hospital project within the context of public-private-partnership in Turkey and Dalaman Airport Project. Furthermore it acted as the coordination bank in Konya PPP
- **Corporate Structure Advisory (CSA):** Corporate structure advisory was established in 2015 to provide consultancy services for developing sound financial statement structure, ensuring optimum debt-equity ratios and satisfying financial needs by most proper products in line with sector specific factors and to provide most appropriate banking products and financial options up to the mark. Furthermore corporate structure advisory is responsible for mediating in balance-sheet-based structured financing services including syndications, club loans, refinancing etc.. In 2015, it has subsidized approximately TL 3.4 billion transaction volume.

Future Outlook

- Become the business partners of customers by providing a wide range of services from daily transactions to financial advisory
- Focus on value chain management to build stronger relationships with customers' subsidiaries and suppliers
- Solidify position in project finance lending, especially in renewable energy and infrastructure while maintaining selective approach in commercial real estate
- Further enhance usage of digital, both for systems as well as customer touch points

Yapı Kredi Leasing

Profile		
Customers	5,715	
Branches	14	
Number of Employees	138	
Positioning		
Leasing Transaction Volume	Market Shares	Ranking
	20,3%	1

Established in 1987, Yapı Kredi Leasing is 99.99% owned by Yapı Kredi and has been the sector leader for the past 7 years. Yapı Kredi Leasing provides high quality products and services through 138 employees and 14 regional offices with strong focus on production machinery and construction equipment. Yapı Kredi Leasing continuously develops new products for niche sectors such as yachting and renewable energy, also leveraging on unique partnership agreements with local and global machinery and equipment distributors to deliver creative solutions.

In 2015, Yapı Kredi Leasing sustained its market leadership and further increased its market share by 198bps to 20.3%. In addition to benefitting from sale-and-leaseback, Yapı Kredi Leasing also further penetrated real sector investments via financing production machinery and construction equipment.

In 2016, Yapı Kredi Leasing aims to maintain its leadership position through increased penetration of leasing products, focus on customer relationships and new customer acquisition.

Yapı Kredi Factoring

Profile		
Customers	3,843	
Branches	10	
Number of Employees	120	
Positioning		
Factoring Turnover	Market Shares	Ranking
	17.6%	1
Awards		
Third Best Export Factoring Company in the World	Institution	
	Factors Chain International	

Established in 1999, Yapı Kredi Factoring is 99.95% owned by Yapı Kredi. As of the end of 2015, the company has 17.6% market share in factoring turnover and has been the sector leader for the past 15 years.

Yapı Kredi Factoring offers a wide range of products and services through 120 employees including monitoring and collection of receivables. The company realised a total transaction volume of US\$ 7.2 billion in 2015, of which 86% is derived from domestic transactions and 14% from international transactions.

During the year, the Yapı Kredi Factoring focused on new customer acquisition and increasing product usage. In addition, Yapı Kredi Factoring further strengthened its regional sales activities by branches and leveraging on Yapı Kredi's wide service network across the country.

In 2016, Yapı Kredi Factoring will focus on increasing number of customers in all segments and increasing penetration.

Yapı Kredi Bank Nederland

Profile

Asset Size	US\$ 2.1 billion
Customers	14 thousand
Branches	1
Number of Employees	50

Yapı Kredi Bank Nederland offers a wide range of products and services in retail, corporate and private banking. The bank's main objective is to support Yapı Kredi's customers based abroad. The bank, whose shares are fully owned by Yapı Kredi, serves its customers through its head office in Amsterdam with 50 employees.

In 2015, the bank continued to perform favourably in a highly demanding and ever-changing regulatory landscape. In terms of retail banking, Yapı Kredi Bank Nederland offers savings and deposit products to its 14 thousand customers. In corporate banking, the bank provides structured commodity finance and trade finance solutions leveraging on synergies with Yapı Kredi and UniCredit. Yapı Kredi Bank Nederland will continue transaction based trade finance activities where market conditions will be key in further growth. In addition, the Bank offers marine finance, project finance, cash management and Islamic compliant products to its corporate customers.

In 2016 the Bank will continue putting even more emphasis on customer satisfaction, while managing various risks and increasing the profitability level. In 2015, the Bank successfully launched online and mobile banking services for some selected clients for pilot use and will continue to roll online services to all clients throughout 2016.

Yapı Kredi Bank Malta

Profile

Asset Size	EUR 90 million
Customers	Less than 100
Branches	1
Number of Employees	8

Yapı Kredi Bank Malta was established in 2014 and started to operate in 2015. The bank mainly focuses on serving Yapı Kredi's corporate and commercial customers. The bank, fully owned by Yapı Kredi, is primarily focused on supporting the Bank's Turkish operations while enjoying the benefits of being established in one of the most stable economies in Europe.

As of the end of 2015, the bank rapidly became profitable and reached a total loan volume of EUR 70 million. In 2016, the bank will focus on continuing to expand its presence, acquire new customers and introduce new products.

Yapı Kredi Bank Moscow

Profile

Asset Size	US\$ 140 million
Customers	1,717
Branches	1
Number of Employees	61

Established in 1988, Yapı Kredi Bank Moscow is 99.84% owned by Yapı Kredi and is the first Turkish bank to offer banking services in Russia. The bank supports Turkish companies active in Russia as well as some selected Russian companies, primarily operating in construction, industrial production, textile, trade and tourism. Thus, Yapı Kredi Moscow has played an important role in strengthening commercial ties between Turkey and Russia for more than 25 years.

In 2015, the bank faced significant challenges due to the operating environment including slowing economic growth, currency volatility and geopolitical developments. However, Yapı Kredi Bank Moscow was able to record a solid performance with focus on diversification of its customer base, efficiency and asset quality. Accordingly, return on equity of the bank realised at 15%, while capital adequacy was recorded at 33% as of the end of 2015. In the first half of the year, the bank focused on loan growth and in the second half of the year, focus shifted towards liquidity management and deposit collection.

In 2016, Yapı Kredi Bank Moscow aims to continue working in a selective manner through corporate and commercial banking while maintaining its resilient asset quality.

Yapı Kredi Bank Azerbaijan

Profile

Asset Size	US\$ 309 million
Customers	225 thousand
Branches	17
Number of Employees	409

Positioning

Credit Card Outstanding Volume
Credit Card Acquiring

Market Shares

3.8%
11.8%

Awards

Best Internet Banking Product in Azerbaijan
Best Retail Bank in Azerbaijan
Grateful Letter On Active Banking Operations

Institution

Global Banking and Finance Review
Global Banking and Finance Review
Central Bank of Azerbaijan

Yapı Kredi Bank Azerbaijan was established in 1998 and is 99.80% owned by Yapı Kredi. The bank provides a wide range of products and services in retail and corporate banking through 17 branches located in Baku, Ganga and Sumgait. In 2015, number of customers increased by 18% annually to 225 thousand.

In 2015, despite decline in business activity in the country and high currency volatility with 50% devaluation in local currency against US\$, Yapı Kredi Bank Azerbaijan maintained excellent liquidity, funding and asset quality. The bank followed a prudent and selective market approach, focusing on risk management and core customers. As of the end of 2015, the Bank's tier-1 ratio realised at 14.3%.

In 2016, the Bank will aim to maintain its position in retail and corporate banking while further improving its revenue generation through disciplined cost management and maintaining solid liquidity and asset quality.

Private Banking and Wealth Management

Profile

Customers	24 thousand
Branches	22
Relationship Managers	181

Positioning

Mutual Funds
Equity Transaction Volume

Market Shares

17.5%
7.2%

Ranking

2
2

Awards

Best Private Banking in Turkey
Best Private Banking in Turkey

Institution

World Finance
Global Financial Market Review

Products and Services

Mutual Funds, Yapı Kredi Bills and Bonds, Private Sector Bills, Indexed Time Deposits, Fund Deposits, Managed Fund Accounts Equity, TradeBOX, FXBOX, Warrants, TurkDEX Transactions, Derivatives Market (VIOP) Transactions, Structured Products, Derivatives, Smart Fund

Sustained leadership

Yapı Kredi serves its customers with more than TL 500K total financial assets through Private Banking. Wealth management services are supported by its subsidiaries Yapı Kredi Asset Management and Yapı Kredi Invest. Both subsidiaries have the highest ranking by Fitch in their respective sectors and are the only companies in Turkey with those ratings. Thanks to synergies with its strong subsidiaries, Yapı Kredi offers its private banking customers a complete set of wealth management products and services through a holistic approach.

Yapı Kredi Private Banking maintained its leadership in private banking and wealth management in 2015 with TL 41.3 billion customer assets, 22 private banking centers and 24 thousand customers. Together with best-in-class wealth management activities and leveraging on the growing potential of Turkey, Yapı Kredi aims to exceed customer expectations in private banking and achieve healthy and sustainable growth.

Customer acquisition, activation and penetration continued to be among Yapı Kredi's main priorities in Private Banking in 2015. The referral system for the sales teams launched in 2014 continued to support the growth of the Bank's customer base and asset size with a more diversified portfolio.

In 2015, Private Banking achieved strong volume growth in all areas. Deposits volume increased by 21% annually to TL 28.7 billion, mutual funds volume increased by 9% annually to TL 3.1 billion, AUC volume increased by 14% annually to TL 3.0 billion and pension funds volume increased by 20% annually to TL 573 million.

New investment alternatives and developments

In order to further strengthen the mutual funds portfolio, Yapı Kredi introduced a new bonds and bills fund in 2015. The Bank also issued 14 bonds in 2015 with different maturity options and interest rates. Furthermore, 18 new private sector bonds were also offered to investors as fixed income product alternatives.

During the year, the Bank concentrated on infrastructure enhancements and process improvements in order to ensure full alignment with the new communiques of Capital Markets Board.

Focus on customer experience

Yapı Kredi continued to enhance customer experience with new services, exclusive events and new platforms for employees.

As a first in the Turkish Banking sector, International Education Advisory was launched in 2015. This unique service targets Private Banking customers and their children who plan to study abroad; either for undergraduate and graduate studies or for high school education or summer studies and provides them necessary guidance not only for preparation and application processes, but also after the enrolment.

In 2015, the Bank continued to organize exclusive events for its Private Banking customers with the participation of keynote speakers and artists. These events, ranging from art to special organisations, hosted more than 3,000 customers. The “Zeki Müren” exhibition continued in 2015 and was organised in Ankara, Izmir, Bursa and Bodrum. More than 110,000 people visited the exhibition throughout the year.

Towards the end of the year, a new CRM platform for Private Banking was launched aiming to provide a better portfolio management facility for Private Banking relationship managers through customised content, simplified processes and one-click solutions.

As a result of Yapı Kredi’s continued customer-centric approach, customer satisfaction in Private Banking further increased and reached the highest level of TRIM index in 2015.

Future Outlook

- Focus on customer acquisition and increasing share of wallet leveraging on the new CRM platform and systemised solutions
- Encourage asset allocation approach and provide customers with the most appropriate asset mix in line with their risk appetite
- Increase financial capabilities and tailored services on digital channels in order to enhance customer experience

Yapı Kredi Asset Management

Profile

Number of Employees 64

Positioning

Mutual Funds Market Shares Ranking

17.5% 2

Awards

Yapı Kredi Asset Management: Best Asset Management Company
Yapı Kredi Asset Management: Best Asset Management Brand
Yapı Kredi Asset Management: Best Asset Management Company
Yapı Kredi Asset Management: Best Asset Management Company
Yapı Kredi Asset Management: Best Asset Management For Corporations
Yapı Kredi Asset Management: Best Asset Management Company
Yapı Kredi Asset Management: Best Asset Management Company

Institution

EMEA Finance Magazine
Global Brands Magazine
Global Banking and Finance Review
Business Worldwide Magazine
Global Finance Magazine
Global Investor Magazine
International Finance Magazine

Established in 2002, Yapı Kredi Asset Management is one of the leading asset managers in Turkey. The company has 65 employees and serves customers of different asset classes with personalised research, analysis and solid risk management infrastructure.

In 2015, the company successfully completed the compliance process with the new Capital Markets Law. In addition to asset management, the company is authorised as the founder of 32 mutual funds. Number of pension funds managed by the company reached to 20 with the launch of the first “Target Date Fund” in Turkey. Yapı Kredi Asset Management successfully maintained its rank as second in mutual funds with 17.5% market share and its total assets under management volume reached an all-time high of TL 13.8 billion.

Fitch Ratings affirmed the asset manager rating of the company in 2015 at “Highest Standards(tur)” for the third consecutive year. Yapı Kredi Asset Management is the first and only asset management company to hold this rating in Turkey. International fund quality rating is also another area where the company continues to differentiate positively in the market. In addition, Fitch Ratings affirmed fund quality rating of four mutual funds and two pension funds and changed the rating of one pension fund managed by the company.

The company’s successful progress in the international arena has been recognised by several prestigious awards. Various prestigious institutions awarded Yapı Kredi Asset Management as the best asset management company of Turkey in different categories.

In line with the new regulatory environment, Yapı Kredi Asset Management will keep creating innovative solutions in order to respond to the changing needs of its customers in line with their risk profiles in 2016. In this regard, the company aims to further strengthen its pioneering position in the sector.

Yapı Kredi Invest

Profile

Customers	110 thousand
Number of Employees	234

Positioning

	Market Shares	Ranking
Equity Transaction Volume	7.2%	2

Yapı Kredi Invest is one of the leading investment houses in Turkey with more than 20 years of experience in capital markets. As a 99.98% owned subsidiary of Yapı Kredi, the company effectively utilises the Bank's wide branch network in reaching over 110 thousand retail and institutional customers. Aiming to be a one-stop shop in providing solutions for its customers, Yapı Kredi Invest handles a wide range of transactions ranging from domestic and international equity transactions to sophisticated derivative products and advisory services with its 234 experienced employees.

In October 2015, Fitch Ratings assigned Yapı Kredi Invest a long-term rating of "AAA(tur)", the highest possible rating nationally based on its strong capital base, leadership position in the capital markets sector and its strong ties to its parent.

In December 2015, Yapı Kredi Invest was authorised by Capital Markets Board to act as a "broadly authorized intermediary institution" and perform investment services and activities according to the new communiqué.

Yapı Kredi Invest prioritises digital channels to develop simple and rapid solutions tailored to meet customer needs. Meanwhile, remaining close to customers to better satisfy their needs and support their decision making processes with in-depth research remains a fundamental element of the company culture.

Yapı Kredi Invest consistently ranks amongst the top tier investment institutions in terms of business volume and profitability. Despite challenging market conditions in 2015, the company maintained its leadership position in terms of net income generation, as has been the case since 2008.

In 2016, Yapı Kredi Invest will continue to offer its customers unique, high quality and products tailored to meet their needs in changing market conditions with sustainable growth and development. Yapı Kredi Invest will also continue to invest in its infrastructure in order to better serve the needs of its customers.

Treasury

Yapı Kredi coordinates its treasury, correspondent banking and international debt capital markets activities through its treasury.

Treasury

Yapı Kredi is an active player in capital markets and provides customers with a wide range of products and financial advisory services. The Bank's treasury consists of five major groups: Fixed Income Securities, Money Markets and Balance Sheet Management, Foreign Exchange and Derivatives, Asset Liability Management Planning and Financial Monitoring and Treasury Marketing. The treasury manages the Bank's liquidity needs, interest rate risks, foreign exchange position and controls its proprietary investment portfolio.

2015 was characterized by a worsening outlook for emerging markets due to FED's tapering announcements, geopolitical developments and the sharp decline in oil prices. During the year, net capital inflows to emerging markets turned sharply negative which negatively affected the currencies of these countries. In addition to aforementioned points, two parliamentary elections were held in Turkey.

Throughout the year, thanks to its strong expertise in interest rate and currency risk management Yapı Kredi was able to navigate through this challenging and volatile economic environment and effectively manage its liquidity and further diversify its funding base. While doing these, the Bank continued to support the funding needs of the real sector in Turkey with advantageous pricing and favourable maturity profiles.

Yapı Kredi operates with a customer-centric approach and this is confirmed by the lower share of securities in total assets compared to its peers. This conservative approach helped Yapı Kredi to withstand the adverse effects of interest rate fluctuations during the year. The share of securities in total assets was maintained stable at 13% in 2015. During the year, Yapı Kredi consistently increased the volume of CPI-linked securities in order to benefit from increasing inflation levels.

For short-term liquidity management purposes, Yapı Kredi continued to utilize repo funding. The share of repo funding in total liabilities was recorded as 4% as of the end of 2015. During 2015, Yapı Kredi continued to utilize its Diversified Payment Rights Securitization program for long-term funding purposes and thanks to additional TRS transactions, the maturity profile of the Bank's funding base increased considerably.

In 2015, the Bank executed US\$ 475 billion worth of foreign exchange transactions against the Turkish Lira, of which US\$ 161 billion was generated from domestic customers. As a result, the Bank was able to maintain a market share of 12.6% and 10.4% in foreign exchange transactions and customer derivative products transactions, respectively.

Correspondent Banking

2015 proved to be yet another successful year for Yapı Kredi in terms of corresponding banking activities. During the year, customers were provided trade finance services through a network of more than 2,600 international banks. Success in correspondent banking was reflected in sector-high syndication transactions as well as increasing market share in trade finance. Yapı Kredi's ever-growing and long-standing correspondent relationships combined with high-quality services and vast product range crowned Yapı Kredi as the bank with highest number of correspondent banks amongst Turkish financial institution syndications.

On 30 April 2015, Yapı Kredi successfully signed a 364-day and 367-day syndicated loan agreement comprised of a US Dollar tranche of US\$ 513 million and a Euro tranche of EUR 835 million. This syndication is the successful refinancing of Yapı Kredi's existing syndication loan signed in April 2014 with a roll-over ratio of above 114%. The Club Term Loan Facility has been raised by a syndicate including 48 of Yapı Kredi's key relationship banks from 15 countries. The all-in cost was realized at Libor/Euribor+0.70% per annum for the 364-day tranche and Libor/Euribor+0.80% per annum for the 367-day tranche.

On 30 September 2015, Yapı Kredi successfully signed a 367-day syndicated loan agreement comprised of a US Dollar tranche of US\$ 295 million and a Euro tranche of EUR 810.5 million. This syndication is the successful refinancing of Yapı Kredi's existing syndication loan signed in September 2014 with a roll-over ratio of above 101%. The Dual Currency Term Loan Facility has been raised by a syndicate including 38 of Yapı Kredi's key relationship banks from 17 countries. The all-in cost was realized at Libor/Euribor+0.75% per annum.

In line with international trends as well as the changing preferences of Turkish customers, Yapı Kredi achieved its 2015 goals of expanding overseas activities with special emphasis on amplifying its business network in Asia and sub-Saharan Africa.

Throughout the year, Yapı Kredi was also able to substantially increase financing volume generated from its international trade business in addition to providing oil/commodity letters of credits and letters of guarantees in favour of Turkish contractors bidding for projects in Continental Africa and the Gulf Cooperation Council (GCC) Region. At the same time, the Bank enhanced its already existing and sustainable business relationship with major banks in the United States and Europe, mainly in trade finance and cash management.

International Debt Capital Markets

In 2015, despite a challenging macro environment characterized by uncertainties and volatility, Yapı Kredi continued its strategy to diversify its funding base, lengthen its maturity profile and expand its investor base through recurring access to international markets.

The Bank obtained US\$ 1 billion through its Diversified Payment Rights Program:

- In March 2015, total of US\$ 416 million of DPR transactions were executed in three different tranches with related treasury transactions maturities varying between 5-10 years.
- In July 2015, total of US\$ 575.1 million of DPR transactions were executed in four different tranches together with related treasury transactions and maturities varying between 5-12 years. EBRD and EIB were among the investors of these transactions. The Bank raised US\$ 80 million funding from EBRD through the Turkey Mid-size Sustainable Energy Financing Facility (MidSEFF) and US\$ 165.1 million funding from EIB to finance mid-sized renewable energy projects (including solar, hydropower, wind, geothermal, waste to energy and energy efficiency projects) and small and medium-scale projects by SMEs and Mid-Caps in Turkey, respectively

In addition, the Bank's Global Medium Term Note (GTMN) annual program limit was increased to US\$ 6 billion in May 2015. Total funding received through this program exceeded US\$ 3.1 billion as of the end of 2015.

Future Outlook

- Maintain a disciplined approach and implement system improvements to sustain solid liquidity and funding position
- Implement a Mortgage Backed Covered Bond Program to further diversify funding and decrease funding costs
- Continue to support the funding needs of the Bank and real sector with advantageous pricing and maturity profiles
- Maintain the Bank's leading position in international correspondent banking activities and further expand its correspondent network

Alternative Delivery Channels

Profile		
ATMs	4,332	
Active Digital Banking Users	2.6 million (continuously increasing for the last 13 quarters and 2 times faster than the market)	
Active Mobile Banking Users	1.5 million	
Mobile Banking Application Download	4.7 million	
Annual Call Center Contacts	70 million	
Positioning		
	Market Shares	Ranking
ATMs	9.0%	4
Mobile Banking	12.4%	-
Internet Banking	14.9%	-
Awards		
Gold Winner - Yapi Kredi Bank's Mobile Banking App	Stevie Awards	
Gold Winner - Yapi Kredi Bank's Official Website	Stevie Awards	
Bronze Winner - Yapi Kredi's Official Web Site Financial Services	Stevie Awards	
Bronze Winner - Yapi Kredi Bank's Website Interface Best Interface	Stevie Awards	
Best Website in Banking and Finance	Golden Spider	
2nd place in Internet Banking	Golden Spider	
3rd place in Mobile Website	Golden Spider	
Outstanding Achievement Award	Interactive Media Awards	
First Bank with Apple Watch App	Apple AppStore	
Best Motivation Practice	IMI Turkey Call Center Awards	
Most Awarded Call Center of 10 Years	IMI Turkey Call Center Awards	
Most Awarded Bank Call Center of 10 Years	IMI Turkey Call Center Awards	
Quality League Winner	Telephone Doctor Turkey	

Alternative Delivery Channels (ADCs) including ATMs, call center, internet banking and mobile banking aim to make bank products and services accessible for all segments through non-branch channels and touch points. Taking advantage of the young population of the country as well as the high technology usage, Yapi Kredi has been consistently investing in digital channels and is one of the leading banks in the sector in this area.

The Bank's main focus in terms of ADCs is to create value both for the bank and customers through increasing cross-sell, decreasing costs to serve and enhancing customer satisfaction and customer experience. In 2015, one major development was the rapid increase in product sales through non-branch channels leveraging on improvements to the Bank's infrastructure.

Through sustained focus on ADCs, Yapi Kredi has increased the share of non-branch channels in total banking transactions to 85% in 2015 from 56% in 2007.

Digital Banking

In 2015, the Bank focused heavily on digital banking channels and immediately saw the positive outcomes of this dedicated strategy. Digital banking market share has been continuously increasing for the last 13 quarters reached 14.9% as of the end of 2015. In Turkey, 1 out of every 4 customers who started using digital channels during 2015 chose Yapi Kredi digital banking channels due to easy to use platform and extensive services. Furthermore, the Bank has created a new digital ecosystem to embrace innovation with wearables, mobile wallet and other digital solutions.

Web Banking

In 2015, remarkable developments and innovations were introduced on web banking in an attempt to identify customer needs and provide personalized content and targeted offers to customers. Besides, the Bank focused on improving user experience to drive easier accessibility and shape customer's journey on the website. The Bank also provided more dynamic and smarter search results with the help of Google Search Appliance technology and search engine optimization efforts. As a result, web banking total visits increased by 16% annually and number of unique visitors reached 5 million in 2015.

The Bank continued to further improve its website in 2015 through:

- Improving customer experience on loan application forms and application tracking
- Providing more relevant content and offers to web banking users thanks to behavioural targeting
- Integrating new features that guide customers on their journey on Bank's website such as e-deposit calculator tool, loan calculation in the search box area and improved loan calculator tool
- Location identification to facilitate customer's in finding nearby branches and ATMs
- Integrating facility to allow customers to add relevant stocks to their portfolios through search box results without browsing other pages
- Quick solutions and developments for investors such as "Value of 1,000 TL"

Furthermore, the Bank launched a new website, "Yapikredikobi.com.tr", a tailored platform specifically designed for SMEs.

Internet Banking

In 2015, the Bank focused on enhancing customer experience, providing a seamless and convenient design and more qualified solutions in order to meet customer needs on internet banking. Moreover, emphasis was placed on increasing the direct sales capability of digital channels as a way to ensure sustainable growth. As a result of this strategy, both customer number and transaction volume increased significantly in 2015. More specifically, number of active internet banking customers increased by 38% annually and internet banking market share has been continuously increasing for the last 13 consecutive quarters.

In 2015, the actions taken with the aim of improving sales and lead capability, customer relevance were:

- Introduction of branchless general purpose loan utilisation, a crucial step to boost sales as well as providing customers a convenient way to meet their financial needs
- Integration of new applications to provide access to more products such as flexible account, credit card application and life insurance sales
- Login to e-Government Gateway with internet banking password without any other credentials
- Renovation of corporate internet banking with a simple and convenient design and addition of innovative features such as login with QR Code, a first in Turkey
- Addition of new features to simplify the customer journey, such as using numerical only password and unblocking SIM cards via internet banking

Leveraging on these developments as well as its already leading market positioning, the Bank achieved high customer satisfaction in digital banking again in 2015. Yapı Kredi internet banking TRIM index, which is an indication of customer orientation, reached 84 points as of December 2015.

Mobile Banking

In 2015, the Bank continued to improve its mobile banking to ease customers' lives in line with its mobile-centric, innovative and customer-oriented digital strategy. Aiming for a convenient design, seamless processes and increased functionality, the Bank renewed its mobile banking application for iPad, iPhone, Android phones and Android tablets. The Bank focused on maximising customer experience via redesigned infrastructure providing access from all platforms, new creative features and pioneering technologies.

Number of active mobile banking customers increased by 94% annually in 2015, leading to 80 bps increase in market share to 12.4%. Mobile transactions are the fastest growing area of online transactions with %130 growth rate.

During the year, Yapı Kredi's mobile banking app was renovated and functionalities were increased significantly. As a direct result, number of mobile only customers doubled and number of app downloads reached 4.7 million.

In 2015, Yapı Kredi Mobile Banking improvements included:

- Introduction of branchless general purpose loan sales, Fast Pass System (HGS) application as well as cash advance with instalment application to increase the contribution of digital channels to sales
- Implementation of new features to ease the customer journey such as "Remember Me", "Get Password" directly on mobile app
- Increased functionality with Motor Vehicle Tax (MTV) payment, Late EFT option and Traffic Fine payment
- Addition of a feature allowing customers to see account and credit card information
- Instant viewing of Smart Assistant and other notifications on Apple Watch
- Alignment of corporate mobile banking functions such as bill payments and "Remember Me"
- Transformation of World Shopping Assistant into "Yapı Kredi Wallet" with mobile payment via NFC enabled Android devices, improved credit card information, personal World credit card campaigns, favourite brands and nearest shopping centers

One of the most remarkable innovations of the Bank in 2015 was the Apple Watch app, which was developed to take advantage of the growing interest in mobile banking. The Bank launched the app before the product itself was released and became the first company in Turkey to offer an Apple Watch app. Moreover, the day Apple Watch was offered for sale in Turkey, Yapı Kredi's app was displayed in the App Store among the "Featured Apps" as the first mover.

Alarm and Reminder Services

Smart Assistant, an alarm and reminder service that notifies customers instantly via SMS, e-mail or push notification for their banking transactions remained popular in 2015. Specifically designed to improve customer experience and increase engagement, this service was used by over 3.9 million customers indicating 12% annual growth. Yapı Kredi also added new notifications about tax orders and insurance products to enrich the service and will continue to increase the range of notifications in 2016.

Branchless Banking

Nuvo, Yapı Kredi's branchless banking brand, allows customers to open accounts and complete all their financial transactions via mobile and internet banking. Supported by its customer focused, simple and user friendly interface, number of total Nuvo customers increased by 127% in 2015. Main features of this service include:

- Competitive interest rates as well as free account transactions and money transfers
- Advantages through Yapı Kredi's World Gold or Play Card loyalty programmes
- Exclusive shopping benefits, including discounts and reduced delivery costs

ATM Network and Self Service Banking

Yapı Kredi has the fourth largest ATM network in Turkey. In 2015, focusing on increasing access points for customers and decreasing branch workload, Yapı Kredi continued its focus on ATM network expansion. For the second year running, the Bank recorded the highest increase in number of ATMs in the sector with deployment of 726 new ATMs, bringing the total number of ATMs to 4,332. Accordingly, ATM market share has increased by 186bps over the last two years to 9.0%.

At Yapı Kredi, almost half of all transactions are generated through ATMs. In 2015, 5.8 million users performed 165 million transactions via ATMs indicating an increase of 18%. In 2015, deployment of Recycle ATMs was accelerated and it contributed 37% to the ATM network. These ATMs enable cash which has been deposited by customers to be reused for withdrawal by other customers in order to save time for branches and decrease cash related costs.

While expanding its ATM presence, the Bank also continues to modernise its existing network by installing full function, recycle, cash-in, coin dispenser and NFC featured ATMs. Additionally, as a part of Yapı Kredi's Enabled Banking Programme, share of specifically designed ATMs for disabled customers increased to 49% of the ATM network as of the end of 2015.

Yapı Kredi always strives to improve accessibility to its services. Accordingly, self-service banking corners with telephone and internet banking units were expanded to 94% of the branch network in 2015.

Call Center

Customer satisfaction is Yapı Kredi's number one priority. The Bank's award-winning call center is very active in ensuring that customer contacts are handled in an effective manner in order to make customers' lives easier. Accordingly, the Bank's Call Center provides 24/7 customer service through 1,200 employees and four centers, both in Turkish and English. In 2015, the call center handled over 70 million calls via phone, chat, e-mail and IVR.

The call center also acted as a strong sales channel during 2015 with six million total outbound calls and 3.6 million sales indicating a 16% annual increase. The call center realized 50% of the Bank's card sales and successfully realised win back and retention activities. In the last month of 2015, the call center started general purpose loan sales and created 20 thousand sales.

Complaint Management

Within the scope of Yapı Kredi's customer-centric approach, the Bank is aware that sustainability can only be achieved through high customer satisfaction and customer loyalty. Therefore, the Bank has created a dedicated team to track and analyse customer feedback and complaints in order to ensure continuous improvement in systems and processes. This team is certified with an ISO 10002 Quality Certificate, indicating a high level in international standards. A Customer Experience Committee was established with the aim of further improving service quality and customer experience through a dedicated approach, in order to comply with BRSA regulations.

The Bank has a wide range of customer feedback channels including a dedicated service line (444 0 440), special section on the corporate website, a twitter account (@YapıKrediHizmet) and a postal address for written complaints. The Bank also introduced the possibility of transmitting complaints through self-service banking corners in 180 branches. During the year, the Bank contacted an average of 3,000 customers per month and ensured that they received a satisfactory response within 2 hours.

Future Outlook

- Continue to promote digital usage within the Bank and among customers
- Improve digital and physical integration by providing innovative services
- Re-platform non-branch channels infrastructure to further improve services
- Expanding call center to enhance sales capacity
- Respond to and decrease customer complaints through a standard and central complaint management approach

Information Technologies and Operations

Information Technologies: Digitalization in Banking

In 2015, Yapı Kredi IT focused on digitalization, process automation and cross sell functionalities in order to improve efficiency and sales while strengthening availability and security.

- Corporate internet banking application was renewed to improve usability, efficiency and security as well as enhancing functionality
- New salary payment functions were added to Corporate Internet Banking to improve customers' ability to pay salaries in a more seamless way while decreasing manual efforts for reconciliation
- Mobile internet banking channel was rebranded with functional enrichments in order to support sales
- General purpose loan application and utilisation functions were added to Mobile and Internet Banking
- Enablers for internal digitalization were introduced to allow selected network users to use the entire core banking system on their tablets
- Corporate and Commercial Credit Underwriting Module was renewed with a more flexible and easy-to-manage system, increased systematic pre-controls and efficient limit management
- New cross sell functionalities for SME customers went live to support volume growth
- Investments on IT infrastructure continued to increase availability and decrease costs
- Cyber security investments were emphasised both on infrastructure and human resources in order to satisfy increasing needs due to complexity

Operations

In 2015, Yapı Kredi continued focusing on business and customer-centric improvements, operational efficiency, control and risk oriented transaction execution and leaner operational models in order to ensure sustainable service quality.

- Powered with machine learning and advanced analytic techniques, the intelligent resource management systems were improved further, optimizing resource usage, streamlining transaction flows and improving transaction cycle times even in peak hours and peak days. Operational service levels, which were already close to top levels in 2014, were increased further. High volume transaction completion times decreased to 24 minutes from 56 minutes indicating a 57% annual improvement
- Non-cash transaction completion times improved by 55% annually. Returned job ratio decreased to 3% levels indicating a decrease of 10% compared to 2014. During the same period, operational errors in transactions decreased by 17%
- 320 system and process improvements were completed related to branch transactions and as a result, nearly 2 hours of workload per branch was freed up leading to more available time to support sales activities

Future Outlook

- Revisiting and fine-tuning the overall Operating Model to deliver superior customer experience by further leveraging machine learning, big data and advanced analytics, self-service channels and simpler processes
- Continue to minimize operational activities in the branch network
- Improving data quality through a dedicated data governance structure
- Modernization of Enterprise Data Warehouse and infrastructure to improve advanced analytics and big data processing capabilities as well as cost of data consumption
- Continuing improvements in digital channels
- Increasing quality and speed of call center services via simplification of transactions and shortening of service duration
- Instituting an advanced internal risk management system and monitoring mechanism to maintain profitability and increase collection performance

Human Resources

Profile

Number of Group Employees	19,345 (Bank: 18,262)
Average age	34
Average working year	8 years
Share of female employees	62%
Share of university graduates	88%
Share of employees fluent at least in one language	31%
Share of employees who benefit from Yapı Kredi's pension plan	70%

Awards

Respect for People Award
The Company with the Most Job Applications
Most Admired Job
ATD Excellence in Practice Citation
ATD Best 2015 Award

Institution

Kariyer.net
Kariyer.net
Kariyer.net
ATD (Association for Talent Development)
ATD (Association for Talent Development)

Increasing investment in human resources as a pre-requisite for success

Yapı Kredi attaches strong importance to its employees. In this regard, the Bank has a dynamic and structured human resources policy in place to manage recruitment, adaptation, career planning as well as development and training.

Yapı Kredi's (including Bank and subsidiaries) net employee number increased by 4% in 2015 and reached 19,345. During the year, the Bank received 620 thousand applications, conducted over 9 thousand interviews and hired 2.973 new employees.

Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2015 to 31 March 2017. 62% of all Yapı Kredi employees are union members.

Career Development and Talent Management

Yapı Kredi provides attractive development opportunities for employees through cooperation with leading academic institutions and its shareholders. Employees with high performance and high potential are enrolled in dedicated programs in collaboration with UniCredit. For managerial positions, the Bank provides specially designed development programs together with leading business schools. The Bank also offers various development programs targeted at young talents.

As part of Yapı Kredi's career development activities in 2015, 5,671 employees were appointed and 5,935 employees were promoted to new positions. In addition, 470 branch visits were realized and during these visits, face-to-face meetings were conducted with 5,033 employees.

Training Programs and Yapı Kredi Banking Academy

Yapı Kredi Banking Academy (YKBA) is responsible for coordinating the development activities for all employees of Yapı Kredi and its subsidiaries. Yapı Kredi Banking Academy's vision is to provide a proactive and continuous learning environment. YKBA provides development and certification programs via 250 internal trainers, leading consultants and academicians to employees, their families, customers and university students. YKBA is also present in the Bank's subsidiary in Azerbaijan and has trained nearly 4,000 participants there since 2011.

In 2015, 19,880 participants received training while total training hours was 867 thousand. Since its inception, Yapı Kredi Banking Academy has been continuously recognised for its successful implementations at every stage of the learning and development process by many reputable domestic and international institutions.

Yapı Kredi employees are provided specially designed certificate programs via cooperation with local and international universities as well as reputable institutions such as The Bankers Association of Turkey. Yapı Kredi also has partnership agreements with Koç University, Bilgi University, Özyeğin University, İstanbul Ticaret and Bahçeşehir University to provide employees master programs with a special discount. YKBA also established an associate degree program in cooperation with MEF University in 2015 with the mission of building a bridge between business and academic life. The program, which is a first in the finance sector, aims to train and develop 50 students each year with full scholarship. After graduating, students will go through the Yapı Kredi recruitment process and have the opportunity to start working in Yapı Kredi branches.

Employer Branding

- **Heroes Club:** A dedicated 2-year young talent and development program launched in 2012 and designed for 3rd year university students. Through the program, students are included in training, projects, seminars and various corporate social responsibility initiatives. The students also receive internship and part-time work opportunities within the Bank. As part of the program, each student is assigned a human resources advisor in the first year and receives career mentorship from senior managers during the second year. At the end of the program, a job offer may be presented based on performance and the Bank's needs. In 2015, 50 students were selected from 17 different universities in Turkey. Additionally, 19 Heroes Club graduates were hired, 17 for branches and 2 for the Head Office. So far, a total of 49 Heroes club graduates have been hired by Yapı Kredi.
- **Career Website:** A dedicated website, www.kariyerim.yapikredi.com.tr, which lists all available positions at Yapı Kredi. Designed for various candidate profiles, the website provides a range of informative content, videos and images on Yapı Kredi and the banking

sector including information on professional and social life, presentations by recruiting departments, development opportunities and corporate values.

- **Campus Activities:** A program where students are visited at their campuses for career days. The program involves company presentations, panels and Yapı Kredi's "Career Stage", a two person theatrical show where Yapı Kredi and the banking sector is presented in a fun and interactive format. In 2015, over 2,500 students were reached through visits in 16 universities in 13 different cities.

Employee Support Services and Benefits

- **HR IT Self Service:** An online platform where all aspects of HR, such as recruitment, performance management, training and development, leave and overtime can be reviewed and managed by employees
- **aloİK:** An HR call center which provides phone support to all employees. In 2015, the center received more than 30 thousand calls
- **Help Line:** An exclusive 24/7 free help line created in 2010 to assist employees with both personal and professional inquiries, including financial, legal, medical, psychological help and dietician service. In 2015, almost 11 thousand inbound calls were received indicating a 134% annual increase

Additionally, Yapı Kredi offers various employee incentives, such as health insurance which can be used by all employees and their immediate families, life insurance, shuttle services, contribution to employee personal retirement funds and the Koç Ailem (My Family) Card that provides advantages in a variety of organizations.

Future Outlook

- Raising the best bankers in the Turkish banking sector
- Increasing branding and developing new work methods in line with the vision of becoming a preferred employer
- Identifying employees with high potential and supporting them through special development programs
- Increasing use of alternative learning technologies and designing a web based learning portal and mobile applications

Other Subsidiaries

Yapı Kredi Koray Real Estate Investment Trust

Established in 1996 and 30.45% owned by Yapı Kredi, Yapı Kredi Koray Real Estate Investment Trust operates in both residential and commercial real estate development. The company is publicly traded in Borsa İstanbul with a market capitalisation of TL 52.4 million as of the end of 2015. During the year, the Ankara Çankaya Project was completed, occupancy permit and condominium ownership was finalised. The sale of residential units and renting agreements for the commercial part of the project are ongoing.

Banque de Commerce et de Placements

Established in 1963 and 31% owned by Yapı Kredi, Banque de Commerce et de Placements (BCP) is a Swiss bank headquartered in Geneva with branches in Luxembourg and Dubai. BCP offers its clients the full service range of a universal Swiss bank. The bank specializes in commodity trade finance and asset management as its core activities, supported by treasury services and correspondent banking. In 2015, BCP handled a world-wide international commodity financing volume of CHF 13.2 billion and operates with a Tier 1 capital ratio of 15.4% as of the end of 2015. The Bank is rated as investment grade by Fitch Ratings.

Allianz Yaşam ve Emeklilik

Allianz Yaşam ve Emeklilik operates in private pension and life insurance. The company serves individual and corporate customers with a wide range of tailored products. Allianz, one of the largest insurance companies and asset management groups in the world, became the main shareholder of Yapı Kredi Pension Fund on 12 July 2013 by purchasing 80% of its shares. On 27 September 2013, the name of the company was changed to Allianz Yaşam ve Emeklilik. Yapı Kredi remained a 20% shareholder in the company to support its long-term strategic partnership with Allianz. Yapı Kredi also has a 15 year exclusive bancassurance agreement with Allianz. Accordingly, customers continue to benefit from insurance and private pension products through Yapı Kredi's extensive branch network and innovative alternative delivery channels.

Yapı Kredi Cultural Activities, Arts and Publishing

Established in 1984 and fully owned by Yapı Kredi, Yapı Kredi Cultural Activities, Arts and Publishing (YKKSŞ) is one of the most reputable culture and arts companies in Turkey. YKKSŞ presents important publications, cultural events and exhibitions to the community.

Yapı Kredi Cultural Center organized 9 exhibitions and 154 art events in 2015 with around 70 thousand attendees. One of the most outstanding exhibitions in 2015 was the "A Powerful Writer, A Fine Man: Haldun Taner 100 Years Old" displaying the artist's photographs, personal belongings and books as well as specific periods of his life, interests and his literary journey.

Another important exhibition organised by YKKSŞ in 2015 was "Here I am, Zeki Müren". This exhibition brings to light the artist's photos and private possessions which have been under the protection of the Turkish Educational Foundation and the TSK Mehmetçik Vakfı. After the first exhibition which took place in İstanbul in 2014, the exhibition was brought to other cities like İzmir, Ankara, Bursa and Bodrum during 2015.

Yapı Kredi Publications (YKY) published 260 new titles and 719 reprints, a total of around 3 million books in 2015. During the year, around 200 school events and library presentations brought together over 40 thousand students, teachers and librarians with authors and editors. In addition to these events YKY founded educational projects that support and flourish the creativity of children in the name of legendary Turkish writers. Sabahattin Ali Literature School and Nâzım Hikmet Summer School programs enabled participants to create original works of art and supported the creative process. Through these programs, students were inspired to engage with literary work in a more stimulating way.

Yapı Kredi Technology

Founded in June 2015 and fully owned by Yapı Kredi, Yapı Kredi Teknoloji carries out the Bank's research and development activities. The company is located in İstanbul Technical University ARI Technopark. As of the end of 2015 the total number of projects supported with TÜBİTAK TEYDEB 1501 program and completed by R&D and Special Projects Department has reached 4. At the international level, under EUREKA Programme, one project is completed under ITEA cluster, another project is labelled under Celtic cluster. This project is led by Yapı Kredi Teknoloji as the international project coordinator (www.celticplus.eu/project-cyberwi) and consists of 30 partners from 5 countries. ADAX (Attacks Detection and Countermeasures Simulation), an international joint project completed by the R&D team under EUREKA program ITEA cluster, is selected for ITEA 2016 Award of Excellence in the category "Business impact".

As outputs of these projects, 3 national patent applications are under review and 1 patent was registered so far. Three academic papers were presented at international conferences in 2015. "The best presentation award" has been won at ICOPR2015 in Dubai.

The Bank continued to extend its contribution in research and innovation with two sponsorships. The Bank sponsored Bigbang, an annual event and contest organized by İTÜ Çekirdek Incubation Center. Additionally Yapı Kredi Teknoloji was one of the main sponsors of "Turkish Universities in the European Research Area (www.truniera.org)" conference, organized by the 6 prominent universities in Turkey in order to increase efficiency of Turkish universities in European research area and supported by TÜBİTAK and European Commission.

In Innotech, the international innovation contest of Unicredit, one proposal from Yapı Kredi employees was among the selected top 10 most innovative ideas. Additionally, Intelligent Management System Project, completed by R&D and Special Projects Department, received the 'Koç Excellence Award' among Koç Group companies.

Research and Development Activities

Yapı Kredi carries out all of its investments with a customer-centric approach. For the last three years, customer experience has continuously been monitored through customer contact the day after they finalise a transaction in the branch to understand their satisfaction level. This year, the call center started being piloted for integration as a new channel for tracking customer experience. In total, more than 380 thousand customers were surveyed in 2015 about their satisfaction regarding Yapı Kredi.

Monitoring customer experience is related also to “real life operational performance” as well as “customer perception”. With this perspective, a new monitoring platform was launched where 170 indicators related to both operational service (such as branch waiting time, credit card delivery durations etc.) and customer perception (such as transparency on related documents/pricing etc.), are tracked through a Customer Experience Index. The Bank’s aim is to quantify and monitor the “holistic customer experience”.

Internal customer satisfaction is also a key pillar for Yapı Kredi. In this regard, Yapı Kredi carries out research to monitor the internal service quality and employee experience. In addition, to enhance collaboration and understanding of different roles within the Bank, Yapı Kredi conducts “A Day in the Head Office” for branch employees and “A Day in a Branch” for head office employees. A new mentoring program was also initiated in 2015 where a top manager is assigned as a mentor to each branch. So far, 300 visits have been completed. Feedback from these visits was collected in a single platform to track contact history and actions.

Since 2012, Yapı Kredi has been tracking idea development and innovation through a dedicated system, Evreka. Accordingly, employees are able to submit their innovative ideas in a criteria-free platform. So far, 227 employee ideas have been implemented out of 40,000 submissions. These ideas not only support the Bank in many different areas including cost optimisation and efficiency but also aim to improve customer and employee experience. In 2015, Evreka was awarded in the category of corporate entrepreneurship at the CSR Turkey Management 2023 Summit.

Innovation is a key focus area of the bank and Yapı Kredi is part of the TUSIAD Innovation and Technology Working Group, Koç Holding Technology and Innovation Board and continuously cooperates with various universities.

Corporate Social Responsibility and Sustainability

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations. The Bank develops its own social responsibility projects in line with the needs and expectations of the society. Furthermore, Yapı Kredi supports the active engagement of its stakeholders and provides support to the societal activities undertaken by its main shareholders, Koç Holding and UniCredit. Since its foundation in 1944, Yapı Kredi has been supplementing the investments made in education, culture & arts, environment and sports through its innovative social responsibility projects seeking lasting solutions to social problems and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to enable a wider audiences to benefit from these projects.

Projects for the Disabled Citizens

Enabled Banking: Initiated in 2008 as the first and most comprehensive Enabled Banking Program in Turkey, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making the finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers. Working in cooperation with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities), Yapı Kredi adds value to the lives of disabled citizens. Within the scope of this collaboration, 149 books were transferred onto digital media, converted into audio books and made available 7/24 to disabled citizens on the phone as of the end of 2015.

The project 'Speaking is in our hands' was started through joint efforts with the Federation of the Hearing Impaired and 300 volunteers from branches were provided with sign language training.

Enabled ATMs started service for the orthopedically impaired citizens in 2009 and for the visually impaired citizens in 2010. Yapı Kredi facilitates the lives of its orthopedically and visually impaired customers via 2,144 Enabled ATMs throughout Turkey.

One of the projects started in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2015, a total of 10 disabled individuals have been employed by Yapı Kredi.

I Know No Barriers for My Country: Yapı Kredi sustained its support to the project 'I Know No Barriers for My Country' led by Koç Holding. The Bank provided 1,541 employees with a training called 'The Right Approach to Disability' as of the end of 2015. In 2015, the physical conditions at 6 schools were improved to ensure better access for disabled students through the "Koç for My Country Variable Fund".

Sustainability and Yapı Kredi

Sustainability Structure: Within the scope of studies conducted under the coordination of Yapı Kredi’s Sustainability Committee, sub-working groups specialized in different subjects were established. The Sustainability Governance System Project was initiated to integrate sustainability principles into all of the Bank’s operations.

Sustainability Report: Yapı Kredi prepared the 2014 Sustainability report in accordance with the principles of G4 Reporting Guidelines core option, the most up-to-date reporting standard by the Global Reporting Initiative (GRI).

BIST Sustainability Index: In 2015, BIST-50 companies were included in the assessment by the London-based Ethical Investment Research Service (EIRIS) within the framework of BIST Sustainability Index established by Borsa Istanbul. Yapı Kredi was included among the 29 companies on the BIST Sustainability Index as the result of the assessment among BIST-50 companies thanks to its successful performance in environmental, social and corporate governance areas.

Gender Equality for My Country: Yapı Kredi plays an active role in the project 'I Support Gender Equality for My Country' started in June 2015 under the leadership of Koç Holding. This project aims to raise awareness on the reasons and consequences of gender inequality. The project's objectives include ensuring widespread awareness on gender equality and inspiring practices to raise awareness on the issue. 1,250 Yapı Kredi employees received training from voluntary trainers for the project in 2015.

Cultural and Arts Projects

Yapı Kredi Afife Theatre Awards: Hailed as the most prestigious and the long-lasting arts awards, Yapı Kredi Afife Theatre Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish female artist to appear on stage, and to support the Turkish theatre. A grand jury, under the mentorship of Haldun Dormen, comprising of 33 members who are doyens of theatre and have dedicated their lives to the art of theatre transparently vote for plays they watch during the season and grant awards in 14 categories including 11 main and 3 special awards.

Çatalhöyük Excavations: Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for a long period in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya with an altitude of 21 meters, Çatalhöyük Hill houses 9,000-year-old secrets. Every year in August and September, a team of around 200 members from all over the world perform excavations at Çatalhöyük, one of the most important and impressive archaeological sites in the world. The 2015 excavation season marked a period in which new perspectives were adopted and significant finds were brought to light at Çatalhöyük, which is recorded in the UNESCO World Heritage List.

Educational Projects

I Read, I Play: Yapı Kredi has been running the project 'I Read, I Play' since 2006 in cooperation with the Educational Volunteers of Turkey Foundation (TEGV) to enable primary education students not having access to contemporary education opportunities to engage in out-of-school education activities. The project has been delivered by more than 3,500 volunteers at all 48 project points comprising of 10 educational parks and 38 learning units. This project has reached more than 120 thousand children as of the end of 2015.

Color Pen: Launched in 2014 with the support of experienced journalists, the 'Color Pen' project was an effort to build on the objective and mission of the 'I Read, I Play' project in terms of its contents. The first phase of the project started at Istanbul (Fındıkzade), Samsun and Van education parks of TEGV in the spring of 2014 and continued at Ankara, Antalya, Eskişehir, Gaziantep, Istanbul (Bahçelievler), Izmir and Şanlıurfa education parks before ending in the spring of 2015. In addition to equipping children with many skills, the project aimed at contributing to the development of future journalists thanks to the active participation of esteemed journalists and TEGV volunteers.

Literacy Support: In March 2015, Yapı Kredi Mortgage donated to the project 'AÇEV Basic and Advanced Literacy and Women's Support Training Events' for every housing loan taken by female customers, to benefit girls and adult women who did not have the opportunity to attend formal education. The campaign was a success, with more than 500 girls and adult women getting educational support.

Environmental Projects

Recycling Project: Yapı Kredi has been running a recycling project since 2008 to support sustainability of natural resources. In 2015, more than 1 million kilograms of paper, more than 9 thousand kilograms of plastic, more than 700 kilograms of glass and more than 100 kilograms of metals were collected for recycling. Furthermore, Yapı Kredi prevented the emission of more than 39 thousand tons of greenhouse gases, the cutting of over 18 thousand trees and the wasting of 28 thousand cubic meters of water, 132 thousand 454 kWh of energy and 41 tons of crude oil.

ISO 14064: Yapı Kredi continues the ISO 14064 Greenhouse Gas Emissions Reporting certification process annually, which has been initiated in 2011. The certification process for 2014 was completed in 2015.

Relations with the Academic Community

Finance Chair: In 2015, Yapı Kredi continued to sponsor the 'Yapı Kredi Finance Chair' founded at Koç University to support scientific research in finance.

Academic Scholarship: In 2015, Yapı Kredi sustained its support for the Anatolian Scholars Program established by Koç University in 2011 by increasing the number of scholars supported to 4.

Yapı Kredi Banking and Insurance Academic Program: In 2015, Yapı Kredi undertook another first in the field of education and collaborated with MEF University to launch the Yapı Kredi Banking and Insurance Associate Degree Program. The two-year associate degree program aims to educate future bankers and provide students with internship opportunities and graduates with employment opportunities. 50 students have enrolled in this program which started in the 2015-2016 academic year.

Yapı Kredi Vocational and Technical High School: Established in Kocaeli, Yapı Kredi Vocational and Technical High School started its educational activities in 2008 and has been one of the most important efforts by Yapı Kredi in the field of education. The school produced its first graduates in 2012 and now delivers education to over 500 students in the departments of child development and education, graphics and photography, IT, catering and office management. Additionally, 16 students benefited from the merit-based scholarship in 2015.

Part II

Bank Management and Corporate Governance Practices

Board of Directors

Mustafa V. KOÇ⁽¹⁾

Chairman of the Board of Directors

As a third-generation member of the Koç Family, Mustafa V. Koç graduated from high school at Switzerland's Lyceum Alpinum Zuoz in 1980 and went on to receive a Bachelor's degree in Business Administration from George Washington University in 1984. The same year, Mr. Koç started his professional career as a Consultant at Tofaş; subsequently, he worked as Sales Manager and Assistant General Manager for Sales at Ram Dış Ticaret. In 1992, he joined Koç Holding to serve as Vice President and President of various business groups. At Koç Holding, he became a Member of the Board of Directors in 2001, Vice Chairman in 2002, and ultimately served as Chairman from 2003 until 2015. Mr. Koç was Chairman of the Turkish Industry and Business Association (TÜSİAD)'s High Advisory Council between 2005 and 2010, Honorary Chairman of the Advisory Council from 2011 to 2015, and Member of the Presidential Council and Honorary Chairman of TÜSİAD in 2015. Having held office as Finland's Honorary Consul in Istanbul between 2006 and 2013, Mr. Koç was also a member of the Istanbul Chamber of Industry and Council for Foreign Economic Affairs in Turkey. In the global arena, he served as a member of JP Morgan's International Council, Kuveyt International Bank's Advisory Board, Rolls Royce International's Advisory Board, Council on Foreign Affairs' International Council and Bilderberg Meetings' Executive Board. In 2005, he was presented with the Cavaliere D'Industria medal by the Italian government and in 2012 he was deemed worthy of the International Leonardo Award. Mustafa V. Koç was a Board Member at Vehbi Koç Foundation, which manages the social and cultural activities organized by the Koç Family, and that has garnered awards from many prestigious institutions including the World Monuments Fund, Carnegie Foundation and BNP Paribas. He also sat on the Board of Trustees at the Educational Volunteers Foundation of Turkey. Mr. Koç was born in 1960 and passed away on 21 January 2016. He was married and had two daughters. He was fluent in German and English.

