

Yapı ve Kredi Bankası A.Ş.

Publicly announced consolidated financial statements and related disclosures at December 31, 2014 together with independent auditor's report

(Convenience translation of publicly announced consolidated financial statements and independent auditor's report originally issued in Turkish, See Note I. of Section three)

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

Independent audit report

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

We have audited the accompanying consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group") as at December 31, 2014 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 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:

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error and selecting and applying appropriate accounting policies.

Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 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"). We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries as at December 31, 2014 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 per Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.

Reports on arising from other regulatory requirements:

- 1) 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, 2014 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) 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, the effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of the Banking Act No: 5411, 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

Ethem Kutucular, SMMM
Partner

Istanbul, February 2, 2015

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, 2014**

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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
- **Section five** - Explanations and notes related to consolidated financial statements
- **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. Sticing Custody Services 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.

Mustafa V. KOÇ
Chairman of the
Board of Directors

H. Faik AÇIKALIN
Chief Executive Officer

Marco IANNACCONE
Chief Financial Officer

B. Seda İKİZLER
Head of Financial
Reporting and
Accounting Executive
Vice President

Gianni F.G. PAPA
Chairman of Audit Committee

Francesco GIORDANO
Member of Audit Committee

F. Füsün Akkal BOZOK
Member of Audit Committee

Benedetta NAVARRA
Member of Audit Committee

Adil G. ÖZTOPRAK
Member of Audit Committee

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

Name-Surname / Title : Barış Savur / International Reporting and Consolidation Manager
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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2014

(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, 2014, 18,20% of the shares of the Bank are publicly traded (December 31, 2012, - 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2014 (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, 2014, 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	Chairman
Gianni F.G. PAPA	Vice Chairman
H. Faik AÇIKALIN	Chief Executive Officer
Carlo VIVALDI ⁽¹⁾	Executive Director and Deputy Chief Executive Officer
Adil Giray ÖZTOPRAK	Member
Ahmet Fadıl ASHABOĞLU	Member
Benedetta NAVARRA	Member
Francesco GIORDANO	Member
Füsun Akkal BOZOK	Member
Jürgen Dr. KULLNIGG	Member
Laura Stefania PENNA ⁽¹⁾	Member
Osman Turgay DURAK	Member

Audit Committee Members:

Name	Responsibility
Gianni F.G. PAPA	Chairman
Adil Giray ÖZTOPRAK	Member
Benedetta NAVARRA	Member
Francesco GIORDANO	Member
Füsun Akkal BOZOK	Member

General Manager and Deputy General Manager:

Name	Responsibility
H. Faik AÇIKALIN	Chief Executive Officer
Carlo VIVALDI ⁽¹⁾	Deputy General Manager

1) According to the decisions taken in the Board of Directors Meeting held on January 19, 2015, it was decided to;

- end Vice Chairman of the Board role of Gianni F. G. Papa and appoint him as Board Member effective from February 16, 2015,
- end Executive Board Member role of Carlo Vivaldi and appoint as Vice Chairman of the Board effective from February 16, 2015,
- appoint Niccoló Ubertaini as Executive Board Member, subject to approval of the first General Assembly of the Bank, instead of Laura Stefanie Penna who has resigned her position as Board Member effective from February 16, 2015,
- apply to BRSA in order to appoint Niccoló Ubertaini as Deputy General Manager of the Bank, instead of Carlo Vivaldi who is going to leave his position as Deputy General Manager, effective from February 16, 2015.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2014 (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	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mehmet Gökmen UÇAR	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	Human Resources and Organization Management
Wolfgang SCHILK	Risk Management
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

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 from 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, 2014 (continued)

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

General information (continued)