Carlo VIVALDI

Vice Chairman of the Board of Directors

After graduating from the University of Ca'Foscari, Venice, Department of Business Administration, Carlo Vivaldi started his career in 1991 as Teller in Cassamarca, one of the four banks which merged into UniCredit in 1998. At that time he moved to Group's Planning and Control and then after a brief experience in contributing to the development of Group's internet strategy, in 2000 he moved under the newly established New Europe Division responsible for Planning and Control, contributing to the expansion of UniCredit in the region. At the end of 2002, he moved to Turkey and pursued the position of Chief Financial Officer and Executive Vice President at Koç Financial Services and Yapı Kredi in addition to memberships of the Board of Directors at some Group subsidiaries until September 2007. At that time he actively contributed to the largest merger in the Turkish banking history between Koçbank and the newly acquired Yapı Kredi. In October 2007, he was appointed as Member of the Management Board and Chief Financial Officer at UniCredit Bank Austria AG (covering Austria and the CEE countries of UniCredit) and started to serve in several other Supervisory Boards in CEE subsidiaries of UniCredit Group (UniCredit Bank Czech Republic A.S. and Unicredit Bank Slovakia as Chairman, Zagrebacka Banka D.D., UniCredit Tiriak Bank S.A., JSC ATF Bank Kazakhstan, and UGIS). In May 2009, Carlo Vivaldi was appointed as Member of the Board of Directors at Yapı Kredi and in January 2011, UniCredit representative for Turkey in the position of Executive Director and Deputy CEO in Yapı Kredi. He also served as Executive Director and Deputy CEO of Koç Financial Services and Vice Chairman in Yapı Kredi subsidiaries (Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow and Yapı Kredi Cultural Activities, Arts and Publishing). He was also a Member of Yapı Kredi Koray Real Estate Investment Trust and Allianz Pension Fund company. Since February 2015, Carlo Vivaldi has served as Head of CEE Division of UniCredit and Deputy Chairman of the Management Board of UniCredit Bank Austria. Carlo Vivaldi is also a Member of the Supervisory Boards of Public Joint Stock Company "Ukrostsbank", Ukraine, UniCredit Bank S.A., Romania and AO UniCredit Bank Russia and Member of the Advisory Board of UniCredit Turn-Around Management CEE GmbH and Member of the Board of Directors of UniCredit & Universities Foscolo Foundation. He is a Member of the UniCredit Group Executive Management Committee. Carlo Vivaldi has been serving also as Vice Chairman of Koç Financial Services.

H. Faik AÇIKALIN

Chief Executive Officer (CEO)

After earning a BS degree in Business Administration from Middle East Technical University, Faik Açıkalın began his banking career in 1987 as a Management Trainee at Interbank. He subsequently worked in various positions including Internal Auditor, Relationship Manager, Branch Manager and Marketing Manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank. In May 1998, he joined Dışbank (which was later renamed Fortis following its acquisition by the eponymous international finance group) as Executive Vice President. Later that year, he was appointed Chief Operating Officer (COO) responsible for the coordination and communication between the Board of Directors and business units. He also assumed the position as a Member of the Credit Committee. In June 1999, Açıkalın was appointed as Deputy CEO and member of the Board of Directors. In December 2000, he became CEO of Dışbank. Following the acquisition of the majority shares of Dışbank by Fortis in July 2005, he continued to serve as CEO of the bank when it was renamed Fortisbank and was appointed member of the Fortis Global Management Committee and Fortis Global Retail Management Team. In October 2007, he resigned from his duties at Fortisbank and became CEO at Turkey's largest newsprint media holding company, Doğan Gazetecilik. In April 2009, Açıkalın was appointed as Executive Director of Yapı Kredi's Board of Directors and was also appointed as Chairman of the Executive Committee. Serving as Yapı Kredi's CEO since May 2009, in addition to his current role, in 2010 Açıkalın was also appointed as CEO of Koç Financial Services. Also as of August 2011, Açıkalın became the President of Koç Holding's Banking and Insurance Group. At the same time, Açıkalın serves as Chairman of Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow, Yapı Kredi Koray Real Estate Investment Trust, Koç Consumer Finance, as Vice Chairman of Banque de Commerce et de Placements S.A. and Allianz Yaşam ve Emeklilik and as Director of the Banks Association of Turkey.

Niccolò Ubertalli

Executive Director and Deputy CEO

After graduating from Politecnico di Torino (Turin, Italy) with a Bachelors Degree in Material Engineering in 1996, Niccolò Ubertalli received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During his Graduate program, Ubertalli also worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002-2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004-2006, Ubertalli worked at MBNA (USA and UK), the largest independent credit card issuer in the world acquired by Bank of America, as First Vice President. Between 2006-2009, Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit SpA, as Chief of Staff for Group CEO between 2009-2011 and as Head of Consumer Finance between 2011-2012. In 2012, Ubertalli moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012 and February 2015, he was also a Member of Management Board of Pioneer Investments, member of the Management Board of UniCredit Tiriac, Member of Supervisory Board of UniCredit Consumer Finance Bulgaria, Member of Supervisory Board of UniCredit Consumer Finance Romania and Member of Supervisory Board of Ergo Asigurari de Vita S.A Romania. As of February 2015, Niccolò has been appointed as the Executive Director and Deputy CEO of Yapı Kredi Bank, Turkey. Ubertalli also serves as Executive Director and Deputy CEO of Koç Financial Services and Vice Chairman in Yapı Kredi subsidiaries (Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow, Yapı Kredi Bank Malta and Yapı Kredi Cultural Activities, Arts and Publishing). He is also a Member of Board of Directors of Yapı Kredi Koray Real Estate Investment Trust and Allianz Yaşam ve Emeklilik.

F. Füsün AKKAL BOZOK

Member of the Board of Directors (Independent⁽²⁾)

F. Füsün Akkal Bozok completed her academic studies with an MBA from Boğaziçi University in Faculty of Administrative Sciences and a Ph.D. from Istanbul University in Faculty of Administration. She began her career at Arthur Andersen Audit Company in 1980. Bozok joined Koç Group in 1983 as an Associate and Coordinator Assistant in the Audit and Financial Group Division. In 1992, she was appointed as the Audit and Financial Group Coordinator, a position which she held for 11 years. Between 2003 and 2006, she worked as the Finance Group Director. In September 2005, she became a Member of the Board of Directors of Yapı Kredi. In addition to being a Member of the Board of Directors of Koç Financial Services, Akkal is also an Assistant Professor at Sabancı University.

Ahmet F. ASHABOĞLU

Member of the Board of Directors

Ahmet F. Ashaboğlu graduated from Tufts University and earned a master's degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT, held various positions at UBS Warburg between 1996 and 1999 and worked as a Management Consultant at McKinsey & Company, New York, between 1999 and 2003. He joined Koç Holding as Finance Group Coordinator in 2003. He has been serving as the CFO at Koç Holding since 2006. Ashaboğlu has been a Member of the Board of Directors of Yapı Kredi since September 2005. Ashaboğlu is also a Member of Board of Directors of Koç Financial Services and Yapı Kredi Koray Real Estate Investment Trust and serves in the Board of Directors of some of Koç Group Companies.

Levent Çakıroğlu

Member of the Board of Directors

Born in 1967 in Ankara, Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his professional life in Ministry of Finance in 1988. 1997-1998, he taught as part time instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002-2007, the CEO of Migros between 2007-2008, the CEO of Arçelik between 2008-2015 and the President of the Durable Goods Group of Koç Holding A.Ş. between 2010-2015. Levent Çakıroğlu was appointed as the Deputy CEO of Koç Holding in February 2015 and he took over the CEO post on April 2015. He is also a member of the Board of Directors of Koç Financial Services and serves in the Board of Directors of some Koç Group Companies.

Mirko D.G. Bianchi⁽³⁾

Member of the Board of Directors (Independent⁽²⁾)

Born in Switzerland, Mirko Bianchi earned an MSc in Chemical Process Engineering from ETH in Zurich. He earned an MBA, Marketing & Finance, from Fordham University, New York, in 1991 and completed the Executive Program in Financial Analysis at the Northwestern University, Chicago, in 1994. After his finance degree, he joined BCI Capital in New York in 1992 to work as an equity analyst. Further steps in his career in New York: Vice President and Senior Analyst at Moody's Investors Service, Director Debt Capital Markets Ratings Advisory at Deutsche Bank Securities. In 2000 Mirko Bianchi moved to London to join UBS Investment Bank, where his responsibilities as Managing Director and Global Head of Ratings Advisory until 2009 included the markets of New York, London, Hong Kong, Tokyo and Melbourne. In October 2009, Mirko Bianchi joined UniCredit in Milan as Head of Group Finance, where his responsibilities have included the Group's funding strategies, asset liability management, strategic investment portfolio, and liquidity management. In addition, he was also co-heading the Group's Treasury operations. In June 2015, he was appointed as CFO for Austria & CEE of UniCredit Bank Austria AG based in Vienna. Bianchi is also a member of the Board of Directors at Koç Financial Services and serves in the Board of Directors of some UniCredit Group Companies.

Gianni F. G. PAPA

Member of the Board of Directors (Independent⁽²⁾)

After receiving his degree in Law from Università Cattolica del Sacro Cuore in Italy, Gianni Franco Giacomo Papa served in numerous positions at the International division of Credito Italiano Milano starting from 1979. Papa, who served at the same bank as Manager between 1986 and 1987, worked at Hong Kong office of Credito Italiano as the Assistant General Manager in charge of the establishment of the branch of Credito Italiano and then Head of Corporate Finance, Capital Markets and Treasury from 1988 to 1993. Papa, who served at Segrate branch of Credito Italiano as the Deputy General Manager between 1993 and 1997 and the Assistant General Manager in charge of Corporate Investors and Private Banks Department under the Financial Division of the Group thereafter, was appointed as the Deputy General Manager of UniCredit's Singapore Branch in 1998 and served at the same office until 1999. Thereafter, he served as the General Manager of the same branch and the Director of Unicredit Asia (except China) until 2002. Papa held the offices of the General Manager of New York Branch of UniCredit and UniCredit's Director in charge of the USA operations between 2003 and 2005. He was then appointed as General Manager and COO of UniCredit Slovakia and served between 2005 and 2007. Papa, who worked as the Vice Chairman of the Board of Directors and the General Manager of UniCredit Slovakia until 2008, was appointed to serve as the First Deputy Chairman of the Board and the General Manager at PJSC Ukrosotsbank between 2008 and 2010, and worked as the Executive Vice President and the Head of Central and Eastern European Corporate and Investment Banking at UniCredit Bank Austria AG between November 2010 and December 2010. From January 2011 until December 2014 he was Senior Executive Vice President of UniCredit in charge of Central and Eastern Europe Division and also Deputy Chairman of the Management Board of UniCredit Bank Austria AG. Since 1 January 2015, Papa has been appointed as Group Deputy General Manager and Head of Corporate & Investment Banking Division of UniCredit S.p.A. He is also a Member of the UniCredit Group Executive Management Committee. Papa, who served as the Vice Chairman of the Board of Directors of Yapı Kredi between April 2011 – February 2015, also serves in the Board of Directors of some of UniCredit Group Companies and as Member of the Board of Directors of Koç Financial Services.

Dr. Jürgen KULLNIGG

Member of the Board of Directors

After graduating from University of Salzburg Law School, Dr Jürgen Kullnigg completed the International Trade Program at Vienna Business School. In 1985, Kullnigg started his career as a Marketing Assistant at the Austrian Trade Commission in Munich and later became Deputy Trade Commissioner at the Austrian Trade Commission in Houston between 1986 and 1989. Kullnigg served as Vice President at Girocredit AG Vienna, Los Angeles, New York and Prague from 1989 to 1995 and Vice President of Trade Finance at Creditanstalt AG from 1995 to 1997. In 1997, he began to work for Bank Austria Creditanstalt as Head of Structured Trade and Project Finance in London. Kullnigg moved on to become Head of Credit Department at Bank Austria AG in 2000. After one year, he was appointed as Head of Strategic Risk Management where he served until 2006. From 2006 to 2010, Kullnigg served as Head of Group Credit Operations as well as Group Divisional Risk Officer Corporate at UniCredit S.p.A in Milan. In 2010, he was appointed Head of Credit Operations Italy and CRO Italy at UniCredit S.p.A Milan until November of 2012 when he became Chief Risk Officer at UniCredit Bank Austria AG. Kullnigg has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013 and serves in the Board of Directors of some of UniCredit Group Companies.

Benedetta NAVARRA

Member of the Board of Directors (Independent)

Benedetta Navarra graduated from Luiss Guido Carli University with honours in Economics in 1990 and received her Ph.D in Law in 1994 with honours from the La Sapienza University in Rome. Navarra taught banking and stock exchange law at Luiss Guido Carli University until 2010. In addition, she is a Member of the Doctorate Business Law Program Committee under the Business School. Navarra has several published books on banking law and financial law. Since 2003, Navarra has been a Senior Partner at Graziadei Law Firm. Navarra was appointed Member of the Board of Directors at AS Roma S.p.A in October 2011. She has been a Member of the Board of Directors at Statutory Auditors Poste Italiane S.p.A. since July 2013, which she has been the Chairman since September 2015, and a Member of the Board of Directors at Statutory Auditors Equitalia S.p.A. since June 2015. Navarra has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013.

Adil G. ÖZTOPRAK

Member of the Board of Directors (Independent)

After graduating from Ankara University, Faculty of Political Science, Finance and Economics Department, Adil G. Öztoprak served at the Ministry of Finance as Auditor from 1966 to 1975. In 1975, Öztoprak was appointed Assistant General Manager of the Budget and Fiscal Control Department. Since 1976, he has been a Financial Coordinator and Chief Executive Officer at many companies. Between 1993 and 2000, Öztoprak was Partner at Başaran Nas Yeminli Mali Müşavirlik A.Ş. (PricewaterhouseCoopers). Öztoprak, a Certified Public Accountant, served as a Statutory Auditor since 2000 at Yapı Kredi, Yapı Kredi Insurance, Yapı Kredi Pension, Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Invest. Currently, Öztoprak serves as an Independent Member of the Board of Directors for Yapı Kredi Koray Real Estate Investment Trust and he has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013. He is also a Member of the Board of Directors at Goodyear Lastikleri T.A.Ş. since March 2014.

- (1) Mustafa V. Koç, Chairman of the Board of Directors passed away on January 21, 2016. As of the release date of this report no appointment has been made for the place vacated
- (2) Gianni F.G. Papa, Chairman of the Audit Committee, and F. Füsün Akkal Bozok and Mirko D.G. Bianchi, Members of the Audit Committee, are deemed as Independent Board Members as per Item 6(3)a of the Communique Serial II-17.1 of CMB on Corporate Governance
- (3) It is resolved by Board of Directors meeting dated June 25, 2015 that, for the place vacated by Francesco Giordano's resignation as of July 1, 2015, Mirko D.G. Bianchi has been appointed as Member of Board of Directors

Notes:

The members of the Board of Directors and statutory auditors each have a one-year term of duty; the appointments of members and auditors are set out annually at the Annual Shareholders' Meeting
Mustafa V. Koç, Ahmet F. Ashaboğlu and Levent Çakiroğlu, who are members of the Board of Directors, are also members of Board of Directors at other Koç Group companies due to their positions in Koç Holding. Furthermore, Carlo Vivaldi, Gianni F. G. Papa, Mirko D.G. Bianchi and Dr. Jürgen Kullnigg are also members of the Board of Directors in other UniCredit companies due to their positions in UniCredit Group

Senior Management

H. Faik AÇIKALIN

Chief Executive Officer (CEO)

Please refer to page 40

Niccolò UBERTALLI

Executive Director and Deputy CEO

Please refer to page 41

Yakup DOĞAN

Assistant General Manager - Alternative Delivery Channels

After graduating from the Faculty of Business Administration at Çukurova University, Yakup Doğan started his career at İşbank as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Doğan joined Koçbank as Alternative Delivery Channels Manager. With the merger of Yapı Kredi and Koçbank in 2006, Doğan held the position of Alternative Delivery Channels Executive Vice President in Yapı Kredi. Doğan has been Assistant General Manager in charge of Alternative Delivery Channels at Yapı Kredi since May 2009.

Cahit ERDOĞAN

Assistant General Manager - Information Technologies and Operations Management

After graduating from Istanbul Technical University Faculty of Mechanical Engineering, Cahit Erdoğan earned his MBA degree from Rochester Institute of Technology. Erdoğan started his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst. In 2000, Erdoğan joined Accenture Turkey office as a Management Consultant and was later promoted to Manager and Senior Manager. In February 2008, he was appointed as Turkey Country Lead for the Management Consulting Growth Platform of Accenture. Erdoğan joined Yapı Kredi in 2009 as Chief Information Officer (CIO). As of July 2013 he assumed the position of Assistant General Manager in charge of Information Technologies and Operations at the Bank. Mr. Erdoğan is a member of the Executive Committee of Yapı Kredi since July 2013 and also the chairman of the Board of Directors of Yapı Kredi Teknoloji A.Ş. since May 2015.

Mehmet Murat ERMERT

Assistant General Manager - Corporate Communications

Having graduated from Marmara University's Business Administration department, Murat Ermert began his career at Leo Burnett Advertising Agency in 1987. He later worked at Yapı Kredi between 1989-1993 as Advertising Unit Manager. From 1993 on, he worked for Doğan Media Group as Media Marketing Manager. In 1996, he assumed the role of Advertising and Public Relations Coordinator at Demirbank. Ermert joined to Dışbank (later Fortis) as Assistant General Manager, Corporate Communications. After the acquisition of Dışbank by Fortis he also served at the Fortis Global Marketing and Communications Management (Brussels). Being a faculty member at both Anadolu University and Bahçeşehir University in the recent years, he is one of the founding members of Turkish Association of Corporate Communications Directors and a member of European Association of Communications Directors (EACD). Ermert has been Assistant General Manager in charge of Corporate Communications at Yapı Kredi since July 2008.

Nurgün EYÜBOĞLU

Assistant General Manager - Corporate and Commercial Credits

After graduating in 1991 from Boğaziçi University Faculty of Administrative Sciences with a Degree in Economics, Nurgün Eyüboğlu began her career in İktisat Bankası as Management Trainee in the same year. She joined Koçbank in 1993 and worked as Branch Manager until 2004. With the merger of Yapı Kredi and Koçbank in 2006, Eyüboğlu held the position of Head of Corporate and Multinational Companies in Yapı Kredi until 2009. In February 2009, she was appointed as General Manager of Yapı Kredi Leasing. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits since February 2013. Eyüboğlu is also a member of the Board of Directors of Yapı Kredi Faktoring and Yapı Kredi Leasing.

Marco IANNACCONE⁽¹⁾

Assistant General Manager - Financial Planning and Administration (CFO)

Marco Iannaccone graduated from Università degli Studi di Venezia Business Administration in 1993 and completed his MBA degree at Clemson University in 2003, where he was previously a graduate assistant in 1994. Between 1995 and 1997, he worked at KPMG as Consultant. In 1997, he started to work at Andersen Consulting as Senior Consultant. In 1999 he moved to Deutsche Bank and continued his career working in several departments, last of which was as the Head of Private & Business Banking until 2002. Moving to UniCredito Italiano in 2002, Iannaccone held a number of managerial positions in the Group, including Central and Eastern Europe Mergers and Acquisitions, Business Development, Private Banking, Strategy, Planning and Control until 2008. In 2008, Iannaccone assumed the position of Chief Financial Officer and Vice President of the Management Board at Bank Pekao in Poland. Iannaccone has been Assistant General Manager and CFO at Yapı Kredi since April 2013. He is also a Member of the Executive Committee, a Member of the Board of Directors of Yapı Kredi Faktoring, Yapı Kredi Leasing ve Yapı Kredi Invest, and Vice-Chairman of the Board of Directors of Yapı Kredi Teknoloji A.Ş. since May 2015.

Süleyman Cihangir KAVUNCU⁽²⁾

Assistant General Manager - Human Resources and Organisation

After receiving his MBA at University of Bridgeport, Süleyman Cihangir Kavuncu began his career at Arthur Andersen in 1983 as an Auditor. Between 1985 and 1989, he worked as Foreign Funds Manager at the Treasury Division at Interbank, Financing Director and Human Resources Director at Coca-Cola, Administrative Affairs Coordinator at Çukurova Holding and Human Resources Director at Colgate Palmolive respectively. In 2004, Kavuncu joined Koçbank as Assistant General Manager. Following his appointment in October 2006 as Assistant General Manager at Yapı Kredi, he has been Assistant General Manager in charge of Human Resources and Organisation at Yapı Kredi since May 2011. Kavuncu is also a Member of the Executive Committee since February 2009.

Mert ÖNCÜ

Assistant General Manager – Treasury and Financial Institutions

After graduating from Istanbul Technical University, Electronics and Telecommunication Engineering Department in 1992, Mert Öncü completed his MBA degree at DePaul University in 1994 where he was also a graduate assistant between 1993-1994. Öncü earned his doctoral degree from Marmara University in 2001. After a brief experience as Intern at the Chicago Mercantile Exchange in 1994, Öncü joined Koçbank the same year and worked at the Treasury department respectively as Senior Dealer, Section Head and Treasury TL/ FX Manager. Between 2003 and 2006, he served as the Money and FX Markets Manager. In 2006, he became the Head of Money and FX Markets at Yapı Kredi. Öncü has been Assistant General Manager in charge of Treasury and Financial Institutions and a Member of the Executive Committee since May 2011.

Mehmet Erkan ÖZDEMİR

Assistant General Manager - Compliance and Internal Control

After graduating from Middle East Technical University, Department of Economics in 1989, Mehmet Erkan Özdemir worked as a Sworn-in Bank Auditor on the Sworn-in Bank Audit Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Holding in August 2001 as Audit Coordinator in the Koçbank Audit Group, responsible for the financial companies of the Group. He started serving as Statutory Auditor at Koçbank in August 2002 and later at Yapı Kredi in September 2005. Özdemir was assigned as Compliance Officer and Assistant General Manager in charge of the Compliance Office in April 2008. Özdemir has been serving as Assistant General Manager in charge of Compliance and Internal Control since October 2013.

Stefano PERAZZINI

Assistant General Manager - Internal Audit

After graduating from the University of Turin in Economics, Stefano Perazzini began his career at San Paolo IMI Bank in 1987. Between 1989 and 1992, he worked at Honeywell Bull in the Planning and Control. Perazzini then became an Information Technology Auditor at Banca CRT Head Office followed by Internal Auditor at London and Paris branches of the bank. In September 1999, he was appointed as Internal Auditor at UniCredit and later became the Deputy Manager of the Internal Audit at Bank Pekao in Poland, a UniCredit Group company. In March 2003, he took on the responsibility of Assistant General Manager for Internal Audit at Koç Financial Services. Perazzini has been Assistant General Manager in charge of Internal Audit at Yapı Kredi since February 2006.

Cemal Aybars SANAL

Assistant General Manager – Legal Affairs

After graduating from Istanbul University Faculty of Law, Cemal Aybars Sanal began his career in 1986 at Sanal&Sanal Law Firm as Partner. Between 1992 and 1995, he worked at Shell Company of Turkey Limited as an Attorney, between 1995 and 1998 at White&Case Law Firm as an Attorney, between 1998 and 1999 at Shell Company of Turkey Limited as Chief Legal Counsel and a Member of the Board of Directors, between 1999 and 2006 at Boyner Holding as Chief Legal Counsel and Vice President. After working as a freelance attorney between 2006 and 2007, Sanal worked at ELIG Law Firm as Senior Consultant from 2007 to 2008. Sanal has been Assistant General Manager in charge of Legal Affairs at Yapı Kredi since July 2008.

Wolfgang SCHILK

Assistant General Manager - Risk Management (CRO)

In 1992, following his graduation from University of Wien Law School, Wolfgang Schilk completed a postgraduate management trainee program at Creditanstalt- Bankverein (CA-BV). Between 1994 and 1996, he was Restructuring Manager responsible for Corporate Banking at CA-BV. Between 1996 and 2004, Schilk worked as Head of the Credit Unit at Bank Austria Creditanstalt. Later in 2004, he became the Head of the Regional Office responsible for Corporate Banking. In 2006, he took a position as the Head of the Regional Office responsible for Private and SME Banking. Between 2007 and 2010, Schilk worked as the Head of Risk Management responsible for Private and SME Clients as well as Private Banking. During his career, he was also a Member of the Supervisory Board of Leasfinanz Bank (a subsidiary of UniCredit Leasing) and BAF (a subsidiary of Bank Austria for Mobile Sales Channel) as well as Member of the Advisory Council of IRG Immobilien Rating GMBH (a subsidiary of Bank Austria for Real Estate Appraisal). Schilk has been Assistant General Manager in charge of Risk Management and a Member of the Executive Committee at Yapı Kredi since September 2010. Schilk is also Member of Board of Directors of Yapı Kredi Leasing, Yapı Kredi Bank Nederland and Yapı Kredi Bank Moscow. Wolfgang Schilk is also the Head of Audit Committee of Yapı Kredi Bank Nederland and Yapı Kredi Bank Moscow. He has also been a Member of the Board of Directors of Yapı Kredi Bank Azerbaijan, Yapı Kredi Moscow, Yapı Kredi Malta, Yapı Kredi Invest since August 2011.

Zeynep Nazan SOMER ÖZELGİN

Assistant General Manager - Retail Banking

After graduating from the Faculty of Business Administration at Boğaziçi University, Zeynep Nazan Somer Özelgin joined Arthur Andersen in 1988 as an Independent Auditor and obtained her Certified Public Accountant certificate. Between 1999 and 2000, she worked as Partner in charge of the finance sector. She joined Yapı Kredi in September 2000 as Assistant General Manager in charge of Individual Banking. Between 2003 and 2009, she served as Assistant General Manager in charge of Credit Cards and Consumer Lending. Somer Özelgin has been Assistant General Manager in charge of Retail Banking at Yapı Kredi and a Member of the Executive Committee since February 2009. In addition, she has been a Member of the Board of Directors of Yapı Kredi Bank Azerbaijan since September 2012. Furthermore, Somer Özelgin has been a Board Director of Visa Europe since May 2003.

Feza TAN

Assistant General Manager - Corporate and Commercial Banking

After graduating from the Department of Economics at Boğaziçi University in 1993, Feza Tan began her professional career at Yapı Kredi as a Management Trainee in Corporate and Commercial Credits and served in various positions in the same department between 1993 and 2006. In 2006, she was promoted as Head of Corporate and Commercial Credits Underwriting. In February 2009, Tan became Assistant General Manager in charge of Corporate and Commercial Credits. Tan has been Assistant General Manager in charge of Corporate and Commercial Banking since February 2013 and a Member of the Executive Committee since January 2013. Tan is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Invest, Yapı Kredi Bank Moscow, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta.

Mehmet Gökmen UÇAR⁽²⁾

Assistant General Manager - Retail Credits

Mehmet Gökmen Uçar graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Economics Department in 1998. Between 1998 and 2002, he worked in Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş. (PwC) as an Independent Auditor and obtained the Certified Public Accountant qualification. He joined Koçbank in 2002 and worked at Budget Control and Planning as Budget Planning and MIS Supervisor until 2005. Between 2005 and 2007, he took several management responsibilities over strategy, budgeting and planning areas under UniCredit Group in Italy, Germany and Austria. He returned to Yapı Kredi in 2008 and worked as Capital Management, Cost Control and Allocation Supervisor, Head of Financial Reporting and Vice President in charge of Financial Reporting and Accounting, respectively. In 2011, he was appointed as Financial Reporting and Accounting Executive Vice President. He has been Assistant General Manager responsible for Retail Credits since August 2012. Since September 2012, Uçar has also been a Member of the Board of Directors at KKB.

Mert YAZICIOĞLU

Assistant General Manager - Private Banking and Wealth Management

Mert Yazicioğlu graduated from Istanbul Technical University, Management Engineering program. After receiving his MA from Istanbul Technical University, Department of Business Administration, Mert Yazicioğlu began his career at S. Bolton and Sons in 1987. In 1989, Yazicioğlu joined Koçbank first as a Customer Relations Officer, became a Junior Dealer in 1990, and Dealer, Senior Dealer and Section Head respectively. Her served as Unit Head of Treasury in 1996 and assumed the position of Assistant General Manager in charge of Treasury in 1999. Between February 2006 and May 2011, he served as Assistant General Manager responsible for Treasury at Yapı Kredi. He has been Assistant General Manager in charge of Private Banking and Wealth Management since May 2011 and a Member of the Executive Committee since February 2011.

(1) It is resolved by Board of Directors meeting dated January 18, 2016 that, as Marco Iannaccone, Chief Financial Officer, is taking another position within UniCredit Group, Massimo Francese is appointed as Chief Financial Officer as of March 1, 2016

(2) It is resolved by Board of Directors meeting dated October 21, 2015 that there will be amendments to senior management positions effective of January 1, 2016. Accordingly, S. Cihangir Kavuncu, Assistant General Manager responsible for Human Resources and Organization is taking another position within UniCredit Group. M. Gökmen Uçar, who is currently Assistant General Manager responsible for Retail Credits, will be appointed as Assistant General Manager responsible for Human Resources and Organization; and Demir Karaaslan, who is currently Executive Vice President of Planning and Control - Financial Planning and Administration, as Assistant General Manager responsible for Retail Credits

Board of Directors and Committees

Board of Directors

The Board of Directors convenes upon the request of the Chairman when necessitated by the Bank's business. The Board of Directors reviews and decides on the corporate agenda, as authorised by the Articles of Association of the Bank, laws and regulations. In 2015, the Board of Directors convened 11 times with the required majority and quorum satisfied.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular bi-weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2015, the Executive Committee convened 23 times with the required majority and quorum satisfied. The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members

Chairman	H. Faik Açıkalin	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Wolfgang Schilk	Assistant General Manager - Risk Management (CRO)
Member	Marco Iannaccone ⁽¹⁾	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Feza Tan	Assistant General Manager - Corporate and Commercial Banking
Member	Z. Nazan Somer Özelgin	Assistant General Manager - Retail Banking
Member	Mert Yazıcıoğlu	Assistant General Manager - Private Banking and Wealth Management
Member	S. Cihangir Kavuncu ⁽²⁾	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Mert Öncü	Assistant General Manager - Treasury and Financial Institutions

Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2015, the Credit Committee convened 51 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members

Chairman	H. Faik Açıkalin	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Dr. Jürgen Kullnigg	Member of the Board of Directors

Credit Committee Alternate Members

Alternate Member	Gianni F.G. Papa	Member of the Board of Directors
Alternate Member	Mirko D.G. Bianchi ⁽³⁾	Member of the Board of Directors

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2015, the Audit Committee convened 4 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members

Chairman	Gianni F.G. Papa	Member of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Mirko D.G. Bianchi ⁽³⁾	Member of the Board of Directors
Member	Benedetta Navarra	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2015, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members

Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Marco Iannaccone	Assistant General Manager - Financial Planning and Administration (CFO)

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2015, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members

Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

(1) It is resolved by Board of Directors meeting dated January 18, 2016 that, as Marco Iannaccone, Chief Financial Officer, is taking another position within UniCredit Group, Massimo Francese is appointed as Chief Financial Officer as of March 1, 2016

(2) Based on the decision of the Board of Directors dated October 21, 2015, M. Gökmen Uçar was appointed as Assistant General Manager responsible for Human Resources and Organization (replacing S. Cihangir Kavuncu), effective as of January 1, 2016.

(3) Based on the decision of the Board of Directors dated June 25, 2015, Mirko D.G. Bianchi was appointed as Credit Committee alternate member and Audit Committee member (replacing Francesco Giordano), effective as of July 1, 2015

Board of Directors Report

Dear Shareholders,

For Yapı Kredi, one of the oldest and strongest institutions in the banking sector, 2015 was a successful year, despite the uncertainties and volatility in the operating environment. As Turkey's fourth largest private bank in terms of total asset size, Yapı Kredi continued to pursue its Growth Oriented Investment strategy with a customer-centric, pioneering and innovative banking perspective.

2015, was the second year of Yapı Kredi's implementation of the growth strategy that it had launched with the aim of strengthening its position in the sector and obtaining sustainable profitability in the long term. Throughout the year, Yapı Kredi continued to enhance its contribution to the Turkish economy.

The main pillars of the growth strategy have been primarily human resources, investments made to ATM and branch networks and initiatives to increase commercial effectiveness. In this context, 2,661 employees joined the Yapı Kredi family in the last two years and the total number of employees has surpassed 19,000. In the same period, Yapı Kredi expanded its ATM network with 1,299 new ATMs, reaching a total of 4,332. Together with 77 new branches, Yapı Kredi increased its number of branches to 1,000. Additionally, as a pioneer in the transition to digitalization in banking, for Yapı Kredi 2015 has been a year in which it continued to develop and enhance all of its digital channels. In this context, the Bank' digital banking active customer base expanded by 80% in the last two years, reaching 2.6 million. As of the end of 2015, the share of the Bank's alternative delivery channels in total banking transactions reached 85%, one of the highest levels in the sector.

The momentum gained in acquiring new customers as a result of these investments was one of the key accomplishments of the Bank's growth strategy. In the past two years, Yapı Kredi successfully expanded its customer base by 1.2 million. Thus, the number of its active customers reached 11 million as of the end of 2015, with the total number of customers reaching 21.3 million.

In 2015, Yapı Kredi achieved major progress in its sustainability efforts, an area that the Bank has always given great importance to. Borsa Istanbul (BIST), in collaboration with the London-based Ethical Investment Research Service (EIRIS), has designated Yapı Kredi as one of the 15 BIST-30 corporations in the BIST Sustainability Index for the second consecutive year owing to its successful performance in environmental, social and corporate governance related issues.

Building on its strong dedication to corporate governance, Yapı Kredi further increased its corporate governance rating in 2015, which is granted based on the principles set by the Capital Markets Board, to 9.34 from 9.25 in 2014.

Yapı Kredi's accomplishments and superior service quality was confirmed with around 30 awards it received in 2015 from many respected national and international organizations.

Dear Shareholders,

As we submit our 2015 annual report and financial statements for your review and approval, on behalf of the Board of Directors and myself, I would like to thank you, our esteemed shareholders, for your faith in Yapı Kredi.

On behalf of the Board of Directors,
Chairman of the Board
Mustafa V. Koç

Human Resources Implementation

Candidate searches: Following determination of needs in human resources, candidate searches are initiated through existing candidate pools, internet, internal announcements as well as head hunters. In addition, a special candidate pool composed of existing employees is also prepared for the position. Applications are assessed on the basis of criteria such as education, foreign language skills and work experience, as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes employer branding activities in cooperation with university clubs to introduce the Bank to university students and learn about their expectations.

Recruitment process: This stage consists of an examination, interview and job offer. At the examination stage, through tests based on job function, it is determined whether the candidate possesses the necessary abilities required for the position. These abilities include learning, performing rapid numerical calculations, adaptability, problem solving, identifying details in words and figures, visual, numeric and verbal memory assessments. For some positions, a personality inventory is also applied. The interview stage is aimed at determining whether candidates possess certain abilities (establishing communication, teamwork etc.) required by the position to which they will be assigned, also through role play. Candidates are also asked competency-based and behaviour-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi.

For newly formed positions or positions that require expertise and technical know-how, candidates with sufficient work experience in the relevant field are preferred. The interview stage of hiring experienced staff is carried out by the Human Resources career and recruitment planning teams in cooperation with the relevant department. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the Bank's vision, mission and strategic objectives. For experienced candidates that live in other cities, the Bank has an online interview process allowing candidate evaluation. For candidates abroad, one-to-one interviews are carried out with the attendance of both Human Resources and Regional Managers.

Senior management and employees receive fixed and performance based income in accordance with the Bank's Remuneration Policy. More detailed information is provided in article 5.6 of the Corporate Governance Principles Compliance Report.

Support Services

- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. provide around 132 million printing services per year for credit card and customer account statements
- Physical security services will be provided by Ekol Grup Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti. (EKOL) as of 1 January 2016 with a total of 1,096 security personnel
- 977 armed security personnel are located in branches, 101 armed security personnel are located in the Head Office and region buildings, 18 unarmed security personnel are located in Bayramoğlu, Yeniköy Koru and Darıca buildings
- Alarm system monitoring, controlling and maintenance services for all technical and electronic security systems are provided by Elektromaks Elektronik ve Güvenlik Sistemleri San. Tic. Ltd. Şti.; fire alarm systems controlling and maintenance is provided by Protek Mühendislik Ltd. Şti.; card pass systems controlling and maintenance is provided by Senkron A.Ş
- Support services for cash transportation, On-site and Off-site ATM first-line maintenance services are provided by G4S Güvenlik Hizmetleri A.Ş. (G4S). The company procures services to Yapı Kredi through 25 G4S offices and 7 Cash Centers with 429 employees and 152 armoured vehicles
- Altus Bilişim Hizmetleri A.Ş. and NCR Bilişim Sistemleri Ltd. Şti. provide second-line maintenance services for On-site and Off-site ATMs

Corporate Governance Principles Compliance Report

SECTION I - Declaration of Compliance with Corporate Governance Principles

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communiqué on Corporate Governance numbered II-17.1 which is currently in effect have been fully complied with and the non-mandatory principles have been mostly complied with. Despite full compliance with the non-mandatory Corporate Governance Principles is targeted, such full compliance has not been achieved yet due to reasons such as the practical challenges with some of the principles, the ongoing discussions both in our country and on the international platform in relation to compliance with some of the principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The principles that have not yet been implemented is worked on and it is planned that their practice will start after the completion of the administrative, legal and technical infrastructure work in a way to contribute to the efficient management of the Bank. Below in the relevant chapters are the explanations for Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covered the new regulations of the CMB on the Corporate Governance Principles and with the communiqués issued on the basis of this law were among the main efforts in the field of Corporate Governance in 2015. The Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communiqué on Corporate Governance. The Committees of the Board of Directors that are formed continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communiqué. The communiqué also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, all of the Members of the Bank's Audit Committee were independent members in 2015, with Benedetta Navarra and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, following main principles which have not been fully compiled and not mandatory in accordance to communiqué have been specified below detailed information on this respect is provided in the relevant chapters below. There is no conflict of interest arising from non-compliance with the said principles.

- In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.
- In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 17% in 2015.
- In relation to principle numbered 4.4.7, no limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors.
- In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.
- In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice.

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) was increased to 9.34 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 28, 2015. The ratings in terms of main sections were set as 9.59 for Shareholders, 9.05 for Public Disclosure and Transparency, 9.72 for Stakeholders and 9.20 for the Board of Directors.

SECTION II - Shareholders

2.1. Investor Relations Unit

The functions at Yapı Kredi in relation to Investor Relations Unit are carried out in the following manner by Koç Financial Services (KFS) under Assistant General Manager for Compliance and Internal Control, the Subsidiaries and Shareholder Relations Unit and the Investor Relations Unit under Assistant General Manager for Financial Planning and Financial Affairs (CFO). During the year, all telephone and e-mail inquiries to both units were answered within the scope of the relevant legislation. Within the scope of relations with the Bank's shareholders, the Investor Relations Unit held more than 650 meetings for investors, more than 45 meetings for analysts and approximately 100 teleconferences, in addition to attending 28 conferences and roadshows in order to meet existing and potential investors and ensure that shareholders are better updated on recent developments. Quarterly financial results were presented and shared 4 times during the year via quarterly teleconferences and questions by investors and analysts were answered by senior management.

The 2015 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on March 09, 2016 and was submitted to the Board of Directors of the Bank on the same date.

Functions of KFS, Subsidiaries and Shareholder Relations Unit are:

- To ensure that the correspondence on shares between the Shareholders and the partners and the information and documents that need to be kept in relation to shares within the scope of legislation are kept in a sound, safe and updated manner,
- To prepare the documents that need to be submitted to the shareholders for information and review in relation to the Annual Shareholders' Meeting and to take measures to ensure that the Annual Shareholders' Meeting is held in compliance with the relevant legislation, the Articles of Association and other regulations within the shareholding structure,
- To oversee and monitor the fulfilment of liabilities arising from the Capital Market legislation including all matters in relation to Corporate Governance and Public Disclosure.

Functions of the Investor Relations Unit are:

- To manage relations among national/international corporate investors/shareholders, banking analysts of intermediary agencies and partners, to inform them regularly and proactively, to answer their oral and written questions,
- To manage relations with the international credit rating agencies, to answer their oral and written requests for information,
- To manage all printed and web-based processes in relation to the issuance of the Bank's annual and interim reports and to coordinate the compilation of the contents in accordance with the legislation,
- To include the matters set forth in the Corporate Governance Principles in the Investor Relations section on the Bank's website and to keep information updated.

KFS, Subsidiaries and Shareholder Relations Unit

Head of the Unit : Erdiñç TETİK
Title : Director of KFS, Subsidiaries and Shareholder Relations Unit
Licences : Capital Market Activities Level 3 License, Corporate Governance Rating License and Derivative Instrument License
Telephone : 0 212 339 64 31
E-mail : erdinc.tetik@yapikredi.com.tr
Employees of the Unit : Hasan SADI* - Ercan YILMAZ – Resul BAŞAK
*holds Capital Market Activities Level 3 License and Corporate Governance Rating License

Investor Relations Unit

Head of the Unit : Gülsevin TUNÇAY YILMAZ
Title : Corporate Strategy and Investor Relations Director
Telephone : 0 212 339 73 23
E-mail : gulsevin.yilmaz2@yapikredi.com.tr
Employees of the Unit : Ece OKTAR GÜRBÜZ* - Arya ÖZÇAM - Eray ALPAY
* holds Capital Market Activities Level 3 License, Corporate Governance Rating License and Credit Rating License

2.2. Exercise of Shareholders' Right to Obtain Information

No discrimination is made among shareholders in terms of the use of the right to obtain and review information and all information except for trade secrets are shared with the shareholders. Questions received by the Investor Relations Unit are answered both by telephone and in writing upon establishing contact with the most senior individual related to the matter, except for information that are deemed to be confidential and trade secret. As explained in Chapter 3.1 of this report, all information and explanations that could impact on the use of shareholding rights are included in the corporate website. Yapı Kredi continuously communicates with and informs shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

Although the right to request a private auditor is not regulated in the Articles of Association as an individual right, each and every shareholder can place a request at the Annual Shareholders' Meeting, as per article 438 of the Turkish Commercial Code and even if such request is not included on the agenda, that specific cases are clarified through private audit whenever this is required in order to be able to exercise the shareholding rights and if the right to obtain and review information was exercised beforehand. Shareholders did not place a request to this end in 2015. According to the Banking Law, Yapı Kredi is subject to supervision and audit from Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations and the Bank's activities are periodically audited by the Independent Auditor elected in the Annual Shareholders' Meeting.

2.3. Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on March 25, 2015 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - İstanbul. Shareholders attended this meeting with a 90.16% majority, while no stakeholder or media representative attended. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), the e-company and Electronic General Meeting System of the Central Securities Depository Institution (MKK).

The Board of Directors and Audit Committee Reports, Financial Statements and Independent Audit Report, Dividend Distribution Proposal for the year 2014, the Annual Report containing the date and the agenda of the Annual Shareholders' Meeting as well as the Corporate Governance Principles Compliance Report attached thereto and the articles of Annual Shareholders' Meeting Agenda, and the detailed annotation containing the Compliance to Capital Markets Board regulations were made available for the examination of shareholders at the Bank's Head Office and branches, on its website www.yapikredi.com.tr as well as at KAP and the Electronic General Meeting System of the MKK within the legal period of 3 weeks prior to the Annual Shareholders' Meeting.

At the Annual Shareholders' Meeting, Remuneration Policy was approved in addition to the regular articles. Transactions regarding liquidation by sale of some Bank receivables that are being followed up on non-performing loan accounts were approved and the Members of the Bank's Board of Directors were also cleared regarding these transactions. Shareholders were informed of the donations and charities made in 2014 and a ceiling amount for the donations to be made in 2015 was determined by the General Assembly as TL 15,000,000. At the Annual Shareholders' Meeting, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items, one of the shareholders raised a question which was supposed to be answered in written, have been responded and provided reply has been published through Bank's web site.

Minutes of the Annual Shareholders' Meeting can be accessed via the KAP, the Electronic General Meeting System and e-company portal of the MKK and on Yapı Kredi's website.

In 2015, there was not any proposal which was submitted by the shareholders to add an item to the agenda.

At the Board of Directors, there were no transactions for which an affirmative vote of the majority of the independent members of the Board of Directors was sought for making a decision and for which the decision was left to the General Assembly due to the fact that the said members cast a negative vote.

There were no cases in which the shareholders possessing management control, members of the board of directors, managers having administrative responsibilities and their spouses and relatives by blood and by marriage up to the second degree carried out a significant transaction that could cause conflict of interest with the company or its affiliates and/or carried out a transaction on behalf of themselves or others a business-like transaction that falls within the field of operations of the company or its affiliates or became an unlimited-liability partner of another company dealing with the same kind of business.

2.4. Voting and Minority Rights

Yapı Kredi has no privileged shares. There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the most recent Annual Shareholders' Meeting. Minority shares are not represented in management. Minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.

2.5. Right to Dividend

As Yapı Kredi has no privileged shares, no privilege exists in dividend distribution. In 2015, a total gross cash dividend of TL 400,000,000 was distributed from 2014 net income.

The Dividend Distribution Policy of the Bank was approved at the Annual Shareholders' Meeting held on March 27, 2014. The Dividend Distribution Policy of the Bank available on the KAP, the Bank's website and the annual report provides that *"Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. At the Annual Shareholders' Meeting, in accordance with the Articles of Association, shareholders may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda."*

2.6. Transfer of Shares

There are no provisions in Yapı Kredi's Articles of Association that restrict transfer of shares and the provisions of the Banking Law which sets the transfer of shares are reserved.

SECTION III - Public Disclosure and Transparency

3.1. Corporate Website and Its Contents

In accordance to the Bank's Corporate Governance Principles, the Bank has two separate and regularly updated websites in Turkish (www.yapikredi.com.tr) and English (www.yapikredi.com.tr/en). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish (www.yapikredi.com.tr/yatirimci-iliskileri) provides information regarding the Bank's history, vision and values, shareholding structure, share price, periodic financial tables and annual reports, credit ratings given by rating agencies, corporate governance reports, the Board of Directors, senior management, Articles of Association, trade registry information, disclosure policy, code of ethics, details on Annual Shareholders' Meetings, including minutes, agenda, list of attendees and sample power of attorneys, explanations for material events disclosure and the future expectations of the Bank as stated within the scope of article 10 of the Communiqué on Material Events Disclosure and all other relevant information. The Annual Shareholders' Meeting disclosure document containing discussion topics related to the agenda and relevant documents (annual report, financial statements, dividend distribution table, Dividend Distribution Policy and other documents regarding the agenda) are available on the website and presented at the Annual Shareholders' Meeting.

During the year, on the website of the Bank for investor relations in English, information on Yapı Kredi, the progress of shares and bonds, information on the Medium Term Note Program, investor relations calendar, investor relations presentations, investor bulletin and the list of analysts in addition to periodic updates and amendments on all matters were included.

3.2. Annual Report

The Bank's annual report is prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks. In addition, the annual report is prepared in a way to include the information set forth in the Capital Markets Board (CMB) legislation and the Corporate Governance Principles.

SECTION IV - Stakeholders

4.1. Informing Stakeholders

Yapı Kredi employees are informed about the Bank's activities via internal communication systems by the CEO and relevant senior management when necessary. In addition, Head Office and branch managers are regularly informed about various developments via management meetings, announcements and other communication channels. The Bank's Code of Ethics and compliance to this code are reported to the Corporate Governance Committee on a regular basis. Outside of Yapı Kredi's employees, stakeholders are notified regarding information pertaining to themselves and when deemed necessary via e-mail, telephone and other communication channels. Mechanisms were established for stakeholders to submit the transactions of the company that are contrary to the legislation and not ethically appropriate to the Bank's senior management.

4.2. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by internal executive functions. The decision making responsibilities of these functions are initially evaluated by the relevant management and then submitted for the approval of the related decision making bodies. Furthermore, there are channels available for stakeholders and specifically for the Bank's employees in order for them to support the management of the Bank without hindering the activities of the Bank. Internal customer satisfaction measurement is also conducted once a year in order to get the views and opinions of the Bank's employees.

4.3. Human Resources Policy

The Bank's human resources practices are based on its Employee Guidelines. These guidelines inform employees about human resource practices and set conditions pertaining to administrative services. Through the Employee Guidelines, the Bank aims to inform and provide consultancy to employees regarding all matters relevant to employee relations such as employee selection, placement and development based on employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc. The Bank's human resources and organization management carries out its operations without discrimination of race, gender, nationality, age, religion, political view and physical disability and with respect towards privacy and civil rights. Job description as well as performance and bonus guidelines are announced to all employees of the Bank. In addition, the Bank has a human resources portal available to all employees with published detailed policies under main headings of career, new career development, salary and benefits as well as performance.

Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.

On the other hand, under the law on Trade Unions and Collective Labour Agreements (Law nr.6356), a Collective Bargaining Agreement is in place between the Bank and Union of Bank and Insurance Workers. The purpose of this agreement is identifying the benefits and responsibilities of the Bank and union members regarding contents and termination of members' labour contracts and other issues, ensuring that these are implemented correctly and demonstrating solutions in the event of possible conflicts. Through this agreement, both parties mutually guarantee to be on good terms, labor peace, wellbeing and labor safety. As a part of the Collective Bargaining Agreement, Workplace Union Representatives are designated by BASISEN on behalf of the members of the union. These representatives are commissioned to listen to members, resolve their complaints, assure cooperation, labor peace and harmony between workers and the employer, monitor the rights and interests of the workers and assist the exercise of the working conditions subject to the labor laws and collective bargaining agreements.

Main topics related to recruitment in the context of human resources applications are stated below.

Candidate searches: Following determination of needs in human resources, candidate searches are initiated through existing candidate pools, internet, news releases, internal announcements as well as head hunters. In addition, a special candidate pool composed of existing employees is also prepared for the position. Applications are assessed on the basis of criteria such as education, foreign language skills and work experience, as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes employer branding activities in cooperation with university clubs to introduce the Bank to university students and learn about their expectations.

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4.4. Code of Ethics and Social Responsibility

Information on the Bank's code of ethics is publicly disclosed on the Bank's website. Furthermore, a policy for fighting against corruption and bribery is formulated and announced on the website.

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations. The Bank develops its own social responsibility projects in line with the needs and expectations of the society. Furthermore, Yapı Kredi supports the active engagement of its stakeholders and provides support to the societal activities undertaken by its main shareholders, Koç Holding and UniCredit. Since its foundation in 1944, Yapı Kredi has been supplementing the investments made in education, culture & arts, environment and sports through its innovative social responsibility projects seeking lasting solutions to social problems and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to enable a wider audiences to benefit from these projects.

Culture and Arts Projects

- **Yapı Kredi Culture Art and Publishing:** Through Yapı Kredi Publishing, since its' establishment until the end of 2015 Yapı Kredi Culture Art and Publishing continues to be an important player in the world of publishing thanks to the 4,533 books it has published so far, with an annual average number of 250 new books and 550 new editions. The share of children's books gradually increases within the range of publications. Students, teachers, librarians, editors and authors are brought together every year in about 200 school activity held throughout the year. On the other hand, Yapı Kredi Cultural Center reaches significant numbers of followers through about 154 events and 9 exhibitions held during the year and thus maintains a reputable position in the cultural and artistic life of our country. Through its mission to support educational, cultural and artistic projects that will elevate the welfare level of the society, Yapı Kredi Culture Art Publishing also attaches great importance to publishing audio books which is a recently growing field of activity in Turkey and made its contribution into this field by publishing 72 books as of the end of 2015.
- **Yapı Kredi Afife Theatre Awards:** Hailed as the most prestigious and the long-lasting arts awards, Yapı Kredi Afife Theatre Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish female artist to appear on stage, and to support the Turkish theatre. A grand jury, under the mentorship of Haldun Dormen, comprising of 33 members who are doyens of theatre and have dedicated their lives to the art of theatre transparently vote for plays they watch during the season and grant awards in 14 categories including 11 main and 3 special awards.
- **Çatalhöyük Excavations:** Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for a long period in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya with an altitude of 21 meters, Çatalhöyük Hill houses 9,000-year-old secrets. Every year in August and September, a team of around 200 members from all over the world perform excavations at Çatalhöyük, one of the most important and impressive archaeological sites in the world. The 2015 excavation season marked a period in which new perspectives were adopted and significant finds were brought to light at Çatalhöyük, which is recorded in the UNESCO World Heritage List.

Projects for Disabled Citizens

- **Enabled Banking:** Initiated in 2008 as the first and most comprehensive Enabled Banking Program in Turkey, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making the finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers. Working in cooperation with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities), Yapı Kredi adds value to the lives of disabled citizens. Within the scope of this collaboration, 149 books were transferred onto digital media, converted into audio books and made available 7/24 to disabled citizens on the phone as of the end of 2015. The project 'Speaking is in our hands' was started through joint efforts with the Federation of the Hearing Impaired and 300 volunteers from branches were provided with sign language training. Enabled ATMs started service for the orthopedically impaired citizens in 2009 and for the visually impaired citizens in 2010. Yapı Kredi facilitates the lives of its orthopedically and visually impaired customers via 2,144 Enabled ATMs throughout Turkey. One of the projects started in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2015, a total of 10 disabled individuals have been employed by Yapı Kredi.
- **I Know No Barriers for My Country:** Yapı Kredi sustained its support to the project 'I Know No Barriers for My Country' led by Koç Holding. The Bank provided 1,541 employees with a training called 'The Right Approach to Disability' as of the end of 2015. In 2015, the physical conditions at 6 schools were improved to ensure better access for disabled students through the "Yapı Kredi B-Type Growth for My Country Variable Fund".

Sustainability and Yapı Kredi

- **Sustainability Structure:** Within the scope of studies conducted under the coordination of Yapı Kredi's Sustainability Committee, sub-working groups specialized in different subjects were established. The Sustainability Governance System Project was initiated to integrate sustainability principles into all of the Bank's operations.
- **Sustainability Report:** Yapı Kredi prepared the 2014 Sustainability report in accordance with the principles of G4 Reporting Guidelines core option, the most up-to-date reporting standard by the Global Reporting Initiative (GRI).
- **BIST Sustainability Index:** In 2015, BIST-50 companies were included in the assessment by the London-based Ethical Investment Research Service (EIRIS) within the framework of BIST Sustainability Index established by Borsa Istanbul. Yapı Kredi was included among the 29 companies on the BIST Sustainability Index as the result of the assessment among BIST-50 companies thanks to its successful performance in environmental, social and corporate governance areas.
- **Gender Equality for My Country:** Yapı Kredi plays an active role in the project 'I Support Gender Equality for My Country' started in June 2015 under the leadership of Koç Holding. This project aims to raise awareness on the reasons and consequences of gender inequality. The project's objectives include ensuring widespread awareness on gender equality and inspiring practices to raise awareness on the issue. 1,250 Yapı Kredi employees received training from voluntary trainers for the project in 2015.

Educational Projects

- **I Read, I Play:** Yapı Kredi has been running the project 'I Read, I Play' since 2006 in cooperation with the Educational Volunteers of Turkey Foundation (TEGV) to enable primary education students not having access to contemporary education opportunities to engage in out-of-school education activities. The project has been delivered by more than 3,500 volunteers at all 48 project points comprising of 10 educational parks and 38 learning units. This project has reached more than 120 thousand children as of the end of 2015.
- **Color Pen:** Launched in 2014 with the support of experienced journalists, the 'Colored Pens' project was an effort to build on the objective and mission of the 'I Read, I Play' project in terms of its contents. The first phase of the project started at Istanbul (Findıkzade), Samsun and Van education parks of TEGV in the spring of 2014 and continued at Ankara, Antalya, Eskişehir, Gaziantep, Istanbul (Bahçelievler), Izmir and Şanlıurfa education parks before ending in the spring of 2015. In addition to equipping children with many skills, the project aimed at contributing to the development of future journalists thanks to the active participation of esteemed journalists and TEGV volunteers.
- **Literacy Support:** In March 2015, Yapı Kredi Mortgage donated to the project 'AÇEV Basic and Advanced Literacy and Women's Support Training Events' for every housing loan taken by female customers, to benefit girls and adult women who did not have the opportunity to attend formal education. The campaign was a success, with more than 500 girls and adult women getting educational support.

Environmental Projects

- **Recycling Project:** Yapı Kredi has been running a recycling project since 2008 to support sustainability of natural resources. In 2015, more than 1 million kilograms of paper, more than 9 thousand kilograms of plastic, more than 700 kilograms of glass and more than 100 kilograms of metals were collected for recycling. Furthermore, Yapı Kredi prevented the emission of more than 39 thousand tons of greenhouse gases, the cutting of over 18 thousand trees and the wasting of 28 thousand cubic meters of water, 132 thousand 454 kWh of energy and 41 tons of crude oil.
- **ISO 14064:** Yapı Kredi continues the ISO 14064 Greenhouse Gas Emissions Reporting certification process annually, which has been initiated in 2011. The certification process for 2014 was completed in 2015.

Relations with the Academic Community

- **Finance Chair:** In 2015, Yapı Kredi continued to sponsor the 'Yapı Kredi Finance Chair' founded at Koç University to support scientific research in finance.

- Anatolian Scholarship: In 2015, Yapı Kredi sustained its support for the Anatolian Scholars Program established by Koç University in 2011 by increasing the number of scholars supported to 4.
- Yapı Kredi Banking and Insurance Academic Program: In 2015, Yapı Kredi undertook another first in the field of education and collaborated with MEF University to launch the Yapı Kredi Banking and Insurance Associate Degree Program. The two-year associate degree program aims to educate future bankers and provide students with internship opportunities and graduates with employment opportunities. 50 students have enrolled in this program which started in the 2015-2016 academic year.
- Yapı Kredi Vocational and Technical High School: Established in Kocaeli, Yapı Kredi Vocational and Technical High School started its educational activities in 2008 and has been one of the most important efforts by Yapı Kredi in the field of education. The school produced its first graduates in 2012 and now delivers education to over 500 students in the departments of child development and education, graphics and photography, IT, catering and office management. Additionally, 16 students benefited from the merit-based scholarship in 2015.

In 2015, Yapı Kredi channelled TL 4.7 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 7.6 million in aid and donations.

SECTION V - Board of Directors

5.1. Structure and Formation of the Board of Directors

The Bank is governed and represented by the Board of Directors. The number of Board members and the members themselves are determined at the Annual Shareholders' Meeting. The numbers and the qualifications of the independent members are determined in accordance with the BRSA and the CMB regulations. According to the Bank's Articles of Association, the Board of Directors must be composed of a minimum of 8 individuals. Members are elected by the General Assembly for a term of maximum 3 years and serve until the election of their successor.

Information on the Members of the Board of Directors who are elected and appointed due to position change at the Shareholders' Meeting on March 25, 2015 in order to serve until the Annual Shareholders' Meeting where the 2015 activities will be discussed is available in the following table (as of 31.12.2015) and their CVs are provided on the Bank's website and its annual report. At the Bank's Board of Directors, the executive director and the CEO and the members serving as deputy executive directors and deputy CEO function as executive members of the Board of Directors.

Name Surname	Position	The Most Recent Position outside the Corporation	Whether or Not Independent Member of Board of Directors	Committee Membership and Positions
Mustafa V. Koç ⁽¹⁾	Chairman	Chairman of Board of Directors at Koç Holding A.Ş., Koç Finansal Hizmetler A.Ş. and Chairman of the Board of Directors, Vice Chairman and Member at Koç Holding Group Companies	Not Independent	-
Carlo Vivaldi	Vice Chairman of The Board of Directors	Head of UniCredit Group Middle East and East Europe, Vice Chairman of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Credit Committee Member, Corporate Governance Committee Member, Remuneration Committee Member
H. Faik Açıklan	Chief Executive Officer	Chief Executive Officer and Executive Director at Koç Finansal Hizmetler A.Ş. Chairman of Koç Holding A.Ş. Banking and Insurance Group, Chairman of Board of Directors at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Chairman of Credit Committee, Chairman of Executive Committee
Niccolò Ubertalli	Executive Director and Deputy CEO	Executive Director and Deputy CEO at Koç Finansal Hizmetler A.Ş. Vice Chairman at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Vice Chairman of Credit Committee, Vice Chairman of executive Committee
Levent Çakıroğlu	Member of Board of Directors	CEO at Koç Holding A.Ş., Member of Board of Director at Koç Finansal Hizmetler A.Ş. and Member of Board of Directors at Koç Group Companies	Not Independent	Member of Corporate Governance Committee, Member of Remuneration Committee
F. Füsün Akkal Bozok	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş. Lecturer at Sabancı University	Independent	Member of Audit Committee, Member of Credit Committee
Ahmet Fadil Ashaboğlu	Member of Board of Directors	CFO at Koç Holding A.Ş., Member of Board of Directors at Koç Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Not Independent	-
Dr. Jürgen Kullnigg	Member of Board of Directors	Head of Risk Management at UniCredit, Member of Board of Director of some UniCredit Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Member of Credit Committee
Mirko D.G. Bianchi ⁽²⁾	Member of Board of Directors	Member of Executive Committee and Chief Financial Officer at UniCredit Bank Austria, Member of Board of Directors at some of UniCredit Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Member of Audit Committee, Member of Credit Committee
Gianni F.G. Papa	Member of Board of Directors	Vice Chairman of the Board of Directors and Head of Investment Banking at UniCredit SpA, Member of Board of Directors at some of UniCredit Group Companies, Member of board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Chairman of Audit Committee, Alternate Member of Credit Committee
Adil G. Öztoprak	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş. Member of Board of Director (Independent) at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Independent	Member of Credit Committee
Benedetta Navarra	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş. Member of Board of Director at AS Roma, Member of Board of Director at Statutory Auditors Equitalia S.p.A.	Independent	Member of Credit Committee

(1) Our Bank Chairman Mr. Mustafa V. Koç has deceased at 21.01.2016

(2) By the resolution of Board of Directors dated 25 Haziran 2015 Mr. Mirko D.G. Bianchi has been appointed to displace Mr. Francesco Giordano who resigned Membership of Board of Directors as the resolution date

The posts of Chairman of the Board of Directors and the General Manager (CEO) are not occupied by the same individual. It is ensured that the Members of the Board of Directors allocate sufficient time for the work of the Bank and no limits are introduced for the Members of the Board preventing them from assuming a duty or duties outside the Bank.

Benedetta Navarra and Adil G. Öztoprak were nominated as candidates for Independent Members to the Board of Directors on 22.01.2015 as a result of the examination of Candidacy Declarations and CVs by the Corporate Governance Committee and they were identified as candidates for Independent Members by the Board of Directors on the 23.01.2015. It was decided in CMB's meeting held on 19.02.2015 that no negative opinions be submitted for Benedetta Navarra and Adil G. Öztoprak and they were elected as Independent Members at the Annual Shareholders' Meeting.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an Audit Committee Member within the Bank's organization for the Board of Directors shall be considered as Independent Board Members within the framework of this communiqué. The same communiqué also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in Audit Committee Members of Banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. Within this framework, in 2015, the other Independent Members of the Audit Committee were Gianni F. G. Papa, Mirko D.G. Bianchi and F. Füsün Akkal Bozok, with Benedetta Navarra and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

During the 2015 operational period, no case that removed independence arose.

No target rate was determined in relation to the rate of female members in the Board of Directors as a tool for ensuring the representation of different opinions on the Board but the rate of female members in the Board of Directors was 17% in 2015.

5.2. Operating Principles of the Board of Directors

The Board of Directors convenes upon the invitation of the Chairman as the operations of the Bank necessitate and at least 10 times a year. In 2015, the Board of Directors convened 11 times. The Board of Directors meeting and decisions are subject to a quorum of at least one more than half the total number of members. Members of the Board of Directors are not granted weighted voting rights. The average attendance rate of the members in the meetings of the Board of Directors in 2015 was 86%.

Meeting invitations are sent to all Members on behalf of the Chairman. Matters to be discussed and related documentation are collected and upon the Chairman's approval, the meeting agenda is sent to all Members. During the signing of the minutes by the attendees, Members who vote against an adopted resolution are required to state and undersign the reasons for their opposition thereof. Requests and views expressed at the Board of Directors' meetings are reflected in the minutes.

A 'Management Liability Insurance' is available for Members of the Board of Directors and the senior managers of the Bank.

5.3. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees is to provide support during the decision making process, evaluate proposals to be submitted for approval to the Bank's related functions and make decisions in their own areas of responsibility in accordance with the authorities delegated by the Board of Directors. The committees are responsible for acting in compliance with the Banking Law and related regulations while carrying out their functions within the framework of the Corporate Governance Principles.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors currently consists of 12 members. The Board of Directors and other committee members are allocated in accordance to the Bank's joint venture shareholding structure. As a result, there are Members of the Board of Directors who are part of more than 1 committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular biweekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2015, the Executive Committee convened 23 times with the required majority and the quorum satisfied.

The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Existing product evaluation and new product approval
- Assessing credit, operational, market and liquidity risk
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction marketing activities
- Internal and external communication plans
- Approval of the Bank's annual project plan and major organisational changes
- Optimisation of market risk profile strategies within the guidelines set by the Board of Directors

Executive Committee Members

Chairman	H. Faik Açıkalın	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Wolfgang Schilk	Assistant General Manager - Risk Management (CRO)
Member	Marco Iannaccone ⁽¹⁾	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Feza Tan	Assistant General Manager - Corporate and Commercial Banking
Member	Z. Nazan Somer Özelgin	Assistant General Manager - Retail Banking
Member	Mert Yazıcıoğlu	Assistant General Manager - Private Banking and Wealth Management
Member	S. Cihangir Kavuncu ⁽²⁾	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Mert Öncü	Assistant General Manager - Treasury and Financial Institutions

(1) It is resolved by Board of Directors meeting dated January 18, 2016 that, as Marco Iannaccone, Chief Financial Officer, is taking another position within UniCredit Group, Massimo Francese is appointed as Chief Financial Officer as of March 1, 2016

(2) Based on the decision of the Board of Directors dated October 21, 2015, M. Gökmen Uçar was appointed as Assistant General Manager responsible for Human Resources and Organization (replacing S. Cihangir Kavuncu), effective as of January 1, 2016

Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2015, the Credit Committee convened 51 times with the required majority and the quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members

Chairman	H. Faik Açıkalın	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Dr. Jürgen Kullnigg	Member of the Board of Directors

Credit Committee Alternate Members

Alternate Member	Gianni F.G. Papa	Member of the Board of Directors
Alternate Member	Mirko D.G. Bianchi ⁽¹⁾	Member of the Board of Directors

(1) Based on the decision of the Board of Directors dated June 25, 2015, Mirko D.G. Bianchi was appointed as Credit Committee alternate member and Audit Committee member (replacing Francesco Giordano), effective as of July 1, 2015

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2015, the Audit Committee convened 4 times with the required majority and the quorum satisfied. The Committee reports at least once every six months to the Board of Directors.

The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditor, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members

Chairman	Gianni F.G. Papa	Member of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Mirko D.G. Bianchi ⁽¹⁾	Member of the Board of Directors
Member	Benedetta Navarra	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

(1) Based on the decision of the Board of Directors dated June 25, 2015, Mirko D.G. Bianchi was appointed as Credit Committee alternate member and Audit Committee member (replacing Francesco Giordano), effective as of July 1, 2015

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is through the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2015, the Corporate Governance Committee convened 2 times with the required majority and the quorum satisfied.

Corporate Governance Committee Members

Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Marco Iannaccone	Assistant General Manager - Financial Planning and Administration (CFO)

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2015, Remuneration Committee convened 2 times with the required majority and the quorum satisfied.

Remuneration Committee Members

Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

5.4. Risk Management and Internal Control Mechanism

Effective Internal Control Systems were established to monitor and control risks at branches and all related subsidiaries to ensure Bank's compliance to local laws and internal regulations. The Internal Control System, under the Audit Committee organisational structure, consists of Internal Audit, Compliance and Internal Control as well as Risk Management departments. Through the Manager of Internal Systems and Audit Committee, these departments report to the Board of Directors as per the regulations.

5.5. Strategic Goals of the Company

Strategic objectives of the Bank are annually reviewed by the Board of Directors. The Bank's annual budget is approved by the Board of Directors. At each Board of Directors' meeting during the year, the Bank's overall performance is reviewed and compared with the monthly targets. On a quarterly basis, key performance indicators and growth of the Bank compared to the sector are analysed in detail by the Board of Directors.

5.6. Financial Benefits

As defined in our Financial Statements Chapter fifth footnote no: VII.b In 2015, TL 39,699 (Group: TL 47,455) was paid to the senior management of the Bank. Senior management and other employees receive salaries and performance-based payments according to the principles in the Bank's Remuneration Policy. Performance-based payments are subject to achievement of the Bank's quantitative and qualitative targets as declared on the Remuneration Policy.

The remuneration policy for the Board of Directors and the senior management and employees was submitted to the review of the shareholders 3 weeks before the Annual Shareholders' Meeting held on March 25, 2015 through the Annual Shareholders' Meeting Disclosure Document and at the Bank's Head Office and branches, on the Bank's website at www.yapikredi.com.tr, at the KAP and the Electronic General Meeting System of the MKK and was approved at the Annual Shareholders' Meeting. The said policy as disclosed publicly through the Bank's website will be taken on the agenda of the Annual Shareholders' Meeting to be held on March 31, 2016 where the 2015 activities will be discussed and thus will be submitted to the opinion of the shareholders. Remunerations made to the Members of the Board of Directors and to senior managers are collectively and publicly disclosed in the footnotes of the financial statements in parallel with the general practice.

Members of the Board of Directors and senior management are allowed to utilise loans from the Bank within the guidelines specified on Article 50 of the Banking Law.

Transactions Carried Out with the Risk Group

Transactions with the risk group are carried out at arms-length and under market conditions in compliance with the Banking Law. In 2015, all related party transactions were undertaken within regulatory limits.

Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note VIII of the publicly announced Consolidated Financial Report as of 31 December 2015.

Affiliated Company Report

According to Article 199 of the Turkish Commercial Code No.6102, which came into effect in July 2012, Yapı Kredi's Board of Directors are liable to prepare a report regarding relations with the controlling company and its affiliated companies, within the first three months of the relevant operating year and to indicate the conclusion part of mentioned report in its annual report. Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note VIII of the publicly announced Consolidated Financial Report.

In the report prepared by Yapı Kredi's Board of Directors on 9 March 2016, it states; "It is concluded that in all transactions made by Yapı Kredi with the controlling company and the companies affiliated to the controlling company in 2015, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided and there is no measure taken or refrained from being taken, which may cause the company to suffer losses and that in this context, there is no transaction or measure which may require balancing."

Independence Declarations

Below is the independence declaration of Benedetta Navarra, who has been appointed as Independent Board Member in the Annual General Assembly Meeting held in 2015.

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- I have not served as a board member at the Company's board of directors for more than six years in the last ten years;
- I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Benedetta NAVARRA

Below is the independence declaration of Adil Giray Öztoprak, who has been appointed as Independent Board Member in the Annual General Assembly Meeting held in 2015.

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- I am considered to be a resident of Turkey in accordance with the Income Tax Code (ITC) dated 31/12/1960 and number 193;
- I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- I have not served as a board member at the Company's board of directors for more than six years in the last ten years;
- I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Adil Giray ÖZTOPRAK

**DECLARATION OF RESPONSIBILITY ACCORDING
TO COMMUNIQUÉ ON PRINCIPLES REGARDING FINANCIAL REPORTING
IN CAPITAL MARKET NO. II-14.1 BULLET 9
ISSUED BY CAPITAL MARKETS BOARD OF TURKEY**

In accordance with rescript of The Capital Markets Board (no II-14.1 bullet no:9), Yapı Kredi's annual report, covering dates between 01/01/2015 – 31/12/2015,

We have reviewed the annual report
The annual report does not encompass any untruthful data
The annual report does not lack any important information
The annual report truthfully reflects the Bank's financial and operational performance

Regards,



H. Faik AÇIKALIN
Murahhas Aza ve Genel Müdür



F. Füsün AKKAL BOZOK
Denetim Komitesi Üyesi



Marco IANNACCONE
Genel Müdür Yardımcısı

Part III

Financial Information and Risk Management

Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems

Internal Audit

Internal Audit is responsible for carrying out Yapı Kredi's internal audit activities with 140 employees, and reports directly to the Board of Directors through Audit Committee.

Yapı Kredi's internal audit approach includes regular, process, investigation and follow-up audits. The risks detected during audits are submitted to senior management via audit reports. In addition, the effectiveness and adequacy of management procedures and business processes are evaluated from a risk perspective. In 2015, Yapı Kredi carried out all audits in line with the annual audit plan and even exceeded in some areas. In total, 64 Head Office process audits (exceeding the annual target by 3 audits) and 76 subsidiary process audits (exceeding the annual target by 9 audits) were performed. Moreover, 632 regular/spot branch audits (exceeding the annual target by 2 audits), 71 follow-up branch audits, 86 Bank and 6 subsidiary investigations/inquiries were completed.

The Annual Audit Certification Program, launched in 2010 in order to train auditors, continued in 2015 in collaboration with Boğaziçi University and the Turkish Institute of Internal Auditors (TIDE).

At Yapı Kredi, regular and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors and shareholders for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with senior management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

In 2015, the execution of the Management Assertion study requested by the Banking Regulation and Supervision Agency (BRSA) continued. In this context, banking processes and general IT controls were performed by Internal Audit in addition to support services companies' on-site audits within the Management Assertion framework. The test results were reviewed by the Audit Committee and presented to the Board of Directors.

Internal Control

Internal Control activities in Yapı Kredi are carried out by 78 (103 including subsidiaries) employees under the governance of the Audit Committee.

Control activities are performed in branches and/or Head Office at specified intervals within the scope of BRSA, international control standards and practices and internal risk evaluations. Findings are reported to the related departments in a timely manner to ensure necessary improvements are made and the process is followed until completion.

Periodic reports related to Internal Control activities, results and related actions are presented to the Audit Committee and senior management.

Comprehensive career training and certification programs are undertaken continuously in collaboration with various universities and the Turkish Institute of Internal Auditors (TIDE).

In 2015, on-site audits were performed in 526 branches including follow-up controls. At the same time, remote controls were performed at both the Head Office and branches. Additionally, internal control activities continued for 9 subsidiaries in 2015.

Risk Management

Yapı Kredi's risk management activities are carried out by 87 employees under the Audit Committee's governance with an objective to measure, monitor, report and mitigate risks that the Bank may be exposed to. Risk Management is divided into 3 sub-departments; credit, operational and market risk.

In 2015, the Credit Policy Directive, which reflects the Bank's strategy in regards to asset quality, effective risk management and compliance with legal practices, was updated. Additionally:

- IRB application process was initiated. Within this scope, model revisions and validations, rating system and process improvements and application write-up have been initiated
- Regular upgrade/enhancement projects for the rating/scoring systems continued. Validation activities were performed in parallel to modelling activities
- Default Identification System was renewed
- Data preparation for IFRS9 - LLP models (PD, EAD, LGD) was finalized and methodological studies have been initiated
- Monitoring environment for data quality of model inputs and outputs was established
- Participation to Risk Center common data pool system has been initiated
- Regular underwriting and monitoring strategy upgrades have been performed

Operational & Reputational Risk

Yapı Kredi's main objective in operational risk is to identify, measure and mitigate operational and reputational risks at Bank and subsidiary level. Policies are reviewed on a yearly basis, updated if necessary and submitted to the Board of Directors for approval. Operational and reputational risk also coordinates the Bank's compliance to the Basel-II advanced measurement approach. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new product risk assessment is carried out and a risk map of information technologies is prepared. Activities in operational risk and business continuity are submitted to the Board of Directors on a quarterly basis via the Audit Committee.

Market Risk

Market risk management activities at Yapı Kredi focus on measuring the effect of risks arising from volatility in prices, interest rates and currency from financial markets on the Bank's balance sheet and liquidity position. Market risk activities also comprise preparation of market risk reports for regulatory authorities and implementation of advanced measurement techniques under Basel-II and Basel-III frameworks. Risk measurements, utilising advanced techniques and daily limit-risk controls are performed and various scenario analysis and stress tests are applied within this scope. Results of all calculations and analyses are presented on a daily and monthly basis to senior management and the Board of Directors via the Audit Committee.

Risk Management Policies

Yapı Kredi's risk management policies entail the full commitment of all employees. In coherence with this directive, any breach of limit or policy is reported to management and the Executive Committee in a timely manner.

Credit Risk

The Credit Policy Directive, which reflects the Bank's risk appetite, is updated annually and becomes operational following approval by the Board of Directors. The Credit Policy Directive in effect is based on improving asset quality, supporting effective risk management and complying with legal practices. In addition, it includes management of all lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk policy is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include:

- Effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach
- Steering of the loan portfolio toward less risky sectors
- Avoidance of excessive concentration in Group exposures while strictly obeying statutory limits
- Focus on customers with better credit ratings
- Avoidance of transactions bearing high credit and reputational risk
- Undertaking precautions against new defaults in consumer and SME loans
- Timely updates to senior management about all developments in credit risk area to ensure effective credit risk management
- Redesign of limit management strategies in retail loans
- Ensuring sustainability in collections
- Managing credit process harmonisation among legal entities
- Performing credit stress tests
- Participating in credit risk regulatory processes

Additionally; Credit Risk Mitigation Guideline was approved by the Board of Directors as part of secured lending with clear roles and responsibilities in collateral management lifecycle, ensuring the soundness, legal enforceability and realisation of appraisable collaterals in compliance with Basel II IRB requirements.

General Lending Guideline has been established and approved by the Board of Directors which represents an extension to the Credit Policy with additional guidance and explanations in regards to the lending rules and principles for Corporate, Commercial, SME and Individual customers and products in the light of Basel II IRB requirements.

Operational and Reputational Risk

Operational risk policies approved in 2014 cover groupwide principles and standards regarding responsibilities of the operational risk unit and management; strategy, policy and investments for control and management of operational and information technologies risk; frequency, content and recipients of operational and information risk reports. Business Continuity Management Policy is formed to minimise risks that might endanger the continuity of the Bank's activities and ensure recovery of critical services/products in the desired time span in case of disruption. This Business Continuity Management Policy is regularly updated and approved by the Board of Directors. Moreover, a Reputational Risk Management Policy was put into effect in 2013 to define the set of principles and procedures to control, measure and mitigate the Group's reputational risks.

Moreover, YapıKredi is convinced that comprehensive usage of advanced methodologies will provide significant contribution to the Bank's sustainable performance and to the stability of Turkish financial system. Within this respect, YapıKredi aims to implement Advanced

Measurement Approaches (AMA) for operational risk management on Bank level. AMA compliance project is implemented with the objective of leveraging regulatory requirements of AMA to maintain a robust operational risk control environment, mainly focusing on;

- Establishment of an effective capital management
- Risk sensitive capital calculation for operational risk
- AMA model implementation on a local basis
- Model calibration and maintenance in line with Bank's risk profile
- Robust data collection and consolidation framework by enhanced technical environment
- Creation of a holistic control framework
- Alignment of risk control framework in line with the bank's risk appetite and tolerance levels
- Value added risk reporting enabling risk mitigation and cost saving
- Compliance to specific regulations, guidelines, international best practices and Group-wide standards

Market Risk

Within market risk framework, Yapı Kredi monitors the limits defined by risk management policies, measures the effect of fluctuations in interest rates, exchange rates and share prices on the Bank's trading portfolio and reports the results to senior management. Besides, market risk sets risk appetite limits for banking portfolio as well to manage interest rate sensitivity in the balance sheet and monitors the compliance of risk exposures within the pre-defined limits.

Furthermore, within counterparty credit risk framework, derivative transactions are evaluated on each counterparty level since they are not only exposed to market risk, but also to credit risk as well. In line with best practice, the methodology covers potential future exposure calculations. The reports are shared with senior management periodically.

In terms of liquidity risk management; in line with Yapı Kredi's Risk Appetite Framework, liquidity situation is kept as sustainable and robust via sound internal limits, business sustainability liquidity reports and periodic liquidity stress tests. In addition, there are regulatory liquidity analysis that are reported to BRSA periodically at both bank-only and consolidated level. All liquidity reports are also shared periodically with senior management.

Expectations, limits and risks exposed are defined in detail in line with market risk policies in the budget process every year. Market risk policies include the risk limits set according to the budget and the measurement methods utilised. Functions and authorisation of related units and committees are also described in the policies. The Executive Committee plays an active role in the market risk management process.

2015 Financial Review

Based on Banking Regulation and Supervision Agency (BRSA) consolidated financial results dated 31 December 2015, Yapı Kredi recorded a net income of TL 1,909 million and a return on average tangible equity of 9.7% in 2015. In the same period, the total asset size increased by 21% annually to TL 235 billion. Throughout the year, Yapı Kredi further enhanced its contribution to the financing of the Turkish economy. Accordingly, total cash and non-cash loan volume increased by 21% to TL 210 billion and the Bank maintained its third position among private banks in Turkey.

In 2015, total cash loans reached TL 152.5 billion with 21% annual growth compared to a sector growth of 18%. Accordingly, Yapı Kredi increased its market share in total cash loans to 10.3%. In cash loans, solid growth was achieved in high value generating areas; general purpose consumer loans with an annual growth of 37% and in SME loans with an annual growth of 35%, and the Bank thus continued to improve its loan remix. Leadership in credit cards was also maintained. During the same period, total deposits grew by 21% compared to 18% in the sector reaching TL 130.0 billion. The Bank's market share in total deposits reached 10.2% in the same period. Thus, in the last two years, Yapı Kredi gained a market share of 178 basis points in loans and 156 basis points in deposits among private banks. In parallel with Yapı Kredi's customer-oriented approach, share of loans in total assets increased to 65%, one of the highest levels in the sector, while share of securities in total assets realised at 13%, one of the lowest in the sector.

In terms of liquidity, through balanced volume growth, the Bank's loans-to-deposit ratio including TL bonds was 114% with only a 2 percentage points increase. In 2015, Yapı Kredi also focused on funding diversification and raised an approximate total of TL 5.8 billion and USD 4.6 billion through syndications, securitizations, bond issuances and other financial instruments.

In terms of revenue generation, the Bank's core revenues increased by 20% year-on-year reaching TL 10,019 million versus the 14% average among private banks, thanks to strong growth in both net interest income and fees and commissions. On the other hand, costs increased by 22% year-on-year due to growth investments which were completed during the year. Cost-to-income ratio stood at 49% as of the end of 2015. In the same period, cumulative net interest margin realised as 3.4% through upward loan pricing despite the pressure on deposit costs.

In 2015, the Bank's asset quality was impacted by the challenging operating environment and the NPL ratio realised as 3.9%. In terms of capital, despite the fluctuations in foreign exchange rates throughout the year, Yapı Kredi was able to maintain a capital adequacy ratio of 13.8% thanks to efficient capital management.

In 2015, total administrative fines enforced on the Bank by the regulatory and supervisory authorities were TL 320 thousand.

Five Year Summary Financials

	2011	2012	2013	2014	2015
Total Assets	117,450	131,498	160,310	194,959	235,268
Cash + Non-Cash Loans	95,699	106,457	137,524	174,291	210,133
Loans	69,326	77,813	99,436	125,534	152,489
Deposits	66,187	71,143	88,482	107,631	130,025
Shareholders' Equity	12,635	16,040	18,286	20,214	23,086
Net Income/(Loss)	2,291	2,098	2,375 ⁽¹⁾	2,056	1,909
Capital Adequacy Ratio (Group)	14.9%	15.2%	15.3%	14.4%	12.9%
Capital Adequacy Ratio (Bank)	14.7%	16.3%	16.0%	15.0%	13.8%
Number of Branches (Group)	964	958	988	1,042	1,043
Number of Branches (Bank)	907	928	949	1,003	1,000
Number of Employees (Group)	17,350	15,661	16,682	18,534	19,345
Number of Employees (Bank)	14,859	14,733	15,683	17,457	18,262

(1) 2013 net income excludes TL 1.3 billion capital gain from the sale of Yapı Kredi Insurance. Net income including the sale is TL 2,375 million

Credit Ratings

Yapı Kredi's credit ratings which are given by international credit rating agencies Fitch, Moody's and Standard & Poor's are listed below. Ratings given by Fitch and Moody's represent investment grade.

Fitch	Rating	Outlook
Long Term Foreign Currency	BBB	Stable
Long Term Local Currency	BBB	Stable
Short Term Foreign Currency	F2	
Short Term Local Currency	F2	
Viability Rating	bbb-	
Support Rating	2	
National Long Term	AAA(tur)	Stable
Senior Unsecured Debt	BBB	

Standard & Poor's	Rating	Outlook
Long Term Foreign Currency	BB+	Negative
Long Term Local Currency	BB+	Negative
Short Term Foreign Currency	B	
Short Term Local Currency	B	
National Long Term	trAA+	
National Short Term	trA-1	
Senior Unsecured Debt	BB+	

Moody's	Rating	Outlook
Long Term Foreign Currency Deposit	Baa3	Negative
Long Term Local Currency Deposit	Baa3	Negative
Short Term Foreign Currency Deposit	Prime-3	
Short Term Local Currency Deposit	Prime-3	
National Scale Rating	A1.tr	Negative
Senior Unsecured Debt	Baa3	Negative

Note: Ratings are update as of March 9,2016



Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

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

Independent auditor report

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. (“the Bank”) as at December 31, 2015 and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders’ equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders’ equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank’s Board of Directors for the financial statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statement in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; “BRSA Accounting and Reporting Legislation” and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Independent Auditor’s responsibility

Our responsibility is to express an opinion on the unconsolidated financial statements based on our audit. We conducted our audit in accordance with communique “Independent Audit of Banks” published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the independent auditor’s professional judgment, including the assessment of risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank’s preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank’s internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying unconsolidated financial statements presents fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period January 1 – December 31, 2015 are not in compliance with the code and provisions of the Bank’s articles of association in relation to financial reporting.

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



Additional paragraph for convenience translation to English:

As explained in detail in Note I. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Istanbul, February 2, 2016

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

E-Mail: financialreports@yapikredi.com.tr

**The unconsolidated year end financial report of
Yapı ve Kredi Bankası A.Ş. as of December 31, 2015**

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

- **Section one** - General information about the Bank
- **Section two** - Unconsolidated financial statements of the Bank
- **Section three** - Explanations on accounting policies applied in the related period
- **Section four** - Information related to financial position of the Bank
- **Section five** - Explanations and notes related to unconsolidated financial statements
- **Section six** - Other explanations
- **Section seven** - Independent auditor’s report

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

Carlo VIVALDI
Vice Chairman




Gianni F.G. PAPA
Chairman of Audit
Committee

H. Faik AÇIKALIN
Chief Executive Officer



F. Füsün Akkal BOZOK
Member of Audit
Committee



Marco IANNACCONE
Chief Financial Officer




B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President

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

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

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Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 2015

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

Section One

General Information

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

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

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

The Bank’s publicly traded shares are traded on the Borsa İstanbul (“BIST”) since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2015, 18,20% of the shares of the Bank are publicly traded (December 31, 2014 - 18,20%). The remaining 81,80% is owned by Koç Finansal Hizmetler A.Ş. (“KFS”), a joint venture of UniCredit (“UCG”) and Koç Group.

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

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

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

As of December 31, 2015, the Bank’s Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Mustafa V. KOÇ ⁽¹⁾	Chairman
Carlo VIVALDI	Vice Chairman
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Deputy General Manager
Adil Giray ÖZTOPRAK	Member
Ahmet Fadil ASHABOĞLU	Member
Benedetta NAVARRA	Member
Mirko D.G. BIANCHI	Member
F.Fusun Akkal BOZOK	Member
Jürgen Dr. KULLNIGG	Member
Gianni F.G. PAPA	Member
Levent ÇAKIROĞLU	Member

(1) Mr. Mustafa V. Koç, Chairman of Yapı Kredi Bank, has deceased on January 21, 2016. No new chairman has been appointed as of the publishing date of this report.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 2015 (continued)

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

General information (continued)

Audit Committee Members:

Name	Responsibility
Gianni F.G. PAPA	Chairman
Adil Giray ÖZTOPRAK	Member
Benedetta NAVARRA	Member
Mirko D.G. BIANCHI	Member
F. Füsün Akkal BOZOK	Member

General Manager and Deputy General Manager:

Name	Responsibility
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Deputy General Manager

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Feza TAN	Corporate and Commercial Banking Management
Marco IANNACCONO ⁽²⁾	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mehmet Gökmen UÇAR ⁽¹⁾	Retail Credits Management
Mehmet Murat ERMERT	Corporate Communication Management
Mert ÖNCÜ	Treasury Management
Mert YAZICIOĞLU	Private Banking and Asset Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Stefano PERAZZINI	Internal Audit / Chief Audit Executive
Süleyman Cihangir KAVUNCU ⁽¹⁾	Human Resources and Organization Management
Wolfgang SCHILK	Risk Management
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

- (1) It is resolved by Board of Directors of Yapı ve Kredi Bankası A.Ş. at 21.10.2015 meeting that, as of January 1, 2016, due to Mr. S. Cihangir Kavunçu, Assistant General Manager responsible for Human Resources and Organization is taking another position within UniCredit Group as of January 1, 2016, Mr. M. Gökmen Uçar, who is currently Assistant General Manager responsible for Retail Credits, will be appointed as Assistant General Manager responsible for Human Resources and Organization; An application will be sent to BRSA to appoint Mr. Demir Karaaslan, who is currently Executive Vice President of Planning and Control - Financial Planning and Administration, as Assistant General Manager responsible for Retail Credits. The appointment will become effective unless an objection is received from BRSA within 7 working days.
- (2) In accordance with the decision taken in the Board of Directors Meeting held on January 18, 2016, it is approved that effective from March 1, 2016, due to appointment of Mr. Marco Iannaccone, Assistant General Manager responsible for Financial Planning and Administration Management and Organization to another position within UniCredit Group, an application will be sent to BRSA to appoint Mr. Massimo Francese as Assistant General Manager responsible for Financial Planning and Administration Management and Organization.

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

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.555.712.396,07	81,80%	3.555.712.396,07	-

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 2015 (continued)

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

General information (continued)

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

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

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

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

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

As of December 31, 2015, the Bank has 999 branches operating in Turkey and 1 branch in overseas (December 31, 2014 - 1002 branches operating in Turkey, 1 branch in overseas). As of December 31, 2015, the Bank has 18.262 employees (December 31, 2014 - 17.457 employees).

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

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

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

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

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

None.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of December 31, 2015 and 2014**

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

Section two**Unconsolidated financial statements****I. Balance sheet (Statement of Financial Position)**

Assets	Note (Section Five)	Current Period (31/12/2015)			Restated Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	3.463.665	23.530.921	26.994.586	2.990.664	19.978.224	22.968.888
II. Financial assets at fair value through profit or (loss) (net)	I-b	1.537.120	232.190	1.769.310	1.050.556	146.460	1.197.016
2.1 Trading financial assets		1.537.120	232.190	1.769.310	1.050.556	146.460	1.197.016
2.1.1 Government debt securities		51.614	14.492	66.106	69.529	25.622	95.151
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading	I-c	1.485.506	217.698	1.703.204	981.027	120.838	1.101.865
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	25.591	1.311.553	1.337.144	91.643	2.303.705	2.395.348
IV. Money markets		155.270	130.845	286.115	1.568.654	-	1.568.654
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from BIST		155.270	130.845	286.115	248.247	-	248.247
4.3 Receivables from reverse repurchase agreements		-	-	-	1.320.407	-	1.320.407
V. Financial assets available-for-sale (net)	I-d,e	18.578.677	4.169.752	22.748.429	15.284.389	3.301.769	18.586.158
5.1 Share certificates		6.272	210.639	216.911	5.760	220	5.980
5.2 Government debt securities		17.759.935	2.620.248	20.380.183	13.892.754	2.359.950	16.252.704
5.3 Other marketable securities		812.470	1.338.865	2.151.335	1.385.875	941.599	2.327.474
VI. Loans and receivables	I-f	98.112.274	50.666.908	148.779.182	83.936.124	38.057.278	121.993.402
6.1 Loans and receivables		96.690.031	50.584.078	147.274.109	82.877.115	37.860.438	120.737.553
6.1.1 Loans to bank's risk group		1.579.808	88.851	1.668.659	1.171.607	223.916	1.395.523
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		95.110.223	50.495.227	145.605.450	81.705.508	37.636.522	119.342.030
6.2 Loans under follow-up		5.618.346	513.394	6.131.740	3.762.524	571.251	4.333.775
6.3 Specific provisions (-)		(4.196.103)	(430.564)	(4.626.667)	(2.703.515)	(374.411)	(3.077.926)
VII. Factoring receivables		-	-	-	-	-	-
VIII. Held-to-maturity investments (net)	I-g	1.920.297	4.469.335	6.389.632	1.887.227	3.131.822	5.019.049
8.1 Government debt securities		1.920.297	4.469.335	6.389.632	1.887.227	3.131.822	5.019.049
8.2 Other marketable securities		-	-	-	-	-	-
IX. Investments in associates (net)	I-ğ	4.503	338.140	342.643	4.503	260.372	264.875
9.1 Consolidated based on equity method		-	-	-	-	-	-
9.2 Unconsolidated		4.503	338.140	342.643	4.503	260.372	264.875
9.2.1 Investments in financial associates		-	338.140	338.140	-	260.372	260.372
9.2.2 Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X. Subsidiaries (net)	I-h	2.233.990	1.387.746	3.621.736	2.048.642	1.263.136	3.311.778
10.1 Unconsolidated financial subsidiaries		2.226.690	1.387.746	3.614.436	2.046.342	1.263.136	3.309.478
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	2.300	-	2.300
XI. Joint ventures (net)	I-ı	20.851	-	20.851	19.054	-	19.054
11.1 Accounted based on equity method		-	-	-	-	-	-
11.2 Unconsolidated		20.851	-	20.851	19.054	-	19.054
11.2.1 Financial joint ventures		20.851	-	20.851	19.054	-	19.054
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-i	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. Derivative financial assets held for hedging	I-j	948.859	6.268	955.127	256.146	-	256.146
13.1 Fair value hedge		251.230	-	251.230	177.895	-	177.895
13.2 Cash flow hedge		697.629	6.268	703.897	78.251	-	78.251
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2.693.901	-	2.693.901	1.050.993	-	1.050.993
XV. Intangible assets (net)	I-l	1.489.434	-	1.489.434	1.428.368	-	1.428.368
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		509.941	-	509.941	448.875	-	448.875
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset	I-n	-	-	-	93.959	-	93.959
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		-	-	-	93.959	-	93.959
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	151.010	-	151.010	150.499	-	150.499
18.1 Held for sale purposes		151.010	-	151.010	150.499	-	150.499
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.388.350	1.401.970	2.790.320	1.027.377	961.048	1.988.425
Total assets		132.723.792	87.645.628	220.369.420	112.888.798	69.403.814	182.292.612

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014

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

I. Balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (31/12/2015)			Restated Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	67.190.566	59.718.327	126.908.893	64.175.925	40.944.414	105.120.339
1.1 Deposits of the Bank's risk group		7.510.140	8.171.531	15.681.671	9.031.224	6.091.758	15.122.982
1.2 Other		59.680.426	51.546.796	111.227.222	55.144.701	34.852.656	89.997.357
II. Derivative financial liabilities held for trading	II-b	1.622.210	231.296	1.853.506	698.894	96.636	795.530
III. Funds borrowed	II-c	653.865	22.961.865	23.615.730	862.557	17.259.016	18.121.573
IV. Money markets		10.129.554	2.165.386	12.294.940	3.834.659	2.365.914	6.200.573
4.1 Funds from interbank money market		1.887.563	-	1.887.563	-	-	-
4.2 Funds from BIST		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		8.241.991	2.165.386	10.407.377	3.834.659	2.365.914	6.200.573
V. Marketable securities issued (net)	II-ç	2.769.469	6.798.094	9.567.563	2.820.234	6.900.165	9.720.399
5.1 Bills		2.106.752	451.305	2.558.057	1.638.373	1.712.209	3.350.582
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		662.717	6.346.789	7.009.506	1.181.861	5.187.956	6.369.817
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		7.871.009	1.267.139	9.138.148	6.886.076	1.515.308	8.401.384
VIII. Other liabilities	II-d	1.787.460	890.731	2.678.191	1.342.786	1.543.834	2.886.620
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables (net)	II-e	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
XI. Derivative financial liabilities held for hedging	II-f	38.814	108.660	147.474	228.442	211.349	439.791
11.1 Fair value hedge		3.427	-	3.427	-	-	-
11.2 Cash flow hedge		35.387	108.660	144.047	228.442	211.349	439.791
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	2.866.013	985.521	3.851.534	2.569.837	675.719	3.245.556
12.1 General loan loss provision		1.658.831	913.159	2.571.990	1.262.683	620.584	1.883.267
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		268.166	-	268.166	251.595	-	251.595
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		939.016	72.362	1.011.378	1.055.559	55.135	1.110.694
XIII. Tax liability	II-ğ	594.239	-	594.239	372.599	-	372.599
13.1 Current tax liability		480.305	-	480.305	372.599	-	372.599
13.2 Deferred tax liability		113.934	-	113.934	-	-	-
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-h	-	6.635.191	6.635.191	-	6.770.549	6.770.549
XVI. Shareholders' equity	II-ı	21.783.645	1.300.366	23.084.011	19.319.294	898.405	20.217.699
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		3.674.694	1.300.366	4.975.060	2.457.778	898.405	3.356.183
16.2.1 Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		225.727	1.335.232	1.560.959	843.015	1.060.140	1.903.155
16.2.4 Property and equipment revaluation differences		1.449.056	-	1.449.056	18.485	-	18.485
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Revaluation differences of investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures		15.107	-	15.107	15.107	-	15.107
16.2.8 Hedging funds (effective portion)		248.217	(34.866)	213.351	(135.274)	(161.735)	(297.009)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.192.706	-	1.192.706	1.172.564	-	1.172.564
16.3 Profit reserves		11.901.355	-	11.901.355	10.457.954	-	10.457.954
16.3.1 Legal reserves		751.512	-	751.512	641.000	-	641.000
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		11.148.251	-	11.148.251	9.815.284	-	9.815.284
16.3.4 Other profit reserves		1.592	-	1.592	1.670	-	1.670
16.4 Income or (loss)		1.860.545	-	1.860.545	2.056.511	-	2.056.511
16.4.1 Prior years' income or (loss)		-	-	-	-	-	-
16.4.2 Current year income or (loss)		1.860.545	-	1.860.545	2.056.511	-	2.056.511
Total liabilities and shareholders' equity		117.306.844	103.062.576	220.369.420	103.111.303	79.181.309	182.292.612

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014

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

II. Off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
A	Off-balance sheet commitments (III+III)	158.883.297	208.585.077	367.468.374	117.452.209	142.114.339	259.566.548
I.	Guarantees and warranties	18.076.523	38.964.548	57.041.071	15.983.223	32.292.642	48.275.865
1.1	Letters of guarantee	18.031.594	26.932.137	44.963.731	15.913.418	21.868.385	37.781.803
1.1.1	Guarantees subject to state tender law	522.480	1.134.886	1.657.366	503.713	716.911	1.220.624
1.1.2	Guarantees given for foreign trade operations	2.329.832	25.797.251	28.127.083	2.316.159	21.151.474	23.467.633
1.1.3	Other letters of guarantee	15.179.282	-	15.179.282	13.093.546	-	13.093.546
1.2	Bank acceptances	-	173.524	173.524	-	126.982	126.982
1.2.1	Import letter of acceptance	-	173.524	173.524	-	126.982	126.982
1.2.2	Other bank acceptances	-	-	-	-	-	-
1.3	Letters of credit	11.483	7.636.526	7.648.009	3	7.592.265	7.592.268
1.3.1	Documentary letters of credit	11.483	7.636.526	7.648.009	3	7.592.265	7.592.268
1.3.2	Other letters of credit	-	-	-	-	-	-
1.4	Prefinancing given as guarantee	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2	Other endorsements	-	-	-	-	-	-
1.6	Securities issue purchase guarantees	-	-	-	-	-	-
1.7	Factoring guarantees	-	-	-	-	-	-
1.8	Other guarantees	33.446	1.430.529	1.463.975	69.802	788.994	858.796
1.9	Other warranties	-	2.791.832	2.791.832	-	1.916.016	1.916.016
II.	Commitments	60.273.748	26.213.733	86.487.481	42.919.920	3.503.210	46.423.130
2.1	Irrevocable commitments	59.611.290	19.308.750	78.920.040	42.919.920	3.503.210	46.423.130
2.1.1	Asset purchase and sale commitments	13.018.015	17.850.821	30.868.836	937.272	2.205.515	3.142.787
2.1.2	Deposit purchase and sales commitments	-	-	-	-	8	8
2.1.3	Share capital commitments to associates and subsidiaries	-	-	-	-	-	-
2.1.4	Loan granting commitments	7.816.459	1.268.554	9.085.013	6.945.817	1.179.842	8.125.659
2.1.5	Securities issue brokerage commitments	-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7	Commitments for cheques	6.521.085	-	6.521.085	5.981.382	-	5.981.382
2.1.8	Tax and fund liabilities from export commitments	6.376	-	6.376	44.489	-	44.489
2.1.9	Commitments for credit card limits	28.304.464	-	28.304.464	25.612.776	-	25.612.776
2.1.10	Commitments for credit cards and banking services promotions	13.810	-	13.810	11.149	-	11.149
2.1.11	Receivables from short sale commitments of marketable securities	-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities	-	-	-	-	-	-
2.1.13	Other irrevocable commitments	3.931.081	189.375	4.120.456	3.387.035	117.845	3.504.880
2.2	Revocable commitments	662.458	6.904.983	7.567.441	-	-	-
2.2.1	Revocable loan granting commitments	662.458	6.904.983	7.567.441	-	-	-
2.2.2	Other revocable commitments	-	-	-	-	-	-
III.	Derivative financial instruments	80.533.026	143.406.796	223.939.822	58.549.066	106.318.487	164.867.553
3.1	Derivative financial instruments for hedging purposes	27.698.936	30.810.144	58.509.080	19.785.915	22.110.629	41.896.544
3.1.1	Transactions for fair value hedge	571.986	823.018	1.395.004	455.325	674.144	1.129.469
3.1.2	Transactions for cash flow hedge	27.126.950	29.987.126	57.114.076	19.330.590	21.436.485	40.767.075
3.1.3	Transactions for foreign net investment hedge	-	-	-	-	-	-
3.2	Trading transactions	52.834.090	112.596.652	165.430.742	38.763.151	84.207.858	122.971.009
3.2.1	Forward foreign currency buy/sell transactions	3.482.444	6.095.245	9.577.689	2.501.331	3.961.567	6.462.898
3.2.1.1	Forward foreign currency transactions-buy	1.038.783	3.677.607	4.716.390	919.750	2.229.299	3.149.049
3.2.1.2	Forward foreign currency transactions-sell	2.443.661	2.417.638	4.861.299	1.581.581	1.732.268	3.313.849
3.2.2	Swap transactions related to foreign currency and interest rates	38.264.411	87.202.512	125.466.923	28.646.885	61.960.287	90.607.172
3.2.2.1	Foreign currency swap-buy	8.559.166	36.806.078	45.365.244	12.373.547	25.252.209	37.625.756
3.2.2.2	Foreign currency swap-sell	29.705.245	16.146.254	45.851.499	16.273.338	20.748.836	37.022.174
3.2.2.3	Interest rate swap-buy	-	17.125.090	17.125.090	-	7.979.621	7.979.621
3.2.2.4	Interest rate swap-sell	-	17.125.090	17.125.090	-	7.979.621	7.979.621
3.2.3	Foreign currency, interest rate and securities options	6.682.132	8.561.247	15.243.379	3.897.749	12.727.219	16.624.968
3.2.3.1	Foreign currency options-buy	1.973.220	4.682.492	6.655.712	1.763.365	2.931.949	4.695.314
3.2.3.2	Foreign currency options-sell	3.208.910	3.501.087	6.709.999	2.067.159	2.701.972	4.769.131
3.2.3.3	Interest rate options-buy	750.000	188.834	938.834	-	3.546.649	3.546.649
3.2.3.4	Interest rate options-sell	750.000	188.834	938.834	-	3.546.649	3.546.649
3.2.3.5	Securities options-buy	-	-	-	55.500	-	55.500
3.2.3.6	Securities options-sell	-	-	-	11.725	-	11.725
3.2.4	Foreign currency futures	-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy	-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell	-	-	-	-	-	-
3.2.5	Interest rate futures	-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-	-	-	-
3.2.6	Other	4.405.103	10.737.648	15.142.751	3.717.186	5.558.785	9.275.971
B.	Custody and pledges received (IV+V+VI)	242.962.083	65.545.734	308.507.817	175.964.039	37.559.647	213.523.686
IV.	Items held in custody	76.564.370	7.734.979	84.299.349	62.028.636	6.230.556	68.259.192
4.1	Customer fund and portfolio balances	-	-	-	-	-	-
4.2	Investment securities held in custody	57.175.411	6.775.452	63.950.863	44.893.146	5.363.710	50.256.856
4.3	Checks received for collection	15.576.521	145.317	15.721.838	14.213.559	161.325	14.374.884
4.4	Commercial notes received for collection	3.770.663	774.018	4.544.681	2.880.156	670.631	3.550.787
4.5	Other assets received for collection	-	34.137	34.137	-	29.819	29.819
4.6	Assets received for public offering	-	-	-	-	-	-
4.7	Other items under custody	41.775	6.055	47.830	41.775	5.071	46.846
4.8	Custodians	-	-	-	-	-	-
V.	Pledges received	162.367.478	57.056.576	219.424.054	112.458.919	30.617.856	143.076.775
5.1	Marketable securities	185.826	322	186.148	179.123	257	179.380
5.2	Guarantee notes	1.063.319	271.797	1.335.116	841.979	246.527	1.088.506
5.3	Commodity	21.095	-	21.095	28.446	-	28.446
5.4	Warrants	-	-	-	-	-	-
5.5	Properties	88.195.061	45.270.237	133.465.298	69.897.086	22.834.232	92.731.318
5.6	Other pledged items	72.902.177	11.509.026	84.411.203	41.512.285	7.532.654	49.044.939
5.7	Pledged items-depository	-	5.194	5.194	-	4.186	4.186
VI.	Accepted independent guarantees and warranties	4.030.235	754.179	4.784.414	1.476.484	711.235	2.187.719
Total off-balance sheet commitments (A+B)		401.845.380	274.130.811	675.976.191	293.416.248	179.673.986	473.090.234