As of December 31, 2014, the Parent Bank has 1.002 branches operating in Turkey and 1 branch in overseas (December 31, 2013 - 948 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2014, the Parent Bank has 17.457 employees (December 31, 2012 - 15.683 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the “Group” in these consolidated financial statements. As of December 31, 2014 the Group has 18.534 employees (December 31, 2013 - 16.680 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, 2014 and 2013
(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 (31/12/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	2.990.682	20.223.983	23.214.665	1.330.475	17.660.274	18.990.749
II. Financial assets at fair value through profit or (loss) (net)	I-b	1.044.488	165.304	1.209.792	1.529.329	193.835	1.723.164
2.1 Trading financial assets		1.044.488	165.304	1.209.792	1.529.329	193.835	1.723.164
2.1.1 Government debt securities		69.529	25.622	95.151	30.448	24.519	54.967
2.1.2 Share certificates		4.037	-	4.037	20.719	-	20.719
2.1.3 Derivative financial assets held for trading		970.839	139.682	1.110.521	1.427.991	168.121	1.596.112
2.1.4 Other marketable securities	I-c	83	-	83	50.171	1.195	51.366
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	950.505	2.941.370	3.891.875	516.091	3.493.035	4.009.126
IV. Money markets		1.568.750	-	1.568.750	2.879.994	48.453	2.928.447
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		248.247	-	248.247	1.701.131	48.453	1.749.584
4.3 Receivables from reverse repurchase agreements		1.320.503	-	1.320.503	1.178.863	-	1.178.863
V. Financial assets available-for-sale (net)	I-d,e	15.321.839	3.352.258	18.674.097	9.293.502	3.915.860	13.209.362
5.1 Share certificates		43.210	400	43.610	37.381	392	37.773
5.2 Government debt securities		13.892.754	2.391.900	16.284.654	7.859.125	3.419.501	11.278.626
5.3 Other marketable securities		1.385.875	959.958	2.345.833	1.396.996	495.967	1.892.963
VI. Loans and receivables	I-f	84.713.077	42.094.032	126.807.109	66.274.045	34.349.885	100.623.930
6.1 Loans and receivables		83.654.068	41.879.999	125.534.067	65.336.611	34.099.247	99.435.858
6.1.1 Loans to bank's risk group		1.170.818	243.496	1.414.314	586.364	414.459	1.000.823
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		82.483.250	41.636.503	124.119.753	64.750.247	33.684.788	98.435.035
6.2 Loans under follow-up		3.762.524	616.799	4.379.323	3.056.127	576.946	3.633.073
6.3 Specific provisions (-)		(2.703.515)	(402.766)	(3.106.281)	(2.118.693)	(326.308)	(2.445.001)
VII. Factoring receivables		1.596.058	1.172.175	2.768.233	1.165.611	976.724	2.142.335
VIII. Held-to-maturity investments (net)	I-g	1.937.723	3.618.646	5.556.369	3.577.663	3.311.940	6.889.603
8.1 Government debt securities		1.927.769	3.314.617	5.242.386	3.562.986	2.964.382	6.527.368
8.2 Other marketable securities		9.954	304.029	313.983	14.677	347.558	362.235
IX. Investments in associates (net)	I-ğ	200.717	260.370	461.087	198.002	253.462	451.464
9.1 Consolidated based on equity method		196.214	260.370	456.584	193.499	253.462	446.961
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	2.300	-	2.300	2.300	-	2.300
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		2.300	-	2.300	2.300	-	2.300
XI. Joint ventures (net)	I-ı	19.054	-	19.054	10.376	-	10.376
11.1 Accounted based on equity method		19.054	-	19.054	10.376	-	10.376
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-ı	1.327.249	3.678.001	5.005.250	1.024.174	2.953.198	3.977.372
12.1 Financial lease receivables		1.660.553	4.309.742	5.970.295	1.257.705	3.359.983	4.617.688
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(333.304)	(631.741)	(965.045)	(233.531)	(406.785)	(640.316)
XIII. Derivative financial assets held for hedging	I-j	256.146	-	256.146	462.819	4.808	467.627
13.1 Fair value hedge		177.895	-	177.895	307.375	-	307.375
13.2 Cash flow hedge		78.251	-	78.251	155.444	4.808	160.252
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	1.061.686	48.101	1.109.787	970.323	46.218	1.016.541
XV. Intangible assets (net)	I-l	1.434.819	22.547	1.457.366	1.380.633	12.957	1.393.590
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		455.326	22.547	477.873	401.140	12.957	414.097
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		163.638	8.668	172.306	86.010	8.235	94.245
17.1 Current tax asset		-	3.272	3.272	7.407	3.746	11.153
17.2 Deferred tax asset	I-n	163.638	5.396	169.034	78.603	4.489	83.092
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	154.664	821	155.485	158.298	1.097	159.395
18.1 Held for sale purposes		154.664	821	155.485	158.298	1.097	159.395
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.536.347	1.092.687	2.629.034	1.337.874	882.344	2.220.218
Total assets		116.279.742	78.678.963	194.958.705	92.197.519	68.112.325	160.309.844

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, 2014 and 2013
(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 (31/12/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	62.903.994	44.726.637	107.630.631	44.470.043	44.011.738	88.481.781
1.1 Deposits of the Bank's risk group		7.450.703	6.474.508	13.925.211	3.963.042	7.089.348	11.052.390
1.2 Other		55.453.291	38.252.129	93.705.420	40.507.001	36.922.390	77.429.391
II. Derivative financial liabilities held for trading	II-b	700.537	159.789	860.326	775.535	88.098	863.633
III. Funds borrowed	II-c	2.071.547	19.345.409	21.416.956	2.049.478	17.242.089	19.291.567
IV. Money markets		6.408.838	2.365.914	8.774.752	2.461.502	3.143.784	5.605.286
4.1 Funds from interbank money market		-	-	-	-	-	-
4.2 Funds from Istanbul stock exchange money market		2.572.663	-	2.572.663	2.211.064	-	2.211.064
4.3 Funds provided under repurchase agreements		3.836.175	2.365.914	6.202.089	250.438	3.143.784	3.394.222
V. Marketable securities issued (net)	II-ç	3.287.064	10.068.873	13.355.937	1.659.777	6.763.066	8.422.843
5.1 Bills		1.638.373	1.712.209	3.350.582	1.165.920	827.050	1.992.970
5.2 Asset backed securities		-	3.054.498	3.054.498	-	2.576.083	2.576.083
5.3 Bonds		1.648.691	5.302.166	6.950.857	493.857	3.359.933	3.853.790
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		7.057.974	1.680.362	8.738.336	5.690.683	1.577.616	7.268.299
VIII. Other liabilities	II-d	1.374.470	1.596.330	2.970.800	1.158.174	762.297	1.920.471
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	229.099	211.349	440.448	30.573	355.822	386.395
11.1 Fair value hedge		657	-	657	-	-	-
11.2 Cash flow hedge		228.442	211.349	439.791	30.573	355.822	386.395
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	2.651.981	707.056	3.359.037	2.507.561	572.442	3.080.003
12.1 General loan loss provision		1.297.235	630.586	1.927.821	1.010.544	510.329	1.520.873
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		261.025	17.019	278.044	224.456	13.579	238.035
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1.093.721	59.451	1.153.172	1.272.561	48.534	1.321.095
XIII. Tax liability	II-ğ	420.462	6.766	427.228	221.065	2.010	223.075
13.1 Current tax liability		420.462	4.327	424.789	221.065	689	221.754
13.2 Deferred tax liability		-	2.439	2.439	-	1.321	1.321
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	-	6.770.549	6.770.549	-	6.480.981	6.480.981
XVI. Shareholders' equity	II-i	20.178.005	35.700	20.213.705	18.756.080	(470.570)	18.285.510
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		1.582.046	36.194	1.618.240	845.508	(472.863)	372.645
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		193.539	197.929	391.468	(241.315)	123.197	(118.118)
16.2.4 Property and equipment revaluation differences		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)		(350.926)	(161.735)	(512.661)	239.825	(596.060)	(356.235)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.172.564	-	1.172.564	298.614	-	298.614
16.3 Profit reserves		10.808.470	(494)	10.807.976	8.974.058	2.293	8.976.351
16.3.1 Legal reserves		641.000	-	641.000	463.786	-	463.786
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		9.815.284	-	9.815.284	8.051.473	-	8.051.473
16.3.4 Other profit reserves		352.186	(494)	351.692	458.799	2.293	461.092
16.4 Income or (loss)		3.439.976	-	3.439.976	4.586.936	-	4.586.936
16.4.1 Prior years' income or (loss)		1.383.961	-	1.383.961	927.984	-	927.984
16.4.2 Current year income or (loss)		2.056.015	-	2.056.015	3.658.952	-	3.658.952
16.5 Minority interest	II-i	462	-	462	2.527	-	2.527
Total liabilities and shareholders' equity		107.283.971	87.674.734	194.958.705	79.780.471	80.529.373	160.309.844