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014

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

III. Income statement

	Note (Section Five)	Current Period 01/01- 31/12/2015	Restated 01/01-31/12/2014	Prior Period
Income and expense items				
I. Interest income	IV-a	15.292.461		11.770.083
1.1 Interest on loans	IV-a-1	12.805.914		9.616.585
1.2 Interest received from reserve deposits		43.303		709
1.3 Interest received from banks	IV-a-2	31.724		69.237
1.4 Interest received from money market transactions		37.842		240.898
1.5 Interest received from marketable securities portfolio	IV-a-3	2.372.800		1.841.998
1.5.1 Trading financial assets		11.284		3.378
1.5.2 Financial assets at fair value through profit or (loss)		-		-
1.5.3 Available-for-sale financial assets		1.943.299		1.414.350
1.5.4 Held to maturity investments		418.217		424.270
1.6 Financial lease income		-		-
1.7 Other interest income		878		656
II. Interest expense	IV-b	(8.450.239)		(6.164.374)
2.1 Interest on deposits	IV-b-4	(6.248.179)		(4.713.798)
2.2 Interest on funds borrowed	IV-b-1	(866.440)		(723.982)
2.3 Interest expense on money market transactions		(683.261)		(251.501)
2.4 Interest on securities issued	IV-b-3	(639.864)		(458.795)
2.5 Other interest expenses		(12.495)		(16.298)
III. Net interest income (I + II)		6.842.222		5.605.709
IV. Net fees and commissions income		2.688.104		2.200.614
4.1 Fees and commissions received		3.408.772		2.814.151
4.1.1 Non-cash loans		402.960		319.409
4.1.2 Other	IV-i	3.005.812		2.494.742
4.2 Fees and commissions paid		(720.668)		(613.537)
4.2.1 Non-cash loans		(480)		(613)
4.2.2 Other		(720.188)		(612.924)
V. Dividend income	IV-c	2.971		2.468
VI. Trading gain/(loss) (net)	IV-ç	(787.924)		(416.118)
6.1 Trading gains/(losses) on securities		260.620		276.078
6.2 Derivative financial transactions gains/(losses)	IV-d	845.716		(1.371.145)
6.3 Foreign exchange gains/(losses)		(1.894.260)		678.949
VII. Other operating income	IV-e	607.889		597.146
VIII. Total operating income (III+IV+V+VI+VII)		9.353.262		7.989.819
IX. Provision for impairment of loans and other receivables (-)	IV-f	(2.521.496)		(1.861.978)
X. Other operating expenses (-)	IV-g	(4.810.418)		(3.929.876)
XI. Net operating income/(loss) (VIII-IX-X)		2.021.348		2.197.965
XII. Excess amount recorded as income after merger		-		-
XIII. Income/(loss) from investments accounted based on equity method		368.140		383.205
XIV. Income/(loss) on net monetary position		-		-
XV. Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	2.389.488		2.581.170
XVI. Tax provision for continuing operations (±)	IV-h	(528.943)		(524.659)
16.1 Current tax provision		(328.064)		(680.515)
16.2 Deferred tax provision		(200.879)		155.856
XVII. Net profit/loss from continuing operations (XV±XVI)		1.860.545		2.056.511
XVIII. Income from discontinued operations		-		-
18.1 Income from non-current assets held for resale		-		-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-		-
18.3 Other income from discontinued operations		-		-
XIX. Expenses from discontinued operations (-)		-		-
19.1 Expenses for non-current assets held for resale		-		-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-		-
19.3 Other expenses from discontinued operations		-		-
XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-		-
XXI. Tax provision for discontinued operations (±)	IV-h	-		-
21.1 Current tax provision		-		-
21.2 Deferred tax provision		-		-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-		-
XXIII. Net profit/loss (XVII+XXII)	IV-i	1.860.545		2.056.511
Earnings/(loss) per share (full TL)		0,0043		0,0047

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014

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

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

		Current Period (31/12/2015)	Restated Prior Period (31/12/2014)
Income and expense items accounted under shareholders' equity			
I.	Transfers to marketable securities valuation differences from financial assets available for sale	(937.789)	629.651
II.	Property and equipment revaluation differences	1.505.048	18.485
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	17.841	(8.124)
V.	Profit /loss on cash flow hedges (effective part of the fair value changes)	744.688	(208.019)
VI.	Profit/loss on foreign net investment hedges (effective part of the fair value changes)	(68.267)	-
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	151.260	(115.615)
IX.	Deferred tax on valuation differences	(7.014)	(79.522)
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	1.405.767	236.856
XI.	Current year profit/loss	1.860.545	2.056.511
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	261.171	118.063
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(89.216)	(158.005)
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	1.688.590	2.096.453
XII.	Total income/loss accounted for the period (X+XI)	3.266.312	2.293.367

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated statement of changes in shareholders' equity as of December 31, 2014

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

V. Statement of changes in shareholders' equity

Restated Prior Period		Note (Section five)	Paid- in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income /(loss)	Marketable securities Value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
December 31, 2014																		
I.	Period opening balance		4.347.051	-	543.881	-	463.786	-	8.051.473	313.827	3.202.975	-	485.966	-	15.107	(115.117)	-	17.308.949
II.	Changes in accounting policies according to TAS 8										215.336		788.047					1.003.383
2.1	Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the changes in accounting policies	Section 3.I	-	-	-	-	-	-	-	-	215.336	-	788.047	-	-	-	-	1.003.383
III.	New balance (I+II)		4.347.051	-	543.881	-	463.786	-	8.051.473	313.827	3.418.311	-	1.274.013	-	15.107	(115.117)	-	18.312.332
	Changes in the period																	
IV.	Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	503.420	-	-	-	-	503.420
VI.	Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(166.416)	-	(166.416)
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(166.416)	-	(166.416)
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	18.485	-	-	-	18.485
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	8.977	-	-	(15.476)	-	(6.499)
XI.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	(98.591)	-	-	-	-	(98.591)
XIV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	(13.543)		(215.336)	-	215.336	-	-	-	-	(13.543)
XIX.	Current year income or loss		-	-	-	-	-	-	-	-	2.056.511	-	-	-	-	-	-	2.056.511
XX.	Profit distribution		-	-	-	-	177.214	-	1.763.811	873.950	(3.202.975)	-	-	-	-	-	-	(388.000)
20.1	Dividend paid		-	-	-	-	-	-	-	-	(388.000)	-	-	-	-	-	-	(388.000)
20.2	Transfers to reserves		-	-	-	-	177.214	-	1.763.811	873.950	(2.814.975)	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (III+IV+V+.....+ XVIII +XIX+XX)		4.347.051	-	543.881	-	641.000	-	9.815.284	1.174.234	2.056.511	-	1.903.155	18.485	15.107	(297.009)	-	20.217.699

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated statement of changes in shareholders' equity as of December 31, 2015

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

V. Statement of changes in shareholders' equity

Current Period		Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
December 31, 2015																		
I.	Prior period end balance		4.347.051	-	543.881	-	641.000	-	9.815.284	1.174.234	2.056.511	-	1.903.155	18.485	15.107	(297.009)	-	20.217.699
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(726.956)	-	-	-	-	(726.956)
IV.	Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	541.138	-	541.138
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	595.752	-	595.752
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(54.614)	-	(54.614)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	1.430.571	-	-	-	1.430.571
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	45.050	-	-	(30.778)	-	14.272
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	128.165	-	-	-	-	128.165
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	18.577	(211.545)	-	-	211.545	-	-	-	-	18.577
XVII.	Current year income or loss		-	-	-	-	-	-	-	1.860.545	-	-	-	-	-	-	-	1.860.545
XVIII.	Profit distribution		-	-	-	-	110.512	-	1.332.967	1.487	(1.844.966)	-	-	-	-	-	-	(400.000)
18.1	Dividend paid		-	-	-	-	-	-	-	-	(400.000)	-	-	-	-	-	-	(400.000)
18.2	Transfers to reserves		-	-	-	-	110.512	-	1.332.967	1.487	(1.444.966)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+...+XVI+XVII+XVIII)		4.347.051	-	543.881	-	751.512	-	11.148.251	1.194.298	1.860.545	-	1.560.959	1.449.056	15.107	213.351	-	23.084.011

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014

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

VI. Statement of cash flows

	Notes (Section Five)	Current Period (31/12/2015)	Prior Period (31/12/2014)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		3.907.382	4.667.797
1.1.1 Interest received		15.183.618	10.852.042
1.1.2 Interest paid		(8.430.372)	(6.109.296)
1.1.3 Dividend received		114.201	174.129
1.1.4 Fees and commissions received		3.408.772	2.812.517
1.1.5 Other income		1.668.658	274.360
1.1.6 Collections from previously written-off loans and other receivables		1.243.318	945.206
1.1.7 Payments to personnel and service suppliers		(3.930.810)	(3.278.872)
1.1.8 Taxes paid		(453.666)	(702.912)
1.1.9 Other	VI-c	(4.896.337)	(299.377)
1.2 Changes in operating assets and liabilities		838.004	(4.970.341)
1.2.1 Net (increase)/decrease in trading securities		28.804	(57.982)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(2.547.475)	(2.325.251)
1.2.4 Net (increase)/decrease in loans		(29.305.084)	(28.579.873)
1.2.5 Net (increase)/decrease in other assets		(747.717)	(377.732)
1.2.6 Net increase /(decrease) in bank deposits		2.205.681	298.770
1.2.7 Net increase /(decrease) in other deposits		19.536.869	18.445.274
1.2.8 Net increase /(decrease) in funds borrowed		11.420.375	4.840.321
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities	VI-c	246.551	2.786.132
I. Net cash flows from banking operations		4.745.386	(302.544)
B. Cash flows from investing activities			
II. Net cash flows from investing activities		(6.344.362)	(3.043.495)
2.1 Cash paid for acquisition of investments in associates, subsidiaries and joint ventures		(9.800)	(124.138)
2.2 Cash obtained from disposal of investments in associates, subsidiaries and joint ventures		-	44.433
2.3 Purchases of property and equipment		(478.403)	(437.435)
2.4 Disposals of property and equipment		80.622	66.108
2.5 Purchase of investments available-for-sale		(20.552.522)	(12.565.639)
2.6 Sale of investments available-for-sale		15.208.036	8.311.853
2.7 Purchase of investment securities		(592.353)	(561.762)
2.8 Sale of investment securities		58	2.223.085
2.9 Other		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities		(359.522)	3.159.357
3.1 Cash obtained from funds borrowed and securities issued		7.341.567	13.790.879
3.2 Cash used for repayment of funds borrowed and securities issued		(7.300.117)	(10.242.683)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		(400.000)	(388.000)
3.5 Payments for finance leases		(972)	(839)
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	VI-c	1.077.239	115.664
V. Net increase in cash and cash equivalents (I+II+III+IV)		(881.259)	(71.018)
VI. Cash and cash equivalents at beginning of the period	VI-a	9.201.195	9.272.213
VII. Cash and cash equivalents at end of the period	VI-a	8.319.936	9.201.195

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

VII. Profit appropriation statement ⁽¹⁾

	Current Period	Restated Prior Period ⁽²⁾
	(31/12/2015)	(31/12/2014)
I. Distribution of current year income		
1.1 Current year income	2.389.488	2.369.625
1.2 Taxes and duties payable (-)	(528.943)	(524.659)
1.2.1 Corporate tax (income tax)	(328.064)	(680.515)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(200.879)	155.856
A. Net income for the year (1.1-1.2)	1.860.545	1.844.966
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	92.248
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(a)-(1.3+1.4+1.5)]	1.860.545	1.752.718
1.6 First dividend to shareholders (-)	-	217.353
1.6.1 To owners of ordinary shares	-	217.353
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	182.647
1.9.1 To owners of ordinary shares	-	182.647
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	18.264
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.332.967
1.13 Other reserves	-	-
1.14 Special funds	-	1.487
II. Distribution of reserves		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1 To owners of ordinary shares	0,0043	0,0042
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1 To owners of ordinary shares	-	0,0009
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

(1) Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet. Since the profit appropriation proposal for the year 2015 has not been prepared by the Board of Directors, only net profit related to the year 2014, which is base for the profit appropriation calculation, has been disclosed. The aforementioned amount also includes 75% of gains on sales of property and equipment, and share certificates amounting to TL 2.620 which are not going to be distributed and are going to be held in reserves according to the article 5/1-e of Corporate Tax Law No. 5520.

(2) Does not included effects of adjustments Prior period, as explained in detail note I of Section 3.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Section Three

Accounting policies

I. Explanations on basis of presentation:

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

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

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

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

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2014, except for changes on accounting policies from historical cost basis to revaluation basis for intangible assets and changes on accounting policies from fair value method to equity method in compliance with Accounting Standard on Separate Financial Statements (TAS 27), which will be effective from 1 January 2016, allowing the early adaption of valuating subsidiaries, joint ventures and associates based on equity method defined in TAS 28.

The effects of TFRS 9, "Financial Instruments" (2011 version, classification and measurement) which has not been implemented yet, are under evaluation by the Bank. The standard which the Bank did not early adopt will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Bank at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Bank's accounting policies, financial position and performance.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Restatement of prior years' financials

Due to the accounting policy change which is explained in the footnote numbered III. in section 3, prior years' financial statements (31 December 2013 and 31 December 2014) are restated in order to present conformity with 31 December 2015 in accordance with the accounting standard on "Accounting Policies, Changes in Accounting Estimates and Errors (TAS 8)". Relevant corrections are stated below:

December 31, 2014	Announced	Adjustment	Restated
Investments in associates (net)	47.907	216.968	264.875
Subsidiaries (net)	2.436.850	874.928	3.311.778
Joint ventures (net)	19.623	(569)	19.054
Total Assets	181.201.285	1.091.327	182.292.612
Shareholders' equity	19.126.372	1.091.327	20.217.699
Capital reserves	2.476.401	879.782	3.356.183
Marketable Securities Valuation Differences	1.023.373	879.782	1.903.155
Net profit/loss	1.844.966	211.545	2.056.511
Total liabilities and shareholders' equity	181.201.285	1.091.327	182.292.612
Dividend income	174.129	(171.661)	2.468
Income/(loss) from investments accounted based on equity method	-	383.205	383.205

December 31, 2013	Announced	Adjustment	Restated
Investments in associates (net)	47.907	210.060	257.967
Subsidiaries (net)	2.365.767	802.570	3.168.337
Joint ventures (net)	19.623	(9.247)	10.376
Total Assets	148.881.312	1.003.383	149.884.695
Shareholders' equity	17.308.949	1.003.383	18.312.332
Capital reserves	1.228.451	788.047	2.016.498
Marketable Securities Valuation Differences	485.966	788.047	1.274.013
Total liabilities and shareholders' equity	148.881.312	1.003.383	149.884.695

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

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

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

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans. Since the foreign currency investments and subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the date when the fair values are remeasured and are accounted under shareholders equity. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with financial liabilities in foreign currency and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Hedging funds" in equity.

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

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

Associates, subsidiaries and joint ventures are being carried at equity method in unconsolidated financial statements of the Bank started from 30 June 2015. Any valuation differences arising from prior years are booked as "marketable securities valuation differences" under equity and any valuation differences arising from current years are booked in profit and loss statement. This accounting policy change is performed through an early adaption before the effective date of 1 January 2016 in accordance with the change of "Standard on Stand-alone Financial Statement (TAS 27)" numbered 29321 on 9 April 2015 and confirmation by BRSA's letter numbered 10686 on 14 July 2015.

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

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

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

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

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

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

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss".

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

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

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

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39 in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

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

As of December 31, 2015, the Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) and credit default swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with TAS 39 and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified. Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract.

Credit default swaps are valued daily by the valuation model of the Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

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

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

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Accounting Standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

V. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically. The Bank ceases accruing interest income on non-performing loans and any interest income accruals from such receivables are reversed and no income is accounted until collection is made according to the related regulation.

VI. Explanations on fee and commission income and expenses:

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

VII. Explanations on financial assets:

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

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

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

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

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of this section.

b. Held-to-maturity financial assets:

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

c. Loans and receivables:

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

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

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

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

d. Available-for-sale financial assets:

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

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under UCA.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

VIII. Explanations on impairment of financial assets:

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note VII. of this section.

IX. Explanations on offsetting financial assets:

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

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

Securities subject to repurchase agreements ("Repos") are classified as "at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds provided under repurchase agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

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

The Bank has no securities lending transactions.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

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

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

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

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

XII. Explanations on goodwill and other intangible assets:

a. Goodwill:

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

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to amortization but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

b. Other intangible assets:

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

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

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

Credit card brand value, deposit base and customer portfolio	10%
Other intangible assets	20%

XIII. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with the Turkish Accounting Standard (TAS 16) "Tangible Assets". Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with TAS 16.

Buildings	2-4%
Movables, movables acquired under financial leasing	20%

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

In accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

XIV. Explanations on leasing transactions:

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

Financial lease

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

Operational lease

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

XV. Explanations on provisions, contingent liabilities:

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

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

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

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Accounting policies (continued)

XVI. Explanations on obligations related to employee rights:

a. Employee termination benefits

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

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

b. Pension rights

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

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

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

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

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Accounting policies (continued)

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

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

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

c. Short term benefits of employee:

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

XVII. Explanations on taxation:

a. Current tax:

The Corporate Tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. This tax rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporate tax quarterly 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 for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

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

Accounting policies (continued)

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

b. Deferred tax:

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

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

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

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

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

c. Transfer pricing:

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

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Accounting policies (continued)

XVIII. Explanations on borrowings:

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" including costs of transactions using the "effective interest method".

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

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

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

XIX. Explanations on issuance of share certificates:

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

No dividend payments were announced after the balance sheet date.

XX. Explanations on avalized drafts and letter of acceptances:

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

XXI. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 1.592 (December 31, 2014 - TL 1.585).

XXII. Profit reserves and profit distribution:

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

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Accounting policies (continued)

XXIII. Earnings per share:

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

	Current Period	Restated Prior Period
Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders	1.860.545	2.056.511
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0043	0,0047

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

No bonus shares were issued during 2015 (December 31, 2014 -None).

XXIV. Related parties:

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

XXV. Explanations on operating segments:

Information about operating segments which are determined in line with "Turkish Financial Reporting Standard about Operating Segments" ("TFRS 8") together with organizational and internal reporting structure of the Bank, are disclosed in Note XVI of Section Four.

XXVI. Explanations on other matters:

None.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Section Four

Information related to financial position of the Bank

I. Explanations on capital adequacy ratio:

a. The capital adequacy ratio of the Bank is 13,81% (December 31, 2014 – 15,03%).

b. The capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" published in the Official Gazette No. 28337 dated June 28, 2012 and "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 28756 as of September 5, 2013".

For the calculation of amounts subject to credit risk, the Bank classifies the loans in the related risk weight taking into consideration the risk classes, ratings and the risk mitigating factors. "Comprehensive collateral method" is used in considering the risk mitigating factors for the banking and trading book.

For the calculation of capital adequacy ratio; financial information, which is prepared in accordance with the current regulations, is used. Within the scope of this Regulation, trading books and banking books are defined and they become subject to credit risk and market risk calculations. In addition, market risk and operational risk calculations are included in the calculation of the capital adequacy ratio, in accordance with the existing regulation.

Amounts taken into consideration as deduction items are subject to credit risk calculations. Assets subject to amortization or impairment are taken into consideration after relevant nettings over their net book values for the calculation of risk-weighted assets.

In the calculation of the value at credit risk for non-cash loans and commitments, the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the Provisioning Regulation. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation and included in the relevant exposure category defined in the Regulation.

In accordance with Article 5 of the Regulation, counterparty credit risk is calculated for repo transactions, securities and commodities. The "Fair Value Valuation Method" mentioned in the communiqué is used for the counterparty credit risk calculations.

In the calculation of the value at credit risk for the derivative financial instruments which are in banking books, the receivables from counterparties are multiplied by the rates stated in the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in Regulation.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Information related to financial position of the Bank (continued)

Information related to capital adequacy ratio:

Summary information about capital adequacy ratio:

	Risk Weights								
	0%	20%	50%	75%	100%	150%	200%	250%	Total
Amounts subject to credit risk	47.489.874	5.533.398	41.164.986	42.750.096	105.372.624	5.516.486	10.330.437	270.384	258.428.285
Risk classifications:									
Conditional and unconditional receivables from central governments or central banks	45.359.027	-	9.072.790	-	-	-	-	-	54.431.817
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	159	-	-	45	-	-	-	204
Conditional and unconditional receivables from multilateral development banks	30.799	-	-	-	-	-	-	-	30.799
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	5.517.195	6.891.289	-	273.805	-	-	-	12.682.289
Conditional and unconditional receivables from corporates	-	-	-	-	89.837.860	2.964	-	-	89.840.824
Conditional and unconditional retail receivables	-	-	-	42.750.096	6.264.674	-	-	-	49.014.770
Conditional and unconditional receivables secured by mortgages	-	-	25.147.454	-	-	-	-	-	25.147.454
Past due receivables	-	-	-	-	992.623	417.877	-	-	1.410.500
Receivables defined as high risk category by the Regulator	-	-	53.453	-	40.666	5.095.645	10.330.437	270.384	15.790.585
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2.100.048	15.885	-	-	7.962.951	-	-	-	10.078.884
Credit Risk Weighted Amounts	-	1.106.680	20.582.493	32.062.572	105.372.624	8.274.729	20.660.874	675.966	188.735.938

	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	15.098.875	12.205.770
Capital requirement for market risk (MRRCR)	186.593	130.250
Capital requirement for operational risk (ORCR)	934.030	817.197
Shareholders' equity	27.997.997	24.705.420
Shareholders' equity/((CRCR+MRRCR+ORCR) * 12,5) * 100	13,81	15,03
Tier 1 capital /((CRCR+MRRCR+ORCR) * 12,5) * 100	10,29	10,94
Common equity Tier 1 capital /((CRCR+MRRCR+ORCR) * 12,5) * 100	10,72	11,62

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Information related to financial position of the Bank (continued)

Information about shareholders' equity items:

	Current Period	Prior Period ⁽¹⁾
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051	4.347.051
Share premium	543.881	543.881
Share Cancellation Profits	-	-
Legal reserves	11.901.355	10.457.954
Other Comprehensive Income according to TAS	4.468.833	2.214.422
Profit	1.860.545	1.844.966
Net current period profit	1.860.545	1.844.966
Prior period profit	-	-
Provisions for Possible Losses	-	160.839
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	15.107	15.107
Common Equity Tier 1 capital before regulatory adjustments	23.136.772	19.584.220
Common Equity Tier 1 capital: regulatory adjustments		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	320.726	-
Leasehold Improvements on Operational Leases (-)	134.499	133.692
Goodwill and Intangible assets and related deferred tax liabilities (-)	583.999	281.203
Net Deferred tax assets / liabilities (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Investments in own common equity (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Amount exceeding the 15% threshold (-)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued share capital (amount above 10% threshold) (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Deferred tax assets arising from temporary differences (-)	-	-
Other items to be defined by the regulator (-)	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	358.991	63.027
Total regulatory adjustments to Common equity Tier 1	1.398.215	477.922
Common Equity Tier 1 capital	21.738.557	19.106.298
Additional Tier 1 capital instruments		
Privileged stocks which are not included in common equity and share premiums	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital: regulatory adjustments		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	-	-

(1) Does not included effects of adjustments for prior period, as explained in detail note I. of Section 3.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Information related to financial position of the Bank (continued)

	Current Period	Prior Period ⁽¹⁾
Regulatory adjustments to Common Equity		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	875.998	1.124.812
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Tier 1 capital	20.862.559	17.981.486
Tier 2 capital		
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.224.563	5.169.213
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-	-
Generic Provisions	2.358.769	1.883.267
Tier 2 capital before regulatory adjustments	7.583.332	7.052.480
Tier 2 capital: regulatory adjustments		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	7.583.332	7.052.480
Total capital	28.445.891	25.033.966
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6.445	23.496
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	11.345	7.908
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	149.667	159.277
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Other items to be Defined by the regulator (-)	280.437	137.865
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Shareholders' equity	27.997.997	24.705.420
Amounts below the thresholds for deduction	922.860	780.314
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	-	-
Remaining total of net long positions of the investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% or less of the Tier I Capital	-	-
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	922.860	780.314

(1) Does not included effects of adjustments for prior period, as explained in detail note I. of Section 3.

Details on calculation in accordance with the temporary calculations on Own Fund :

Adjustments to Common equity Tier 1 are performed according to the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

Details on Subordinated Liabilities:

Details on Subordinated Liabilities:				
	1	2	3	4
Issuer	UNICREDIT BANK AUSTRIA AG	UNICREDIT BANK AUSTRIA AG	CITIBANK	YKB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	XS0861979440/US984848AB73
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	Yes	Yes
Eligible at stand-alone / consolidated	Stand-alone - Consolidated	Stand-alone – Consolidated	Stand-alone - Consolidated	Stand-alone – Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1.669	1.367	95	2.094
Par value of instrument	1.701	1.367	636	2.908
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December, 18 2013	June 25, 2007	December 6, 2012
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	After 5th year	-
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	-
Coupons / dividends	3 months	3 months	6 months	6 months
Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed
Coupon rate and any related index	5,7	6,55	EURIBOR + %2,78	5,5
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	Yes
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	8-2-ğ

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

c. Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal capital adequacy assessment process (ICAAP) is carried out by continuous assessment of the risks to which the bank is or might be exposed and it is aimed to identify and maintain sufficient capital to cover these risks. Within this scope relevant policies and procedures were prepared, systems and methods were developed. The Bank documented its approaches on the process of assessing the internal capital requirements in YKB ICAAP Policy and YKB Risk Appetite Framework documents which were approved by its Board of Directors. The target capital adequacy ratio set within the scope of this process is a significant determining factor of the Bank's risk appetite.

In accordance with this approach, risk types for which economic capital is calculated were defined and necessary procedures were started to perform calculations. This assessment includes the credit risk, market risk, operational risk, financial investment risk, real estate risk, liquidity risk, reputational risk, strategic risk, counterparty credit risk, concentration risk and interest rate risk. The Bank regularly reports ICAAP documentations to BRSA approved by the Board of the Directors.

II. Explanations on credit risk:

- a. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for Small and Medium Sized Entities (SME) and Corporate/Commercial customers during the underwriting process of the Bank. A separate rating model is used for the customers which operate in construction industry. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers of the Parent Bank is as follows:

	Current Period	Prior Period
Above average (1-4)	47,47%	44,68%
Average (5+ -6)	43,95%	47,12%
Below average (7+ -9)	8,58%	8,20%

The Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

The loan is overdue more than 90 days.

The borrower is not able to pay at least one of the loans he received from the Bank (cross default)

Having a negative intelligence and bad-record for the borrower in the market.

Deterioration of the creditworthiness of the borrower

The Bank sets aside specific and general provisions with respect to "value adjustments" procedures in accordance with the Provisioning Regulation.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current period risk amount⁽¹⁾	Average risk amount
Conditional and unconditional receivables from central governments or central banks	58.252.320	54.844.085
Conditional and unconditional receivables from regional or local governments	159	158
Conditional and unconditional receivables from administrative units and non-commercial enterprises	204	469
Conditional and unconditional receivables from multilateral development banks	30.799	19.480
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	18.193.432	16.524.632
Conditional and unconditional receivables from corporates	92.301.196	89.639.589
Conditional and unconditional retail receivables	49.148.109	46.887.059
Conditional and unconditional receivables secured by mortgages	25.147.454	21.868.913
Past due receivables	1.410.500	1.422.837
Receivables defined as high risk category by the Regulator	15.790.585	14.039.362
Secured by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	10.078.884	9.264.919
Total	270.353.642	254.511.503

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

- b.** The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

- c.** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- d.** Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

- e.**
1. The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 24% and 31%.
 2. The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 47% and 59%.
 3. The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 24% and 32% of total cash loans and non-cash loans.

- f.** The Bank provided a general loan loss provision amounting to TL 2.571.990 (December 31, 2014 - TL 1.883.267).

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

g. Risk profile according to the geographical concentration:

	Risk Classifications ⁽¹⁾⁽²⁾											Total
	1	2	3	4	5	6	7	8	9	10	11	
Current Period												
Domestic	58.252.320	159	204	-	8.683.972	88.743.300	49.134.725	25.142.756	1.381.372	15.789.379	6.439.711	253.567.898
EU countries	-	-	-	7.309	7.627.861	1.154.091	5.044	2.357	98	818	12.934	8.810.512
OECD countries ⁽³⁾	-	-	-	-	145.113	775.066	405	1.129	-	82	-	921.795
Off-shore banking regions	-	-	-	-	229.648	176.012	3.011	-	8.399	8	-	417.078
USA, Canada	-	-	-	23.490	1.229.097	501.660	2.244	87	29	127	-	1.756.734
Other countries	-	-	-	-	277.741	951.067	2.680	1.125	20.602	171	-	1.253.386
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	3.626.239	3.626.239
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-
Total	58.252.320	159	204	30.799	18.193.432	92.301.196	49.148.109	25.147.454	1.410.500	15.790.585	10.078.884	270.353.642
Prior Period												
Domestic	45.795.728	149	1.067	-	4.978.118	76.215.775	43.815.207	15.734.972	1.211.798	12.147.933	4.275.167	204.175.914
EU countries	-	-	-	1.712	5.204.274	810.960	19.183	2.148	1.467	108	249.101	6.288.953
OECD countries ⁽³⁾	-	-	-	-	179.627	32.113	473	744	13.033	-	-	225.990
Off-shore banking regions	-	-	-	-	390	-	18.603	-	-	-	-	18.993
USA, Canada	-	-	-	3.141	1.016.981	80.700	462	-	-	-	-	1.101.284
Other countries	-	-	-	-	692.602	638.744	138.827	904	29.551	48	-	1.500.676
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	2.441.353	2.441.353
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-
Total	45.795.728	149	1.067	4.853	12.071.992	77.778.292	43.992.755	15.738.768	1.255.849	12.148.089	6.965.621	215.753.163

- (1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
- (2) Includes credit risk amounts of total exposure before applying credit risk mitigations.
- (3) OECD Countries other than EU countries, USA and Canada.
- (4) Assets and liabilities are not allocated on a consistent basis

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receivables defined as high risk category by the Regulator
- 11-Other receivables

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

ğ. Risk profile according to sectors and counterparties:

	Risk Classifications ⁽¹⁾⁽²⁾											TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11			
Agricultural	-	-	18	-	-	3.045.494	3.362.106	835.541	73.031	172.252	-	5.540.913	1.947.529	7.488.442
Farming and raising livestock	-	-	18	-	-	2.415.784	2.591.795	569.261	59.332	140.949	-	4.104.413	1.672.726	5.777.139
Forestry	-	-	-	-	-	536.987	750.627	260.812	12.959	30.675	-	1.373.232	218.828	1.592.060
Fishing	-	-	-	-	-	92.723	19.684	5.468	740	628	-	63.268	55.975	119.243
Manufacturing	-	28	28	-	-	51.840.761	12.204.993	6.660.118	455.391	426.191	2.438	32.007.332	39.582.616	71.589.948
Mining	-	-	14	-	-	1.447.222	315.036	260.390	13.125	6.285	-	1.029.174	1.012.898	2.042.072
Production	-	10	10	-	-	27.418.244	11.643.457	5.430.476	371.108	411.121	2.438	27.943.434	17.333.430	45.276.864
Electric, gas and water	-	18	4	-	-	22.975.295	246.500	969.252	71.158	8.785	-	3.034.724	21.236.288	24.271.012
Construction	-	2	47	-	-	12.226.576	4.219.709	4.667.242	207.513	145.568	-	9.704.517	11.762.140	21.466.657
Services	58.252.320	71	52	30.799	18.193.432	24.313.548	7.228.637	5.637.797	210.952	400.911	6.015.491	61.735.615	58.548.395	120.284.010
Wholesale and retail trade	-	1	-	-	-	5.715.305	3.023.294	1.318.593	108.365	137.835	-	7.808.010	2.495.383	10.303.393
Hotel, food and beverage services	-	-	-	-	-	2.350.878	746.351	2.458.627	13.975	39.520	-	1.811.976	3.797.375	5.609.351
Transportation and telecommunication	-	-	1	-	-	6.501.139	1.369.908	415.092	48.044	91.611	5.000	3.191.178	5.239.617	8.430.795
Financial institutions	58.252.320	-	-	30.799	18.193.432	2.199.102	163.908	181.352	1.113	15.084	6.010.491	43.805.934	41.241.667	85.047.601
Real estate and renting services	-	-	-	-	-	171.884	23.270	5.311	641	733	-	68.940	132.899	201.839
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	131.566	87.744	54.438	861	4.582	-	230.191	49.000	279.191
Health and social services	-	70	51	-	-	7.243.674	1.814.162	1.204.384	37.953	111.546	-	4.819.386	5.592.454	10.411.840
Other	-	58	59	-	-	874.817	22.132.664	7.346.756	463.613	14.645.663	4.060.955	48.993.853	530.732	49.524.585
Total	58.252.320	159	204	30.799	18.193.432	92.301.196	49.148.109	25.147.454	1.410.500	15.790.585	10.078.884	157.982.230	112.371.412	270.353.642

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receivables defined as high risk category by the Regulator
- 11-Other receivables

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

h. Risk profile according to remaining maturities:

Risk classifications ⁽¹⁾	1 month	1-3 month	3-6 month	6-12 month	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	20.560.975	1.281.610	2.358	1.999.994	34.259.875	58.104.812
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	45	159	-	-	-	204
Conditional and unconditional receivables from multilateral development banks	-	25.551	3.542	1.657	49	30.799
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.801.312	2.682.598	1.026.137	1.018.662	11.664.321	18.193.030
Conditional and unconditional receivables from corporates	8.307.731	6.364.015	9.415.497	11.929.181	56.277.214	92.293.638
Conditional and unconditional retail receivables	12.339.110	8.326.865	9.747.031	6.192.433	12.472.611	49.078.050
Conditional and unconditional receivables secured by mortgages	426.537	728.007	1.243.286	1.987.223	20.762.401	25.147.454
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	20.846	36.217	2.254	746.473	14.984.795	15.790.585
Secured by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	43.456.556	19.445.181	21.440.105	23.875.623	150.421.266	258.638.731

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

- i. An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)**

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

Information related to financial position of the Bank (continued)

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Risk Classifications				
		Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Remaining maturity of claims under 3 months	Remaining maturity of claims over 3 months	
1	AAA	0%	20%	20%	20%	20%
	AA+					
	AA					
	AA-					
2	A+	20%	50%	20%	50%	50%
	A					
	A-					
3	BBB+	50%	100%	20%	50%	100%
	BBB					
	BBB-					
4	BB+	100%	100%	50%	100%	100%
	BB					
	BB-					
5	B+	100%	100%	50%	100%	150%
	B					
	B-					
6	CCC+	150%	150%	150%	150%	150%
	CCC					
	CCC-					
	CC					
	C					
	D					

i. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

Risk Weights	0%	20%	50%	75%	100%	150%	200%	250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	51.310.377	5.688.028	46.521.499	42.883.435	107.832.996	5.516.486	10.330.437	270.384	270.353.642	447.894
2 Total exposure after credit risk mitigation	47.489.874	5.533.398	41.164.986	42.750.096	105.372.624	5.516.486	10.330.437	270.384	258.428.285	447.894

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

j. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of 31 December 2015.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of 31 December 2015.

Sectors / Counterparties	Loans			
	Impaired Loans	Past due	General Provisions	Specific Provisions
Agricultural	203.956	361.762	18.122	138.671
Farming and raising livestock	187.764	343.415	17.145	127.020
Forestry	10.813	11.656	563	8.021
Fishing	5.379	6.691	414	3.630
Manufacturing	1.826.960	1.663.389	231.788	1.316.675
Mining	24.182	199.879	4.443	22.053
Production	1.672.418	1.325.976	222.236	1.174.002
Electric, gas and water	130.360	137.534	5.109	120.620
Construction	738.215	505.559	145.895	420.022
Services	1.117.568	1.140.144	110.008	880.749
Wholesale and retail trade	472.326	541.105	62.235	343.179
Hotel, food and beverage services	87.671	123.100	7.473	65.074
Transportation and telecommunication	141.370	300.094	19.574	111.518
Financial institutions	193.324	33.180	3.500	185.572
Real estate and renting services	56.482	35.746	3.531	35.713
Self-employment services	-	-	-	-
Education services	7.736	7.810	646	5.978
Health and social services	158.659	99.109	13.049	133.715
Other	2.842.518	1.449.510	53.757	1.976.482
Total	6.729.217	5.120.364	559.570	4.732.599

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

Information related to financial position of the Bank (continued)

k. Information about value adjustments and changes in the loan impairment:

The Bank provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Bank provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments ⁽¹⁾	Close out balance
1 Specific provisions	3.077.926	1.663.210	(80.682)	(33.787)	4.626.667
2 General provisions	1.883.267	688.723	-	-	2.571.990

(1) The figure represents write-off's and also includes NPL sales amounts.

III. Explanations on market risk:

Risk management activities of the Bank are carried out under the responsibility of the Bank's Board of Directors in accordance with "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29057 dated July 11, 2014.

Market risk policies, which are approved by the Bank's Board of Directors and updated annually, if needed, include limit, methodologies, processes and responsibilities. Market risk calculations for the trading portfolio are performed by using standard method and Value at Risk (VaR) method. VaR is calculated using historical simulation method and reported to the management on a daily basis and to the Bank's Executive Committee on a monthly basis. In order to keep the effect of interest rate and foreign currency fluctuations at minimum, the Bank enters into derivative transactions of which some of the derivative transactions are subject to hedge accounting applications.

The table below shows details of the market risk as of December 31, 2015 in accordance with "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 28337 dated June 28, 2012.

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Information related to financial position of the Bank (continued)**(1) Explanations on market risk:****a. Information on market risk:**

	Current Period	Prior Period
(I) Capital requirement against general market risk - standard method	43.404	46.021
(II) Capital requirement against specific risks - standard method	2.058	2.814
Capital requirement against specific risks of securitization positions– standard method	-	-
(III) Capital requirement against currency exchange risk - standard method	33.481	36.113
(IV) Capital requirement against commodity risks - standard method	19	133
(V) Capital requirement against exchange risks - standard method	6	-
(VI) Capital requirement against market risks of options - standard method	893	1.718
(VII) Capital requirement against counterparty credit risks - standard method	106.732	43.451
(VIII) Capital requirement against market risks of banks applying risk measurement model	-	-
(IX) Total capital requirement against market risk (I+II+III+IV+V+VI+VII+VIII)	186.593	130.250
(X) Value-at-market risk (12,5 x VIII) or (12,5 x IX)	2.332.413	1.628.125

b. Average market risk table of calculated market risk at month ends:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	51.557	58.625	44.648	93.598	131.701	46.772
Share price risk	350	1.577	-	8.014	3.545	2.063
Currency risk	39.711	54.748	29.421	25.800	41.287	36.113
Commodity risk	106	198	19	191	88	133
Settlement risk	1	6	-	-	-	-
Option risk	1.027	1.801	341	1.620	389	1.718
Counterparty credit risk	111.128	175.558	55.149	57.655	47.695	43.451
Total amount subject to risk	203.880	292.513	129.578	186.878	224.705	130.250

(2) Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated for repurchase transactions and derivative transactions. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The total of volatility, currency, credit quality levels and holding periods for marketable securities subject to repurchase and funding through repurchases are considered during the calculation of risk amount for repurchase transactions.

In counterparty credit risk calculations, credit limits are set by internal methods and fair value methodology is used for capital allocation calculations.

The Bank uses the same policy and procedures applicable to credit collateral and provisioning for counterparty credit risk.

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Information related to financial position of the Bank (continued)

In accordance with the counterparty risk policies the Bank does not have the risk of the opposite tendency.

Risk and collateral amounts are calculated daily. Changes applicable to market values are also revised using daily actuals.

Total counterparty credit risk from trading activities is TL 1.334.150 for the year ended December 31, 2015 (31 December 2014 – TL 543.138).

	Current Period	Prior Period
Interest rate contracts	301.442	134.142
Foreign exchange rate contracts	1.482.471	871.430
Commodity contracts	40	5.062
Equity shares related contracts	-	-
Other	335.533	1.159
Gross Positive Fair Value	59.973	188.119
Netting benefits	-	-
Net current exposure amount	-	-
Collateral received	-	-
Net derivative position	59.973	188.119

(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities;

Market risk is measured for trading portfolio and standard method and value at risk method are used.

IV. Explanations on operational risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2014, 2013 and 2012 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2015, the total amount subject to operational risk is TL 11.675.376 (December 31, 2014 - TL 10.214.957) and the amount of the related capital requirement is TL 934.030 (December 31, 2014 - TL 817.197).

	2 Prior Period	1 Prior Period	Current	Total / Total	Rate	Total
	Value	Value	Period value	number of	(%)	
				years for		
				which gross		
				income is		
				positive		
Gross Income	6.331.921	5.050.255	7.298.425	6.226.867	15	934.030
Amount subject to operational risk (Total*12,5)						11.675.376

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Information related to financial position of the Bank (continued)

V. Explanations on currency risk:

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

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

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

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

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	2,90760	3,17760
First day current bid rate	2,90840	3,19210
Second day current bid rate	2,91570	3,20060
Third day current bid rate	2,91230	3,19040
Fourth day current bid rate	2,91870	3,19680
Fifth day current bid rate	2,92620	3,19690
Arithmetic average of the last 31 days:	2,91749	3,17315
Balance sheet evaluation rate as of prior period:	2,31890	2,82070

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Information related to financial position of the Bank (continued)

	EUR	USD	OTHER FC ⁽⁴⁾	Total
Current Period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	4.478.704	15.346.218	3.705.999	23.530.921
Banks	217.736	1.025.127	68.690	1.311.553
Financial assets at fair value through profit or loss	54.187	177.951	52	232.190
Money market placements	-	130.845	-	130.845
Available-for-sale financial assets	715.110	3.021.679	432.963	4.169.752
Loans ⁽¹⁾	18.265.955	36.975.111	588.919	55.829.985
Investments in associates, subsidiaries and joint ventures	1.133.361	254.385	338.140	1.725.886
Held-to-maturity investments	163.427	4.305.908	-	4.469.335
Hedging derivative financial assets	3.421	2.847	-	6.268
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	534.878	611.403	164.657	1.310.938
Total assets	25.566.779	61.851.474	5.299.420	92.717.673
Liabilities				
Bank deposits	358.736	428.791	80.368	867.895
Foreign currency deposits	20.066.620	37.109.021	1.674.791	58.850.432
Funds from money market	-	2.165.386	-	2.165.386
Funds borrowed from other financial institutions	8.468.801	14.437.020	56.044	22.961.865
Marketable securities issued	128.359	6.398.430	271.305	6.798.094
Miscellaneous payables	955.559	294.692	16.888	1.267.139
Hedging derivative financial liabilities	27.682	80.978	-	108.660
Other liabilities ⁽³⁾	674.645	7.141.060	13.875	7.829.580
Total liabilities	30.680.402	68.055.378	2.113.271	100.849.051
Net on-balance sheet position	(5.113.623)	(6.203.904)	3.186.149	(8.131.378)
Net off-balance sheet position	5.228.155	6.228.183	(2.563.464)	8.892.874
Financial derivative assets	9.863.354	35.123.592	1.940.333	46.927.279
Financial derivative liabilities	4.635.199	28.895.409	4.503.797	38.034.405
Net Position	114.532	24.279	622.685	761.496
Non-cash loans	14.864.479	22.210.236	1.889.833	38.964.548
Prior Period				
Total assets	17.163.211	52.057.005	4.287.814	73.508.030
Total liabilities	24.977.099	50.626.153	2.059.068	77.662.320
Net on-balance sheet position	(7.813.888)	1.430.852	2.228.746	(4.154.290)
Net off-balance sheet position ⁽⁵⁾	7.230.615	(1.468.534)	(2.123.726)	3.638.355
Financial derivative assets	9.547.306	21.104.210	1.060.608	31.712.124
Financial derivative liabilities	2.316.691	22.572.744	3.184.334	28.073.769
Net Position	(583.273)	(37.682)	105.020	(515.935)
Non-cash loans	10.926.151	19.830.097	1.536.394	32.292.642

(1) Includes FX indexed loans amounting to TL 5.163.077 (December 31, 2014 – TL 5.103.401) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 91.032 (December 31, 2014 - TL 71.025).

(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.

(4) Other FC column also includes gold balance.

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

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

Change in currency exchange rates	Current Period	Prior Period
	Profit/loss effect ⁽¹⁾	Profit/loss effect ⁽¹⁾
(+) 15%	(58.451)	(144.811)
(-) 15%	58.451	144.811

(1) Excluding tax effect.

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Information related to financial position of the Bank (continued)

VI. Explanations on interest rate risk:

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The bank utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

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

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	-	-	-	9.907.372	26.994.586
Banks	39.293	179.869	-	-	-	1.117.982	1.337.144
Financial assets at fair value through profit/loss	634.200	239.515	607.024	238.771	49.800	-	1.769.310
Money market placements	284.104	2.011	-	-	-	-	286.115
Available-for-sale financial assets	2.064.819	5.605.019	7.556.053	3.750.799	3.536.749	234.990	22.748.429
Loans	23.974.257	17.239.690	48.502.619	38.244.452	19.313.091	1.505.073	148.779.182
Held-to-maturity investments	-	369.566	1.014.843	699.311	4.305.912	-	6.389.632
Other assets	183.963	516.860	254.304	-	-	11.109.895	12.065.022
Total assets	44.267.850	24.152.530	57.934.843	42.933.333	27.205.552	23.875.312	220.369.420
Liabilities							
Bank deposits	3.486.432	77.009	-	-	-	624.333	4.187.774
Other deposits	65.707.743	32.538.703	5.493.316	18.542	-	18.962.815	122.721.119
Funds from money market	11.902.440	146.864	245.636	-	-	-	12.294.940
Miscellaneous payables	-	-	-	-	-	9.138.148	9.138.148
Marketable securities issued	376.588	1.317.448	1.644.434	6.197.101	31.992	-	9.567.563
Funds borrowed from other financial institutions	5.346.894	13.071.656	4.125.625	251.267	820.288	-	23.615.730
Other liabilities and shareholders' equity	728.141	578.846	1.051.347	191.719	6.086.118	30.207.975	38.844.146
Total liabilities	87.548.238	47.730.526	12.560.358	6.658.629	6.938.398	58.933.271	220.369.420
Balance sheet long position	-	-	45.374.485	36.274.704	20.267.154	-	101.916.343
Balance sheet short position	(43.280.388)	(23.577.996)	-	-	-	(35.057.959)	(101.916.343)
Off-balance sheet long position	6.149.452	18.331.052	-	-	-	-	24.480.504
Off-balance sheet short position	-	-	(6.619.770)	(14.181.457)	(4.332.133)	-	(25.133.360)
Total position	(37.130.936)	(5.246.944)	38.754.715	22.093.247	15.935.021	(35.057.959)	(652.856)

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Information related to financial position of the Bank (continued)

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1.293.701	-	-	-	-	21.675.187	22.968.888
Banks	162.866	376.020	33.136	-	-	1.823.326	2.395.348
Financial assets at fair value through profit/loss	317.306	233.220	521.308	72.393	52.789	-	1.197.016
Money market placements	1.568.654	-	-	-	-	-	1.568.654
Available-for-sale financial assets	1.047.104	3.376.027	7.678.855	3.613.615	2.795.026	75.531	18.586.158
Loans	26.851.249	28.464.328	33.429.268	24.689.592	7.303.116	1.255.849	121.993.402
Held-to-maturity investments	-	344.493	1.013.710	529.023	3.131.823	-	5.019.049
Other assets	27.825	49.564	178.757	-	-	8.307.951	8.564.097
Total assets	31.268.705	32.843.652	42.855.034	28.904.623	13.282.754	33.137.844	182.292.612
Liabilities							
Bank deposits	1.421.033	32.118	15.594	-	-	506.736	1.975.481
Other deposits	57.042.847	26.655.197	3.967.830	15.180	-	15.463.804	103.144.858
Funds from money market	5.233.568	655.032	116.054	195.919	-	-	6.200.573
Miscellaneous payables	-	-	-	-	-	8.401.384	8.401.384
Marketable securities issued	345.662	1.530.592	3.121.610	3.611.241	1.111.294	-	9.720.399
Funds borrowed from other financial institutions	3.935.924	8.629.928	4.858.209	213.741	483.771	-	18.121.573
Other liabilities and shareholders' equity	290.709	1.895.404	962.141	62.709	4.794.907	26.722.474	34.728.344
Total liabilities	68.269.743	39.398.271	13.041.438	4.098.790	6.389.972	51.094.398	182.292.612
Balance sheet long position	-	-	29.813.596	24.805.833	6.892.782	-	61.512.211
Balance sheet short position	(37.001.038)	(6.554.619)	-	-	-	(17.956.554)	(61.512.211)
Off-balance sheet long position	3.356.518	13.312.654	1.572.870	-	-	-	18.242.042
Off-balance sheet short position	-	-	-	(18.166.561)	(408.169)	-	(18.574.730)
Total position	(33.644.520)	6.758.035	31.386.466	6.639.272	6.484.613	(17.956.554)	(332.688)

b. Average interest rates for monetary financial instruments:

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	-	0,90	-	12,69
Financial assets at fair value through profit/loss	2,07	3,92	-	9,01
Money market placements	-	0,90	-	13,21
Available-for-sale financial assets	4,40	5,81	-	10,00
Loans	4,09	5,30	4,80	14,49
Held-to-maturity investments	5,20	5,43	-	10,62
Liabilities⁽¹⁾				
Bank deposits	1,40	1,17	-	11,07
Other deposits	1,43	2,20	1,72	12,73
Funds from money market	-	1,01	-	9,45
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,80	5,02	0,81	10,87
Funds borrowed from other financial institutions	1,03	3,02	2,99	7,08

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Information related to financial position of the Bank (continued)

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	1,30
Banks	0,60	1,86	-	10,28
Financial assets at fair value through profit/loss	1,97	4,41	-	8,51
Money market placements	-	-	-	11,73
Available-for-sale financial assets	5,49	6,28	-	10,01
Loans	4,56	4,93	5,20	13,53
Held-to-maturity investments	5,20	5,51	-	9,82
Liabilities⁽¹⁾				
Bank deposits	-	0,46	-	10,34
Other deposits	1,84	2,11	1,82	10,74
Funds from money market	-	0,85	-	8,62
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,41	4,22	-	9,15
Funds borrowed from other financial institutions	1,60	3,40	3,02	9,43

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

c. Interest rate risk arising from banking accounts:

The sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements is performed for all interest earning assets and interest bearing liabilities.

Interest rate risk resulting from banking books comprise of repricing risk, yield curve risk, and basis risk.

Interest rate risk arising from banking book is measured in accordance with "The regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts", published in the Official Gazette No. 28034 dated August 23, 2011 and legal limit of this measurement is monitored and reported monthly. Proportional amount of capital is provided in line with the same level of Interest rate risk arising from banking accounts.

Interest rate risk is measured and monitored monthly by market risk management. Duration analysis, gap analysis, basis points value analysis, scenario analysis and simulation of net interest income are performed and reported monthly to Asset Liability Management function of the Executive Committee. Interest sensitivity is measured most appropriately using the duration distribution map for every type of product. Investment decisions are done by taking into account the interest rate measurements. The maturity and interest risk for products with uncertain maturities is effectively measured using the behavioral analysis.

Economic value differences resulting from interest rate fluctuations as of December 31, 2015 are presented in the table below in accordance with the "Regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts".

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Information related to financial position of the Bank (continued)

Currency	Applied shock (+/- x basis points)	Gains/Losses	Gains/SE-Losses/SE
TRY	(+)500 bp	(2.253.008)	(8,05)%
TRY	(-)400 bp	2.233.739	7,98%
EUR	(+)200 bp	(390.249)	(1,39) %
EUR	(-)200 bp	390.595	1,40%
USD	(+)200 bp	(174.722)	(0,62) %
USD	(-)200 bp	300.442	1,07%
Total (For negative shocks)		2.924.776	10,45%
Total (For positive shocks)		(2.817.980)	(10,06)%

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

None.

VIII. Explanations on liquidity risk:

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

The Bank functions as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

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

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

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

The bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. The bank applies weekly liquidity stress tests consisting of different scenarios and maturity segments (maximum 60 days).