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, 2014 and 2013
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

II. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (II+III)		118.310.117	146.577.194	264.887.311	101.237.404	124.763.142	226.000.546
I. Guarantees and warranties	III-a-2,3	15.983.223	32.773.616	48.756.839	12.898.958	25.188.958	38.087.916
1.1 Letters of guarantee		15.913.418	22.081.794	37.995.212	12.818.400	14.828.899	27.647.299
1.1.1 Guarantees subject to state tender law		503.713	716.911	1.220.624	482.038	657.448	1.139.486
1.1.2 Guarantees given for foreign trade operations		2.316.159	21.151.474	23.467.633	1.521.868	13.927.101	15.448.969
1.1.3 Other letters of guarantee		13.093.546	213.409	13.306.955	10.814.494	244.350	11.058.844
1.2 Bank acceptances		-	126.982	126.982	-	118.686	118.686
1.2.1 Import letter of acceptance		-	126.982	126.982	-	118.686	118.686
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		3	7.859.830	7.859.833	1.208	6.709.273	6.710.481
1.3.1 Documentary letters of credit		3	7.859.528	7.859.531	1.208	6.698.180	6.699.388
1.3.2 Other letters of credit		-	302	302	-	11.093	11.093
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		69.802	788.994	858.796	79.350	2.016.957	2.096.307
1.9 Other warranties		-	1.916.016	1.916.016	-	1.515.143	1.515.143
II. Commitments	III-a-1	42.919.920	3.749.599	46.669.519	37.495.938	7.785.077	45.281.015
2.1 Irrevocable commitments		42.919.920	3.503.210	46.423.130	37.495.938	7.552.103	45.048.041
2.1.1 Asset purchase and sale commitments		937.272	2.205.515	3.142.787	1.816.025	6.966.286	8.782.311
2.1.2 Deposit purchase and sales commitments		-	8	8	-	9	9
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		6.945.817	1.179.842	8.125.659	5.884.104	510.050	6.394.154
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		5.981.382	-	5.981.382	5.385.711	-	5.385.711
2.1.8 Tax and fund liabilities from export commitments		44.489	-	44.489	41.007	-	41.007
2.1.9 Commitments for credit card limits		25.612.776	-	25.612.776	21.610.762	-	21.610.762
2.1.10 Commitments for credit cards and banking services promotions		11.149	-	11.149	7.365	-	7.365
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		3.387.035	117.845	3.504.880	2.750.964	75.758	2.826.722
2.2 Revocable commitments		-	246.389	246.389	-	232.974	232.974
2.2.1 Revocable loan granting commitments		-	149.837	149.837	-	167.212	167.212
2.2.2 Other revocable commitments		-	96.552	96.552	-	65.762	65.762
III. Derivative financial instruments	III-b-c	59.406.974	110.053.979	169.460.953	50.842.508	91.789.107	142.631.615
3.1 Derivative financial instruments for hedging purposes		19.811.674	22.135.823	41.947.497	12.176.363	25.452.330	37.628.693
3.1.1 Transactions for fair value hedge		481.084	699.338	1.180.422	1.104.763	1.506.212	2.610.975
3.1.2 Transactions for cash flow hedge		19.330.590	21.436.485	40.767.075	11.071.600	23.946.118	35.017.718
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		39.595.300	87.918.156	127.513.456	38.666.145	66.336.777	105.002.922
3.2.1 Forward foreign currency buy/sell transactions		2.539.384	4.580.613	7.119.997	3.876.427	5.587.189	9.463.616
3.2.1.1 Forward foreign currency transactions-buy		939.495	2.537.700	3.477.195	1.106.191	4.008.168	5.114.359
3.2.1.2 Forward foreign currency transactions-sell		1.599.889	2.042.913	3.642.802	2.770.236	1.579.021	4.349.257
3.2.2 Swap transactions related to foreign currency and interest rates		29.413.079	65.051.539	94.464.618	27.448.282	48.100.440	75.548.722
3.2.2.1 Foreign currency swap-buy		12.706.918	26.816.209	39.523.127	11.841.762	20.657.942	32.499.704