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

CURRENT PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			31.029.798	21.446.919
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	58.729.791	23.417.750	4.908.236	2.067.922
Stable deposits	19.294.865	5.477.050	964.743	273.852
Less stable deposits	39.434.926	17.940.700	3.943.493	1.794.070
Unsecured Funding other than Retail and Small Business Customers Deposits	56.257.239	29.187.502	31.130.778	15.775.218
Operational deposits	-	-	-	-
Non-Operational Deposits	45.595.836	25.536.719	22.343.534	12.124.435
Other Unsecured Funding	10.661.403	3.650.783	8.787.244	3.650.783
Secured funding			11.393	11.393
Other Cash Outflows	23.170.220	16.444.257	23.170.220	16.444.257
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	23.170.220	16.444.257	23.170.220	16.444.257
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	49.986.703	31.880.243	2.499.335	1.594.012
Other irrevocable or conditionally revocable commitments	58.252.236	11.376.371	4.307.989	762.527
TOTAL CASH OUTFLOWS			66.027.951	36.655.329
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	14.334.673	3.916.498	8.393.926	2.718.646
Other contractual cash inflows	23.763.085	21.214.583	22.591.026	18.308.062
TOTAL CASH INFLOWS	38.097.758	25.131.081	30.984.952	21.026.708
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			31.029.798	21.446.919
TOTAL NET CASH OUTFLOWS			35.042.999	15.628.621
Liquidity Coverage Ratio (%)			88,55	137,23

(1) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

PREVIOUS PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			31.622.253	18.787.893
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	42.503.119	17.029.883	4.250.312	1.702.988
Stable deposits	-	-	-	-
Less stable deposits	42.503.119	17.029.883	4.250.312	1.702.988
Unsecured Funding other than Retail and Small Business Customers Deposits	50.600.955	23.913.761	26.869.566	12.721.158
Operational deposits	-	-	-	-
Non-Operational Deposits	41.754.474	21.528.557	19.597.546	10.343.121
Other Unsecured Funding	8.846.481	2.385.204	7.272.020	2.378.037
Secured funding			-	-
Other Cash Outflows	138.844	84.649	76.973	25.395
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	50.457	-	50.457	-
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	88.387	84.649	26.516	25.395
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	44.497.925	29.437.310	2.224.896	1.471.866
Other irrevocable or conditionally revocable commitments	43.167.042	1.533.799	3.486.242	187.480
TOTAL CASH OUTFLOWS			36.907.989	16.108.887
CASH INFLOWS				
Secured Lending Transactions	606.437	-	-	-
Unsecured Lending Transactions	8.999.674	1.253.764	5.350.571	986.159
Other contractual cash inflows	95.957	4.829.331	95.957	4.829.331
TOTAL CASH INFLOWS	9.702.068	6.083.095	5.446.528	5.815.490
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			31.622.253	18.787.893
TOTAL NET CASH OUTFLOWS			31.461.461	10.293.397
Liquidity Coverage Ratio (%)			100,51	182,52

(1) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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

	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
	27 November			
Week	2015	4 December 2015	23 October 2015	31 December 2015
Ratio(%)	116,83	82,13	170,42	99,16

Funding sources of the Bank mainly consist of deposits which constitute 58% of total liabilities of the bank (31 December 2014 – 58%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

Cash, effective money, cheques, Central Bank of the Republic of Turkey ("CBRT") reserves and debt instruments issued by Treasury of the Republic of Turkey are treated as high quality liquid assets.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

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

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

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

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

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1),(2)	Total
Current Period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1.941.265	25.053.321	-	-	-	-	-	26.994.586
Banks	1.117.982	39.293	179.869	-	-	-	-	1.337.144
Financial assets at fair value through profit or loss	-	474.001	179.858	267.908	684.457	163.086	-	1.769.310
Money market placements	-	284.104	2.011	-	-	-	-	286.115
Available-for-sale financial assets	18.079	287.136	1.275.814	2.072.093	7.418.461	11.459.935	216.911	22.748.429
Loans	-	22.419.891	13.823.059	38.580.483	41.541.964	30.908.712	1.505.073	148.779.182
Held-to-maturity investments	-	-	-	-	1.759.515	4.630.117	-	6.389.632
Other assets ⁽¹⁾	1.562.084	1.217	589	114.081	761.724	77.516	9.547.811	12.065.022
Total assets	4.639.410	48.558.963	15.461.200	41.034.565	52.166.121	47.239.366	11.269.795	220.369.420
Liabilities								
Bank deposits	624.333	3.486.432	77.009	-	-	-	-	4.187.774
Other deposits	18.962.815	65.707.743	32.538.703	5.493.316	18.542	-	-	122.721.119
Funds borrowed from other financial institutions	-	824.036	1.063.033	12.010.186	3.357.539	6.360.936	-	23.615.730
Funds from money market	-	11.902.440	146.864	245.636	-	-	-	12.294.940
Marketable securities issued	-	430.891	881.630	1.929.130	6.293.920	31.992	-	9.567.563
Miscellaneous payables	773.624	8.221.673	37.910	-	-	-	104.941	9.138.148
Other liabilities ⁽²⁾	2.678.175	620.972	781.158	514.977	1.751.071	6.170.191	26.327.602	38.844.146
Total liabilities	23.038.947	91.194.187	35.526.307	20.193.245	11.421.072	12.563.119	26.432.543	220.369.420
Net liquidity gap	(18.399.537)	(42.635.224)	(20.065.107)	20.841.320	40.745.049	34.676.247	(15.162.748)	-
Prior Period								
Total assets	8.569.305	39.352.457	13.613.254	29.873.492	45.241.770	38.211.480	7.430.854	182.292.612
Total liabilities	23.798.557	65.603.718	30.263.226	18.578.748	11.042.303	9.431.387	23.574.673	182.292.612
Net liquidity gap	(15.229.252)	(26.251.261)	(16.649.972)	11.294.744	34.199.467	28.780.093	(16.143.819)	-

(1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)**

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

Information related to financial position of the Bank (continued)**Breakdown of financial liabilities according to their remaining contractual maturities:**

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	89.214.713	33.085.144	5.639.522	19.731	-	127.959.110
Funds borrowed from other financial institutions	843.701	1.132.909	12.299.177	4.563.126	8.357.649	27.196.562
Funds from money market	11.919.351	147.140	257.316	-	-	12.323.807
Subordinated loans	-	47.942	300.656	1.936.583	6.697.667	8.982.848
Marketable securities issued	462.872	934.814	2.175.849	6.961.577	42.319	10.577.431
Total	102.440.637	35.347.949	20.672.520	13.481.017	15.097.635	187.039.758

(1) Maturities of non-cash loans are described in Note 3(iv) of Section V.

Prior Period⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	74.796.381	27.050.730	4.099.116	17.167	-	105.963.394
Funds borrowed from other financial institutions	449.068	1.485.559	10.818.728	3.789.323	3.709.672	20.252.350
Funds from money market	5.241.125	656.175	119.420	205.234	-	6.221.954
Subordinated loans	-	58.857	279.392	3.058.077	5.591.020	8.987.346
Marketable securities issued	46.746	1.267.605	3.458.909	4.880.355	1.145.061	10.798.676
Total	80.533.320	30.518.926	18.775.565	11.950.156	10.445.753	152.223.720

(1) Maturities of non-cash loans are described in Note 3(iv) of Section V.

IX. Explanations on leverage ratio:

The main reasons for decrease in leverage ratio for the current period are the increase in total risks of on-balance sheet assets and off-balance sheet exposures.

	Current Period⁽¹⁾	Prior Period⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	216.297.937	171.551.876
(Asset amounts deducted in determining Tier 1 capital)	(2.244.358)	(1.535.524)
Total on-Balance sheet exposures	214.053.579	170.016.352
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	901.494	(99.390)
Potential credit risk of derivative financial instruments and credit derivatives	2.393.778	2.090.716
Total derivative financial instruments and credit derivatives exposure	3.295.272	1.991.326
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.822.510	664.620
Agent transaction exposures	-	-
Total securities financing transaction exposures	1.822.510	664.620
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	151.800.162	107.278.990
(Adjustments for conversion to credit equivalent amounts)	(2.270.232)	-
Total risk of off-balance sheet items	149.529.930	107.278.990
Capital and total exposure		
Tier 1 capital	20.753.147	17.760.630
Total exposures	368.701.291	279.951.288
Leverage ratio		
Leverage ratio (%)	5,63	6,35

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

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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Information related to financial position of the Bank (continued)

X. Explanations on securitization positions:

None.

XI. Credit risk mitigation techniques:

The Bank does not use on-balance and off-balance sheet netting for the calculation of credit risk mitigation factors.

The Bank applies credit risk mitigation according to the comprehensive method in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques". Only cash and cash equivalent collaterals are taken into account for the purpose of credit risk migration.

Credit derivatives are not taken into consideration for credit risk mitigation techniques.

Cash and cash equivalent collaterals considered for the mitigating the credit risk, are taken into account at their nominal values. Standard margin is applied where currencies of exposure and the collateral are different.

Mortgage collaterals considered for mitigating the credit risk, are taken into account with the expertise value (which are also reviewed by the expert group of the Bank) determined by CMB licensed appraisal companies' experts. Based on these values of the collaterals, total amount of credit risk is determined in accordance with the maximum Loan-to-Value ratio set by BRSA. For the guarantees that are taken to mitigate the credit risk, credit worthiness of the guarantor is measured.

The Bank carries out its activities in accordance with the BRSA Communiqué for the valuation of the loans granted for financing of a real estate.

Cheques and notes in connection with a real business transaction are taken into consideration to mitigate the credit risk.

In order to use bank guarantee as collateral for a credit risk, it is required to have a counterparty limit on behalf of the guarantor bank and not to have mismatch of the maturity and the amount of the guarantee and the credit risk.

In the process of credit allocation, cash blockage guarantees, pledges, mortgages, guarantees and warranties are considered as risk-reducing collaterals.

The Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international and local regulations and internal policies. With regards to the limitation of risks, also internal limits are employed besides regulatory limits. Possible changes that may occur in the economic environment are taken into account for determining these limits.

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Information related to financial position of the Bank (continued)

Information about guarantees according to risk classifications:

Current Period	Amount⁽¹⁾	Financial guarantees⁽²⁾	Other / Physical guarantees⁽²⁾	Guarantees and credit derivatives⁽²⁾
Conditional and unconditional receivables from central governments or central banks	59.229.504	4.303.612	-	-
Conditional and unconditional receivables from regional or local governments	1.224	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	67.989	-	-	-
Conditional and unconditional receivables from multilateral development banks	402.795	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	113.826.024	6.009.305	-	-
Conditional and unconditional receivables from corporates	242.076.795	2.709.052	-	986.560
Conditional and unconditional retail receivables	126.414.597	171.775	-	8.895
Conditional and unconditional receivables secured by mortgages	25.786.901	-	-	-
Past due receivables	1.410.500	-	-	-
Receivables defined in high risk category by the Regulator	15.980.242	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Other Receivables	10.130.620	-	-	-
Total	595.327.191	13.193.744	-	995.455

(1) Figures represent the total amount of credit risks prior to the risk mitigating calculations as per the "Regulation on Credit Risk Mitigation Techniques".

(2) Figures represent the total amount of collaterals which are taken into consideration for the risk mitigating calculations. Other risk reducing items are not included in this table such as; mortgages, pledges, guarantees and warranties.

XII. Strategies and policies of the risk management system:

Risk management strategy of the Bank includes measurement and monitoring of the risks with the methods that are defined in accordance with the international standards and local regulations. Also it includes having a sustainable growth in the framework of optimized capital use in accordance with the principle of keeping a balanced risk and return approach.

Risk Management Department including the sub-departments of "Credit Risk Control and Operational Risk Management", "Market Risk Management" and "Credit Risk Management", reports to the Board of Directors through the Audit Committee.

Credit risk rating models are mainly used to measure and monitor the credit risk. The rating model is used in day to day activities of the Bank such as, for the evaluation of new credit applications, determination of credit approval authority levels and monitoring the performance of the existing customer portfolio. Performance of the rating model is monitored by a validation team on a regular basis.

Reports related to the loan portfolio of the Bank are distributed to the relevant departments within the Bank, on a regular basis. Expected loss calculations for the Bank's loan portfolio are performed and used for determining the objectives and policies of the Bank.

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Unconsolidated financial statements as of December 31, 2015 and 2014 (continued)

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

Information related to financial position of the Bank (continued)

Market Risk Analysis unit is responsible for measuring, monitoring and distributing the results of the market risk to the relevant departments within the Bank, as well as reviewing the valuation calculations of financial instruments, which are subject to market risk, in accordance with accounting standards.

The Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international regulations, local regulations and internal policies. In addition to the regulatory limits, there are also internal limits set to measure and monitor the risk. Possible changes that may occur in the economic environment are taken into account for determining these limits.

XIII. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets	179.540.502	149.562.611	181.888.848	152.700.238
Due from money market	286.115	1.568.654	286.115	1.568.654
Banks	1.337.144	2.395.348	1.337.148	2.396.447
Available-for-sale financial assets	22.748.429	18.586.158	22.748.429	18.586.158
Held-to-maturity investments	6.389.632	5.019.049	6.318.281	5.279.582
Loans	148.779.182	121.993.402	151.198.875	124.869.397
Financial liabilities	175.865.525	148.134.244	176.328.130	148.521.234
Bank deposits	4.187.774	1.975.481	4.188.079	1.967.614
Other deposits	122.721.119	103.144.858	122.800.605	103.216.546
Funds borrowed from other financial institutions	23.615.730	18.121.573	23.615.140	18.124.767
Subordinated loans	6.635.191	6.770.549	6.726.059	6.855.936
Marketable securities issued	9.567.563	9.720.399	9.860.099	9.954.987
Miscellaneous payables	9.138.148	8.401.384	9.138.148	8.401.384

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Information related to financial position of the Bank (continued)

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	66.106	1.703.204	-	1.769.310
Government debt securities	66.106	-	-	66.106
Share certificates	-	-	-	-
Trading derivative financial assets	-	1.703.204	-	1.703.204
Other marketable securities	-	-	-	-
Available-for-sale financial assets	20.398.262	2.342.662	-	22.740.924
Government debt securities	20.380.183	-	-	20.380.183
Other marketable securities ⁽¹⁾	18.079	2.342.662	-	2.360.741
Hedging derivative financial assets	-	955.127	-	955.127
Total assets	20.464.368	5.000.993	-	25.465.361
Trading derivative financial liabilities	-	1.853.506	-	1.853.506
Hedging derivative financial liabilities	-	147.474	-	147.474
Information on borrowings	-	3.394.985	-	3.394.985
Total liabilities	-	5.395.965	-	5.395.965
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	95.151	1.101.865	-	1.197.016
Government debt securities	95.151	-	-	95.151
Share certificates	-	-	-	-
Trading derivative financial assets	-	1.101.865	-	1.101.865
Other marketable securities	-	-	-	-
Available-for-sale financial assets	16.322.255	2.257.923	-	18.580.178
Government debt securities	16.252.704	-	-	16.252.704
Other marketable securities ⁽¹⁾	69.551	2.257.923	-	2.327.474
Hedging derivative financial assets	-	256.146	-	256.146
Total assets	16.417.406	3.615.934	-	20.033.340
Trading derivative financial liabilities	-	795.530	-	795.530
Hedging derivative financial liabilities	-	439.791	-	439.791
Information on borrowings	-	1.163.996	-	1.163.996
Total liabilities	-	2.399.317	-	2.399.317

(1) Non-listed share certificates amounting of TL 7.505 are accounted in accordance with TAS 39, at acquisition costs, are not included. (December 31, 2014 – TL 5.980)

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

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Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Information related to financial position of the Bank (continued)

XIV. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of December 31, 2015:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH.

Contractual amounts and the fair values as at December 31, 2015 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap	28.436.221	703.897	144.047	20.360.998	78.251	439.791
Cross currency interest rate swap	567.175	251.230	3.427	455.325	177.895	-
Total	29.003.396	955.127	147.474	20.816.323	256.146	439.791

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 29.505.684 (December 31, 2014 – TL 21.080.221) the total notional of derivative financial assets amounting to TL 58.509.080 (December 31, 2014 – TL 41.896.544) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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

Fair value hedge accounting:

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Information related to financial position of the Bank (continued)

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	(28.479)	251.230	3.427	(17.963)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency funding and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

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

(3) The ineffective portion of the mentioned hedging transaction is TL 2.286.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	(10.516)	177.895	-	(5.403)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency funding and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

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

(3) The ineffective portion of the mentioned hedging transaction is TL 2.913.

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

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

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Information related to financial position of the Bank (continued)**Cash flow hedge accounting:**

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

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	703.897	144.047	267.965	564.974

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 6.355.

Prior Period

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	78.251	439.791	(297.009)	(181.892)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 12.225.

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

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

Net Investment Hedge:

The Bank, starting with July 1, 2015 hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The foreign exchange difference on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Information related to financial position of the Bank (continued)

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

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

XVI. Explanations on operating segments:

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

- (1) Retail Banking
- (2) Corporate and Commercial Banking
- (3) Private Banking and Wealth Management.

The Bank's Retail Banking activities include card payment systems, small medium size enterprises (SME) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

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

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

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

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Information related to financial position of the Bank (continued)

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

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

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.085.978	2.371.581	213.250	2.679.482	9.350.291
Operating expenses	(3.628.714)	(798.972)	(94.552)	(2.809.676)	(7.331.914)
Net operating income / (expense)	457.264	1.572.609	118.698	(130.194)	2.018.377
Dividend income ⁽¹⁾	-	-	-	2.971	2.971
Income/(loss) from investments accounted based on equity method	-	-	-	368.140	368.140
Profit before tax	457.264	1.572.609	118.698	240.917	2.389.488
Tax provision expense ⁽¹⁾	-	-	-	(528.943)	(528.943)
Net period income	457.264	1.572.609	118.698	(288.026)	1.860.545
Net profit	457.264	1.572.609	118.698	(288.026)	1.860.545
Segment asset	69.090.016	70.054.161	169.838	77.070.175	216.384.190
Investments in associates, subsidiaries and joint ventures	-	-	-	3.985.230	3.985.230
Total assets	69.090.016	70.054.161	169.838	81.055.405	220.369.420
Segment liabilities	51.068.598	49.253.094	28.125.979	68.837.738	197.285.409
Shareholders' equity	-	-	-	23.084.011	23.084.011
Total liabilities	51.068.598	49.253.094	28.125.979	91.921.749	220.369.420
Prior Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	3.154.995	1.984.536	193.161	2.654.659	7.987.351
Operating expenses	(3.017.788)	(595.230)	(88.712)	(2.090.124)	(5.791.854)
Net operating income / (expense)	137.207	1.389.306	104.449	564.535	2.195.497
Dividend income ⁽¹⁾	-	-	-	2.468	2.468
Income/(loss) from investments accounted based on equity method	-	-	-	383.205	383.205
Profit before tax	137.207	1.389.306	104.449	950.208	2.581.170
Tax provision expense ⁽¹⁾	-	-	-	(524.659)	(524.659)
Net period income	137.207	1.389.306	104.449	425.549	2.056.511
Net profit	137.207	1.389.306	104.449	425.549	2.056.511
Segment asset	56.570.591	56.386.444	170.177	65.569.693	178.696.905
Investments in associates, subsidiaries and joint ventures	-	-	-	3.595.707	3.595.707
Total assets	56.570.591	56.386.444	170.177	69.165.400	182.292.612
Segment liabilities	41.080.689	44.598.409	22.300.382	54.095.433	162.074.913
Shareholders' equity	-	-	-	20.217.699	20.217.699
Total liabilities	41.080.689	44.598.409	22.300.382	74.313.132	182.292.612

(1) Dividend income and tax provision have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Section Five**Explanations and notes related to unconsolidated financial statements****I. Explanations and notes related to assets****a. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT"):**

1. Information on cash and the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.437.730	511.118	1.696.963	517.372
The CBRT ⁽¹⁾	2.025.935	23.019.557	1.293.701	19.460.663
Other	-	246	-	189
Total	3.463.665	23.530.921	2.990.664	19.978.224

(1) The balance of gold amounting to TL 3.677.328 is accounted for under the Central Bank foreign currency account (December 31, 2014 – TL 3.302.860).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	2.025.935	2.735.055	1.293.701	2.046.196
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	20.284.502	-	17.414.467
Total	2.025.935	23.019.557	1.293.701	19.460.663

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

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

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

1. The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2014 - None).

c. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	173.071	-	48.509	-
Swap transactions	1.205.895	209.040	905.200	102.595
Futures transactions	-	-	-	-
Options	106.540	8.658	27.318	18.243
Other	-	-	-	-
Total	1.485.506	217.698	981.027	120.838

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)**ç. Information on banks:**

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	10.789	368	88.347	4.967
Foreign ⁽¹⁾	14.802	1.311.185	3.296	2.298.738
Head quarters and branches abroad	-	-	-	-
Total	25.591	1.311.553	91.643	2.303.705

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 17.423 (December 31, 2014 – TL 59.588).

2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	191.583	1.150.673	89.007	111.270
USA, Canada	893.833	965.166	72.690	-
OECD countries ⁽¹⁾	21.781	23.169	18.173	-
Off-shore banking regions	383	123	-	-
Other	38.537	51.633	-	-
Total	1.146.117	2.190.764	179.870	111.270

(1) Includes OECD countries except EU countries, USA and Canada.

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

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked

Available-for-sale financial assets given as collateral/blocked amounts to TL 4.167.373 (December 31, 2014 - TL 1.098.021) and available-for-sale financial assets subject to repo transactions amounts to TL 8.389.163 (December 31, 2014 – TL 4.607.767).

e. Information on available-for-sale financial assets:

	Current Period	Prior Period
Debt securities	22.871.392	18.576.430
Quoted on stock exchange	21.740.703	17.045.319
Not quoted ⁽¹⁾	1.130.689	1.531.111
Share certificates	262.225	51.298
Quoted on stock exchange	-	-
Not quoted	262.225	51.298
Impairment provision (-) ⁽²⁾	(410.013)	(114.222)
Other ⁽³⁾	24.825	72.652
Total	22.748.429	18.586.158

(1) Includes credit linked notes amounting to TL 476.119. (December 31, 2014 - TL 986.135).

(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.

(3) Other available-for-sale financial assets include mutual funds.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

f. Explanations on loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	6.593	954.585	29.825	536.763
Loans granted to employees	136.551	2	127.270	412
Total	143.144	954.587	157.095	537.175

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

Cash Loans	Standard loans and other receivables		Loans and other receivables under close monitoring			
	Loans and other receivables (Total)	of which, terms & conditions are changed	Loans and other receivables (Total)	of which, terms & conditions are changed		
					Payment plan extensions	Other
Non-specialized loans	142.510.681	2.143.067	-	4.763.428	1.416.478	133.659
Loans given to enterprises	69.978.244	542.092	-	1.385.922	589.281	98.442
Export loans	5.328.817	152.107	-	50.305	26.961	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.429.554	-	-	-	-	-
Consumer loans	28.019.982	747.291	-	1.165.552	158.950	21.836
Credit cards	19.271.667	438.362	-	605.330	157.702	10.733
Other ⁽¹⁾	17.482.417	263.215	-	1.556.319	483.584	2.648
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	142.510.681	2.143.067	-	4.763.428	1.416.478	133.659

(1) Fair value differences of the hedged item amounting to TL (28.479) are classified in other loans as explained in Note XIV, Section IV.

Number of modifications made to extend payment plan ⁽¹⁾⁽²⁾⁽³⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
	Extended by 1 or 2 times	1.991.675
Extended by 3,4 or 5 times	114.746	175.962
Extended by more than 5 times	36.646	6.209
Total	2.143.067	1.416.478

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

Extended period of time ⁽¹⁾⁽²⁾⁽³⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	726.851	290.923
6 - 12 Months	170.335	70.684
1 - 2 Years	481.181	224.847
2 - 5 Years	573.333	409.627
5 Years and over	191.367	420.397
Total	2.143.067	1.416.478

- (1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 9, 2011.
- (2) There are 62 loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities Until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 23 of them were restructured three times, 17 of them were twice and 22 of them were restructured once.
- (3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

3. Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short-term loans and other receivables	47.016.011	774.362	1.150.976	190.793
Non-specialised loans	47.016.011	774.362	1.150.976	190.793
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	93.351.603	1.368.705	2.062.315	1.359.344
Non-specialised loans	93.351.603	1.368.705	2.062.315	1.359.344
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

4.(i) Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	95.219.032	28.019.982	19.271.667	142.510.681
Watch list	2.992.546	1.165.552	605.330	4.763.428
Loans under legal follow-up	3.573.151	1.505.486	1.053.103	6.131.740
Specific provisions (-)	(2.647.676)	(1.161.743)	(817.248)	(4.626.667)
Total	99.137.053	29.529.277	20.112.852	148.779.182

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	77.265.662	22.383.514	17.029.940	116.679.116
Watch list	2.237.933	1.173.988	646.516	4.058.437
Loans under legal follow-up	2.678.396	1.046.973	608.406	4.333.775
Specific provisions (-)	(1.943.823)	(755.004)	(379.099)	(3.077.926)
Total	80.238.168	23.849.471	17.905.763	121.993.402

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)

(ii) Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch list	991.676	510.851	-	1.502.527
Loans under legal follow-up ⁽¹⁾	516.617	43.061	-	559.678
Total	1.508.293	553.912	-	2.062.205

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch list	316.894	743.142	-	1.060.036
Loans under legal follow-up ⁽¹⁾	359.697	39.438	-	399.135
Total	676.591	782.580	-	1.459.171

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	198.926	27.990.569	28.189.495
Real estate loans	7.328	12.212.049	12.219.377
Automotive loans	4.275	426.769	431.044
Consumer loans	187.323	15.351.751	15.539.074
Consumer loans-FC indexed	-	45.822	45.822
Real estate loans	-	45.116	45.116
Automotive loans	-	-	-
Consumer loans	-	706	706
Individual credit cards-TL	13.843.803	625.416	14.469.219
With installments	7.039.711	615.630	7.655.341
Without installments	6.804.092	9.786	6.813.878
Personnel loans-TL	4.593	57.960	62.553
Real estate loans	24	1.211	1.235
Automotive loans	-	297	297
Consumer loans	4.569	56.452	61.021
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	72.353	279	72.632
With installments	33.652	279	33.931
Without installments	38.701	-	38.701
Credit deposit account-TL (real person)⁽¹⁾	887.664	-	887.664
Total	15.007.339	28.720.046	43.727.385

(1) TL 1.366 of the credit deposit account belongs to the loans used by personnel.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	845.670	10.263.502	11.109.172
Business loans	668	759.567	760.235
Automotive loans	32.311	1.930.723	1.963.034
Consumer loans	812.691	7.573.212	8.385.903
Commercial installments loans-FC indexed	16.723	211.300	228.023
Business loans	-	20.041	20.041
Automotive loans	124	48.793	48.917
Consumer loans	16.599	142.466	159.065
Corporate credit cards-TL	5.332.741	2.405	5.335.146
With installment	3.331.466	2.056	3.333.522
Without installment	2.001.275	349	2.001.624
Credit deposit account-TL (legal person)	1.216.911	-	1.216.911
Total	7.412.045	10.477.207	17.889.252

7. Loans according to types of borrowers:

	Current Period	Prior Period
Public	1.713.483	1.698.012
Private	145.560.626	119.039.541
Total	147.274.109	120.737.553

8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	Current Period	Prior Period
Domestic loans	145.976.200	119.351.163
Foreign loans	1.297.909	1.386.390
Total	147.274.109	120.737.553

9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	36.629	99.878
Indirect loans granted to associates and subsidiaries	-	-
Total	36.629	99.878

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectibility	124.053	96.941
Loans and other receivables with doubtful collectibility	517.271	477.579
Uncollectible loans and other receivables	3.985.343	2.503.406
Total	4.626.667	3.077.926

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.943.823	755.004	379.099	3.077.926
Allowance for impairment	1.132.029	659.017	595.744	2.386.790
Amount recovered during the period	(394.389)	(252.278)	(157.595)	(804.262)
Loans written off during the period as uncollectible ⁽¹⁾	(33.787)	-	-	(33.787)
December 31	2.647.676	1.161.743	817.248	4.626.667

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.571.108	551.481	287.527	2.410.116
Allowance for impairment	839.071	646.218	428.077	1.913.366
Amount recovered during the period	(319.387)	(346.655)	(121.368)	(787.410)
Loans written off during the period as uncollectible ⁽¹⁾	(146.969)	(96.040)	(215.137)	(458.146)
December 31	1.943.823	755.004	379.099	3.077.926

(1) Also includes the effects of the sales of non-performing loan portfolios.

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

(i). Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	51.140	85.755	127.959
Restructured loans and other receivables	51.140	85.755	127.959
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	12.977	32.628	304.889
Restructured loans and other receivables	12.977	32.628	304.889
Rescheduled loans and other receivables	-	-	-

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)

(ii). Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Prior Period	619.940	1.040.226	2.673.609
Additions (+)	2.754.751	79.672	240.647
Transfers from other categories of non-performing loans (+)	-	2.512.876	2.076.006
Transfer to other categories of non-performing loans (-)	(2.512.876)	(2.076.006)	-
Collections (-)	(170.547)	(256.138)	(816.633)
Write-offs(-)	-	-	(33.787)
Corporate and commercial loans	-	-	(33.787)
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current Period	691.268	1.300.630	4.139.842
Specific provision (-)	(124.053)	(517.271)	(3.985.343)
Net balance on balance sheet	567.215	783.359	154.499

(iii). Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period			
Period end balance	113	5.266	508.015
Specific provision (-)	(23)	(3.817)	(426.724)
Net balance on-balance sheet	90	1.449	81.291
Prior Period			
Period end balance	57.731	11.158	502.362
Specific provision (-)	(2.280)	(7.858)	(364.273)
Net balance on-balance sheet	55.451	3.300	138.089

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period (net)	567.215	783.359	154.499
Loans granted to real persons and corporate entities (gross)	691.268	1.300.630	4.031.279
Specific provision amount (-)	(124.053)	(517.271)	(3.876.780)
Loans granted to real persons and corporate entities (net)	567.215	783.359	154.499
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (net) ⁽¹⁾	-	-	-
Prior Period (net)	522.999	562.647	170.203
Loans granted to real persons and corporate entities (gross)	619.940	1.040.226	2.565.013
Specific provision amount (-)	(96.941)	(477.579)	(2.394.810)
Loans granted to real persons and corporate entities (net)	522.999	562.647	170.203
Banks (gross)	-	-	24.600
Specific provision amount (-)	-	-	(24.600)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.996
Specific provision amount (-)	-	-	(83.996)
Other loans and receivables (net) ⁽¹⁾	-	-	-

(1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş., in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

12. Explanation on liquidation policy for uncollectible loans and receivables;

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

13. Explanation on "Write-off" policies:

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

g. Information on held-to-maturity investments:

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

Held-to-maturity investments given as collateral / blocked amounts to TL 1.727.689 (December 31, 2014 - TL 1.581.166). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.736.461 (December 31, 2014 - TL 2.017.953).

2. Information on government debt securities held-to-maturity:

	Current Period	Prior Period
Government bond	6.389.632	5.019.049
Treasury bill	-	-
Other debt securities	-	-
Total	6.389.632	5.019.049

3. Information on investment securities held-to-maturity:

	Current Period	Prior Period
Debt securities	6.583.900	5.141.589
Quoted on stock exchange	6.583.900	5.141.589
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(194.268)	(122.540)
Total	6.389.632	5.019.049

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

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

	Current Period	Prior Period
Beginning balance	5.019.049	6.453.908
Foreign currency differences on monetary assets ⁽¹⁾	850.016	218.361
Purchases during the year	592.353	561.762
Disposals through sales and redemptions	(58)	(2.223.085)
Impairment provision (-) ⁽²⁾	(71.728)	8.103
Period end balance	6.389.632	5.019.049

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

ğ. Information on investments in associates (net):

1. Information on unconsolidated investments in associates:

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

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

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketabl e securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1	9.625.663	1.159.581	6.492	117.316	21.203	68.320	50.601	-
2	129.527	104.842	62.913	3.663	1.332	26.782	18.547	-
3	65.901	35.309	39.402	744	-	9.605	7.882	-

- (1) Financial statement information disclosed above shows September 30, 2015 results.

3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	264.875	257.965
Movements during the period	77.768	6.910
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	21.001	15.508
Sales	-	-
Revaluation (decrease) / increase ⁽²⁾	61.566	(5.043)
Impairment provision ⁽¹⁾	(4.799)	(3.555)
Balance at the end of the period	342.643	264.875
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

	Current Period	Prior Period
Banks	338.140	260.372
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	338.140	260.372

5. The Bank has no investments in associates quoted on a stock exchange.

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

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

1. Information on equity of the subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	13.669	-	-	-	(3.470)
Other capital reserves	93.614	11	(217.064)	-	-
Legal reserves	66.880	8.034	79.305	16.314	-
Extraordinary reserves	209.302	10.458	771.384	-	423.809
Other reserves	-	-	-	-	348.160
Profit/loss	(10.388)	116.732	474.768	27.850	61.198
Current period net profit	59.558	9.867	196.527	27.850	61.198
Prior period profit	(69.946)	106.865	278.241	-	-
Leasehold improvements (-)	-	-	210	251	67
Intangible assets (-)	1.516	543	3.451	701	337
Total core capital	484.176	195.406	1.494.660	48.919	941.735
Supplementary capital	-	10.127	34.708	-	178
Capital	484.176	205.533	1.529.368	48.919	941.913
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	484.176	205.533	1.529.368	48.919	941.913

The above information is based on the consolidated financial statements of the Bank as of December 31, 2015.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

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

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

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

2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding BV.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
6	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
7	Yapı Kredi Netherland	Amsterdam/Holland	67,24	100,00
8	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
9	Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
10	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
11	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

3. Main financial figures of the subsidiaries in order of the above table: ⁽¹⁾

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	227.804	227.633	-	-	-	326	351	-	-
2	3.338.442	490.196	38.760	99.540	5.232	59.558	69.268	-	-
3	2.282.938	195.949	1.307	153.474	-	9.867	46.971	-	-
4	406.567	125.728	12.613	37.496	2.162	14.115	19.423	-	-
5	7.639.749	1.498.321	4.058	440.634	-	196.527	152.365	-	-
6	58.883	49.871	1.574	3.442	-	27.850	21.386	-	-
7	5.960.637	939.403	922	225.368	11.848	61.198	50.566	-	-
8	897.519	129.113	30.277	90.459	29	395	21.004	-	-
9	38.532	25.692	3.749	1.920	-	(620)	903	-	-
10	21.811	18.599	1.196	20	-	2.428	2.436	-	-
11	5.279	4.318	289	216	-	(682)	-	-	-

- (1) Consolidated financial statements are used for the financial information above.

Financial statement information disclosed above shows December 31, 2015 results.

4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.309.478	3.166.037
Movements in period	304.958	143.441
Purchases	-	124.138
Free shares obtained profit from current years share	-	-
Dividends from current year income	345.342	322.018
Sales	-	-
Liquidation ⁽¹⁾	-	(39.558)
Transfers	-	-
Revaluation increase/decrease ⁽²⁾	66.047	(95.052)
Impairment provision ⁽³⁾	(106.431)	(168.105)
Balance at the end of the period	3.614.436	3.309.478
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

- (1) In the Extraordinary end of liquidation General Assembly of YKYO held on July 8, 2014, it was decided to conclude the liquidation process and to pay the remaining liquidation liabilities to the shareholders. In addition, it was decided to delist the official name, information and registry record of the YKYO from the trade registry records and other governmental agencies' records.
- (2) Includes the differences in the other comprehensive income related with the equity method accounting.
- (3) Includes dividend income received in the current period.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

Financial subsidiaries	Current Period	Prior Period
Banks	886.070	833.361
Insurance companies	-	-
Factoring companies	195.856	232.950
Leasing companies	1.498.228	1.301.713
Finance companies	-	-
Other financial subsidiaries	1.034.282	941.454
Total financial subsidiaries	3.614.436	3.309.478

6. Subsidiaries quoted on stock exchange:

None (December 31, 2014 - None).

I. Information on joint ventures (net):

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

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,4 5	30,4 5	181.540	72.841	55.990	125.550	8.410	91.828	(85.747)
Total			181.540	72.841	55.990	125.550	8.410	91.828	(85.747)

i. Information on lease receivables (net):

None (December 31, 2014 - None).

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	251.230	-	177.895	-
Cash flow hedge ⁽¹⁾	697.629	6.268	78.251	-
Foreign net investment hedge	-	-	-	-
Total	948.859	6.268	256.146	-

(1) Explained in the note XIV of Section IV.

k. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	1.950.003	357.759	2.769	925.153	3.235.684
Accumulated depreciation (-)	(1.412.072)	(308.822)	(1.665)	(462.132)	(2.184.691)
Net book value	537.931	48.937	1.104	463.021	1.050.993
Current Period					
Net book value at beginning of the period	537.931	48.937	1.104	463.021	1.050.993
Additions ⁽¹⁾	1.505.603	-	190	280.997	1.786.790
Disposals (-), net	(1.255)	(28)	-	(40.297)	(41.580)
Reversal of impairment ⁽¹⁾	103.862	-	-	-	103.862
Impairment (-)	(1.492)	-	-	-	(1.492)
Depreciation (-)	(42.094)	(25.841)	(314)	(136.423)	(204.672)
Net book value at end of the period	2.102.555	23.068	980	567.298	2.693.901
Cost at the end of the period	2.971.839	343.469	2.959	1.100.559	4.418.826
Accumulated depreciation at the period end (-)	(869.284)	(320.401)	(1.979)	(533.261)	(1.724.925)
Current Period	2.102.555	23.068	980	567.298	2.693.901

(1) The Bank decided to change its accounting policy on valuation of buildings to fair value accounting in accordance with TAS 16 starting with 31 March 2015. Based on valuation reports of expertise companies, authorized by CMB and BRSA, the Bank realized a positive fair valuation difference as other comprehensive income amounting to TL 1.489.543.

As of December 31, 2015, the Bank had total provision for impairment amounting to TL 224.378 (December 31, 2014 – TL 326.748) for the property and equipment.

l. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.428.368	1.376.092
Additions during the period	181.156	155.147
Unused and disposed items (-)	(955)	(217)
Impairment reversal	-	-
Amortization expenses (-)	(119.135)	(102.654)
Balance at the end of the period	1.489.434	1.428.368

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)**m. Information on investment property:**

None (December 31, 2014 - None).

n. Information on deferred tax asset:

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Temporary differences	842.415	168.483	906.496	181.299
Derivative financial liabilities	2.039.027	407.806	1.259.126	251.826
Securities portfolio valuation differences	378.951	99.176	17.344	3.468
Subsidiaries, investment in associates and share certificates	122.117	24.423	122.117	24.423
Other	432.315	86.463	477.213	95.443
Total deferred tax asset	3.814.825	786.351	2.782.296	556.459
Derivative financial assets	(2.789.227)	(557.846)	(1.476.035)	(295.207)
Valuation difference of securities portfolio	(953.797)	(190.759)	(587.640)	(117.430)
Property, equipment and intangibles, net	(1.846.215)	(124.319)	(247.224)	(39.125)
Subsidiaries valuation differences	(136.798)	(27.361)	(53.688)	(10.738)
Other				
Total deferred tax liability	(5.726.037)	(900.285)	(2.364.587)	(462.500)
Deferred tax asset / (liability), net	(1.911.212)	(113.934)	417.709	93.959

Deferred tax income amounting to TL 200.879 was recognized in profit and loss statement, whereas deferred tax expense amounting to TL 7.014 was recognized directly in equity accounts for the period ended December 31, 2015.

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

	Current Period	Prior Period
Net book value at the beginning of the period	150.499	151.396
Additions	71.047	63.384
Transfers	(65.547)	(59.736)
Disposals (-), net	560	979
Impairment provision reversal	(400)	(566)
Impairment provision (-)	(5.149)	(4.958)
Depreciation (-)		
Net book value at the end of the period	151.010	150.499
Cost at the end of the period	166.100	164.041
Accumulated depreciation at the end of the period (-)	(15.090)	(13.542)
Net book value at the end of the period	151.010	150.499

As of December 31, 2015, the Bank booked impairment provision on assets held for resale with an amount of TL 7.838 (December 31, 2014 - TL 7.998).

ö. Information on other assets:

As of December 31, 2015, other assets do not exceed 10% of the total assets.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

II. Explanations and notes related to liabilities

a. Information on deposits:

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

1 (i). Current Period:

	Demand	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Total
Saving deposits	4.219.126	1.337.095	26.867.767	806.306	126.278	183.663	33.540.235
Foreign currency deposits	8.671.966	8.871.297	30.611.654	4.674.673	4.545.321	896.742	58.271.653
Residents in Turkey	8.506.638	8.856.667	29.930.970	2.994.446	636.691	530.164	51.455.576
Residents abroad	165.328	14.630	680.684	1.680.227	3.908.630	366.578	6.816.077
Public sector deposits	833.607	70	72.690	71	660	77	907.175
Commercial deposits	4.816.994	4.534.416	15.097.208	727.103	139.531	638.371	25.953.623
Other institutions deposits	91.538	62.089	2.592.019	320.813	402.005	1.190	3.469.654
Precious metals vault	329.584	5.828	59.963	26.188	33.296	123.920	578.779
Bank deposits	624.333	2.918.728	458.136	145.629	40.948	-	4.187.774
The CBRT	-	-	-	-	-	-	-
Domestic banks	1.802	2.886.159	365.081	-	-	-	3.253.042
Foreign banks	298.030	32.569	93.055	145.629	40.948	-	610.231
Participation banks	324.501	-	-	-	-	-	324.501
Other	-	-	-	-	-	-	-
Total	19.587.148	17.729.523	75.759.437	6.700.783	5.288.039	1.843.963	126.908.893

1 (ii). Prior Period:

	Demand	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Total
Saving deposits	3.183.149	1.471.397	23.303.212	1.124.141	260.728	238.187	29.580.814
Foreign currency deposits	6.344.230	5.558.209	21.712.356	3.526.343	1.256.693	593.191	38.991.022
Residents in Turkey	6.212.285	5.512.089	20.735.576	1.200.171	599.421	565.060	34.824.602
Residents abroad	131.945	46.120	976.780	2.326.172	657.272	28.131	4.166.420
Public sector deposits	899.028	-	3.076	417	516	1	903.038
Commercial deposits	4.445.719	5.666.644	13.970.380	2.808.340	501.598	123.732	27.516.413
Other institutions deposits	92.324	970.381	3.557.132	253.563	434.066	5.740	5.313.206
Precious metals vault	499.354	1.472	91.739	29.870	49.681	168.249	840.365
Bank deposits	506.736	975.828	463.012	3.606	19.966	6.333	1.975.481
The CBRT	2	-	-	-	-	-	2
Domestic banks	2.987	878.863	445.203	-	12.715	6.333	1.346.101
Foreign banks	221.999	96.965	17.809	3.606	7.251	-	347.630
Participation banks	281.748	-	-	-	-	-	281.748
Other	-	-	-	-	-	-	-
Total	15.970.540	14.643.931	63.100.907	7.746.280	2.523.248	1.135.433	105.120.339

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)

2. Information on saving deposits insurance:

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

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	17.014.520	14.292.214	16.525.715	15.288.190
Foreign currency savings deposit	5.043.911	3.886.738	16.142.805	11.760.497
Other deposits in the form of savings deposits	241.329	453.318	277.182	300.290
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	5.495	6.348
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	130.003	88.277
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

b. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	96.278	-	58.914	-
Swap transactions	1.421.153	217.921	608.374	73.681
Futures transactions	-	-	-	-
Options	104.779	13.375	31.606	22.955
Other	-	-	-	-
Total	1.622.210	231.296	698.894	96.636

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

c. Information on borrowings:

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	196.688	199.378	228.832	222.478
From foreign banks, institutions and funds	457.177	22.762.487	633.725	17.036.538
Total	653.865	22.961.865	862.557	17.259.016

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	248.614	3.700.924	244.283	9.841.968
Medium and long-term	405.251	19.260.941	618.274	7.417.048
Total	653.865	22.961.865	862.557	17.259.016

3. Information on securitization borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions ⁽¹⁾	-	6.083.274	-	3.054.498
From foreign funds	-	-	-	-
Total	-	6.083.274	-	3.054.498

(1) The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with IAS 39 paragraph 9. As of December 31, 2015, the total amount of financial liabilities classified as fair value through profit/loss is TL 3.394.985 (December 31, 2014 – TL 1.163.996) and the fair value difference is TL 96.945 recognised in the income statement as income (December 31, 2014 – TL 5.673).

ç. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	2.106.752	451.305	1.638.373	1.712.209
Bonds	662.717	6.346.789	1.181.861	5.187.956
Collateralized securities	288.650	-	462.642	-
Total	2.769.469	6.798.094	2.820.234	6.900.165

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

d. Information on other liabilities:

As of December 31, 2015, other liabilities do not exceed 10% of the total balance sheet commitments.

e. Information on lease payables:

1. Information on financial leasing agreements:
None (December 31, 2014 – None).

2. Information on operational leasing agreements:

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

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	3.427	-	-	-
Cash flow hedge ⁽¹⁾	35.387	108.660	228.442	211.349
Foreign net investment hedge	-	-	-	-
Total	38.814	108.660	228.442	211.349

(1) Explained in Note XIV of Section IV.

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
Provisions for first group loans and receivables	2.043.593	1.451.714
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	85.758	61.798
Provisions for second group loans and receivables	206.370	188.332
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	57.504	55.839
Provisions for non cash loans	89.189	84.527
Others	232.838	158.694
Total	2.571.990	1.883.267

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

2. Information on reserve for employee rights:

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

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

	Current Period	Prior Period
Discount rate (%)	4,60	3,50
Possibility of being eligible for retirement (%)	93,89	94,11

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.092,53 effective from January 1, 2016 (January 1, 2014: full TL 3.541,37) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	123.200	108.664
Changes during the period	47.684	23.594
Recognized in equity	(22.478)	17.405
Paid during the period	(27.689)	(26.463)
Balance at the end of the period	120.717	123.200

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 147.449 as of December 31, 2015 (December 31, 2014 - TL 128.395).

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

As of December 31, 2015, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 30.295 (December 31, 2014 - TL 25.125). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

4. Other provisions:

- (i) Information on other provisions:

	Current Period	Prior Period
Pension fund provision	574.249	654.901
Provisions on unindemnified non cash loans	105.932	82.424
Provisions on credit cards and promotion campaigns related to banking services	38.244	34.417
Provision on export commitment tax and funds liability	6.376	44.489
Other	286.577	133.624
Total	1.011.378	949.855

- (ii) General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	-	160.839
Total	-	160.839

5. Pension fund provision:

The Bank provided provision amounting to TL 574.249 (December 31, 2014 – TL 654.901) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	80.652	112.230

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	1.757.364	1.621.901
- Pension benefits transferable to SSI	1.889.880	1.658.083
- Post employment medical benefits transferable to SSI	(132.516)	(36.182)
Fair value of plan assets	(1.183.115)	(967.000)
Provision for the actuarial deficit of the pension fund	574.249	654.901

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

The principal actuarial assumptions used were as follows:

	Current Period		Prior Period	
Discount rate				
- Pension benefits transferable to SSI		9,80%		9,80%
- Post employment medical benefits transferable to SSI		9,80%		9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Government bonds and treasury bills	168.951	14	190.168	20
Premises and equipment	223.142	19	138.997	14
Bank placements	728.589	62	570.814	59
Other	62.433	5	67.021	7
Total	1.183.115	100	967.000	100

ğ. Information on taxes payable:

(i) Information on taxes payable:

	Current Period		Prior Period	
Corporate Tax Payable		185.879		131.719
Taxation of Marketable Securities		111.321		94.719
Property Tax		2.795		2.411
Banking Insurance Transaction Tax ("BITT")		105.614		78.269
Foreign Exchange Transaction Tax		-		-
Value Added Tax Payable		12.831		9.783
Other		31.588		28.754
Total		450.028		345.655

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	13.473	11.981
Bank pension fund premiums – employer	13.921	12.397
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	961	855
Unemployment insurance – employer	1.922	1.711
Other	-	-
Total	30.277	26.944

(iii) Information on deferred tax liability:

Deferred tax liability, amounting to TL 113.934 represents net of deferred tax assets and deferred tax liabilities, as of December 31, 2015 (December 31, 2014 - None).

h. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	6.635.191	-	6.770.549
From other foreign institutions	-	-	-	-
Total	-	6.635.191	-	6.770.549

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

i. Information on shareholders' equity:

1. Presentation of paid-in capital:

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

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

The Bank's paid-in-capital is amounting to TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Bank has switched to the registered capital system and the registered share capital ceiling is TL 10.000.000.

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

None (December 31, 2014 - None).

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

4. Information on transfers from capital reserves to capital during the current period: None.
5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.
6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.
7. Privileges on the corporate stock: None.
8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	785.325	1.041.745	662.619	825.292
Valuation difference ⁽¹⁾	785.325	1.041.745	662.619	825.292
Foreign currency difference	-	-	-	-
From fixed assets held for sale				
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Available for sale securities	(559.598)	293.487	180.396	234.848
Valuation differences ⁽²⁾	(559.598)	293.487	180.396	234.848
Foreign currency differences	-	-	-	-
Total	225.727	1.335.232	843.015	1.060.140

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	28.304.464	25.612.776
Loan granting commitments	9.085.013	8.125.659
Commitments for cheques	6.521.085	5.981.382
Other irrevocable commitments	35.009.478	6.703.313
Total	78.920.040	46.423.130

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 89.189 (December 31, 2014 - TL 84.527) and specific provision amounting to TL 597.477 (December 31, 2014 - TL 381.510) for non-cash loans which are not indemnified yet amounting to TL 105.932 (December 31, 2014 – 82.424).

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

	Current Period	Prior Period
Bank acceptance loans	173.524	126.982
Letter of credits	7.648.009	7.592.268
Other guarantees and collaterals	4.255.807	2.774.812
Total	12.077.340	10.494.062

- (ii). Guarantees, surety ships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.926.929	1.825.976
Definite letter of guarantees	31.742.225	27.400.824
Advance letter of guarantees	5.535.124	4.310.727
Letter of guarantees given to customs	2.016.647	2.067.368
Other letter of guarantees	3.742.806	2.176.908
Total	44.963.731	37.781.803

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)

3(i). Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	3.455.099	1.915.986
With original maturity of 1 year or less than 1 year	430.142	322.011
With original maturity of more than 1 year	3.024.957	1.593.975
Other non-cash loans	53.585.972	46.359.879
Total	57.041.071	48.275.865

3(ii). Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	201.097	1,11	300.661	0,77	196.602	1,23	328.672	1,02
Farming and raising livestock	145.432	0,80	248.322	0,64	160.024	1,00	286.518	0,89
Forestry	39.083	0,22	32.771	0,08	30.413	0,19	19.070	0,06
Fishing	16.582	0,09	19.568	0,05	6.165	0,04	23.084	0,07
Manufacturing	7.163.316	39,63	18.676.101	47,93	6.906.723	43,21	15.578.737	48,24
Mining	722.796	4,00	1.456.113	3,74	861.448	5,39	1.327.926	4,11
Production	5.379.717	29,76	14.069.653	36,11	5.354.725	33,50	12.437.242	38,51
Electric, gas and water	1.060.803	5,87	3.150.335	8,09	690.550	4,32	1.813.569	5,62
Construction	4.554.374	25,19	7.831.375	20,10	4.071.437	25,47	6.708.839	20,78
Services	4.243.253	23,47	9.621.981	24,69	2.937.242	18,38	6.590.758	20,41
Wholesale and retail trade	1.902.714	10,53	2.850.058	7,31	1.381.946	8,65	2.433.188	7,53
Hotel, food and beverage services	181.879	1,01	407.687	1,05	118.296	0,74	303.617	0,94
Transportation and telecommunication	377.454	2,09	3.044.644	7,81	363.853	2,28	1.570.946	4,86
Financial institutions	1.000.426	5,53	1.613.144	4,14	340.457	2,13	1.306.759	4,05
Real estate and leasing services	262.802	1,45	154.780	0,40	248.093	1,55	257.757	0,80
Self-employment services	-	-	-	-	-	-	-	-
Education services	31.839	0,18	63.497	0,16	18.842	0,12	3.697	0,01
Health and social services	486.139	2,69	1.488.171	3,82	465.755	2,91	714.794	2,21
Other	1.914.483	10,59	2.534.430	6,50	1.871.219	11,71	3.085.636	9,56
Total	18.076.523	100,00	38.964.548	100,00	15.983.223	100,00	32.292.642	100,00

3(iii). Information on non-cash loans classified in Group I. and Group II:

	Current Period	Group I		Group II	
		TL	FC	TL	FC
Non-cash loans					
Letters of guarantee		17.753.621	26.858.209	277.973	73.928
Bank acceptances		-	173.524	-	-
Letters of credit		11.483	7.632.586	-	3.940
Endorsements		-	-	-	-
Underwriting commitments		-	-	-	-
Factoring guarantees		-	-	-	-
Other commitments and contingencies		33.446	4.221.266	-	1.095
Total		17.798.550	38.885.585	277.973	78.963

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

Prior Period	Group I		Group II ⁽¹⁾	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	15.593.060	21.794.547	320.358	73.838
Bank acceptances	-	124.663	-	2.319
Letters of credit	3	7.589.893	-	2.372
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	69.802	2.698.440	-	6.570
Total	15.662.865	32.207.543	320.358	85.099

3(iv). Maturity distribution of non cash loans:

Current Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	371.490	5.020.882	2.251.603	4.034	7.648.009
Letter of guarantee	24.019.787	6.952.647	12.166.448	1.824.849	44.963.731
Bank acceptances	-	147.671	24.795	1.058	173.524
Other	678.044	382.031	1.519.599	1.676.133	4.255.807
Total	25.069.321	12.503.231	15.962.445	3.506.074	57.041.071
Prior Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	4.991.798	2.093.922	506.243	305	7.592.268
Letter of guarantee	32.914.935	145.320	4.066.518	655.030	37.781.803
Bank acceptances	126.639	343	-	-	126.982
Other	702.860	120.775	1.366.233	584.944	2.774.812
Total	38.736.232	2.360.360	5.938.994	1.240.279	48.275.865

(1) The distribution is based on the original maturities.

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Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

b. (i) Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	114.160.143	90.575.273
FC trading forward transactions	9.577.689	6.462.898
Trading swap transactions	91.216.743	74.647.930
Futures transactions	-	-
Trading option transactions	13.365.711	9.464.445
Interest related derivative transactions (II)	36.127.848	23.052.540
Forward interest rate agreements	-	-
Interest rate swaps	34.250.180	15.959.242
Interest rate options	1.877.668	7.093.298
Interest rate futures	-	-
Other trading derivative transactions (III)	15.142.751	9.343.196
A. Total trading derivative transactions (I+II+III)	165.430.742	122.971.009
Types of hedging derivative transactions	-	-
Transactions for fair value hedge	1.395.004	1.129.469
Cash flow hedges	57.114.076	40.767.075
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	58.509.080	41.896.544
Total derivative transactions (A+B)	223.939.822	164.867.553

c. Information on credit derivatives and risk exposures:

Derivative portfolio includes credit default swaps for TL 794.684 (31 December 2014 – TL 1.217.430) for the period ended 31 December 2015. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure.

ç. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 42.615 (December 31, 2014 - TL 61.683) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

d. Information on services in the name and account of others:

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

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)**IV. Explanations and notes related to income statement:****a. Information on interest income:**

1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	4.883.570	178.363	4.033.999	154.637
Medium/long-term loans ⁽¹⁾	5.535.883	2.130.564	3.787.374	1.540.013
Interest on loans under follow-up	77.480	54	100.029	533
Premiums received from resource utilization support fund	-	-	-	-
Total	10.496.933	2.308.981	7.921.402	1.695.183

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

2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From domestic banks	20.851	218	56.706	309
From foreign banks	2.880	7.775	5.053	7.169
Headquarters and branches abroad	-	-	-	-
Total	23.731	7.993	61.759	7.478

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	10.042	1.242	2.143	1.236
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.739.184	204.115	1.215.116	199.233
From held-to-maturity investments	181.146	237.071	235.405	188.865
Total	1.930.372	442.428	1.452.664	389.334

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	24.822	24.847

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	62.959	695.894	79.505	636.400
The CBRT	-	-	-	-
Domestic banks	13.523	4.386	14.913	7.098
Foreign banks	49.436	691.508	64.592	629.302
Headquarters and branches abroad	-	-	-	-
Other institutions	-	107.587	-	8.077
Total ⁽¹⁾	62.959	803.481	79.505	644.477

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	59.804	91.095

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	282.558	357.306	230.503	228.292
Total	282.558	357.306	230.503	228.292

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit					Accumulating deposit	Total	Prior Period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year			
TL									
Bank deposits	242	91.569	2.961	166	535	-	-	95.473	13.194
Saving deposits	1	158.172	2.501.605	88.739	16.977	18.751	-	2.784.245	2.135.336
Public sector deposits	-	34	7.157	14	32	5	-	7.242	3.023
Commercial deposits	87	412.016	1.329.584	113.734	25.417	42.016	-	1.922.854	1.285.334
Other deposits	-	26.396	449.098	67.581	32.243	262	-	575.580	445.727
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	330	688.187	4.290.405	270.234	75.204	61.034	-	5.385.394	3.882.614
FC									
Foreign currency deposit	127	214.509	525.828	61.566	40.511	12.619	-	855.160	825.950
Bank deposits	30	2.789	1.361	1.033	444	-	-	5.657	2.733
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	667	1.045	82	130	44	-	1.968	2.501
Total	157	217.965	528.234	62.681	41.085	12.663	-	862.785	831.184
Grand total	487	906.152	4.818.639	332.915	116.289	73.697	-	6.248.179	4.713.798

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

c. Information on dividend income:

	Current Period	Prior Period
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1	-
Subsidiaries and associates	2.970	2.468
Other	-	-
Total	2.971	2.468

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

	Current Period	Prior Period
Gain	44.640.189	36.521.038
Gain from capital market transactions	324.520	307.792
Derivative financial transaction gains	15.636.501	8.013.700
Foreign exchange gains	28.679.168	28.199.546
Loss (-)	(45.428.113)	(36.937.156)
Loss from capital market transactions	(63.900)	(31.714)
Derivative financial transaction losses	(14.790.785)	(9.384.845)
Foreign exchange loss	(30.573.428)	(27.520.597)
Net gain/loss	(787.924)	(416.118)

d. Information on gain/loss from derivative financial transactions:

The amount of net income/loss from derivative financial transactions related to exchange rate changes is TL 1.946.690 income (December 31, 2014 – TL 480.170 loss).

e. Information on other operating income:

Based on valuation reports of expertise companies, authorized by CMB and BRSA, the Bank booked a reversal out of previously incurred impairment amounting to TL 103.401, as an income. Other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)**f. Provision for impairment of loans and other receivables:**

	Current Period	Prior Period
Specific provisions for loans and other receivables	1.663.210	1.257.795
III. Group loans and receivables	52.621	46.747
IV. Group loans and receivables	55.226	119.991
V. Group loans and receivables	1.555.363	1.091.057
General provision expenses	688.723	459.433
Provision expense for possible risks	-	23.178
Marketable securities impairment expenses ⁽¹⁾	80.104	55.459
Financial assets at fair value through profit or loss	1.225	565
Available-for-sale financial assets	78.879	54.894
Impairment of investments in associates, subsidiaries and held-to-maturity securities	38.955	35.360
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	38.955	35.360
Other	50.504	30.753
Total	2.521.496	1.861.978

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

g. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	1.796.424	1.562.826
Reserve for employee termination benefits	19.994	-
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	1.492	-
Depreciation expenses of property and equipment	204.672	156.156
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	119.135	102.654
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	400	566
Depreciation expenses of assets held for resale	5.149	4.958
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.578.929	1.348.965
Operational lease expenses	251.781	205.335
Repair and maintenance expenses	91.366	70.017
Advertising expenses	125.083	129.890
Other expense	1.110.699	943.723
Loss on sales of assets	117	32.400
Other	1.084.106	721.351
Total	4.810.418	3.929.876

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

ğ. Information on profit/loss before taxes from continuing operations and discontinued operations:

The profit before tax includes TL 6.842.222 (31 December 2014 – 5.605.709) of net interest income, TL 2.688.104 (31 December 2014 – TL 2.200.614) of net fees and commissions and TL 4.810.418 (31 December 2014 – TL 3.929.876) of other operations.

As of December 31, 2015, the Bank has no (December 31, 2014 – None) profit before tax from discontinued operations.

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

As of December 31, 2015, the Bank has TL 328.064 (December 31, 2014 – TL 680.515) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 200.879 (December 31, 2014 – TL 155.856 deferred tax expense).

Total provision for taxes on income for the current period and the previous period:

	Current Period	Prior Period
Profit before tax	2.389.488	2.369.625
Tax calculated at rate of 20%	477.898	473.925
Nondeductible expenses, discounts and other, net	51.045	50.734
Total	528.943	524.659

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

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.
2. Information on any change in the accounting estimates concerning the current period or future periods:
None.

i. Other items in income statement:

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

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

V. Explanations and notes related to statement of changes in shareholders' equity

a. Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

b. Information on increase/decrease amounts resulting from merger:

None.

c. Information on available for sale financial assets:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

ç. Hedging transactions:

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2015 is TL 267.965 profit (December 31, 2014 – 297.009 loss).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2015 is EUR 348 million. The foreign exchange loss of TL 54.614 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

d. Information on share issue premium:

Explained in details in Note XIX of Section Three.

VI. Explanations and notes related to statement of cash flows

a. Information on cash and cash equivalents:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

2. Effect of a change in the accounting policies: None.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

3 (i). Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	7.377.737	5.109.449
Cash and effectives	2.214.524	1.748.979
Demand deposits in banks	5.163.213	3.360.470
Cash equivalents	1.823.458	4.162.764
Interbank money market	1.567.000	2.893.436
Time deposits in banks	256.458	1.269.328
Total cash and cash equivalents	9.201.195	9.272.213

3 (ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	7.820.237	7.377.737
Cash and effectives	1.949.094	2.214.524
Demand deposits in banks	5.871.143	5.163.213
Cash equivalents	499.699	1.823.458
Money market	284.692	1.567.000
Time deposits in banks	215.007	256.458
Total cash and cash equivalents	8.319.936	9.201.195

b. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

Reserves amounting to TL 25.015.080 (December 31, 2014 – TL 20.752.797) in CBRT represent the reserve requirements of the Bank.

c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other Account" amounting to TL 4.896.337 as of December 31, 2015 (December 31, 2014 – TL 299.377 decrease), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 305.523 as of December 31, 2015 (December 31, 2014 – TL 2.786.132 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 1.077.239 as of December 31, 2015 (December 31, 2014 – TL 115.664 increase).

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

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

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

1. Current Period:

Bank's risk group ^{(1), (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	99.878	422.846	47.802	536.763	1.288.096	2.092.659
Balance at the end of the period	36.629	270.763	6.593	954.585	1.654.575	2.393.852
Interest and commission income received	24.822	1.436	13.052	6.027	181.764	8.859

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

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

Prior Period:

Bank's risk group ^{(1), (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	109.348	497.720	52.615	450.294	806.128	1.048.902
Balance at the end of the period	99.878	422.846	47.802	536.763	1.288.096	2.092.659
Interest and commission income received	24.847	2.225	5.031	4.074	102.446	9.772

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

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

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

Bank's risk group ^{(1), (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	2.229.278	2.443.971	10.228.006	11.261.140	10.038.882	6.391.249
End of the period	2.500.000	2.229.278	15.911.762	10.228.006	4.515.168	10.038.882
Interest expense on deposits	59.804	91.095	814.288	509.074	372.491	290.513

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

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

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements at December 31, 2015 (continued)**

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

Explanations and notes related to unconsolidated financial statements (continued)

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

Bank's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period		Current Period		Current Period	
	Prior Period	Prior Period	Prior Period	Prior Period	Prior Period	Prior Period
Transactions at fair value through profit or loss ⁽²⁾						
Beginning of the period ⁽³⁾	872.477	5.973.118	428.403	460.395	718.079	659.635
End of the period ⁽³⁾	4.510.236	872.477	1.455.484	428.403	146.778	718.079
Total profit / (loss)	4.685	25.703	(53.226)	(1.830)	(896)	(64.376)
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾		-		-		-
End of the period ⁽³⁾		-		-		-
Total profit / (loss)		-		-		-

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

(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

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

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

Salaries and benefits paid to the Bank's top management amount to TL 39.699 as of December 31, 2014 (December 31, 2014 – TL 34.914).

VIII. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic Branch	999	18.260			
			Country of incorporation		
Foreign Rep. Office	-	-			
				Total asset	Statutory share capital
Foreign Branch	1	2	Bahrain	14.869.397	-
Off-Shore Banking Region Branch				-	-

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Explanations and notes related to unconsolidated financial statements (continued)

IX. Explanations and notes related to subsequent events:

None

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2015 (continued)

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

Section Six

Other Explanations and Notes

I. Other explanations on the Bank’s operations

None

Section Seven

Explanations on independent audit report

I. Explanations on independent auditor’s report

The unconsolidated financial statements for the period ended December 31, 2015 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s report dated, February 2, 2016 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.



Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

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

Independent auditor report

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of of Yapı ve Kredi Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at December 31, 2015, and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank’s Board of Directors for the financial statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; “BRSA Accounting and Reporting Legislation” and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Independent Auditor’s responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with communique “Independent Audit of Banks” published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.



An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the independent auditor’s professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank’s internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of of Yapı ve Kredi Bankası A.Ş. and its subsidiaries as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period January 1 – December 31, 2015 are not in compliance with the code and provisions of the Bank’s articles of association in relation to financial reporting.

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



Additional paragraph for convenience translation to English:

As explained in detail in Note I. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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



Istanbul, February 2, 2016

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

**The consolidated financial report of
Yapı ve Kredi Bankası A.Ş. as of December 31, 2015**

E-Mail: financialreports@yapikredi.com.tr

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

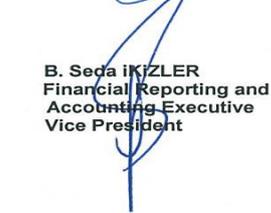
- **Section one** - General information about the parent bank
- **Section two** - Consolidated financial statements of the parent bank
- **Section three** - Explanations on accounting policies applied in the related period
- **Section four** - Information related to financial position of the group
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- **Section six** - Other explanations
- **Section seven** - Independent auditor's report

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

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

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

The accompanying consolidated financial statements for the year end and notes to these financial statements which are expressed (unless otherwise stated) in **thousands of Turkish Lira**, have been presented based on the accounting books of the Bank prepared in accordance with Regulation on the Principles and Procedures Regarding Banks' Accounting and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and relating appendices and interpretations on these, and have been independently audited.

 Carlo VIVALDI Vice Chairman	 H. Faik AÇIKALIN Chief Executive Officer	 Marco IANNACCONE Chief Financial Officer
 Gianni F.G. PAPA Chairman of Audit Committee	 F. Füsün Akkal BOZOK Member of Audit Committee	 B. Seda İKİZLER Financial Reporting and Accounting Executive Vice President

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

Name-Surname / Title : Barış Savur / International Reporting and Consolidation Manager

Telephone Number : (0212) 339 63 22

Fax Number : (0212) 339 61 05

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2015

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

Section One

General Information

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

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

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

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2015, 18,20% of the shares of the Bank are publicly traded (December 31, 2014, - 18,20%). The remaining 81,80% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

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

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

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

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

After the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2015 (continued)

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

General information (continued)

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

As of December 31, 2015, the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Mustafa V. KOÇ ⁽¹⁾	Chairman
Carlo VIVALDI	Vice Chairman
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Executive Director and Deputy Chief Executive Officer
Adil Giray ÖZTOPRAK	Member
Ahmet Fadil ASHABOĞLU	Member
Benedetta NAVARRA	Member
Mirko D. G. BIANCHI	Member
F. Füsün Akkal BOZOK	Member
Jürgen Dr. KULLNIGG	Member
Gianni F.G. PAPA	Member
Levent ÇAKIROĞLU	Member

(1) Mr. Mustafa V. Koç, Chairman of Yapı Kredi Bank, has deceased on January 21, 2016. No new chairman has been appointed as of the publishing date of this report.

Audit Committee Members:

Name	Responsibility
Gianni F.G. PAPA	Chairman
Adil Giray ÖZTOPRAK	Member
Benedetta NAVARRA	Member
Mirko D.G. BIANCHI	Member
F. Füsün Akkal BOZOK	Member

General Manager and Deputy General Manager:

Name	Responsibility
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Deputy General Manager

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2015 (continued)

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

General information (continued)

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Feza TAN	Corporate and Commercial Banking Management
Marco IANNACCONE ⁽²⁾	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mehmet Gökmen UÇAR ⁽¹⁾	Retail Credits Management
Mehmet Murat ERMERT	Corporate Communication Management
Mert ÖNCÜ	Treasury Management
Mert YAZICIOĞLU	Private Banking and Asset Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Stefano PERAZZINI	Internal Audit / Chief Audit Executive
Süleyman Cihangir KAVUNCU ⁽¹⁾	Human Resources and Organization Management
Wolfgang SCHILK	Risk Management
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

1) It is resolved by Board of Directors of Yapı ve Kredi Bankası A.Ş. at 21.10.2015 meeting that, as of January 1, 2016, due to Mr. S. Cihangir Kavuncu, Assistant General Manager responsible for Human Resources and Organization is taking another position within UniCredit Group as of January 1, 2016, Mr. M. Gökmen Uçar, who is currently Assistant General Manager responsible for Retail Credits, will be appointed as Assistant General Manager responsible for Human Resources and Organization; An application will be sent to BRSA to appoint Mr. Demir Karaaslan, who is currently Executive Vice President of Planning and Control - Financial Planning and Administration, as Assistant General Manager responsible for Retail Credits. The appointment will become effective unless an objection is received from BRSA within 7 working days.

(2) In accordance with the decision taken in the Board of Directors Meeting held on January 18, 2016, it is approved that effective from March 1, 2016, due to appointment of Mr. Marco Iannaccone, Assistant General Manager responsible for Financial Planning and Administration Management and Organization to another position within UniCredit Group, an application will be sent to BRSA to appoint Mr. Massimo Francese as Assistant General Manager responsible for Financial Planning and Administration Management and Organization.

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

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.555.712.396,07	%81.80	3.555.712.396,07	-

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

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

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2015 (continued)

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

General information (continued)

As of December 31, 2015, the Parent Bank has 999 branches operating in Turkey and 1 branch in overseas (December 31, 2014 – 1.002 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2015, the Parent Bank has 18.262 employees (December 31, 2014 - 17.457 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2015 the Group has 19.345 employees (December 31, 2014 - 18.534 employees).

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

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

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

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

All other subsidiaries are fully consolidated.

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

None.

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

Section two

Consolidated financial statements

I. Consolidated balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	3.463.676	23.925.271	27.388.947	2.990.682	20.223.983	23.214.665
II. Financial assets at fair value through profit or (loss) (net)	I-b	1.530.788	235.505	1.766.293	1.044.488	165.304	1.209.792
2.1 Trading financial assets		1.530.788	235.505	1.766.293	1.044.488	165.304	1.209.792
2.1.1 Government debt securities		51.614	14.492	66.106	69.529	25.622	95.151
2.1.2 Share certificates		8.040	-	8.040	4.037	-	4.037
2.1.3 Derivative financial assets held for trading	I-c	1.471.134	221.013	1.692.147	970.839	139.682	1.110.521
2.1.4 Other marketable securities		-	-	-	83	-	83
2.2 Financial assets designated at fair value through profit /(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	34.426	3.077.079	3.111.505	950.505	2.941.370	3.891.875
IV. Money markets		155.281	130.845	286.126	1.568.750	-	1.568.750
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		155.270	130.845	286.115	248.247	-	248.247
4.3 Receivables from reverse repurchase agreements		11	-	11	1.320.503	-	1.320.503
V. Financial assets available-for-sale (net)	I-d,e	18.641.714	4.198.490	22.840.204	15.321.839	3.352.258	18.674.097
5.1 Share certificates		44.200	210.818	255.018	43.210	400	43.610
5.2 Government debt securities		17.759.935	2.635.202	20.395.137	13.892.754	2.391.900	16.284.654
5.3 Other marketable securities		837.579	1.352.470	2.190.049	1.385.875	959.958	2.345.833
VI. Loans and receivables	I-f	99.153.273	54.864.716	154.017.989	84.713.077	42.094.032	126.807.109
6.1 Loans and receivables		97.731.030	54.758.065	152.489.095	83.654.068	41.879.999	125.534.067
6.1.1 Loans to bank's risk group		1.539.567	248.413	1.787.980	1.170.818	243.496	1.414.314
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		96.191.463	54.509.652	150.701.115	82.483.250	41.636.503	124.119.753
6.2 Loans under follow-up		5.618.346	574.961	6.193.307	3.762.524	616.799	4.379.323
6.3 Specific provisions (-)		(4.196.103)	(468.310)	(4.664.413)	(2.703.515)	(402.766)	(3.106.281)
VII. Factoring receivables		1.226.141	1.032.983	2.259.124	1.596.058	1.172.175	2.768.233
VIII. Held-to-maturity investments (net)	I-g	1.960.446	5.148.363	7.108.809	1.937.723	3.618.646	5.556.369
8.1 Government debt securities		1.960.446	4.658.180	6.618.626	1.927.769	3.314.617	5.242.386
8.2 Other marketable securities		-	490.183	490.183	9.954	304.029	313.983
IX. Investments in associates (net)	I-ğ	211.588	338.140	549.728	200.717	260.370	461.087
9.1 Consolidated based on equity method		207.085	338.140	545.225	196.214	260.370	456.584
9.2 Unconsolidated		4.503	-	4.503	4.503	-	4.503
9.2.1 Investments in financial associates		-	-	-	-	-	-
9.2.2 Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X. Subsidiaries (net)	I-h	7.300	-	7.300	2.300	-	2.300
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	2.300	-	2.300
XI. Joint ventures (net)	I-i	20.851	-	20.851	19.054	-	19.054
11.1 Accounted based on equity method		20.851	-	20.851	19.054	-	19.054
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-i	1.614.761	5.247.500	6.862.261	1.327.249	3.678.001	5.005.250
12.1 Financial lease receivables		2.037.181	6.100.328	8.137.509	1.660.553	4.309.742	5.970.295
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(422.420)	(852.828)	(1.275.248)	(333.304)	(631.741)	(965.045)
XIII. Derivative financial assets held for hedging	I-j	954.773	6.268	961.041	256.146	-	256.146
13.1 Fair value hedge		257.144	-	257.144	177.895	-	177.895
13.2 Cash flow hedge		697.629	6.268	703.897	78.251	-	78.251
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2.733.389	34.095	2.767.484	1.061.686	48.101	1.109.787
XV. Intangible assets (net)	I-l	1.495.645	12.783	1.508.428	1.434.819	22.547	1.457.366
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		516.152	12.783	528.935	455.326	22.547	477.873
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		64.613	13.528	78.141	163.638	8.668	172.306
17.1 Current tax asset		2.763	8.660	11.423	-	3.272	3.272
17.2 Deferred tax asset	I-n	61.850	4.868	66.718	163.638	5.396	169.034
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	153.159	763	153.922	154.664	821	155.485
18.1 Held for sale purposes		153.159	763	153.922	154.664	821	155.485
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.821.607	1.758.172	3.579.779	1.536.347	1.092.687	2.629.034
Total assets		135.243.431	100.024.501	235.267.932	116.279.742	78.678.963	194.958.705

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

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

I. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	67.161.726	62.863.339	130.025.065	62.903.994	44.726.637	107.630.631
1.1 Deposits of the Bank's risk group		7.064.701	7.279.374	14.344.075	7.450.703	6.474.508	13.925.211
1.2 Other		60.097.025	55.583.965	115.680.990	55.453.291	38.252.129	93.705.420
II. Derivative financial liabilities held for trading	II-b	1.624.462	297.946	1.922.408	700.537	159.789	860.326
III. Funds borrowed	II-c	1.272.041	23.588.938	24.860.979	2.071.547	19.345.409	21.416.956
IV. Money markets		12.098.151	2.165.386	14.263.537	6.408.838	2.365.914	8.774.752
4.1 Funds from interbank money market		1.887.563	-	1.887.563	-	-	-
4.2 Funds from Istanbul stock exchange money market		1.960.438	-	1.960.438	2.572.663	-	2.572.663
4.3 Funds provided under repurchase agreements		8.250.150	2.165.386	10.415.536	3.836.175	2.365.914	6.202.089
V. Marketable securities issued (net)	II-ç	4.200.363	12.972.530	17.172.893	3.287.064	10.068.873	13.355.937
5.1 Bills		2.106.752	451.305	2.558.057	1.638.373	1.712.209	3.350.582
5.2 Asset backed securities		-	6.083.274	6.083.274	-	3.054.498	3.054.498
5.3 Bonds		2.093.611	6.437.951	8.531.562	1.648.691	5.302.166	6.950.857
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.055.012	1.739.669	9.794.681	7.057.974	1.680.362	8.738.336
VIII. Other liabilities	II-d	1.818.088	937.971	2.756.059	1.374.470	1.596.330	2.970.800
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables	II-e	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
XI. Derivative financial liabilities held for hedging	II-f	39.313	108.965	148.278	229.099	211.349	440.448
11.1 Fair value hedge		3.926	305	4.231	657	-	657
11.2 Cash flow hedge		35.387	108.660	144.047	228.442	211.349	439.791
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	2.961.036	1.021.950	3.982.986	2.651.981	707.056	3.359.037
12.1 General loan loss provision		1.702.877	924.394	2.627.271	1.297.235	630.586	1.927.821
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		279.020	21.493	300.513	261.025	17.019	278.044
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		979.139	76.063	1.055.202	1.093.721	59.451	1.153.172
XIII. Tax liability	II-ğ	614.290	5.163	619.453	420.462	6.766	427.228
13.1 Current tax liability		500.356	-	500.356	420.462	4.327	424.789
13.2 Deferred tax liability		113.934	5.163	119.097	-	2.439	2.439
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-h	-	6.635.191	6.635.191	-	6.770.549	6,770.549
XVI. Shareholders' equity	II-i	22.857.536	228.866	23.086.402	20.178.005	35.700	20.213.705
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		2.648.597	228.866	2.877.463	1.582.046	36.194	1.618.240
16.2.1 Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(546.402)	261.490	(284.912)	193.539	197.929	391.468
16.2.4 Property and equipment revaluation differences		1.462.750	4.978	1.467.728	18.485	-	18.485
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Revaluation differences of investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures		4.503	-	4.503	4.503	-	4.503
16.2.8 Hedging funds (effective portion)		(9.083)	(34.866)	(43.949)	(350.926)	(161.735)	(512.661)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.192.948	(2.736)	1.190.212	1.172.564	-	1.172.564
16.3 Profit reserves		12.357.721	-	12.357.721	10.808.470	(494)	10.807.976
16.3.1 Legal reserves		751.512	-	751.512	641.000	-	641.000
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		11.148.251	-	11.148.251	9.815.284	-	9.815.284
16.3.4 Other profit reserves		457.958	-	457.958	352.186	(494)	351.692
16.4 Income or (loss)		3.503.693	-	3.503.693	3.439.976	-	3.439.976
16.4.1 Prior years' income or (loss)		1.595.010	-	1.595.010	1.383.961	-	1.383.961
16.4.2 Current year income or (loss)		1.908.683	-	1.908.683	2.056.015	-	2.056.015
16.5 Minority interest	II-i	474	-	474	462	-	462
Total liabilities and shareholders' equity		122.702.018	112.565.914	235.267.932	107.283.971	87.674.734	194.958.705

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

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

II. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		158.377.335	210.923.096	369.300.431	118.310.117	146.577.194	264.887.311
I. Guarantees and warranties	III-a-2,3	18.076.523	39.567.673	57.644.196	15.983.223	32.773.616	48.756.839
1.1 Letters of guarantee		18.031.594	27.139.408	45.171.002	15.913.418	22.081.794	37.995.212
1.1.1 Guarantees subject to state tender law		522.480	1.134.886	1.657.366	503.713	716.911	1.220.624
1.1.2 Guarantees given for foreign trade operations		2.329.832	25.797.251	28.127.083	2.316.159	21.151.474	23.467.633
1.1.3 Other letters of guarantee		15.179.282	207.271	15.386.553	13.093.546	213.409	13.306.955
1.2 Bank acceptances		-	173.524	173.524	-	126.982	126.982
1.2.1 Import letter of acceptance		-	173.524	173.524	-	126.982	126.982
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		11.483	8.032.380	8.043.863	3	7.859.830	7.859.833
1.3.1 Documentary letters of credit		11.483	8.032.016	8.043.499	3	7.859.528	7.859.531
1.3.2 Other letters of credit		-	364	364	-	302	302
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		33.446	1.430.529	1.463.975	69.802	788.994	858.796
1.9 Other warranties		-	2.791.832	2.791.832	-	1.916.016	1.916.016
II. Commitments	III-a-1	60.273.748	26.425.811	86.699.559	42.919.920	3.749.599	46.669.519
2.1 Irrevocable commitments		59.611.290	19.308.750	78.920.040	42.919.920	3.503.210	46.423.130
2.1.1 Asset purchase and sale commitments		13.018.015	17.850.821	30.868.836	937.272	2.205.515	3.142.787
2.1.2 Deposit purchase and sales commitments		-	-	-	-	8	8
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		7.816.459	1.268.554	9.085.013	6.945.817	1.179.842	8.125.659
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		6.521.085	-	6.521.085	5.981.382	-	5.981.382
2.1.8 Tax and fund liabilities from export commitments		6.376	-	6.376	44.489	-	44.489
2.1.9 Commitments for credit card limits		28.304.464	-	28.304.464	25.612.776	-	25.612.776
2.1.10 Commitments for credit cards and banking services promotions		13.810	-	13.810	11.149	-	11.149
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		3.931.081	189.375	4.120.456	3.387.035	117.845	3.504.880
2.2 Revocable commitments		662.458	7.117.061	7.779.519	-	246.389	246.389
2.2.1 Revocable loan granting commitments		662.458	7.053.496	7.715.954	-	149.837	149.837
2.2.2 Other revocable commitments		-	63.565	63.565	-	96.552	96.552
III. Derivative financial instruments	III-b-c	80.027.064	144.929.612	224.956.676	59.406.974	110.053.979	169.460.953
3.1 Derivative financial instruments for hedging purposes		27.798.633	30.927.804	58.726.437	19.811.674	22.135.823	41.947.497
3.1.1 Transactions for fair value hedge		671.683	940.678	1.612.361	481.084	699.338	1.180.422
3.1.2 Transactions for cash flow hedge		27.126.950	29.987.126	57.114.076	19.330.590	21.436.485	40.767.075
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		52.228.431	114.001.808	166.230.239	39.595.300	87.918.156	127.513.456
3.2.1 Forward foreign currency buy/sell transactions		3.521.186	6.155.716	9.676.902	2.539.384	4.580.613	7.119.997
3.2.1.1 Forward foreign currency transactions-buy		1.061.769	3.704.251	4.766.020	939.495	2.537.700	3.477.195
3.2.1.2 Forward foreign currency transactions-sell		2.459.417	2.451.465	4.910.882	1.599.889	2.042.913	3.642.802
3.2.2 Swap transactions related to foreign currency and interest rates		37.584.382	88.517.703	126.102.085	29.413.079	65.051.539	94.464.618
3.2.2.1 Foreign currency swap-buy		9.161.210	36.482.766	45.643.976	12.706.918	26.816.209	39.523.127
3.2.2.2 Foreign currency swap-sell		28.423.172	17.784.757	46.207.929	16.706.161	22.276.088	38.982.249
3.2.2.3 Interest rate swap-buy		-	17.125.090	17.125.090	-	7.979.621	7.979.621
3.2.2.4 Interest rate swap-sell		-	17.125.090	17.125.090	-	7.979.621	7.979.621
3.2.3 Foreign currency, interest rate and securities options		6.717.760	8.590.741	15.308.501	3.925.651	12.727.219	16.652.870
3.2.3.1 Foreign currency options-buy		1.991.034	4.697.239	6.688.273	1.777.316	2.931.949	4.709.265
3.2.3.2 Foreign currency options-sell		3.226.726	3.515.834	6.742.560	2.081.110	2.701.972	4.783.082
3.2.3.3 Interest rate options-buy		750.000	188.834	938.834	-	3.546.649	3.546.649
3.2.3.4 Interest rate options-sell		750.000	188.834	938.834	-	3.546.649	3.546.649
3.2.3.5 Securities options-buy		-	-	-	55.500	-	55.500
3.2.3.6 Securities options-sell		-	-	-	11.725	-	11.725
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		4.405.103	10.737.648	15.142.751	3.717.186	5.558.785	9.275.971
B. Custody and pledges received (IV+V+VI)		248.463.871	68.289.180	316.753.051	181.534.531	40.764.950	222.299.481
IV. Items held in custody		82.066.158	8.101.914	90.168.072	67.599.128	6.496.883	74.096.011
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		62.659.805	7.113.567	69.773.372	50.443.151	5.602.765	56.045.916
4.3 Checks received for collection		15.587.969	150.107	15.738.076	14.227.339	165.338	14.392.677
4.4 Commercial notes received for collection		3.776.609	798.048	4.574.657	2.886.863	693.890	3.580.753
4.5 Other assets received for collection		-	34.137	34.137	-	29.819	29.819
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	6.055	47.830	41.775	5.071	46.846
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		162.367.478	57.987.609	220.355.087	112.458.919	32.656.709	145.115.628
5.1 Marketable securities		185.826	322	186.148	179.123	257	179.380
5.2 Guarantee notes		1.063.319	300.003	1.363.322	841.979	275.888	1.117.867
5.3 Commodity		21.095	12.078	33.173	28.446	5.895	34.341
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		88.195.061	45.988.762	134.183.823	69.897.086	24.504.811	94.401.897
5.6 Other pledged items		72.902.177	11.681.250	84.583.427	41.512.285	7.865.672	49.377.957
5.7 Pledged items-depository		-	5.194	5.194	-	4.186	4.186
VI. Accepted independent guarantees and warranties		4.030.235	2.199.657	6.229.892	1.476.484	1.611.358	3.087.842
Total off-balance sheet commitments (A+B)		406.841.206	279.212.276	686.053.482	299.844.648	187.342.144	487.186.792

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

Yapı ve Kredi Bankası A.Ş.**Consolidated financial statements as of December 31, 2015 and 2014**

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

III. Consolidated income statement

Income and expense items	Note (Section Five)	Current Period (01/01- 31/12/2015)	Prior Period (01/01- 31/12/2014)
I. Interest income	IV-a	16.300.345	12.633.965
1.1 Interest on loans	IV-a-1	13.132.800	9.913.741
1.2 Interest received from reserve deposits		43.309	732
1.3 Interest received from banks	IV-a-2	84.579	122.951
1.4 Interest received from money market transactions		37.877	241.310
1.5 Interest received from marketable securities portfolio	IV-a-3	2.392.122	1.861.164
1.5.1 Trading financial assets		11.284	3.378
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.947.172	1.418.768
1.5.4 Held to maturity investments		433.666	439.018
1.6 Financial lease income		438.643	334.268
1.7 Other interest income		171.015	159.799
II. Interest expense	IV-b	(9.122.142)	(6.660.665)
2.1 Interest on deposits	IV-b-4	(6.335.649)	(4.773.287)
2.2 Interest on funds borrowed	IV-b-1	(999.913)	(851.007)
2.3 Interest expense on money market transactions		(946.451)	(503.351)
2.4 Interest on securities issued	IV-b-3	(825.583)	(513.882)
2.5 Other interest expenses		(14.546)	(19.138)
III. Net interest income (I + II)		7.178.203	5.973.300
IV. Net fees and commissions income		2.840.960	2.343.015
4.1 Fees and commissions received		3.546.591	2.960.372
4.1.1 Non-cash loans		409.874	324.669
4.1.2 Other	IV-j	3.136.717	2.635.703
4.2 Fees and commissions paid		(705.631)	(617.357)
4.2.1 Non-cash loans		(8.707)	(10.968)
4.2.2 Other		(696.924)	(606.389)
V. Dividend income	IV-c	5.908	9.351
VI. Trading gain/(loss) (net)	IV-ç	(439.135)	(236.654)
6.1 Trading gains/(losses) on securities		264.590	278.801
6.2 Derivative financial transactions gains/(losses)	IV-d	816.658	(1.279.245)
6.3 Foreign exchange gains/(losses)		(1.520.383)	763.790
VII. Other operating income	IV-e	626.730	621.734
VIII. Total operating income / loss (III+IV+V+VI+VII)		10.212.666	8.710.746
IX. Provision for impairment of loans and other receivables (-)	IV-f	(2.649.238)	(1.938.729)
X. Other operating expenses (-)	IV-g	(5.077.318)	(4.146.281)
XI. Net operating income/(loss) (VIII-IX-X)		2.486.110	2.625.736
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		50.806	42.842
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	2.536.916	2.668.578
XVI. Tax provision for continuing operations (±)	IV-h	(628.188)	(612.396)
16.1 Current tax provision		(413.941)	(784.504)
16.2 Deferred tax provision		(214.247)	172.108
XVII. Net profit/loss from continuing operations (XV±XVI)		1.908.728	2.056.182
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-	-
XXI. Tax provision for discontinued operations (±)	IV-h	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	IV-i	1.908.728	2.056.182
23.1 Group's profit/loss		1.908.683	2.056.015
23.2 Minority interest profit/losses (-)	IV-i	45	167
Earnings/(loss) per share (in TL full)		0,0044	0,0047

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

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

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

	Current Period (31/12/2015)	Prior Period (31/12/2014)
Income and expense items accounted under shareholders’ equity		
I. Transfers to marketable securities valuation differences from financial assets available for sale	(930.590)	626.802
II. Property and equipment revaluation differences	1.525.692	18.485
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	122.784	(101.956)
V. Profit/loss on cash flow hedges (effective part of the fair value changes)	744.688	(208.019)
VI. Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(120.327)	31.833
VII. Effects of changes in accounting policy and adjustment of errors	-	-
VIII. Other income and expense items accounted under shareholders’ equity according to TAS	20.459	(20.813)
IX. Deferred tax on valuation differences	1.304	(84.087)
X. Net profit or loss accounted directly under shareholders’ equity (I+II+...+IX)	1.364.010	262.245
XI. Current year profit/loss	1.908.728	2.056.182
11.1 Net change in fair value of marketable securities (recycled to profit-loss)	260.308	154.765
11.2 Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(89.216)	(158.005)
11.3 Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4 Other	1.737.636	2.059.422
XII. Total income/loss accounted for the period (X+XI)	3.272.738	2.318.427

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

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

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of December 31, 2014

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

V. Consolidated statement of changes in shareholders' equity

Prior Period												Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority shareholders' Interest	Total shareholders' equity		
December 31, 2014		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share cancellation premium	Share cancellation profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽¹⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽¹⁾	Marketable securities valuation difference							
I.	Period opening balance		4.347.051	-	543.881	-	463.786	-	8.051.473	759.706	3.658.952	927.984	(118.118)	-	4.503	(356.235)	-	18.282.983	2.527	18.285.510
II.	Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I+II)		4.347.051	-	543.881	-	463.786	-	8.051.473	759.706	3.658.952	927.984	(118.118)	-	4.503	(356.235)	-	18.282.983	2.527	18.285.510
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	501.407	-	-	-	-	501.407	-	501.407
VI.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(140.950)	-	(140.950)	-	(140.950)
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(166.416)	-	(166.416)	-	(166.416)
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	25.466	-	25.466	-	25.466
VII.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	18.485	-	-	-	18.485	-	18.485
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences		-	-	-	-	-	-	(92.835)	-	-	-	8.179	-	-	(15.476)	-	(100.132)	-	(100.132)
XI.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	(16.565)	-	-	-	-	-	-	-	-	(16.565)	-	(16.565)
XIX.	Current year income or loss		-	-	-	-	-	-	-	2.056.015	-	-	-	-	-	-	-	2.056.015	167	2.056.182
XX.	Profit distribution		-	-	-	177.214	-	1.763.811	873.950	(3.658.952)	455.977	-	-	-	-	-	-	(388.000)	(47)	(388.047)
20.1	Dividend paid		-	-	-	-	-	-	-	-	(388.000)	-	-	-	-	-	-	(388.000)	(47)	(388.047)
20.2	Transfers to reserves		-	-	-	177.214	-	1.763.811	873.950	(3.658.952)	843.977	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.185)	(2.185)
Period end balance (III+IV+V+.....+VIII+XIX+XX+ XXI)			4.347.051	-	543.881	-	641.000	-	9.815.284	1.524.256	2.056.015	1.383.961	391.468	18.485	4.503	(512.661)	-	20.213.243	462	20.213.705

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

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

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

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of December 31, 2015

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

V. Consolidated statement of changes in shareholders' equity

Current Period																				
December 31, 2015		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽¹⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽¹⁾	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
I.	Prior period-end balance		4.347.051	-	543.881	-	641.000	-	9.815.284	1.524.256	2.056.015	1.383.961	391.468	18.485	4.503	(512.661)	-	20.213.243	462	20.213.705
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(720.756)	-	-	-	-	(720.756)	-	(720.756)
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	499.490	-	-	499.490	-	499.490
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	595.752	-	-	595.752	-	595.752
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	(96.262)	-	-	(96.262)	-	(96.262)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	1.449.243	-	-	-	1.449.243	8	1.449.251
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	105.786	-	-	44.376	-	-	(30.778)	-	119.384	-	119.384
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	16.641	-	-	-	-	-	-	-	16.641	-	16.641
XV.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current year income or loss		-	-	-	-	-	-	-	-	1.908.683	-	-	-	-	-	-	1.908.683	45	1.908.728
XVIII.	Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(400.000)	(41)	(400.041)
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	(400.000)	-	-	-	-	-	(400.000)	(41)	(400.041)
18.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	611.049	-	-	-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+.....+XVII+XVIII+XIX)			4.347.051	-	543.881	-	751.512	-	11.148.251	1.648.170	1.908.683	1.595.010	(284.912)	1.467.728	4.503	(43.949)	-	23.085.928	474	23.086.402

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

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

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

Yapı ve Kredi Bankası A.Ş.

Profit appropriation statements as of December 31, 2015 and 2014

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

VI. Consolidated statement of cash flows

	Note (Section Five)	Current Period (31/12/2015)	Prior Period (31/12/2014)
A. Cash flows from banking operations			
1.1		3.385.641	3.902.923
1.1.1		16.158.858	11.821.448
1.1.2		(9.100.081)	(6.725.995)
1.1.3		5.908	9.351
1.1.4		3.546.591	2.960.372
1.1.5		1.711.994	192.922
1.1.6		1.265.370	1.021.124
1.1.7		(4.672.655)	(4.276.835)
1.1.8		(601.092)	(784.504)
1.1.9	VI-c	(4.929.252)	(314.960)
1.2		189.588	(5.028.550)
1.2.1		24.884	27.626
1.2.2		-	-
1.2.3		(3.055.324)	(2.200.700)
1.2.4		(30.809.612)	(29.857.757)
1.2.5		(957.333)	(441.458)
1.2.6		2.568.253	180.337
1.2.7		19.768.912	18.910.521
1.2.8		11.660.949	5.360.725
1.2.9		-	-
1.2.10	VI-c	988.859	2.992.156
I.		3.575.229	(1.125.627)
B. Cash flows from investing activities			
II.		(6.459.411)	(3.051.911)
2.1		(5.000)	(52)
2.2		-	44.433
2.3		(499.805)	(474.913)
2.4		80.733	84.204
2.5		(21.010.767)	(12.605.606)
2.6		15.667.773	8.357.086
2.7		(913.249)	(834.017)
2.8		220.904	2.376.954
2.9		-	-
C. Cash flows from financing activities			
III.		723.981	4.602.499
3.1		8.972.835	15.527.348
3.2		(7.848.813)	(10.536.802)
3.3		-	-
3.4		(400.041)	(388.047)
3.5		-	-
3.6		-	-
IV.	VI-c	1.216.165	121.307
V.		(944.036)	546.268
VI.	VI-a	11.026.696	10.480.428
VII.	VI-a	10.082.660	11.026.696

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

VII. Profit appropriation statement ^{(1), (2)}

	Current Period	Prior Period ⁽³⁾
	(31/12/2015)	(31/12/2014)
I. Distribution of current year income		
1.1 Current year income	2.389.488	2.369.625
1.2 Taxes and duties payable (-)	(528.943)	(524.659)
1.2.1 Corporate tax (income tax)	(328.064)	(680.515)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(200.879)	155.856
A. Net income for the year (1.1-1.2)	1.860.545	1.844.966
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	92.248
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(A)+(1.3+1.4+1.5)]	1.860.545	1.752.718
1.6 First dividend to shareholders (-)	-	217.353
1.6.1 To owners of ordinary shares	-	217.353
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	182.647
1.9.1 To owners of ordinary shares	-	182.647
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	18.264
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.332.967
1.13 Other reserves	-	-
1.14 Special funds	-	1.487
II. Distribution of reserves		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1 To owners of ordinary shares	0,0043	0,0042
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1 To owners of ordinary shares	-	0,0009
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

(1) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(2) Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has appropriation proposal for the year 2015 has not been prepared by the Board of Directors, only net profit related to the year 2014, which is base for the profit appropriation calculation, has been disclosed. The aforementioned amount also includes 75% of gains on sales of property and equipment, and share certificates amounting to TL 2.620 which are not going to be distributed and are going to be held in reserves according to the article 5/1-e of Corporate Tax Law No. 5520.

(3) Does not included effects of adjustments Prior period, as explained in detail note I of Section 3.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Section Three

Accounting policies

I. Explanations on basis of presentation:

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

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

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

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets available for sale, trading derivative financial liabilities, hedging derivative financial assets/liabilities, art objects, paintings and buildings in tangible assets. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

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

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2014, except for changes on accounting policies from historical cost basis to revaluation basis for buildings in tangible assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

The effects of TFRS 9, "Financial Instruments" (2011 version, classification and measurement) which has not been implemented yet, are under evaluation by the Group. The standard which the Group did not early adopt will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Group at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Group's accounting policies, financial position and performance.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Hedging funds" in equity.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

III. Information on consolidation principles:

a. Consolidation principles applied:

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

1. Consolidation principles of subsidiaries:

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

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

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

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

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

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) December 31, 2015	Direct and indirect rates (%) December 31, 2015
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99.99	99.99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99.96	99.96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99.98	99.98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99.95	99.97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/Russia	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Invest LLC	Baku/Azerbaijan	Portfolio Management	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

2. Consolidation principles of associates:

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

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

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

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

Title	(City/ Country)	Main activities	Effective rates % December 31, 2015	Direct and indirect rates % December 31, 2015
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3. Consolidation principles of joint ventures:

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

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

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

Title	(City/ Country)	Main activities	Effective rates % December 31, 2015	Direct and indirect rates % December 31, 2015
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

4. Transactions with minority shareholders:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss".

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

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

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

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

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

As of December 31, 2015, the Parent Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) and credit default swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with TAS 39 and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified. Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract.

Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily by the valuation model of the Parent Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

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

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

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with international financial reporting standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counter party.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

V. Explanations on interest income and expense:

Interest income and expenses are recognised in the income statement on an accrual basis by using the effective interest method periodically. The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such receivables are reversed and no income is accounted until collection is made according to the related regulation.

VI. Explanations on fee and commission income and expenses:

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

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

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

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

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

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of this section.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

b. Held-to-maturity financial assets:

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

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

c. Loans and receivables:

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

d. Available-for-sale financial assets:

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

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Trading gains/(losses) on securities" according to the UCA.

VIII. Explanations on impairment of financial assets:

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note VII. of this section.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

IX. Explanations on offsetting financial assets:

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

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

Securities subject to repurchase agreements ("Repos") are classified as "At fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds provided under repurchase agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

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

The Group has no securities lending transactions.

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

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

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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Accounting policies (continued)

XII. Explanations on goodwill and other intangible assets:

a. Goodwill:

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

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to amortisation but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

b. Other intangible assets:

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

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

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

Credit card brand value, deposit base and customer portfolio	10%
Other intangible assets	20%

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Notes to consolidated financial statements December 31, 2015 (continued)

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Accounting policies (continued)

XIII. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with the Turkish Accounting Standard (TAS 16) "Tangible Assets". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with TAS 16.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The rates used are stated below:

Buildings	2-4%
Movables, movables acquired under financial leasing	20%

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

In accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

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

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

XIV. Explanations on leasing transactions:

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

a. Accounting of leasing operations according to lessee:

Financial lease

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

Operational lease

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

b. Accounting of leasing operations according to lessor:

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

Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated December 24, 2013, numbered 28861. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Group also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not overdue or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Group sets a general provision for the lease receivables that have not been considered as doubtful yet.

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

XV. Explanations on provisions and contingent assets and liabilities:

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

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

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

XVI. Explanations on obligations related to employee rights:

a. Employee termination benefits

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

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

b. Pension rights

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

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

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Accounting policies (continued)

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

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

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

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

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

c. Defined contribution plans:

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

d. Short term benefits of employee:

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

XVII. Explanations on taxation:

a. Current tax:

The Corporate Tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. This tax rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes.No further tax is payable unless the profit is distributed.

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

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

Corporations are required to pay advance corporate tax quarterly 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 for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

Under the Turkish Corporate Tax Law, effective from April 24, 2003, investment allowances had provided a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand new fixed assets having economic useful life and exceeding TL 10 and directly related with the production of goods and services and investment allowance that arose prior to April 24, 2003 had been taxed at 19,8% (withholding tax) unless they had been converted to new type at companies' will. Effective from January 1, 2006, Turkish government had ceased to offer investment incentives for capital investments and companies having unused qualifying capital investment amounts as of June 30, 2006 would be able to deduct such amounts from corporate income for the following years.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2015 are as follows:

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

b. Deferred tax:

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

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

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

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

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

c. Transfer pricing:

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

XVIII. Explanations on borrowings:

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

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

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

Also, Group obtains funds by issuing bonds and bills.

XIX. Explanations on issuance of share certificates:

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

No dividend payments of the Parent Bank were announced after the balance sheet date.

XX. Explanations on avalized drafts and letter of acceptances:

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

XXI. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 1.592 (December 31, 2014 - TL 1.585).

XXII. Profit reserves and profit distribution:

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

XXIII. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	1.908.683	2.056.015
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share (full TL)	0,0044	0,0047

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

No bonus shares were issued during 2015 (December 31, 2014 - no bonus shares were issued).

XXIV. Related parties:

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

XXV. Explanations on operating segments:

Information about operating segments which are determined in line with "Turkish Financial Reporting Standard about Operating Segments" ("TFRS 8") together with organizational and internal reporting structure of the Bank, are disclosed in Note XV of Section Four.

XXVI. Explanations on other matters:

None.

XXVII. Legal mergers under common control:

As in TFRS 3 or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the "pooling of interests" method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as "the effect of legal mergers under common control".

POA has issued a policy decision in July, 2013 regarding "Accounting for business combinations Subject to Joint Control Group" which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Section four

Information related to financial position of the Group

I. Explanations on consolidated capital adequacy ratio:

- a. The consolidated capital adequacy ratio of the Group is 12,91% (December 31, 2014 – 14,36%) and the Parent Bank is 13,81% (December 31, 2014 – 15,03%).
- b. The capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio, "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" published in the Official Gazette No. 28337 dated June 28, 2012 ("Regulation") and "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 28756 as of September 5, 2013".

For the calculation of amounts subject to credit risk, the Bank classifies the loans in the related risk weight taking into consideration the risk classes, ratings and the risk mitigating factors. "Comprehensive collateral method" is used in considering the risk mitigating factors for the banking and trading book.

For the calculation of capital adequacy ratio; financial information, which is prepared in accordance with the current regulations, is used. Within the scope of this Regulation, trading books and banking books are defined and they become subject to credit risk and market risk calculations. In addition, market risk and operational risk calculations are included in the calculation of the capital adequacy ratio, in accordance with the existing regulation.

Amounts taken into consideration as deduction items are subject to credit risk calculations. Assets subject to amortization or impairment are taken into consideration after relevant nettings over their net book values for the calculation of risk-weighted assets.

In the calculation of the value at credit risk for non-cash loans and commitments, the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the Provisioning Regulation. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation and included in the relevant exposure category defined in the Regulation.

In accordance with Article 5 of the Regulation, counterparty credit risk is calculated for repo transactions, securities and commodities. The "Fair Value Valuation Method" mentioned in the communiqué is used for the counterparty credit risk calculation.

In the calculation of the value at credit risk for the derivative financial instruments which are in banking books, the receivables from counterparties are multiplied by the rates stated in the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in Regulation.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

c. Information related to capital adequacy ratio:

	Risk Weights								
	Parent Bank								
	0%	20%	50%	75%	100%	150%	200%	250%	Total
Amounts subject to credit risk	47.489.874	5.533.398	41.164.986	42.750.096	105.372.624	5.516.486	10.330.437	270.384	258.428.285
Risk classifications:									
Conditional and unconditional receivables from central governments or central banks	45.359.027	-	9.072.790	-	-	-	-	-	54.431.817
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	159	-	-	45	-	-	-	204
Conditional and unconditional receivables from multilateral development banks	30.799	-	-	-	-	-	-	-	30.799
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	5.517.195	6.891.289	-	273.805	-	-	-	12.682.289
Conditional and unconditional receivables from corporates	-	-	-	-	89.837.860	2.964	-	-	89.840.824
Conditional and unconditional retail receivables	-	-	-	42.750.096	6.264.674	-	-	-	49.014.770
Conditional and unconditional receivables secured by mortgages	-	-	25.147.454	-	-	-	-	-	25.147.454
Past due receivables	-	-	-	-	992.623	417.877	-	-	1.410.500
Receivables defined as high risk category by the Regulator	-	-	53.453	-	40.666	5.095.645	10.330.437	270.384	15.790.585
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2.100.048	15.885	-	-	7.962.951	-	-	-	10.078.884
Credit Risk Weighted Amounts	-	1.106.680	20.582.493	32.062.572	105.372.624	8.274.729	20.660.874	675.966	188.735.938

	Risk Weights								
	Consolidated								
	0%	20%	50%	75%	100%	150%	200%	250%	Total
Amounts subject to credit risk	48.138.098	7.268.898	41.807.886	43.695.289	116.112.910	5.558.204	10.330.437	270.384	273.182.106
Risk classifications:									
Conditional and unconditional receivables from central governments or central banks	45.631.585	6.538	9.072.792	-	115.990	-	-	-	54.826.905
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	31.986	-	-	13.549	-	-	-	45.535
Conditional and unconditional receivables from multilateral development banks	127.492	-	-	-	-	-	-	-	127.492
Conditional and unconditional receivables from international organizations	65.203	-	-	-	-	-	-	-	65.203
Conditional and unconditional receivables from banks and brokerage houses	-	7.101.315	7.534.187	-	191.957	-	-	-	14.827.459
Conditional and unconditional receivables from corporates	-	113.015	-	-	103.778.765	3.493	-	-	103.895.273
Conditional and unconditional retail receivables	-	-	-	43.695.289	6.264.674	-	-	-	49.959.963
Conditional and unconditional receivables secured by mortgages	-	-	25.147.454	-	-	-	-	-	25.147.454
Past due receivables	-	-	-	-	1.063.700	459.066	-	-	1.522.766
Receivables defined as high risk category by the Regulator	-	-	53.453	-	40.666	5.095.645	10.330.437	270.384	15.790.585
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2.313.818	15.885	-	-	4.643.609	-	-	-	6.973.312
Credit Risk Weighted Amounts	-	1.453.780	20.903.943	32.771.467	116.112.910	8.337.306	20.660.874	675.960	200.916.240

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

d. Summary information about capital adequacy ratio:

	The Parent Bank	Consolidated	The Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	15.098.875	16.073.299	12.205.770	13.188.234
Capital requirement for market risk (MRCR)	186.593	184.748	130.250	131.992
Capital requirement for operational risk (ORCR)	934.030	1.026.665	817.197	920.434
Shareholders' equity	27.997.997	27.902.186	24.705.420	25.558.364
Shareholders' equity / (CRCR+ MRCR+ORCOR) * 12,5*100	13,81	12,91	15,03	14,36
Tier 1 Capital /((CRCR+ MRCR+ ORCOR) *12,5*100)	10,29	9,55	10,94	10,58
Common equity Tier 1 capital /((CRCR+MRCR+ORCR) * 12,5) * 100	10,72	9,96	11,62	11,23

e. Information about shareholders' equity items:

	Current Period	Prior Period
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051	4.347.051
Share Premium	543.881	543.881
Share Cancellation Profits	-	-
Legal Reserves	12.357.721	10.807.976
Other Comprehensive Income according to TAS	2.657.940	1.582.517
Profit	3.503.693	3.439.976
<i>Net Current Period Profit</i>	1.908.683	2.056.015
<i>Prior Period Profit</i>	1.595.010	1.383.961
Provisions for Possible Losses	-	180.211
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	4.503	4.503
Minority shares	474	462
Common Equity Tier 1 capital before regulatory adjustments	23.415.263	20.906.577
Common Equity Tier 1 capital: regulatory adjustments		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	596.826	-
Leasehold improvements on operational leases (-)	147.518	157.347
Goodwill and intangible assets and related deferred tax liabilities (-)	591.560	286.987
Net deferred tax assets / liabilities (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Investments in own common equity (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be defined by the regulator (-)	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	566.076	475.638
Total regulatory adjustments to Common equity Tier 1	1.901.980	919.972
Common Equity Tier 1 capital	21.513.283	19.986.605

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

	Current Period	Prior Period
Additional Tier 1 capital: instruments		
Prevalaged stocks which are not included in common equity and share premiums	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Minority shares	-	-
Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital: regulatory adjustments	-	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	-	-
Regulatory adjustments to Common Equity		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	887.339	1.147.949
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Tier 1 capital	20.625.944	18.838.656
Tier 2 capital		
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.213.047	5.120.449
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-	-
Generic Provisions	2.511.452	1.927.821
Minority shares	-	-
Tier 2 capital before regulatory adjustments	7.724.499	7.048.270
Tier 2 capital: regulatory adjustments		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	7.724.499	7.048.270

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

	Current Period	Prior Period
Total capital	28.350.443	25.886.926
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6.808	23.512
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	11.345	7.908
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	149.667	159.277
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Other items to be Defined by the regulator (-)	280.437	137.865
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Shareholders's equity	27.902.186	25.558.364
Amounts below the thresholds for deduction	1.003.593	860.094
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	-	-
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	-	-
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	1.003.593	860.094

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Details on calculation in accordance with the temporary calculations on equity:

Adjustments to Common equity Tier 1 are performed according to the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	UNICREDIT BANK AUSTRIA AG	UNICREDIT BANK AUSTRIA AG	CITIBANK	YKB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	XS0861979440/US984848AB73
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	Yes	Yes
Eligible at stand-alone / consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Bond
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	1.657	1.367	95	2.094
Par value of instrument (Currency in million)	1.701	1.367	636	2.908
Accounting classification	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost
Original date of issuance	January 9, 2013	December, 18 2013	June 25, 2007	December 6, 2012
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	After 5th year	-
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	-
Coupons / dividends	3 months	3 months	6 months	6 months
Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed
Coupon rate and any related index	5,7	6,55	EURIBOR + 2,78%	5,5
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	Yes
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	8-2-ğ

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

f. Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal capital adequacy assessment process (ICAAP) is carried out by continuous assessment of the risks to which the bank is or might be exposed and it is aimed to identify and maintain sufficient capital to cover these risks. Within this scope relevant policies and procedures were prepared, systems and methods were developed. The Bank documented its approaches on the process of assessing the internal capital requirements in YKB ICAAP Policy and YKB Risk Appetite Framework documents which were approved by its Board of Directors. The target capital adequacy ratio set within the scope of this process is a significant determining factor of the Bank's risk appetite.

In accordance with this approach, risk types for which economic capital is calculated were defined and necessary procedures were started to perform calculations. This assessment includes the credit risk, market risk, operational risk, financial investment risk, real estate risk, liquidity risk, reputational risk, strategic risk, counterparty credit risk, concentration risk and interest rate risk. The Bank regularly reports ICAAP documentations to BRSA approved by the Board of the Directors.

II. Explanations on consolidated credit risk:

- a. Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury Management employee who is authorised for transactions in the market are controlled by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations. Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for Small and Medium Sized Entities (SME) and Corporate/Commercial customers during the underwriting process of the Parent Bank. A separate rating model is used for the customers which operate in construction industry. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers is as follows:

	Current Period	Prior Period
Above average (1-4)	47,47%	44,68%
Average (5+ -6)	43,95%	47,12%
Below average (7+ -9)	8,58%	8,20%

The Parent Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

The loan is overdue more than 90 days.

The borrower is not able to pay at least one of the loans he received from the Bank (cross default)

Having a negative intelligence and bad-record for the borrower in the market.

Deterioration of the creditworthiness of the borrower.

The Parent Bank sets aside specific and general provisions with respect to "value adjustments" procedures in accordance with the Provisioning Regulation.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current Period Risk Amount ⁽¹⁾	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	58.647.408	55.358.377
Conditional and unconditional receivables from regional or local governments	159	178
Conditional and unconditional receivables from administrative units and non-commercial enterprises	45.535	22.685
Conditional and unconditional receivables from multilateral development banks	127.492	76.872
Conditional and unconditional receivables from international organizations	65.203	38.092
Conditional and unconditional receivables from banks and brokerage houses	20.338.924	18.866.123
Conditional and unconditional receivables from corporates	107.174.164	104.234.318
Conditional and unconditional retail receivables	50.093.551	47.603.691
Conditional and unconditional receivables secured by mortgages	25.147.454	21.868.913
Past due receivables	1.522.766	1.498.900
Receivables defined as high risk category by the Regulator	15.790.585	14.034.859
Secured by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	6.973.312	6.750.658
Total	285.926.553	270.353.666

(1) Represents amounts before taking risk mitigating factors into considerations.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

- b.** The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

- c.** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- d.** The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

- e.**
1. The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 24% and 31%.
 2. The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 47% and 59%.
 3. The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 24% and 32% of total cash loans and non-cash loans.

- f.** The Group provided a general loan loss provision amounting to TL 2.627.271 (December 31, 2014 - TL 1.927.821).

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

g. Risk profile according to the geographical concentration:

	Risk Classifications ^{(1),(2)}												Total										
	1	2	3	4	5	6	7	8	9	10	11	12											
Current Period																							
Domestic	58.292.487	159	205	-	-10.020.459	100.087.426	49.928.886	25.142.756	1.469.877	15.789.379	6.948.575	267.680.209											
EU countries	242.187	- 31.827	46.795	65.203	8.328.619	2.432.348	5.054	2.357	99	818	12.934	11.168.241											
OECD countries ⁽³⁾	-	-	-	-	- 185.332	1.269.070	405	1.129	-	82	-	1.456.018											
Off-shore banking regions	-	-	-	-	- 87.782	178.429	3.011	-	8.399	8	-	277.629											
USA, Canada	-	-	- 80.697	-	- 1.283.785	788.615	6.474	87	29	127	-	2.159.814											
Other countries	112.734	- 13.503	-	-	- 432.947	2.418.276	149.721	1.125	44.362	171	-	3.172.839											
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	11.803	11.803											
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-											
Total	58.647.408	159	45.535	127.492	65.203	320.338	924.107	174.164	50.093	551	25.147	4541.522	7.661	15.790	585	6.973	3.122	285	926	553			
Prior Period																							
Domestic	45.926.022	253	1.067	-	- 5.116.832	287.186	149.44.056	273.15.734	972	1.226.622	12.147.933	4.305.664	215.701.787										
EU countries	397.290	-	-	1.712	- 5.484.380	1.716.537	19.183	2.148	1.467	108	249.101	7.871.926											
OECD countries ⁽³⁾	-	-	-	-	- 200.701	65.186	473	744	13.033	-	-	280.137											
Off-shore banking regions	-	-	-	-	- 390	-	18.603	-	-	-	-	18.993											
USA, Canada	50.650	-	-	3.141	- 1.124.156	316.335	3.745	-	-	-	-	1.498.027											
Other countries	55.867	-	-	-	- 894.306	2.729.596	138.923	904	31.920	48	115.385	3.966.949											
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	6.803	6.803											
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-											
Total	46.429.829	253	1.067	4.853	-12.820	765	92.013	80	344	237	2.001	15.738	768	1.273	0	42	12	148	089	4	6	76	6

- (1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before credit risk mitigation.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis.

- 1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6-Conditional and unconditional receivables from banks and brokerage houses
7-Conditional and unconditional receivables from corporates
8-Conditional and unconditional retail receivables
9-Conditional and unconditional receivables secured by mortgages
10-Past due receivables
11-Receivables defined as high risk category by the Regulator
12-Other receivables

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Bank (continued)

ğ. Risk profile according to sectors and counterparties:

	Risk Classifications ^{(1),(2)}												TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12			
Agricultural	-	-	18	-	-	-	3.445.223	3.401.307	835.541	75.662	172.252	-	5.597.337	2.332.666	7.930.003
Farming and raising livestock	-	-	18	-	-	-	2.545.007	2.610.554	569.261	61.782	140.949	-	4.136.635	1.790.936	5.927.571
Forestry	-	-	-	-	-	-	756.999	770.528	260.812	13.140	30.675	-	1.396.883	435.271	1.832.154
Fishing	-	-	-	-	-	-	143.217	20.225	5.468	740	628	-	63.819	106.459	170.278
Manufacturing	-	28	12.200	-	-	-	58.485.854	12.595.322	6.660.118	495.263	426.191	2.438	33.874.936	44.802.478	78.677.414
Mining	-	-	14	-	-	-	1.845.663	343.415	260.390	19.915	6.285	-	1.353.643	1.122.039	2.475.682
Production	-	10	4.982	-	-	-	32.959.607	11.989.971	5.430.476	404.178	411.121	2.438	29.355.082	21.847.701	51.202.783
Electric, gas and water	-	18	7.204	-	-	-	23.680.584	261.936	969.252	71.170	8.785	-	3.166.211	21.832.738	24.998.949
Construction	-	2	47	-	-	-	13.138.130	4.411.254	4.667.242	222.766	145.568	-	9.941.858	12.643.151	22.585.009
Services	58.647.408	71	33.210	127.492	65.203	20.338.924	28.852.929	7.363.085	5.637.799	227.512	400.911	3.539.889	60.104.196	65.130.237	125.234.433
Wholesale and retail trade	-	1	-	-	-	-	6.449.727	3.058.571	1.318.593	119.883	137.835	-	7.947.485	3.137.125	11.084.610
Hotel, food and beverage services	-	-	-	-	-	-	2.626.043	754.895	2.458.627	14.356	39.520	-	1.840.654	4.052.787	5.893.441
Transportation and telecommunication	-	-	1.332	-	-	-	7.307.396	1.403.978	415.092	48.863	91.611	5.000	3.237.163	6.036.109	9.273.272
Financial institutions	58.647.408	-	31.827	127.492	65.203	20.338.924	3.795.838	165.270	181.354	1.653	15.084	3.534.889	41.805.952	45.098.990	86.904.942
Real estate and renting services	-	-	-	-	-	-	189.614	23.282	5.311	641	733	-	68.952	150.629	219.581
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	205.537	90.967	54.438	1.062	4.582	-	293.565	63.021	356.586
Health and social services	-	70	51	-	-	-	8.278.774	1.866.122	1.204.384	41.054	111.546	-	4.910.425	6.591.576	11.502.001
Other	-	58	60	-	-	-	3.252.028	22.322.583	7.346.754	501.563	14.645.663	3.430.985	49.553.617	1.946.077	51.499.694
Total	58.647.408	159	45.535	127.492	65.203	20.338.924	107.174.164	50.093.551	25.147.454	1.522.766	15.790.585	6.973.312	159.071.944	126.854.609	285.926.553

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

1- Claims on sovereigns and Central Banks

2- Claims on regional governments or local authorities

3- Claims on administrative bodies and other non-commercial undertakings

4- Claims on multilateral development banks

5- Conditional and unconditional receivables from international organizations

6- Claims on banks and intermediary institutions

7- Claims on corporates

8- Claims included in the regulatory retail portfolios

9- Claims secured by residential property

10- Past due loans

11- Higher risk categories decided by the Board

12- Other receivables

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

h. Risk profile according to remaining maturities:

Risk classifications^{(1), (2)}	1 month	1-3 month	3-6 month	6-12 month	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	20.893.841	1.308.722	15.410	2.001.266	34.280.660	58.499.899
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	45	1.489	33.024	2.495	8.481	45.534
Conditional and unconditional receivables from multilateral development banks	-	25.552	19.973	81.919	48	127.492
Conditional and unconditional receivables from international organizations	-	-	-	65.203	-	65.203
Conditional and unconditional receivables from banks and brokerage houses	2.634.902	3.309.813	1.056.118	1.255.008	12.082.682	20.338.523
Conditional and unconditional receivables from corporates	10.264.962	8.526.576	10.390.868	12.811.757	65.172.443	107.166.606
Conditional and unconditional retail receivables	12.371.161	8.409.066	9.811.952	6.264.107	13.167.207	50.023.493
Conditional and unconditional receivables secured by mortgages	426.537	728.006	1.243.286	1.987.223	20.762.402	25.147.454
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	20.846	36.217	2.254	746.473	14.984.795	15.790.585
Secured by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	46.612.294	22.345.600	22.572.885	25.215.451	160.458.718	277.204.948

(1) Includes credit risk amounts of total exposure before credit risk mitigation

(2) The table above does not include items without maturity.

- i. An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

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Notes to consolidated financial statements December 31, 2015 (continued)

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Information related to financial position of the Group (continued)

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Risk Classifications				
		Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Remaining maturity of claims under 3 months	Remaining maturity of claims over 3 months	
1	AAA	0%	20%	20%	20%	20%
	AA+					
	AA					
	AA-					
2	A+	20%	50%	20%	50%	50%
	A					
	A-					
3	BBB+	50%	100%	20%	50%	100%
	BBB					
	BBB-					
4	BB+	100%	100%	50%	100%	100%
	BB					
	BB-					
5	B+	100%	100%	50%	100%	150%
	B					
	B-					
6	CCC+	150%	150%	150%	150%	150%
	CCC					
	CCC-					
	CC					
	C					
D						

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

i. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

Risk Weights	0%	20%	50%	75%	100%	150%	200%	250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	51.958.601	7.423.529	47.164.398	43.828.877	119.392.123	5.558.204	10.330.437	270.384	285.926.553	448.257
2 Total exposure after credit risk mitigation	48.138.098	7.268.898	41.807.886	43.695.289	116.112.910	5.558.204	10.330.437	270.384	273.182.106	448.257

j. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of December 31, 2015.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of December 31, 2015.

Sectors / Counterparties	Loans			
	Impaired Loans	Past due	General Provisions	Specific Provisions
Agricultural	203.956	361.762	18.122	138.671
Farming and raising livestock	187.764	343.415	17.145	127.020
Forestry	10.813	11.656	563	8.021
Fishing	5.379	6.691	414	3.630
Manufacturing	1.832.026	1.669.982	231.788	1.321.121
Mining	24.182	199.879	4.443	25.895
Production	1.676.731	1.332.569	222.236	1.174.606
Electric, gas and water	131.113	137.534	5.109	120.620
Construction	738.215	505.559	145.895	420.022
Services	1.145.186	1.179.119	111.776	897.099
Wholesale and retail trade	490.956	580.080	62.453	352.091
Hotel, food and beverage services	87.671	123.100	7.473	65.074
Transportation and telecommunication	141.370	300.094	19.574	111.518
Financial institutions	193.324	33.180	3.500	185.572
Real estate and renting services	65.470	35.746	5.081	43.151
Self-employment services	-	-	-	-
Education services	7.736	7.810	646	5.978
Health and social services	158.659	99.109	13.049	133.715
Other	2.871.401	1.495.290	53.850	1.993.432
Total	6.790.784	5.211.712	561.431	4.770.345

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

k. Information about value adjustments and changes in the loan impairment:

The Group provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Group provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments ⁽¹⁾	Close out balance
1 Specific provisions	3.106.281	1.755.646	(155.622)	(41.892)	4.664.413
2 General provisions	1.927.821	719.398	-	(19.948)	2.627.271

(1) Figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

III. Explanations on consolidated market risk:

Risk management activities of the Parent Bank are carried out under the responsibility of Board of Directors in accordance with "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In order to comply with the regulations, the Parent Bank set its activities related with market risk management in accordance with "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29057 dated July 11, 2014.

Market risk policies, which are approved by the Board of Directors of the Bank and updated annually, if needed; include limit, methodologies, processes and responsibilities. Market risk calculations for the trading portfolio are performed by using standard method and Value at Risk (VaR) method. VaR is calculated using historical simulation method and reported to the management on a daily basis and Executive Committee on a monthly basis. In order to keep the effect of interest rate and foreign currency fluctuations at minimum, the Bank enters into derivative transactions of which some of the derivative transactions are subject to hedge accounting applications.

The table below shows details of the market risk as of December 31, 2015 in accordance with "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 28337 dated June 28, 2012.

(1). Explanations on consolidated market risk:

a. Information on market risk:

	Current Period	Prior Period
(I) Capital requirement against general market risk - standard method	48.141	59.260
(II) Capital requirement against specific risks - standard method	2.055	3.137
Capital requirement against specific risks of securitization positions- standard method	-	-
(III) Capital requirement against currency exchange risk - standard method	27.616	22.927
(IV) Capital requirement against commodity risks - standard method	19	133
(V) Capital requirement against exchange risks - standard method	6	-
(VI) Capital requirement against market risks of options - standard method	893	1.718
(VII) Capital requirement against counterparty credit risks - standard method	106.018	44.817
(VIII) Capital requirement against market risks of banks applying risk measurement model	-	-
(IX) Total capital requirement against market risk (I+II+III+IV+V+VI+VII+VIII)	184.748	131.992
(X) Value-at-market risk ((12.5*VIII) or (12.5*IX))	2.309.350	1.649.900

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

b. Average market risk table of calculated market risk at month ends:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	65.939	74.524	49.553	98.833	137.772	59.688
Share price risk	1.556	4.913	270	9.797	24.106	2.141
Currency risk	39.091	62.797	25.094	58.824	137.927	22.927
Commodity risk	108	198	19	191	316	49
Settlement risk	1	6	-	-	-	-
Option risk	1.094	1.800	341	1.620	3.935	389
Counterparty credit risk	113.629	175.812	57.293	58.826	115.087	27.853
Total amount subject to risk	221.418	320.050	132.570	228.091	419.143	113.047

(2) Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated for repurchase transactions and derivative transactions. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The total of volatility, currency, credit quality levels and holding periods for marketable securities subject to repurchase and funding through repurchases are considered during the calculation of risk amount for repurchase transactions.

In counterparty credit risk calculations, credit limits are set by internal methods and fair value methodology is used for capital allocation calculations.

The Bank uses the same policy and procedures applicable to credit collateral and provisioning for counterparty credit risk.

In accordance with the counterparty risk policies the Bank does not have the risk of the opposite tendency.

Risk and collateral amounts are calculated daily. Changes applicable to market values are also revised using daily actuals.

Total counterparty credit risk from trading activities is TL 1.325.225 for the year ended December 31, 2015.(December 31, 2014 – TL 560.213)

	Current Period	Prior Period
Interest rate contracts	301.442	134.142
Foreign exchange rate contracts	1.519.806	926.494
Commodity contracts	40	5.062
Equity shares related contracts	-	-
Other	335.533	1.159
Gross Positive Fair Value	70.771	197.416
Netting benefits	-	-
Net current exposure amount	-	-
Collateral received	-	-
Net derivative position	70.771	197.416

(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities;

Market risk is measured for trading portfolio and standard method and value at risk method are used.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

IV. Explanations on consolidated operational risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2014, 2013 and 2012 year-end gross income balances of the Bank, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2015, the total amount subject to operational risk is TL 12.833.313 (December 31, 2014 - TL 11.505.425) and the amount of the related capital requirement is TL 1.026.665 (December 31, 2014 - TL 920.434).

	2 Prior Period value	1 Prior Period value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	7.048.382	5.496.635	7.988.285	6.844.434	15	1.026.665
Amount subject to operational risk (Total*12,5)						12.833.313

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

V. Explanations on consolidated currency risk:

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

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

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

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

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	TL 2,90760	TL 3,17760
First day current bid rate	TL 2,90840	TL 3,19210
Second day current bid rate	TL 2,91570	TL 3,20060
Third day current bid rate	TL 2,91230	TL 3,19040
Fourth day current bid rate	TL 2,91870	TL 3,19680
Fifth day current bid rate	TL 2,92620	TL 3,19690
Arithmetic average of the last 31 days:	TL 2,91749	TL 3,17315
Balance sheet evaluation rate as of		
Prior Period:	TL 2,31890	TL 2,82070

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Information on currency risk of the Group:

	EUR	USD	Other FC ⁽⁴⁾	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	4.714.733	15.450.666	3.759.872	23.925.271
Banks	1.639.855	1.350.543	86.681	3.077.079
Financial assets at fair value through profit or loss	57.051	178.402	52	235.505
Money market placements	-	130.845	-	130.845
Available-for-sale financial assets	723.258	3.021.679	453.553	4.198.490
Loans ⁽¹⁾	20.007.791	39.079.605	940.397	60.027.793
Investments in associates, subsidiaries and joint ventures	-	-	338.140	338.140
Held-to-maturity investments	661.306	4.487.057	-	5.148.363
Hedging derivative financial assets	3.421	2.847	-	6.268
Tangible assets	2.584	-	31.511	34.095
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	4.660.486	3.004.841	290.638	7.955.965
Total assets	32.470.485	66.706.485	5.900.844	105.077.814
Liabilities				
Bank deposits	1.063.242	640.449	93.729	1.797.420
Foreign currency deposits	20.547.047	38.650.945	1.867.927	61.065.919
Funds from money market	-	2.165.386	-	2.165.386
Funds borrowed from other financial institutions	6.858.735	16.529.824	200.379	23.588.938
Marketable securities issued	6.211.633	6.485.852	275.045	12.972.530
Miscellaneous payables	1.244.412	476.135	19.122	1.739.669
Hedging derivative financial liabilities	27.682	81.283	-	108.965
Other liabilities ⁽³⁾	700.321	7.226.726	25.287	7.952.334
Total liabilities	36.653.072	72.256.600	2.481.489	111.391.161
Net on balance sheet position	(4.182.587)	(5.550.115)	3.419.355	(6.313.347)
Net off balance sheet position⁽⁵⁾	4.306.950	5.272.930	(2.551.242)	7.028.638
Financial derivative assets	9.401.060	35.397.322	1.958.188	46.756.570
Financial derivative liabilities	5.094.110	30.124.392	4.509.430	39.727.932
Net position	124.363	(277.185)	868.113	715.291
Non-cash loans	14.948.763	22.669.213	1.949.697	39.567.673
December 31, 2014				
Total assets	21.778.817	56.461.845	5.443.144	83.683.806
Total liabilities	30.190.604	54.085.339	2.715.486	86.991.429
Net on-balance sheet position	(8.411.787)	2.376.506	2.727.658	(3.307.623)
Net off-balance sheet position	8.411.045	(2.572.236)	(2.136.115)	3.702.694
Financial derivative assets	11.067.319	21.481.098	1.063.123	33.611.540
Financial derivative liabilities	2.656.274	24.053.334	3.199.238	29.908.846
Net position	(742)	(195.730)	591.543	395.071
Non-cash loans	11.008.161	20.171.147	1.594.308	32.773.616

(1) Includes FX indexed loans amounting to TL 5.163.077 (December 31, 2014 - TL 5.103.401) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 96.981 (December 31, 2014 - TL 76.011).

(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.

(4) Other FC column also includes gold balance.

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

(6) In accordance with the principles of the "Regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis" foreign currency intangible assets amounted TL 12.783 is not considered in the calculation.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Currency risk sensitivity analysis ⁽¹⁾:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

Change in currency exchange rates ⁽¹⁾	Current Period Profit/loss effect ⁽²⁾	Prior Period Profit/loss effect ⁽²⁾
(+) %15	(58.451)	(144.811)
(-) %15	58.451	144.811

(1) Disclosed above is that of the Parent Bank.

(2) Excluding tax effect.

VI. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	58.152	-	-	10.243.581	27.388.947
Banks	928.892	782.638	170.961	-	-	1.229.014	3.111.505
Financial assets at fair value through profit/loss	639.390	221.550	608.555	238.771	49.987	8.040	1.766.293
Money market placements	284.115	2.011	-	-	-	-	286.126
Available-for-sale financial assets	2.064.819	5.606.359	7.561.054	3.788.649	3.546.226	273.097	22.840.204
Loans	24.799.040	18.136.911	49.801.041	39.551.011	20.201.092	1.528.894	154.017.989
Held-to-maturity investments	-	396.679	1.221.604	1.143.899	4.346.627	-	7.108.809
Other assets	1.908.390	1.229.534	1.759.260	4.402.110	564.058	8.884.707	18.748.059
Total assets	47.711.860	26.375.682	61.180.627	49.124.440	28.707.990	22.167.333	235.267.932
Liabilities							
Bank deposits	3.678.714	382.544	672.053	33.072	-	349.936	5.116.319
Other deposits	64.571.208	33.002.949	6.398.343	685.677	288.583	19.961.986	124.908.746
Funds from money market	13.702.748	315.153	245.636	-	-	-	14.263.537
Miscellaneous payables	-	-	-	-	-	9.794.681	9.794.681
Marketable securities issued	435.023	8.129.023	2.325.254	6.251.601	31.992	-	17.172.893
Funds borrowed from other financial institutions	6.792.512	9.134.800	7.339.844	768.127	825.696	-	24.860.979
Other liabilities and shareholders' equity	763.758	583.539	1.104.543	193.425	6.086.423	30.419.089	39.150.777
Total liabilities	89.943.963	51.548.008	18.085.673	7.931.902	7.232.694	60.525.692	235.267.932
Balance sheet long position	-	-	43.094.954	41.192.538	21.475.296	-	105.762.788
Balance sheet short position	(42.232.103)	(25.172.326)	-	-	-	(38.358.359)	(105.762.788)
Off-balance sheet long position	6.138.880	18.321.753	-	-	-	-	24.460.633
Off-balance sheet short position	-	-	(6.677.496)	(14.181.466)	(4.332.133)	-	(25.191.095)
Total position	(36.093.223)	(6.850.573)	36.417.458	27.011.072	17.143.163	(38.358.359)	(730.462)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1.299.884	-	-	-	-	21.914.781	23.214.665
Banks	1.110.996	550.000	111.757	48.172	-	2.070.950	3.891.875
Financial assets at fair value through profit/loss	314.255	235.234	530.835	72.393	52.955	4.120	1.209.792
Money market placements	1.568.750	-	-	-	-	-	1.568.750
Available-for-sale financial assets	1.047.104	3.378.655	7.682.621	3.630.719	2.821.837	113.161	18.674.097
Loans	27.855.780	28.760.233	34.508.942	26.280.409	8.128.703	1.273.042	126.807.109
Held-to-maturity investments	46.660	427.237	1.074.105	789.647	3.218.720	-	5.556.369
Other assets	2.516.136	844.399	1.609.333	2.852.046	516.122	5.698.012	14.036.048
Total assets	35.759.565	34.195.758	45.517.593	33.673.386	14.738.337	31.074.066	194.958.705
Liabilities							
Bank deposits	1.457.118	161.294	487.985	31.301	-	406.111	2.543.809
Other deposits	56.203.929	27.010.539	4.620.103	814.992	207.116	16.230.143	105.086.822
Funds from money market	7.737.585	725.194	116.054	195.919	-	-	8.774.752
Miscellaneous payables	-	-	-	-	-	8.738.336	8.738.336
Marketable securities issued	420.397	4.587.074	3.391.721	3.845.451	1.111.294	-	13.355.937
Funds borrowed from other financial institutions	5.372.903	6.630.970	7.953.400	970.563	489.120	-	21.416.956
Other liabilities and shareholders' equity	317.984	1.918.550	996.160	73.707	4.794.907	26.940.785	35.042.093
Total liabilities	71.509.916	41.033.621	17.565.423	5.931.933	6.602.437	52.315.375	194.958.705
Balance sheet long position	-	-	27.952.170	27.741.453	8.135.900	-	63.829.523
Balance sheet short position	(35.750.351)	(6.837.863)	-	-	-	(21.241.309)	(63.829.523)
Off-balance sheet long position	3.363.730	13.286.633	1.540.302	-	-	-	18.190.665
Off-balance sheet short position	-	-	-	(18.178.694)	(408.169)	-	(18.586.863)
Total position	(32.386.621)	6.448.770	29.492.472	9.562.759	7.727.731	(21.241.309)	(396.198)

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

Information related to financial position of the Group (continued)**b. Average interest rates for monetary financial instruments:**

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	1,53	1,88	-	13,54
Financial assets at fair value through profit/(loss)	2,06	3,92	-	8,72
Money market placements	-	0,90	-	13,21
Available-for-sale financial assets	4,41	5,81	-	9,96
Loans	4,06	5,34	4,80	14,48
Held-to-maturity investments	3,40	5,39	-	10,61
Liabilities⁽¹⁾				
Bank deposits	1,17	1,13	-	11,07
Other deposits	1,51	2,21	1,72	12,73
Funds from money market	-	1,01	-	7,91
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,78	3,72	0,81	11,07
Funds borrowed from other financial institutions	1,01	2,95	2,99	7,14

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

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	1,30
Banks	1,06	1,90	-	10,75
Financial assets at fair value through profit/(loss)	1,97	4,41	-	8,27
Money market placements	-	-	-	11,73
Available-for-sale financial assets	5,49	6,28	-	9,98
Loans	4,55	5,00	5,20	13,50
Held-to-maturity investments	3,77	5,51	-	9,81
Liabilities⁽¹⁾				
Bank deposits	1,42	0,47	-	10,34
Other deposits	1,95	2,11	1,82	10,74
Funds from money market	-	0,85	-	9,47
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,12	3,57	-	7,85
Funds borrowed from other financial institutions	1,58	3,33	3,02	9,48

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

c. Interest rate risk arising from banking accounts:

The sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements is performed for all interest earning assets and interest bearing liabilities.

Interest rate risk resulting from banking books comprise of repricing risk, yield curve risk, and basis risk.

Interest rate risk arising from banking book is measured in accordance with "The regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts", published in the Official Gazette No. 28034 dated August 23, 2011 and legal limit of this measurement is monitored and reported monthly. Proportional amount of capital is provided in line with the same level of Interest rate risk arising from banking accounts.

Interest rate risk is measured and monitored monthly by market risk management. Duration analysis, gap analysis, basis points value analysis, scenario analysis and simulation of net interest income are performed and reported monthly to Asset Liability Management function of the Executive Committee. Interest sensitivity is measured most appropriately using the duration distribution map for every type of product. Investment decisions are done by taking into account the interest rate measurements. The maturity and interest risk for products with uncertain maturities is effectively measured using the behavioral analysis.

Economic value differences resulting from interest rate fluctuations of the Parent Bank as of December 31, 2015 are presented in the table below in accordance with the "Regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts".

Currency⁽¹⁾	Applied shock (+/- x basis points)	Gains/Losses	Gains/SE-Losses/SE
TRY	(+)500 bp	(2.253.008)	(8,05)%
TRY	(-)400 bp	2.233.739	7,98%
EUR	(+)200 bp	(390.249)	(1,39) %
EUR	(-)200 bp	390.595	1,40%
USD	(+)200 bp	(174.722)	(0,62)%
USD	(-)200 bp	300.442	1,07%
Total (for negative shock)		2.924.776	10,45%
Total (for positive shock)		(2.817.980)	(10,06)%

(1) The interest rate risk disclosed above is that of the Parent Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

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

1. Comparison of the carrying, fair and market values of equity shares:

Group has no unconsolidated subsidiaries and joint venture quoted in Borsa Istanbul as of December 31, 2015.

2. Information on realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

None.

VIII. Explanations on consolidated liquidity risk:

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

The Parent Bank functions as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

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

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

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

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. The bank applies weekly liquidity stress tests consisting of different scenarios and maturity segments (maximum 60 days).

"Liquidity Contingency Plan" is applied if the Parent Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan.

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

CURRENT PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			30.592.256	21.096.422
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	61.274.185	25.773.923	5.149.032	2.303.333
Stable deposits	19.567.731	5.481.180	978.387	274.059
Less stable deposits	41.706.454	20.292.743	4.170.645	2.029.274
Unsecured Funding other than Retail and Small Business Customers Deposits	61.696.884	29.923.382	36.240.363	16.330.403
Operational deposits	-	-	-	-
Non-Operational Deposits	48.478.785	25.496.624	24.885.088	11.903.658
Other Unsecured Funding	13.218.099	4.426.758	11.355.275	4.426.745
Secured funding			20.529	20.529
Other Cash Outflows	16.322.074	9.027.288	16.320.394	9.025.608
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.319.674	9.024.888	16.319.674	9.024.888
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	2.400	2.400	720	720
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	50.132.649	32.035.021	2.506.632	1.601.751
Other irrevocable or conditionally revocable commitments	57.598.448	10.980.889	4.236.097	716.157
TOTAL CASH OUTFLOWS	247.024.240	107.740.503	64.473.047	29.997.781
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.438.444	7.658.842	13.521.423	6.170.588
Other contractual cash inflows	17.043.992	13.455.403	15.741.643	10.434.732
TOTAL CASH INFLOWS	37.482.436	21.114.245	29.263.066	16.605.320
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			30.592.256	21.096.422
TOTAL NET CASH OUTFLOWS			35.209.981	13.392.461
Liquidity Coverage Ratio (%)			86,89	157,52

(1) In Current Period Consolidated Liquidity Coverage Ratio table, the arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

PREVIOUS PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			31.630.960	18.533.027
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	44.548.300	18.495.193	4.454.830	1.849.519
Stable deposits	-	-	-	-
Less stable deposits	44.548.300	18.495.193	4.454.830	1.849.519
Unsecured Funding other than Retail and Small Business Customers Deposits	54.391.954	23.864.869	31.088.339	13.089.317
Operational deposits	-	-	-	-
Non-Operational Deposits	42.626.607	20.563.031	20.918.326	9.795.780
Other Unsecured Funding	11.765.347	3.301.838	10.170.013	3.293.537
Secured funding			-	-
Other Cash Outflows	465.854	240.819	462.097	237.062
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	460.487	235.452	460.487	235.452
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	5.367	5.367	1.610	1.610
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	45.985.088	30.477.285	2.299.254	1.523.864
Other irrevocable or conditionally revocable commitments	43.673.151	1.954.951	3.532.137	225.157
TOTAL CASH OUTFLOWS	189.064.347	75.033.117	41.836.657	16.924.919
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	14.633.703	4.578.201	9.635.360	3.941.157
Other contractual cash inflows	409.981	4.314.146	409.981	4.314.146
TOTAL CASH INFLOWS	15.043.684	8.892.347	10.045.341	8.255.303
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			31.630.960	18.533.027
TOTAL NET CASH OUTFLOWS			31.791.316	8.669.617
Liquidity Coverage Ratio (%)			99,50	213,77

(1) In Previous Period Consolidated Liquidity Coverage Ratio table, the arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

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

	Minimum FC (%)	Minimum TOTAL(%)	Maximum FC (%)	Maximum TOTAL(%)
Week Ratio (%)	27 November 2015 116,83	4 December 2015 82,13	23 October 2015 170,42	31 December 2015 99,16

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Funding sources of the Bank mainly consist of deposits which constitute 58% of total liabilities of the bank (31 December 2014 – 58%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

Cash, effective money, cheques, Central Bank of the Republic of Turkey ("CBRT") reserves and debt instruments issued by Treasury of the Republic of Turkey are treated as high quality liquid assets.

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

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

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

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

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Current Period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	2.277.474	25.053.321	-	58.152	-	-	-	27.388.947
Banks	1.229.014	928.892	614.140	339.459	-	-	-	3.111.505
Financial assets at fair value through profit or loss	-	462.062	179.022	269.439	684.457	163.273	8.040	1.766.293
Money market placements	-	284.115	2.011	-	-	-	-	286.126
Available-for-sale financial assets	18.080	287.136	1.277.153	2.077.094	7.456.311	11.469.412	255.018	22.840.204
Loans	-	23.227.856	14.576.087	39.655.792	43.066.594	31.962.766	1.528.894	154.017.989
Held-to-maturity Investments	-	-	27.113	206.761	2.204.103	4.670.832	-	7.108.809
Other assets ⁽¹⁾	2.317.677	1.379.743	909.029	1.855.092	5.086.317	860.695	6.339.506	18.748.059
Total assets	5.842.245	51.623.125	17.584.555	44.461.789	58.497.782	49.126.978	8.131.458	235.267.932
Liabilities								
Bank deposits	349.936	3.678.714	382.544	672.053	33.072	-	-	5.116.319
Other deposits	19.961.986	64.571.208	33.002.949	6.398.343	685.677	288.583	-	124.908.746
Funds borrowed from other financial institutions	-	1.506.221	2.162.578	13.843.778	4.505.708	2.842.694	-	24.860.979
Funds from money market	-	13.702.748	315.153	245.636	-	-	-	14.263.537
Marketable securities issued	-	489.326	1.609.931	2.876.964	7.868.002	4.328.670	-	17.172.893
Miscellaneous payables	913.967	8.218.808	294.584	256.000	101	-	111.221	9.794.681
Other liabilities ⁽²⁾	2.700.431	659.674	855.331	576.432	1.756.300	6.231.362	26.371.247	39.150.777
Total liabilities	23.926.320	92.826.699	38.623.070	24.869.206	14.848.860	13.691.309	26.482.468	235.267.932
Net liquidity gap	(18.084.075)	(41.203.574)	(21.038.515)	19.592.583	43.648.922	35.435.669	(18.351.010)	-
Prior Period								
Total assets	10.441.919	42.381.033	15.036.763	32.561.885	50.148.669	39.801.602	4.586.834	194.958.705
Total liabilities	24.611.114	68.754.419	31.751.351	21.834.147	14.172.188	10.216.364	23.619.122	194.958.705
Net liquidity gap	(14.169.195)	(26.373.386)	(16.714.588)	10.727.738	35.976.481	29.585.238	(19.032.288)	-

(1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale stationary stocks, prepaid expenses and loans under follow-up, are classified in this column. Also includes factoring and leasing receivables.

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

Yapı ve Kredi Bankası A.Ş.**Notes to consolidated financial statements December 31, 2015 (continued)**

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

Information related to financial position of the Group (continued)**Breakdown of financial liabilities according to their remaining contractual maturities:**

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period ⁽¹⁾	Demand and up					Total
	to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Liabilities						
Deposits	88.996.260	33.859.767	7.241.042	754.978	349.975	131.202.022
Funds borrowed from other financial Institutions	1.567.281	2.240.927	14.317.262	6.150.021	4.178.948	28.454.439
Funds from money market	13.719.659	315.429	257.316	-	-	14.292.404
Subordinated loans	-	47.942	300.656	1.936.583	6.697.677	8.982.858
Marketable securities issued	521.307	1.663.115	3.129.545	8.535.659	4.338.997	18.188.623
Total	104.804.507	38.127.180	25.245.821	17.377.241	15.565.597	201.120.346

(1) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

Prior Period ⁽¹⁾	Demand and up					Total
	to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Liabilities						
Deposits	74.661.139	27.538.017	5.241.649	902.827	258.342	108.601.974
Funds borrowed from other financial Institutions	1.804.779	2.073.840	12.262.271	4.724.601	2.839.650	23.705.141
Funds from money market	7.754.623	727.017	119.420	205.234	-	8.806.294
Subordinated loans	-	58.857	279.392	3.058.077	5.591.020	8.987.346
Marketable securities issued	121.481	1.396.802	4.264.818	6.518.278	2.149.795	14.451.174
Total	84.342.022	31.794.533	22.167.550	15.409.017	10.838.807	164.551.929

(2) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

IX. Explanations on consolidated leverage ratio:

The main reasons for decrease in leverage ratio for the current period are the increase in total risks of on-balance sheet assets and off-balance sheet exposures.

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

	Current Period ⁽³⁾	Prior Period ⁽³⁾
1 Total assets in the consolidated financial statements prepared in accordance with TAS ^{(1),(2)}	231.901.550	185.322.830
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	(2.276.833)	(586.700)
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.467.817)	(2.111.056)
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	9.898.917	2.337.469
5 Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.512.027	224.916
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(3.911.486)	391.170
7 Total Risks	383.723.240	293.089.781

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

(2) The current period figures are not audited as of the date of this report.

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

	Current Period⁽¹⁾	Prior Period⁽¹⁾	
On-Balance sheet exposures			
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	231.035.701	184.645.466
2	(Asset amounts deducted in determining Tier 1 capital)	(2.594.171)	(1.982.050)
3	Total on-Balance sheet exposures	228.441.530	182.663.416
Derivative financial instruments and credit derivatives			
4	Replacement cost of derivative financial instruments and credit derivatives	826.025	(119.730)
5	Potential credit risk of derivative financial instruments and credit derivatives	2.467.817	2.111.056
6	Total derivative financial instruments and credit derivatives exposure	3.293.842	1.991.326
Securities financing transaction exposure			
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.822.510	664.679
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	1.822.510	664.679
Off-balance sheet items			
10	Off-balance sheet exposure at gross notional amount	152.677.385	107.995.276
11	(Adjustments for conversion to credit equivalent amounts)	(2.512.027)	(224.916)
12	Total risk of off-balance sheet items	150.165.358	107.770.360
Capital and total exposure			
13	Tier 1 capital	20.682.544	18.704.693
14	Total exposures	383.723.240	293.089.781
Leverage ratio			
15	Leverage ratio (%)	5,39%	6,38%

(1) In Current Period and Prior Period table, the arithmetic average of the last 3 months.

X. Explanations on securitization positions:

None.

XI. Credit risk mitigation techniques:

The Group does not use on-balance and off-balance sheet netting for the calculation of credit risk mitigation factors.

The Group applies credit risk mitigation according to the comprehensive method in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques". Only cash and cash equivalent collaterals are taken into account for the purpose of credit risk migration.

Credit derivatives are not taken into consideration for credit risk mitigation techniques.

Cash and cash equivalent collaterals considered for the mitigating the credit risk, are taken into account at their nominal values. Standard margin is applied where currencies of exposure and the collateral are different.

Mortgage collaterals considered for mitigating the credit risk are taken into account with the expertise value (which are also reviewed by the expert group of the Bank) determined by CMB licensed experts. Based on these values of the collaterals, total amount of credit risk is determined in accordance with the maximum Loan-to-Value ratio set by BRSA. For the guarantees that are taken to mitigate the credit risk, credit worthiness of the guarantor is measured.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

The Parent Bank carries out its activities in accordance with the BRSA Communiqué for the valuation of the loans granted for financing of a real estate.

Cheques and notes in connection with a real business transaction are taken into consideration to mitigate the credit risk.

In the process of credit allocation, cash blockage guarantees, pledges, mortgages, guarantees and warranties are considered as risk-reducing collaterals.

The Group's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international and local regulations and internal policies. With regards to the limitation of risks, also internal limits are employed besides regulatory limits. Possible changes that may occur in the economic environment are taken into account for determining these limits.

Information about guarantees according to risk classifications:

Risk classifications	Amount ⁽¹⁾	Financial guarantees⁽²⁾	Other / Physical guarantees⁽²⁾	Guarantees and credit derivatives⁽²⁾
Conditional and unconditional receivables from central governments or central banks	59.624.592	4.303.612	-	-
Conditional and unconditional receivables from regional or local governments	1.224	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	113.320	-	-	-
Conditional and unconditional receivables from multilateral development banks	499.488	-	-	-
Conditional and unconditional receivables from international organizations	65.203	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	112.463.867	6.009.627	-	-
Conditional and unconditional receivables from corporates	257.187.223	3.527.798	-	986.560
Conditional and unconditional retail receivables	127.415.953	172.025	-	8.895
Conditional and unconditional receivables secured by mortgages	25.786.901	-	-	-
Past due receivables	1.522.766	-	-	-
Receivables defined in high risk category by the Regulator	15.980.242	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other Receivables	7.025.048	-	-	-
Total	607.685.827	14.013.062	-	995.455

(1) Figures represent the total amount of credit risks prior to the risk mitigating calculations as per the "Regulation on Credit Risk Mitigation Techniques".

(2) Figures represent the total amount of collaterals which are taken into consideration for the risk mitigating calculations. Other risk reducing items are not included in this table such as; mortgages, pledges, guarantees and warranties

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

XII. Strategies and policies of the risk management system:

Risk management strategy of the Parent Bank includes measurement and monitoring of the risks with the methods that are defined in accordance with the international standards and local regulations. Also it includes having a sustainable growth in the framework of optimized capital use in accordance with the principle of keeping a balanced risk and return approach.

Risk Management Department including the sub-departments of "Credit Risk Control and Operational Risk Management", "Market Risk Management" and "Credit Risk Management", reports to the Board of Directors through the Audit Committee.

Credit risk rating models are mainly used to measure and monitor the credit risk. The rating model is used in day to day activities of the Bank such as; for the evaluation of new credit applications, determination of credit approval authority levels and monitoring the performance of the existing customer portfolio. Performance of the rating model is monitored by a validation team on a regular basis.

Reports related to the loan portfolio of the Bank are distributed to the relevant departments within the Bank, on a regular basis. Expected loss calculations for the Bank's loan portfolio are performed and used for determining the objectives and policies of the Bank.

Market Risk Analysis unit is responsible for measuring, monitoring and distributing the results of the market risk to the relevant departments within the Bank, as well as reviewing the valuation calculations of financial instruments, which are subject to market risk, in accordance with accounting standards.

The Parent Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international regulations, local regulations and internal policies. In addition to the regulatory limits, there are also internal limits set to measure and monitor the risk. Possible changes that may occur in the economic environment are taken into account for determining these limits.

XIII. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying value		Fair value	
	Current Period	Prior Period	Current period	Prior period
Financial assets	187.364.633	156.498.200	190.171.567	160.077.923
Due from money market	286.126	1.568.750	286.126	1.568.750
Banks	3.111.505	3.891.875	3.113.324	3.895.771
Available-for-sale financial assets	22.840.204	18.674.097	22.840.204	18.674.097
Held-to-maturity investments	7.108.809	5.556.369	7.038.312	5.818.301
Loans	154.017.989	126.807.109	156.893.601	130.121.004
Financial liabilities	188.488.809	157.912.409	189.242.810	158.543.370
Bank deposits	5.116.319	2.543.809	5.121.899	2.540.157
Other deposits	124.908.746	105.086.822	125.145.431	105.304.517
Funds borrowed from other financial institutions	24.860.979	21.416.956	24.989.311	21.513.899
Subordinated loans	6.635.191	6.770.549	6.726.059	6.855.936
Marketable securities issued	17.172.893	13.355.937	17.465.429	13.590.525
Miscellaneous payables	9.794.681	8.738.336	9.794.681	8.738.336

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

IFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	74.146	1.692.147	-	1.766.293
Government debt securities	66.106	-	-	66.106
Share certificates	8.040	-	-	8.040
Trading derivative financial assets	-	1.692.147	-	1.692.147
Other marketable securities	-	-	-	-
Available-for-sale financial assets	20.426.821	2.405.868	-	22.832.689
Government debt securities	20.395.137	-	-	20.395.137
Other marketable securities(1)	31.684	2.405.868	-	2.437.552
Hedging derivative financial assets	-	961.041	-	961.041
Total assets	20.500.967	5.059.056	-	25.560.023
Trading derivative financial liabilities	-	1.922.408	-	1.922.408
Marketable securities issued	-	3.394.985	-	3.394.985
Hedging derivative financial liabilities	-	148.278	-	148.278
Total liabilities	-	5.465.671	-	5.465.671

(1) As of December 31, 2015, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 7.515 is not included.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	99.271	1.110.521	-	1.209.792
Government debt securities	95.151	-	-	95.151
Share certificates	4.037	-	-	4.037
Trading derivative financial assets	-	1.110.521	-	1.110.521
Other marketable securities	83	-	-	83
Available-for-sale financial assets	16.376.461	2.291.442	-	18.667.903
Government debt securities	16.284.654	-	-	16.284.654
Other marketable securities(1)	91.807	2.291.442	-	2.383.249
Hedging derivative financial assets	-	256.146	-	256.146
Total assets	16.475.732	3.658.109	-	20.133.841
Trading derivative financial liabilities	-	860.326	-	860.326
Marketable securities issued	-	1.163.996	-	1.163.996
Hedging derivative financial liabilities	-	440.448	-	440.448
Total liabilities	-	2.464.770	-	2.464.770

(1) As of December 31, 2014, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 6.194 is not included.

The Group classifies its buildings carried at their fair value within property and equipment under level 3.

XIV. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2015:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2015 of these hedging instruments are presented in the table below:

	Current Period				Prior Period	
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	28.436.221	703.897	144.047	20.360.998	78.251	439.791
Cross currency interest rate swap (FVH)	666.872	257.144	4.231	481.084	177.895	657
Total	29.103.093	961.041	148.278	20.842.082	256.146	440.448

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 29.623.344 (December 31, 2013 - TL 21.105.415) the total notional of derivative financial assets amounting to TL 58.726.437 (December 31, 2013 - TL 41.947.497) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section III. Part IV.

Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

The impact of application of FVH accounting is summarized below;

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	(28.479)	251.230	3.427	(17.963)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

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

(3) The ineffective portion of the mentioned hedging transaction is TL 2.286.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	(10.516)	177.895	-	(5.403)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

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

(3) The ineffective portion of the mentioned hedging transaction is TL 2.913.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the group (continued)

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

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

Cash flow hedge accounting:

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

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ^{(2),(3)}
			Asset	Liability		
Interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	703.897	144.047	267.965	564.974

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 6.355.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ^{(2),(3)}
			Asset	Liability		
Interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	78.251	439.791	(297.009)	(181.892)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 12.225.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the group (continued)

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

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

Net Investment Hedge

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2015 is EUR 348 million (December 31, 2014 - EUR 275 million).

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

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

XVI. Explanations on consolidated operating segments:

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

- (1) Retail Banking
- (2) Corporate and Commercial Banking
- (3) Private Banking and Wealth Management.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

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

Yapı ve Kredi Bankası A.Ş.**Notes to consolidated financial statements December 31, 2015 (continued)**

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

Information related to financial position of the Group (continued)

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

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

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

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

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments⁽¹⁾	Total operations of the Group
Operating revenue continuing	4.085.978	2.371.581	213.250	272.453	540.672	2.679.482	43.342	10.206.758
Operating expenses continuing	(3.628.714)	(798.972)	(94.552)	(172.660)	(230.697)	(2.809.676)	8.715	(7.726.556)
Net operating income continuing	457.264	1.572.609	118.698	99.793	309.975	(130.194)	52.057	2.480.202
Dividend income ⁽²⁾	-	-	-	-	-	5.908	-	5.908
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	50.806	-	50.806
Profit before tax	457.264	1.572.609	118.698	99.793	309.975	(73.480)	52.057	2.536.916
Tax expense ⁽²⁾	-	-	-	-	-	(628.188)	-	(628.188)
Net period income from continuing operations	457.264	1.572.609	118.698	99.793	309.975	(701.668)	52.057	1.908.728
Minority interest (-)	-	-	-	-	-	(45)	-	(45)
Group income/loss	457.264	1.572.609	118.698	99.793	309.975	(701.713)	52.057	1.908.683
Segment assets ⁽³⁾	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.070.175	(2.361.014)	234.690.053
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	577.879	-	577.879
Total assets	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.648.054	(2.361.014)	235.267.932
Segment liabilities ⁽³⁾	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	68.837.738	(2.358.843)	212.181.530
Shareholders' equity	-	-	-	-	-	23.086.402	-	23.086.402
Total liabilities	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	91.924.140	(2.358.843)	235.267.932

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

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

(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Prior Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing ⁽⁴⁾	3.154.995	1.984.536	193.161	247.468	505.294	2.654.658	(38.717)	8.701.395
Operating expenses continuing ⁽⁴⁾	(3.017.788)	(595.230)	(88.712)	(129.605)	(202.558)	(2.090.124)	39.007	(6.085.010)
Net operating income continuing	137.207	1.389.306	104.449	117.863	302.736	564.534	290	2.616.385
Dividend income ^{(2), (4)}	-	-	-	-	-	9.351	-	9.351
Income/Loss from Investments accounted based on equity method ⁽⁴⁾	-	-	-	-	-	42.842	-	42.842
Profit before tax	137.207	1.389.306	104.449	117.863	302.736	616.727	290	2.668.578
Tax expense ^{(2), (4)}	-	-	-	-	-	(612.396)	-	(612.396)
Net period income from continuing operations	137.207	1.389.306	104.449	117.863	302.736	4.331	290	2.056.182
Minority interest (-) ⁽⁴⁾	-	-	-	-	-	(167)	-	(167)
Group income/loss	137.207	1.389.306	104.449	117.863	302.736	4.164	290	2.056.015
Segment assets ⁽³⁾	56.570.591	56.386.444	170.177	6.463.517	11.404.711	65.569.693	(2.088.869)	194.476.264
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	482.441	-	482.441
Total assets	56.570.591	56.386.444	170.177	6.463.517	11.404.711	66.052.134	(2.088.869)	194.958.705
Segment liabilities ⁽³⁾	41.080.689	44.598.409	22.300.382	5.199.806	9.550.610	54.095.433	(2.080.329)	174.745.000
Shareholders' equity	-	-	-	-	-	20.213.705	-	20.213.705
Total liabilities	41.080.689	44.598.409	22.300.382	5.199.806	9.550.610	74.309.138	(2.080.329)	194.958.705

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

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

(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Section five

Explanations and notes related to consolidated financial statements

I. Explanations and notes related to consolidated assets:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.437.741	567.110	1.696.981	584.111
The CBRT ⁽¹⁾	2.025.935	23.019.557	1.293.701	19.460.663
Other	-	338.604	-	179.209
Total	3.463.676	23.925.271	2.990.682	20.223.983

(1) The balance of gold amounting to TL 3.677.328 is accounted for under the Central Bank foreign currency account (December 31, 2014 – TL 3.302.860).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	2.025.935	2.735.055	1.293.701	2.046.196
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	20.284.502	-	17.414.467
Total	2.025.935	23.019.557	1.293.701	19.460.663

(1) According to the letter received from BRSA on January 3, 2008, average reserve requirements balances monitored under CBRT demand deposit account.

(2) According to the "Required Reserves Communiqué", numbered 2005/1, Bank is required to maintain reserves for liabilities in TL, USD, EUR and gold currencies.

As of December 31, 2015, the Group's reserve deposits, including those at foreign banks, amount to TL 25.118.042 (December 31, 2014 - TL 20.785.117).

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

The Group does not have financial assets at fair value through profit and loss subject to repo transactions (December 31, 2014 - None) and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2014 - None).

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	154.716	200	48.509	3.088
Swap transactions	1.209.471	211.898	894.930	118.185
Futures transactions	-	-	-	-
Options	106.947	8.915	27.400	18.409
Other	-	-	-	-
Total	1.471.134	221.013	970.839	139.682

ç. Information on banks:

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	19.613	1.383.588	947.196	425.461
Foreign ⁽¹⁾	14.813	1.693.491	3.309	2.515.909
Head quarters and branches abroad	-	-	-	-
Total	34.426	3.077.079	950.505	2.941.370

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 116.632 (December 31, 2014 - 66.936 TL).

2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	420.678	1.151.961	89.007	111.270
USA, Canada	949.461	1.089.289	72.690	-
OECD countries ⁽¹⁾	38.346	23.963	18.173	-
Off-shore banking regions	383	123	-	-
Other	119.536	142.588	30	24
Total	1.528.404	2.407.924	179.900	111.294

(1) OECD countries except EU countries, USA and Canada.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Available-for-sale financial assets given as collateral/blocked amount to TL 4.172.519 (December 31, 2014 - TL 1.102.216) and available-for-sale financial assets subject to repo transactions amounts to TL 8.389.163 (December 31, 2014 - TL 4.607.767).

e. Information on available-for-sale financial assets:

	Current Period	Prior Period
Debt securities	22.925.060	18.626.742
Quoted on stock exchange	21.794.371	17.095.631
Not quoted ⁽¹⁾	1.130.689	1.531.111
Share certificates	300.332	88.925
Quoted on stock exchange	112	177
Not quoted	300.220	88.748
Impairment provision (-) ⁽²⁾	(410.013)	(114.222)
Other ⁽³⁾	24.825	72.652
Total	22.840.204	18.674.097

(1) Includes credit linked notes amounting to TL 476.119 (December 31, 2014 - TL 986.135).

(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.

(3) Other available-for-sale financial assets include mutual funds.

f. Explanations on loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	6.593	954.585	29.825	536.763
Loans granted to employees	138.434	492	129.610	1.464
Total	145.027	955.077	159.435	538.227

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	of which, terms & conditions are changed		Loans and other receivables (Total)	of which, terms & conditions are changed	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	147.634.319	2.164.392	-	4.854.776	1.474.643	133.659
Loans given to enterprises	70.203.815	562.943	-	1.385.922	589.281	98.442
Export loans	5.328.817	152.107	-	50.305	26.961	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3.495.267	-	-	-	-	-
Consumer loans	28.127.331	747.750	-	1.198.035	184.053	21.836
Credit cards	19.312.167	438.377	-	608.349	157.836	10.733
Other	21.166.922	263.215	-	1.612.165	516.512	2.648
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	147.634.319	2.164.392	-	4.854.776	1.474.643	133.659

(1) Fair value differences of the hedged item amounting to TL (28.479) are classified in other loans as explained in Note IV, Section XIV.

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of modifications made to extend payment plan⁽¹⁾		
Extended by 1 or 2 times	1.992.149	1.292.472
Extended by 3,4 or 5 times	135.597	175.962
Extended by more than 5 times	36.646	6.209
Total	2.164.392	1.474.643

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of modifications made to extend payment plan⁽¹⁾		
0 - 6 Months	747.745	305.547
6 - 12 Months	170.432	81.830
1 - 2 Years	481.313	240.127
2 - 5 Years	573.534	426.742
5 Years and over	191.368	420.397
Total	2.164.392	1.474.643

(1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 09, 2011.

(2) There are twenty seven loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities between 0 to 6 month, 6 to 12 month, 1 to 2 years, 2 to 5 years, 5 years and over. Twenty fourth of them was restructured once, and rest of the three are restructured three times.

(3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

3. Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short-term loans and other receivables	49.617.979	795.357	1.161.055	216.951
Non-specialised loans	49.617.979	795.357	1.161.055	216.951
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	95.851.948	1.369.035	2.085.419	1.391.351
Non-specialised loans	95.851.948	1.369.035	2.085.419	1.391.351
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

4.(i) Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans		Consumer loans	Credit cards	Financial Leasing	Factoring	Total
	Standard loans	100.194.821	28.127.331	19.312.167	6.644.822	2.143.844	156.422.985
Watch list	3.048.392	1.198.035	608.349	180.017	89.924	5.124.717	
Loans under legal follow-up	3.605.834	1.527.753	1.059.720	279.521	130.318	6.603.146	
Specific provisions (-)	(2.668.475)	(1.174.379)	(821.559)	(242.099)	(104.962)	(5.011.474)	
Total	104.180.572	29.678.740	20.158.677	6.862.261	2.259.124	163.139.374	

Prior Period	Corporate, commercial and other loans		Consumer loans	Credit cards	Financial Leasing	Factoring	Total
	Standard loans	81.665.253	22.640.608	17.104.012	4.751.537	2.686.888	128.848.298
Watch list	2.285.600	1.188.105	650.489	199.487	70.543	4.394.224	
Loans under legal follow-up	2.704.502	1.062.029	612.792	264.424	78.294	4.722.041	
Specific provisions (-)	(1.961.533)	(762.778)	(381.970)	(210.198)	(67.492)	(3.383.971)	
Total	84.693.822	24.127.964	17.985.323	5.005.250	2.768.233	134.580.592	

(ii) Fair value of collaterals:

Current Period	Corporate, commercial and other loans		Consumer loans	Credit cards	Financial Leasing	Factoring	Total
	Watch List	1.043.065	539.021	-	69.011	-	1.651.097
Loans under legal follow-up ⁽¹⁾	543.935	59.821	-	40.153	-	643.909	
Total	1.587.000	598.842	-	109.164	-	2.295.006	

Prior Period	Corporate, commercial and other loans		Consumer loans	Credit cards	Financial Leasing	Factoring	Total
	Watch List	405.922	768.941	-	91.619	-	1.266.482
Loans under legal follow-up ⁽¹⁾	386.126	49.413	-	43.805	-	479.344	
Total	792.048	818.354	-	135.424	-	1.745.826	

1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	198.926	27.990.569	28.189.495
Real estate loans	7.328	12.212.049	12.219.377
Automotive loans	4.275	426.769	431.044
Consumer loans	187.323	15.351.751	15.539.074
Other	-	-	-
Consumer loans-FC indexed	-	45.822	45.822
Real estate loans	-	45.116	45.116
Automotive loans	-	-	-
Consumer loans	-	706	706
Other	-	-	-
Consumer loans-FC	32.283	105.746	138.029
Real estate loans	968	21.295	22.263
Automotive loans	4.893	5.239	10.132
Consumer loans	11.896	48.085	59.981
Other	14.526	31.127	45.653
Individual credit cards-TL	13.843.803	625.416	14.469.219
With installments	7.039.711	615.630	7.655.341
Without installments	6.804.092	9.786	6.813.878
Individual credit cards-FC	379	42.633	43.012
With installments	379	42.633	43.012
Without installments	-	-	-
Personnel loans-TL	4.593	57.960	62.553
Real estate loans	24	1.211	1.235
Automotive loans	-	297	297
Consumer loans	4.569	56.452	61.021
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	505	871	1.376
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	162	647	809
Other	343	224	567
Personnel credit cards-TL	72.353	279	72.632
With installments	33.652	279	33.931
Without installments	38.701	-	38.701
Personnel credit cards-FC	2	505	507
With installments	2	505	507
Without installments	-	-	-
Credit deposit account-TL (real person)⁽¹⁾	887.664	-	887.664
Credit deposit account-FC (real person)	427	-	427
Total	15.040.935	28.869.801	43.910.736

(1) TL 1.366 of the credit deposit account belongs to the loans used by personnel.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

		Current Period	
	Short- term	Medium and long-term	Total
Commercial installments loans-TL	845.670	10.263.502	11.109.172
Business loans	668	759.567	760.235
Automotive loans	32.311	1.930.723	1.963.034
Consumer loans	812.691	7.573.212	8.385.903
Other	-	-	-
Commercial installments loans-FC indexed	16.723	211.300	228.023
Business loans	-	20.041	20.041
Automotive loans	124	48.793	48.917
Consumer loans	16.599	142.466	159.065
Other	-	-	-
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	5.332.741	2.405	5.335.146
With installment	3.331.466	2.056	3.333.522
Without installment	2.001.275	349	2.001.624
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Credit deposit account-TL (legal person)	1.216.911	-	1.216.911
Credit deposit account-FC (legal person)	-	-	-
Total	7.412.045	10.477.207	17.889.252

7. Loans according to types of borrowers:

	Current Period	Prior Period
Public	1.713.483	1.698.012
Private	150.775.612	123.836.055
Total	152.489.095	125.534.067

8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	Current Period	Prior Period
Domestic loans	149.261.801	122.057.842
Foreign loans	3.227.294	3.476.225
Total	152.489.095	125.534.067

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	33.816	88.339
Indirect loans granted to associates and subsidiaries	-	-
Total	33.816	88.339

10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	124.531	97.558
Loans and other receivables with doubtful collectability	519.512	484.214
Uncollectible loans and other receivables	4.020.370	2.524.509
Total	4.664.413	3.106.281

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.961.533	762.778	381.970	3.106.281
Allowance for impairment	1.145.261	668.114	598.949	2.412.324
Amount recovered during the period	(399.791)	(254.220)	(158.289)	(812.300)
Loans written off during the period as uncollectible ⁽¹⁾	(37.633)	(46)	(11)	(37.690)
Exchange difference	(895)	(2.247)	(1.060)	(4.202)
December 31	2.668.475	1.174.379	821.559	4.664.413

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.599.397	557.204	288.400	2.445.001
Allowance for impairment	862.763	669.641	432.659	1.965.063
Amount recovered during the period	(352.784)	(367.326)	(124.029)	(844.139)
Loans written off during the period as uncollectible ⁽¹⁾	(149.174)	(97.510)	(215.137)	(461.821)
Exchange difference	1.331	769	77	2.177
December 31	1.961.533	762.778	381.970	3.106.281

(1) Also includes the effects of the sales of non-performing loan portfolios

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

(i). Information on non-performing loans restructured or rescheduled by the Group, and other receivables:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	51.746	88.265	146.882
Restructured loans and other receivables	51.746	88.265	146.882
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	15.966	42.429	316.142
Restructured loans and other receivables	15.966	42.429	316.142
Rescheduled loans and other receivables	-	-	-

(ii). Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period	621.628	1.057.713	2.699.982
Additions (+)	2.766.396	89.185	273.346
Transfers from other categories of non-performing loans (+)	-	2.512.876	2.079.036
Transfer to other categories of non-performing loans (-)	(2.512.876)	(2.079.036)	-
Collections (-)	(179.176)	(268.157)	(818.037)
FX valuation differences	(1.190)	(2.301)	(8.392)
Write-offs (-)	-	-	(37.690)
Corporate and commercial loans	-	-	(37.633)
Consumer loans	-	-	(46)
Credit cards	-	-	(11)
Other	-	-	-
Current Period	694.782	1.310.280	4.188.245
Specific provision (-)	(124.531)	(519.512)	(4.020.370)
Net balance on balance sheet	570.251	790.768	167.875

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

(iii).Information on non-performing loans granted as foreign currency loans

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Period end balance	1.130	10.614	563.217
Specific provision (-)	(501)	(6.058)	(461.751)
Net balance on-balance sheet	629	4.556	101.466
Prior Period			
Period end balance	58.978	25.592	532.229
Specific provision (-)	(2.897)	(14.493)	(385.376)
Net balance on-balance sheet	56.081	11.099	146.853

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (net)	570.251	790.768	167.875
Loans granted to real persons and corporate entities (gross)	694.782	1.310.280	4.079.682
Specific provision amount (-)	(124.531)	(519.512)	(3.911.807)
Loans granted to real persons and corporate entities (net)	570.251	790.768	167.875
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (Net) ⁽¹⁾	-	-	-
Prior Period (net)	524.070	573.499	175.473
Loans granted to real persons and corporate entities (gross)	621.628	1.057.713	2.591.386
Specific provision amount (-)	(97.558)	(484.214)	(2.415.913)
Loans granted to real persons and corporate entities (Net)	524.070	573.499	175.473
Banks (gross)	-	-	24.600
Specific provision amount (-)	-	-	(24.600)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.996
Specific provision amount (-)	-	-	(83.996)
Other loans and receivables (Net) ⁽¹⁾	-	-	-

(1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş. in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

12. Explanation on liquidation policy for uncollectible loans and receivables;

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

13. Explanation on "Write-off" policies:

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off of such loans and receivables that are proven to be uncollectible in legal follow-up process.

g. Information on held-to-maturity investments:

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

Held-to-maturity investments given as collateral/blocked amounts to TL 1.758.825 (December 31, 2014 - TL 1.619.980). Held-to-maturity investments subject to repurchase agreements amount to TL 3.147.388 (December 31, 2014 - TL 2.143.948).

2. Information on government debt securities held-to-maturity:

	Current Period	Prior Period
Government bond	6.618.626	5.242.386
Treasury bill	-	-
Other debt securities	490.183	313.983
Total	7.108.809	5.556.369

3. Information on investment securities held-to-maturity:

	Current Period	Prior Period
Debt securities	7.303.077	5.678.909
Quoted on stock exchange	7.303.077	5.678.909
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(194.268)	(122.540)
Total	7.108.809	5.556.369

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

	Current Period	Prior Period
Beginning balance	5.556.369	6.889.603
Foreign currency differences on monetary assets ⁽¹⁾	931.823	201.600
Purchases during year	913.249	834.017
Disposals through sales and redemptions	(220.904)	(2.376.954)
Impairment provision (-) ⁽²⁾	(71.728)	8.103
Period end balance	7.108.809	5.556.369

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

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

ğ. Information on investments in associates (net):

1. General information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	9,98	9,98

No	Total Shareholders' assets	Total fixed equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	129.527	104.842	62.913	3.663	1.332	26.782	18.547	-
2	65.901	35.309	39.402	744	-	9.605	7.882	-

(1) Financial statement information disclosed above shows September 30, 2015 results.

2. Consolidated investments in associates:

- (i). Information on consolidated investments in associates:

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

(ii). Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	9.625.663	1.159.581	6.492	117.316	21.203	68.320	50.601	-
2	1.191.057	336.062	81.950	65.706	-	140.075	97.058	-

(iii). Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	456.584	446.961
Movements during the period	88.641	9.623
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	49.009	34.164
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽²⁾	61.566	(5.046)
Impairment provision ⁽¹⁾	(21.934)	(19.495)
Balance at the end of the period	545.225	456.584
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes dividend income received in current year.

(2) Includes value increase/(decrease) due to equity pick up.

(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	338.140	260.370
Insurance companies	207.085	196.214
Total financial investments	545.225	456.584

(v). Investments in associates quoted on stock exchange: None.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

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

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

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	13.669	-	-	-	(3.470)
Other reserves	93.614	11	(217.064)	-	-
Legal reserves	66.880	8.034	79.305	16.314	-
Extraordinary reserves	209.302	10.458	771.384	-	423.809
Other reserves	-	-	-	-	348.160
Profit/loss	(10.388)	116.732	474.768	27.850	61.198
Current period net profit	59.558	9.867	196.527	27.850	61.198
Prior period profit	(69.946)	106.865	278.241	-	-
Leasehold improvements (-)	-	-	210	251	67
Intangible assets (-)	1.516	543	3.451	701	337
Total core capital	484.176	195.406	1.494.660	48.919	941.735
Supplementary capital	-	10.127	34.708	-	178
Capital	484.176	205.533	1.529.368	48.919	941.913
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	484.176	205.533	1.529.368	48.919	941.913

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2015.

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

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

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

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

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

2. Unconsolidated subsidiaries

(i). Information on unconsolidated subsidiaries

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

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

(ii). Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	21.811	18.599	1.196	20	-	2.428	2.436	-
2	38.532	25.692	3.749	1.920	-	(620)	903	-
3	5.279	4.318	289	216	-	(682)	-	-

3. Consolidated subsidiaries:

(i). Information on consolidated subsidiaries:

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2 Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
7 Yapı Kredi NV ⁽¹⁾	Amsterdam/Nederlands	67,24	100,00
8 Yapı Kredi Azerbaycan ⁽²⁾	Bakü/Azerbaijan	99,80	100,00
9 Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation as the Bank has a control of 100%.

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

(2) Includes the balances for Yapı Kredi Invest LLC.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

(ii). Main financial figures of the consolidated subsidiaries in the order of the below table⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value ⁽²⁾	Required equity
1	227.804	227.633	-	-	-	326	351	-	-
2	3.338.442	490.196	38.760	99.540	5.232	59.558	69.268	-	-
3	2.282.938	195.949	1.307	153.474	-	9.867	46.971	-	-
4	406.567	125.728	12.613	37.496	2.162	14.115	19.423	-	-
5	7.639.749	1.498.321	4.058	440.634	-	196.527	152.365	-	-
6	58.883	49.871	1.574	3.442	-	27.850	21.386	-	-
7	5.960.637	939.403	922	225.368	11.848	61.198	50.566	-	-
8	897.519	129.113	30.277	90.459	29	395	21.004	-	-
9	285.415	186.777	3.066	3.269	51	(3.417)	(357)	-	-

(1) The above financial information is extracted from the financial statements of companies included in the preparation of consolidated financial statements are used as of December 31, 2015.

(iii). Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.309.478	3.166.037
Movements during the period	304.958	143.441
Purchases ⁽¹⁾	-	124.138
Free shares obtained profit from current years share	-	-
Share of current year income	345.342	322.018
Sales	-	-
Liquidation ⁽¹⁾	-	(39.558)
Transfers	-	-
Revaluation (decrease) / increase ⁽²⁾	66.047	(95.052)
Impairment provision ⁽³⁾	(106.431)	(168.105)
Balance at the end of the period	3.614.436	3.309.478
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(4) In the Extraordinary end of liquidation General Assembly of YKYO held on July 8, 2014 it was decided to conclude the liquidation process and to pay the remaining liquidation liabilities to the shareholders. In addition, it was decided to delist the official name, information and registry record of the YKYO from the trade registry records and other governmental agencies' records.

(5) Includes value increase/(decrease) due to equity pick up.

(6) Includes dividend income received in current year.

(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Priod Period
Banks	886.070	833.361
Insurance companies	-	-
Factoring companies	195.856	232.950
Leasing companies	1.498.228	1.301.713
Finance companies	-	-
Other financial subsidiaries	1.034.282	941.454
Total financial subsidiaries	3.614.436	3.309.478

(v). Subsidiaries quoted on stock exchange:

None (December 31, 2014 - None)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

i. Information on joint ventures (net):

1. Unconsolidated joint ventures: None.
2. Consolidated joint ventures:
 - (i). Information on consolidated Joint Ventures:

	The Parent Bank's shareholding percentage	Group's shareholding percentage	Total Shareholders' assets	Current equity	Current assets	Non- current assets	Long term debts	Income	Expense
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	181.540	72.841	55.990	125.550	8.410	91.828	(85.747)
Total	30,45	30,45	181.540	72.841	55.990	125.550	8.410	91.828	(85.747)

i. Information on lease receivables (net):

- 1) Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2.339.085	1.917.198	1.906.241	1.577.071
Between 1- 4 years	4.262.288	3.557.981	2.780.122	2.273.797
More than 4 years	1.536.136	1.387.082	1.283.932	1.154.382
Total	8.137.509	6.862.261	5.970.295	5.005.250

- 2) Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	2.037.181	6.100.328	1.660.553	4.309.742
Unearned financial income from leases (-)	(422.420)	(852.828)	(333.304)	(631.741)
Amount of cancelled leases (-)	-	-	-	-
Total	1.614.761	5.247.500	1.327.249	3.678.001

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	257.144	-	177.895	-
Cash flow hedge ⁽¹⁾	697.629	6.268	78.251	-
Foreign net investment hedge	-	-	-	-
Total	954.773	6.268	256.146	-

(1) Explained in the note XIV of Section IV.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

k. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	1.966.626	394.322	3.404	986.814	3.351.166
Accumulated depreciation (-)	(1.418.889)	(322.010)	(2.111)	(498.369)	(2.241.379)
Net book value	547.737	72.312	1.293	488.445	1.109.787
Current Period					
Net book value at beginning of the period	547.737	72.312	1.293	488.445	1.109.787
Additions ⁽¹⁾	1.526.243	828	190	295.638	1.822.899
Disposals (-), net	(1.255)	(28)	(32)	(40.380)	(41.695)
Reversal of impairment, net	106.382	-	13	-	106.395
Impairment (-)	(1.492)	-	-	-	(1.492)
Depreciation (-)	(42.899)	(29.534)	(349)	(145.310)	(218.092)
Transfers	-	-	-	1.230	1.230
Foreign exchange differences, net	(164)	(7.445)	(5)	(3.934)	(11.548)
Net book value at end of the period	2.134.552	36.133	1.110	595.689	2.767.484
Cost at the end of the period	3.011.229	367.789	3.420	1.165.529	4.547.967
Accumulated depreciation at the period end (-)	(876.677)	(331.656)	(2.310)	(569.840)	(1.780.483)
December 31, 2015	2.134.552	36.133	1.110	595.689	2.767.484

(1) As of March 31, 2015 The Group decided to change its accounting policy on valuation of buildings to fair value accounting in accordance with TAS 16. Based on valuation reports of expertise companies, authorized by CMB and BRSA, the Bank realized a positive fair valuation difference as other comprehensive income amounting to TL 1.510.187.

As of December 31, 2015, the Parent Bank had total provision for impairment amounting to TL 224.378 (December 31, 2014 – TL 326.748) for the property and equipment.

l. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.457.366	1.393.590
Additions during the period	187.093	173.323
Unused and disposed items (-)	(955)	(217)
Sales of a subsidiary	(1.230)	-
Impairment reversal	-	-
Amortization expenses (-)	(128.678)	(110.151)
Foreign exchange valuation differences	(5.168)	821
Balance at the end of the period	1.508.428	1.457.366

m. Information on investment property:

None (December 31, 2014 - None).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

n. Information on deferred tax asset:

	Current Period		Prior Period	
	Tax base	Deferred Tax	Tax base	Deferred Tax
Reserves for employee benefit	874.762	175.788	934.405	187.183
Derivative financial liabilities	2.108.733	414.520	1.324.579	256.083
Securities portfolio valuation differences	378.951	99.176	17.344	3.468
Subsidiaries, investment in associates and share certificates	122.117	24.423	122.117	24.423
Other	766.946	153.153	844.582	170.007
Total deferred tax asset	4.251.509	867.060	3.243.027	641.164
Derivative financial assets	(2.784.083)	(561.588)	(1.484.690)	(297.640)
Valuation difference of securities portfolio	(953.965)	(190.819)	(587.640)	(117.430)
Property, equipment and intangibles, net	(1.860.362)	(127.130)	(255.343)	(40.638)
Other	(210.312)	(39.902)	(79.144)	(18.861)
Total deferred tax liability	(5.808.722)	(919.439)	(2.406.817)	(474.569)
Deferred tax asset, net⁽¹⁾	(1.557.213)	(52.379)	836.210	166.595

(1) Includes TL 119.097 deferred tax liabilities as of December 31, 2015.

Deferred tax expense amounting to TL 214.247 was recognized in profit and loss statement, whereas deferred tax income amounting to TL 1.304 was recognized directly in equity accounts for the period ended December 31, 2015.

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

	Current Period	Prior Period
Net book value at the beginning of the period	155.485	159.395
Additions	71.898	64.578
Disposals (-), net	(68.679)	(63.481)
Impairment provision reversal	560	979
Impairment provision (-)	(400)	(566)
Depreciation (-)	(5.149)	(4.958)
Translation differences	207	(462)
Net book value at the end of the period	153.922	155.485
Cost at the end of the period	169.035	169.027
Accumulated depreciation at the end of the period (-)	(15.113)	(13.542)
Net book value at the end of the period	153.922	155.485

As of December 31, 2015, the Group booked impairment provision on assets held for resale with an amount of TL 7.838 (December 31, 2014 - TL 7.998).

ö. Information on other assets:

As of December 31, 2015, other assets do not exceed 10% of the total assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

II. Explanations and notes related to consolidated liabilities:

a. Information on deposits:

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

(i). Current Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Months	3-6 Months	6 Months - 1 Year	1 Year and over	Total
Saving deposits	4.219.828	292	1.342.831	26.878.250	806.474	127.203	187.905	33.562.783
Foreign currency deposits	9.680.582	16.477	7.748.761	30.615.266	4.731.711	4.755.724	2.938.619	60.487.140
Residents in Turkey	8.654.417	8.900	7.710.165	29.872.663	3.009.199	707.224	1.177.571	51.140.139
Residents abroad	1.026.165	7.577	38.596	742.603	1.722.512	4.048.500	1.761.048	9.347.001
Public sector deposits	833.607	-	70	72.690	71	660	77	907.175
Commercial deposits	4.806.847	-	4.143.763	15.441.255	732.772	139.680	638.898	25.903.215
Other institutions deposits	91.538	-	62.089	2.592.019	320.813	402.005	1.190	3.469.654
Precious metals vault	329.584	-	5.828	59.963	26.188	33.296	123.920	578.779
Bank deposits	349.936	8.215	3.102.799	739.430	202.185	662.035	51.719	5.116.319
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	1.854	-	2.886.157	365.081	-	-	-	3.253.092
Foreign banks	23.581	8.215	216.642	374.349	202.185	662.035	51.719	1.538.726
Participation banks	324.501	-	-	-	-	-	-	324.501
Other	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
Total	20.311.922	24.984	16.406.141	76.398.873	6.820.214	6.120.603	3.942.328	130.025.065

(ii). Prior Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and over	Total
Saving deposits	3.183.189	19.203	1.472.508	23.308.258	1.124.488	261.856	241.704	29.611.206
Foreign currency deposits	7.115.405	28.095	5.555.497	22.185.813	3.568.019	1.454.480	2.297.646	42.204.955
Residents in Turkey	6.254.086	18.288	5.372.527	20.979.428	1.214.498	648.474	1.158.253	35.645.554
Residents abroad	861.319	9.807	182.970	1.206.385	2.353.521	806.006	1.139.393	6.559.401
Public sector deposits	899.028	-	-	3.076	417	516	1	903.038
Commercial deposits	4.440.843	-	4.182.457	14.150.955	2.814.083	501.598	124.116	26.214.052
Other institutions deposits	92.324	-	970.380	3.557.132	253.563	434.066	5.740	5.313.205
Precious metals vault	499.354	-	1.473	91.739	29.870	49.681	168.249	840.366
Bank deposits	406.111	12.744	999.163	592.191	30.098	465.868	37.634	2.543.809
The CBRT	2	-	-	-	-	-	-	2
Domestic banks	2.981	-	878.853	445.203	-	12.715	6.333	1.346.085
Foreign banks	121.380	12.744	120.310	146.988	30.098	453.153	31.301	915.974
Participation banks	281.748	-	-	-	-	-	-	281.748
Other	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
Total	16.636.254	60.042	13.181.478	63.889.164	7.820.538	3.168.065	2.875.090	107.630.631

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

2. Information on saving deposits insurance:

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

Saving deposits	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	17.037.310	14.413.302	16.965.778	15.541.985
Foreign currency savings deposit	6.632.647	5.038.690	17.764.322	13.437.356
Other deposits in the form of savings deposits	241.329	453.318	277.182	300.290
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	5.495	6.348
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	132.362	89.998
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

b. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	97.011	156	58.781	3.942
Swap transactions ⁽¹⁾	1.422.269	284.342	610.069	132.892
Futures transactions	-	-	-	-
Options	105.182	13.448	31.687	22.955
Other	-	-	-	-
Total	1.624.462	297.946	700.537	159.789

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on borrowings:

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	730.154	1.247.208	1.408.691	906.936
From foreign banks, institutions and funds	541.887	22.341.730	662.856	18.438.473
Total	1.272.041	23.588.938	2.071.547	19.345.409

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	772.974	1.204.093	1.394.185	9.627.189
Medium and long-term	499.067	22.384.845	677.362	9.718.220
Total	1.272.041	23.588.938	2.071.547	19.345.409

ç. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	2.106.752	451.305	1.638.373	1.712.209
Asset backed securities	-	6.083.274	-	3.054.498
Bonds	2.093.611	6.437.951	1.648.691	5.302.166
<i>Collateralized securities</i>	<i>288.650</i>	-	<i>462.642</i>	-
Total	4.200.363	12.972.530	3.287.064	10.068.873

The Group classified some of its asset backed securities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with IAS 39 paragraph 9. As of December 31, 2015, the total amount of financial liabilities classified as fair value through profit/loss is TL 3.394.985 (31 December 2014: TL 1.163.996) and the fair value difference is TL 96.945 (31 December 2014: TL 5.673) recognised in the income statement as income.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

d. Information on other liabilities:

As of December 31, 2015, other liabilities do not exceed 10% of the total balance sheet commitments.

e. Information on lease payables:

1. Information on financial leasing agreements:

None (December 31, 2014 - None).

2. Information on operational leasing agreements:

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

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	3.926	305	657	-
Cash flow hedge ⁽¹⁾	35.387	108.660	228.442	211.349
Foreign net investment hedge	-	-	-	-
Total	39.313	108.965	229.099	211.349

(1) Explained in Note XIV. of Section IV.

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	2.091.893	1.489.110
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	85.758	61.798
II. Provisions for second group loans and receivables	213.075	194.464
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	57.504	55.839
Provisions for non-cash loans	89.448	84.796
Other	232.855	159.451
Total	2.627.271	1.927.821

2. Information on reserve for employee rights:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

	Current Period	Prior Period
Discount rate (%)	4,60	3,50
Possibility of being eligible for retirement (%)	93,89	94,11

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.092,53 effective from January 1, 2016 (January 1, 2015 - full TL 3.541,37) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	141.134	122.718
Changes during the period	49.143	28.456
Recognized in equity	(20.478)	21.194
Paid during the period	(28.238)	(31.631)
Foreign currency differences	(173)	397
Balance at the end of the period	141.388	141.134

In addition, the Group has accounted for unused vacation rights provision amounting to TL 159.125 as of December 31, 2015 (December 31, 2014 - TL 136.910).

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

As of December 31, 2015, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 30.295 (December 31, 2014 - TL 25.125). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

4. Other provisions:

(i) Information on other provisions:

	Current Period	Prior Period
Pension fund provision	574.249	654.901
Provisions on unindemnified non cash loans	105.932	82.424
Provisions on credit cards and promotion campaigns related to banking services	38.678	35.877
Provision on export commitment tax and funds liability	6.376	44.489
Other	329.967	155.270
Total	1.055.202	972.961

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

(ii) General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	-	180.211
Total	-	180.211

5. Pension fund provision:

The Parent Bank provided provision amounting to TL 574.249 (December 31, 2014 – TL 654.901) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (charge)/benefit	80.652	112.230

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	1.757.364	1.621.901
- Pension benefits transferable to SSI	1.889.880	1.658.083
- Post employment medical benefits transferable to SSI	(132.516)	(36.182)
Fair value of plan assets	(1.183.115)	(967.000)
Provision for the actuarial deficit of the pension fund	574.249	654.901

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	%9,80	%9,80
- Post employment medical benefits transferable to SSI	%9,80	%9,80

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Government bonds and treasury bills	168.951	14	190.168	20
Premises and equipment	223.142	19	138.997	14
Bank placements	728.589	62	570.814	59
Other	62.433	5	67.021	7
Total	1.183.115	100	967.000	100

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

ğ. Information on taxes payable:

(i) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	195.493	179.027
Taxation of Marketable Securities	111.321	94.719
Property Tax	2.795	2.411
Banking Insurance Transaction Tax ("BITT")	107.141	79.811
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	13.240	10.766
Other	39.413	30.592
Total	469.403	397.326

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	312	239
Social security premiums - employer	364	280
Bank pension fund premiums - employee	13.473	11.981
Bank pension fund premiums - employer	13.921	12.397
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	961	855
Unemployment insurance - employer	1.922	1.711
Other	-	-
Total	30.953	27.463

(iii) Information on deferred tax liability:

There is a deferred tax liability amounting to TL 119.097 as of December 31, 2015 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2014 – TL 2.439).

h. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	6.635.191	-	6.770.549
From other foreign institutions	-	-	-	-
Total	-	6.635.191	-	6.770.549

(1)Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

i. Information on shareholders' equity:

1. Presentation of paid-in capital

	Current Period		Prior Period	
	TL	FC	TL	FC
Common stock	4.347.051	-	4.347.051	-
Preferred stock	-	-	-	-

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

The Parent Bank's paid-in-capital is amounting to TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Parent Bank has switched to the registered capital system and the registered share capital ceiling is TL 10.000.000.

3. Information on the share capital increases during the period and the sources:
None (December 31, 2014 - None).

4. Information on transfers from capital reserves to capital during the current period: None.

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:
None.

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

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

7. Privileges on the corporate stock: None.

8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Available for sale securities	(546.402)	261.490	193.539	197.929
Valuation differences	(546.402)	261.490	193.539	197.929
Foreign currency differences	-	-	-	-
Total	(546.402)	261.490	193.539	197.929

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

i. Information on minority interest:

	Current Period	Prior Period
Period opening balance	462	2.527
Current period income/(loss)	45	167
Dividends paid	(41)	(47)
Property and equipment revaluation differences	8	-
Transaction done with minority	-	(2.185)
Period ending balance	474	462

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	28.304.464	25.612.776
Loan granting commitments	9.085.013	8.125.659
Commitments for cheques	6.521.085	5.981.382
Other irrevocable commitments	35.009.478	6.703.313
Total	78.920.040	46.423.130

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 89.448 (December 31, 2014 - TL 84.796) and specific provision amounting to TL 597.477 (December 31, 2014 - TL 381.510) for non-cash loans which are not indemnified yet amounting to TL 105.932 (December 31, 2014 - TL 82.424).

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

	Current Period	Prior Period
Bank acceptance loans	173.524	126.982
Letter of credits	8.043.863	7.859.833
Other guarantees and collaterals	4.255.807	2.774.812
Total	12.473.194	10.761.627

- 2(ii). Guarantees, surety ships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.926.929	1.825.976
Definite letter of guarantees	31.839.457	27.510.437
Advance letter of guarantees	5.556.443	4.339.852
Letter of guarantees given to customs	2.016.807	2.069.847
Other letter of guarantees	3.831.366	2.249.100
Total	45.171.002	37.995.212

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

3(i). Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	3.496.922	1.980.658
With original maturity of 1 year or less than 1 year	465.353	360.254
With original maturity of more than 1 year	3.031.569	1.620.404
Other non-cash loans	54.147.274	46.776.181
Total	57.644.196	48.756.839

3(ii) Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	201.097	1,11	300.661	0,76	196.602	1,23	328.672	1,00
Farming and raising livestock	145.432	0,80	248.322	0,63	160.024	1,00	286.518	0,87
Forestry	39.083	0,22	32.771	0,08	30.413	0,19	19.070	0,06
Fishing	16.582	0,09	19.568	0,05	6.165	0,04	23.084	0,07
Manufacturing	7.163.316	39,63	18.881.195	47,72	6.906.723	43,21	15.750.516	48,06
Mining	722.796	4,00	1.458.233	3,69	861.448	5,39	1.329.664	4,06
Production	5.379.717	29,76	14.272.627	36,07	5.354.725	33,50	12.607.283	38,47
Electric, gas and water	1.060.803	5,87	3.150.335	7,96	690.550	4,32	1.813.569	5,53
Construction	4.554.374	25,19	7.832.024	19,79	4.071.437	25,47	6.709.671	20,47
Services	4.243.253	23,48	10.018.001	25,32	2.937.242	18,38	6.898.215	21,05
Wholesale and retail trade	1.902.714	10,53	3.164.517	8,00	1.381.946	8,65	2.632.317	8,03
Hotel, food and beverage services	181.879	1,01	407.687	1,03	118.296	0,74	303.617	0,93
Transportation and telecommunication	377.454	2,09	3.044.644	7,69	363.853	2,28	1.570.946	4,79
Financial institutions	1.000.426	5,53	1.660.349	4,20	340.457	2,13	1.365.876	4,17
Real estate and renting services	262.802	1,45	189.037	0,48	248.093	1,55	306.883	0,94
Self-employment services	-	-	-	-	-	-	-	-
Education services	31.839	0,18	63.497	0,16	18.842	0,12	3.697	0,01
Health and social services	486.139	2,69	1.488.270	3,76	465.755	2,91	714.879	2,18
Other	1.914.483	10,59	2.535.792	6,41	1.871.219	11,72	3.086.542	9,42
Total	18.076.523	100,00	39.567.673	100,00	15.983.223	100,00	32.773.616	100,00

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

3(iii) Information on non-cash loans classified in Group I. and Group II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	17.753.621	27.065.480	277.973	73.928
Bank acceptances	-	173.524	-	-
Letters of credit	11.483	8.028.440	-	3.940
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	33.446	4.221.266	-	1.095
Total	17.798.550	39.488.710	277.973	78.963
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	15.593.060	22.007.956	320.358	73.838
Bank acceptances	-	124.663	-	2.319
Letters of credit	3	7.857.458	-	2.372
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	69.802	2.698.440	-	6.570
Total	15.662.865	32.688.517	320.358	85.099

3(iv) Maturity distribution of non cash loans:

Current Period ⁽¹⁾	Indefinite	Up to	1-5	Above	Total
		1 year	years	5 years	
Letter of credit	371.490	5.416.736	2.251.603	4.034	8.043.863
Letter of guarantee	24.019.787	7.062.457	12.263.282	1.825.476	45.171.002
Bank acceptances	-	147.671	24.795	1.058	173.524
Other	678.044	382.031	1.519.599	1.676.133	4.255.807
Total	25.069.321	13.008.895	16.059.279	3.506.701	57.644.196
Prior Period ⁽¹⁾	Indefinite	Up to	1-5	Above	Total
		1 year	years	5 years	
Letter of credit	4.991.798	2.361.487	506.243	305	7.859.833
Letter of guarantee	32.914.935	310.385	4.114.862	655.030	37.995.212
Bank acceptances	126.639	343	-	-	126.982
Other	702.860	120.775	1.366.233	584.944	2.774.812
Total	38.736.232	2.792.990	5.987.338	1.240.279	48.756.839

(1) The distribution is based on the original maturities.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

b. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	114.959.640	95.117.720
FC trading forward transactions	9.676.902	7.119.997
Trading swap transactions	91.851.905	78.505.376
Futures transactions	-	-
Trading option transactions	13.430.833	9.492.347
Interest related derivative transactions (II)	36.127.848	23.052.540
Forward interest rate agreements	-	-
Interest rate swaps	34.250.180	15.959.242
Interest rate options	1.877.668	7.093.298
Interest rate futures	-	-
Other trading derivative transactions (III)	15.142.751	9.343.196
A. Total trading derivative transactions (I+II+III)	166.230.239	127.513.456
Types of hedging derivative transactions		
Transactions for fair value hedge	1.612.361	1.180.422
Cash flow hedges	57.114.076	40.767.075
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	58.726.437	41.947.497
Total derivative transactions (A+B)	224.956.676	169.460.953

c. Information on credit derivatives and risk exposures:

Derivative portfolio of the Group includes credit default swaps for TL 794.684 for the period ended December 31, 2015. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2014 – TL 1.217.430).

d. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 64.875 (December 31, 2014 – TL 81.056) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the "Other provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

e. Information on services in the name and account of others:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

IV. Explanations and notes related to consolidated income statement:

a. Information on interest income:

1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	4.882.403	320.268	4.025.822	262.885
Medium/long-term loans ⁽¹⁾	5.535.883	2.316.712	3.787.374	1.737.098
Interest on loans under follow-up	77.480	54	100.029	533
Premiums received from resource utilisation support fund	-	-	-	-
Total	10.495.766	2.637.034	7.913.225	2.000.516

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

2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From domestic banks	61.896	3.427	102.265	10
From foreign banks	2.880	16.376	5.047	15.629
Headquarters and branches abroad	-	-	-	-
Total	64.776	19.803	107.312	15.639

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	10.042	1.242	2.143	1.235
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.740.814	206.358	1.215.336	203.432
From held-to-maturity investments	184.747	248.919	239.032	199.986
Total	1.935.603	456.519	1.456.511	404.653

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	2.381	4.534

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	151.164	740.890	134.228	708.634
The CBRT	-	-	-	-
Domestic banks	82.262	33.728	46.169	9.536
Foreign banks	68.902	707.162	88.059	699.098
Headquarters and branches abroad	-	-	-	-
Other institutions	134	107.725	20	8.125
Total⁽¹⁾	151.298	848.615	134.248	716.759

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	2.426	1.463

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	348.860	476.723	242.454	271.428
Total	348.860	476.723	242.454	271.428

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	242	91.569	2.961	166	535	-	-	95.473	13.195
Saving deposit	1	158.516	2.501.843	88.751	16.995	18.866	-	2.784.972	2.136.449
Public sector deposit	-	34	7.157	14	32	5	-	7.242	3.023
Commercial deposit	87	369.220	1.337.901	113.816	25.417	42.028	-	1.888.469	1.223.621
Other deposit	-	26.396	449.098	67.581	32.243	262	-	575.580	445.723
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	330	645.735	4.298.960	270.328	75.222	61.161	-	5.351.736	3.822.011
FC									
Foreign currency deposit	916	223.695	529.907	65.629	49.625	76.930	-	946.702	923.029
Bank deposit	29	6.490	7.148	7.294	13.334	948	-	35.243	25.746
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	667	1.045	82	130	44	-	1.968	2.501
Total	945	230.852	538.100	73.005	63.089	77.922	-	983.913	951.276
Grand total	1.275	876.587	4.837.060	343.333	138.311	139.083	-	6.335.649	4.773.287

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on dividend income:

	Current Period	Prior Period
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	32	32
Subsidiaries and associates	5.876	9.319
Total	5.908	9.351

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

	Current Period	Prior Period
Gain	46.365.051	37.037.115
Gain from capital market transactions	328.490	310.974
Derivative financial transaction gains	15.970.929	8.269.427
Foreign exchange gains	30.065.632	28.456.714
Loss(-)	(46.804.186)	(37.273.769)
Loss from capital market transactions	(63.900)	(32.173)
Derivative financial transaction losses	(15.154.271)	(9.548.672)
Foreign exchange loss	(31.586.015)	(27.692.924)
Net gain/loss	(439.135)	(236.654)

d. Information on gain/loss from derivative financial transactions:

The amount of net income from derivative financial transactions related to exchange rate changes is TL 1.668.074 (December 31, 2014 - TL 707.009 loss).

e. Information on other operating income:

Based on valuation reports of expertise companies, authorized by CMB and BRSA, the Bank booked a reversal out of previously incurred impairment amounting to TL 105.921, as an income. Other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

f. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	1.755.646	1.321.488
III. Group loans and receivables	56.967	47.437
IV. Group loans and receivables	85.177	130.539
V. Group loans and receivables	1.613.502	1.143.512
General provision expenses	719.398	467.753
Provision expense for possible risks	-	25.256
Marketable securities impairment expenses ⁽¹⁾	80.104	55.459
Financial assets at fair value through profit or loss	1.225	565
Available-for-sale financial assets	78.879	54.894
Impairment of investments in associates, subsidiaries and held-to-maturity securities	38.955	35.360
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	38.955	35.360
Other	55.135	33.413
Total	2.649.238	1.938.729

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

g. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	1.959.370	1.710.692
Reserve for employee termination benefits	20.793	520
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	1.492	-
Depreciation expenses of property and equipment	218.092	167.712
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	128.678	110.151
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	400	566
Depreciation expenses of assets held for resale	5.149	4.958
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.626.536	1.400.631
Operational lease expenses	251.968	205.467
Repair and maintenance expenses	100.503	83.428
Advertising expenses	129.418	136.166
Other expense	1.144.647	975.570
Loss on sales of assets	117	32.400
Other	1.116.691	718.651
Total	5.077.318	4.146.281

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

ğ. Explanations on income/loss from continuing operations and discontinued operations before tax:

Income before tax includes net interest income amounting to TL 7.178.203 (December 31, 2014 -TL 5.973.300), net fee and commission income amounting to TL 2.840.960 (December 31, 2014 - TL 2.343.015) and total other operating expense amounting TL 5.077.318 (December 31, 2014 - TL 4.146.281).

As of December 31, 2015, the Group has no profit before taxes from discontinued operations (December 31, 2014 – None).

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

As of December 31, 2015, the Group has current tax expense amounting to TL 413.941 (December 31, 2014 - TL 784.504) and deferred tax expense amounting to TL 214.247 (December 31, 2014 - TL 172.108 deferred tax income).

As at December 31, 2015 the Group has no current and deferred tax income / (expense) related to discontinued operations (December 31, 2014 – none)

	Current Period	Prior Period
Profit before tax	2.536.916	2.668.578
Tax calculated at rate of 20%	507.383	533.716
Nondeductible expenses, discounts and other, net	120.805	78.680
Total	628.188	612.396

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

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.
2. Information on any change in the accounting estimates concerning the current period or future periods:
None

i. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	45	167

j. Other items in income statement:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

V. Explanations and notes related to consolidated statement of changes in shareholders' equity

a. Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

b. Information on increase/decrease amounts resulting from merger:

None.

c. Information on increase/decrease amounts resulting from merger:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

d. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2015 is TL 267.965 gain (December 31, 2014 – TL 297.009 loss).

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2015 is EUR 348 million (December 31, 2014 - EUR 275 million). The foreign exchange loss of TL 311.914 (December 31, 2014 - TL 215.653 foreign exchange loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in "hedging reserves" in equity.

e. Information on share issue premium:

Explained in details in Note XIX of Section Three.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

VI. Explanations and notes related to consolidated statement of cash flows

a. Information on cash and cash equivalent:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

2. Effect of a change in the accounting policies: None.

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

- 3 (i). Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	7.840.395	5.397.292
Cash and effectives	2.281.092	1.806.589
Demand deposits in banks	5.559.303	3.590.703
Cash equivalents	3.186.301	5.083.136
Interbank money market	1.567.096	2.922.052
Deposits in bank	1.619.205	2.161.084
Total cash and cash equivalents	11.026.696	10.480.428

- 3 (ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	8.260.909	7.840.395
Cash and effectives	2.004.851	2.281.092
Demand deposits in banks	6.256.058	5.559.303
Cash equivalents	1.821.751	3.186.301
Interbank money market	284.706	1.567.096
Deposits in bank	1.537.045	1.619.205
Total cash and cash equivalents	10.082.660	11.026.696

b. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2015, the Group's reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 25.118.042 (December 31, 2014 - TL 20.785.117).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other account" amounting to TL 4.929.252 (December 31, 2014 – TL 314.960 decrease) which is classified under "Operating profit before changes in operating assets and liabilities" includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 988.859 (December 31, 2014 - TL 2.992.156 increase) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 1.216.165 as of December 31, 2015 (December 31, 2014 - TL 121.307 increase).

VII. Explanations and notes related to Group's merger, transfers and companies acquired by Bank

None.

VIII. Explanations and notes related to Group's risk group

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

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

Current Period Group's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	88.339	5.916	47.956	536.763	1.320.617	2.117.169
Balance at the end of the period	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Interest and commission income received	2.381	109	13.052	6.027	201.351	8.986

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

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

Prior Period Group's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	88.320	3.769	127.213	450.294	903.056	1.029.707
Balance at the end of the period	88.339	5.916	47.956	536.763	1.320.617	2.117.169
Interest and commission income received	4.534	57	5.065	4.100	112.997	10.095

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

Group's risk group ^{(1) (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	121.840	6.688	13.660.682	15.480.464	10.291.156	6.544.935
End of the period	82.069	121.840	19.927.462	13.660.682	5.148.413	10.291.156
Interest expense on deposits	2.426	1.463	892.403	581.190	385.410	304.426

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

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

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

Group's risk group ^{(1) (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	150.569	442.253	879.327	659.635
End of the period ⁽³⁾	-	-	1.455.484	150.569	146.778	879.327
Total profit / loss	(7.169)	(11.463)	(53.226)	(1.830)	31.343	(75.049)
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / loss	-	-	-	-	-	-

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

(2) The Bank's derivative instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivative financial instruments held for hedging" according to TAS 39.

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

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

Salaries and benefits paid to the Group's top management amount to TL 47.455 as of December 31, 2015 (December 31, 2014 - TL 40.723).

IX. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees	Country of incorporation		Total assets	Statutory share capital
Foreign Rep. Office	-	-	-			
Foreign Branch	1	2	Bahreyn		14.869.397	-
Off-Shore Banking Region Branch ⁽¹⁾	-	-			-	-

(1) The values disclosed above are those of the Parent Bank.

X. Explanations and notes related to subsequent events

None.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Section six

Other Explanations and Notes

I. Other explanations on the Group's operations

None

Section Seven

Explanations on independent audit report

I. Explanations on independent auditor's report

The consolidated financial statements for the period ended December 31, 2015 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's report dated February 2, 2016 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.

YAPI ve KREDİ BANKASI A.Ş.

Trade Registration Number: 32736

Mernis Number: 937002089200741

Address: Head Office
Yapı Kredi Plaza D Block
Levent Beşiktaş 34330 İstanbul, Türkiye

Tel: 0212 339 70 00
Fax: 0212 339 60 00

SWIFT Code: YAPITRIS

Web Site: <http://www.yapikredi.com.tr>

Branch Information: Yapı Kredi's branch contact information is available on the Bank's website.

Social Media Information: Yapı Kredi is active on social media via Facebook, I all those channels, the Bank is represented as Yapı Kredi.

SUBSIDIARIES ABROAD

YAPI KREDİ BANK AZERBAIJAN JSC
628 district, C.Mammadguluzade street
73G AZ1078, Baku, Azerbaijan
Tel: +99 412 497 7795
Fax: +99 412 497 0276
SWIFT Code: KABA AZ 22

YAPI KREDİ BANK MALTA
Aragon House Business Centre
Fifth Floor, Dragonara Road
STJ 3140 St Julian's, Malta
Tel: +356 2247 7200
Fax: +356 2137 4560 and 61
SWIFT Code: YAPIMTMTXXX

YAPI KREDİ BANK MOSCOW
Goncharnaya Naberezhnaya Construction
2, House 1
115172 Moscow, Russia
Tel: + 7495 234 98 89
Fax: + 7495 956 19 72
SWIFT Code: YKBM RU
Telex Code: 414150 yapi ru

YAPI KREDİ BANK NEDERLAND N.V.
Rembrandt Tower, 16th Floor
Amstelplein 1, 1096 HA
Amsterdam, Netherlands
Tel: + 3120 462 44 44
Fax: + 3120 663 13 31
SWIFT Code: KABA NL 2A

BANQUE DE COMMERCE ET DE PLACEMENTS S.A. (BCP)
Rue de la Fontaine 1
P.O. Box 3069
CH-1211 Geneva, Switzerland
Tel: + 41 22 909 19 1
Fax: + 41 22 909 19 00
SWIFT Code: BPCP CH
Telex Code: 412391 bcp ch

BRANCHES ABROAD

YAPI KREDİ - BAHRAIN BRANCH
Bahrain Development Bank Building,
2nd Floor Diplomatic Area
P.O. Box: 10615
Manama, Bahrain
Tel: + 973 175 410 55 / + 973 175 303 13
Fax: + 973 175 410 56 / + 973 175 303 11
SWIFT Code: YAPI BH BX
Telex Code: 9935 yapibah bn

Yapı ve Kredi Bankası A.Ş. Genel Müdürlük

Yapı Kredi Plaza D Blok

Levent 34330 İstanbul

Tel: 0212 339 70 00

Faks: 0212 339 60 00

www.yapikredi.com.tr