3.2.2.2 Foreign currency swap-sell		16.706.161	22.276.088	38.982.249	15.606.520	16.876.174	32.482.694
3.2.2.3 Interest rate swap-buy		-	7.979.621	7.979.621	-	5.283.162	5.283.162
3.2.2.4 Interest rate swap-sell		-	7.979.621	7.979.621	-	5.283.162	5.283.162
3.2.3 Foreign currency, interest rate and securities options		3.925.651	12.727.219	16.652.870	6.483.436	12.273.834	18.757.270
3.2.3.1 Foreign currency options-buy		1.777.316	2.931.949	4.709.265	2.028.284	4.303.805	6.332.089
3.2.3.2 Foreign currency options-sell		2.081.110	2.701.972	4.783.082	3.064.188	3.250.977	6.315.165
3.2.3.3 Interest rate options-buy		-	3.546.649	3.546.649	70.800	2.359.526	2.430.326
3.2.3.4 Interest rate options-sell		-	3.546.649	3.546.649	70.800	2.359.526	2.430.326
3.2.3.5 Securities options-buy		55.500	-	55.500	820.104	-	820.104
3.2.3.6 Securities options-sell		11.725	-	11.725	429.260	-	429.260
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		3.717.186	5.558.785	9.275.971	858.000	375.314	1.233.314
B. Custody and pledges received (IV+V+VI)		181.534.531	40.764.950	222.299.481	138.707.195	34.562.522	173.269.717
IV. Items held in custody		67.599.128	6.496.883	74.096.011	61.314.014	5.884.148	67.198.162
4.1 Customer fund and portfolio balances		-	-	-	-	12	12
4.2 Investment securities held in custody		50.443.151	5.602.765	56.045.916	48.922.433	5.160.024	54.082.457
4.3 Checks received for collection		14.227.339	165.338	14.392.677	9.765.253	139.746	9.904.999
4.4 Commercial notes received for collection		2.886.863	693.890	3.580.753	2.618.553	553.829	3.172.382
4.5 Other assets received for public offering		-	29.819	29.819	-	30.537	30.537
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	5.071	46.846	7.775	-	7.775
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		112.458.919	32.656.709	145.115.628	76.079.903	27.193.253	103.273.156
5.1 Marketable securities		179.123	257	179.380	204.521	237	204.758
5.2 Guarantee notes		841.979	275.888	1.117.867	681.445	439.491	1.120.936
5.3 Commodity		28.446	5.895	34.341	22.983	7.336	30.319
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		69.897.086	24.504.811	94.401.897	52.696.177	19.792.832	72.489.009
5.6 Other pledged items		41.512.285	7.865.672	49.377.957	22.474.777	6.949.452	29.424.229
5.7 Pledged items-depository		-	4.186	4.186	-	-	3.905
VI. Accepted independent guarantees and warranties		1.476.484	1.611.358	3.087.842	1.313.278	1.485.121	2.798.399
Total off-balance sheet commitments (A+B)		299.844.648	187.342.144	487.186.792	239.944.599	159.325.864	399.270.263

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, 2014 and 2013

(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- 31/12/2014)	Restated Prior Period (01/01- 31/12/2013)
I. Interest income	IV-a	12.633.965	9.952.563
1.1 Interest on loans	IV-a-1	9.913.741	7.776.582
1.2 Interest received from reserve deposits		732	118
1.3 Interest received from banks	IV-a-2	122.951	106.288
1.4 Interest received from money market transactions		241.310	123.056
1.5 Interest received from marketable securities portfolio	IV-a-3	1.861.164	1.539.839
1.5.1 Trading financial assets		3.378	11.146
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.418.768	1.104.052
1.5.4 Held to maturity investments		439.018	424.641
1.6 Financial lease income		334.268	284.050
1.7 Other interest income		159.799	122.630
II. Interest expense	IV-b	(6.660.665)	(4.886.128)
2.1 Interest on deposits	IV-b-4	(4.773.287)	(3.557.677)
2.2 Interest on funds borrowed	IV-b-1	(851.007)	(778.265)
2.3 Interest expense on money market transactions		(503.351)	(263.274)
2.4 Interest on securities issued	IV-b-3	(513.882)	(270.222)
2.5 Other interest expenses		(19.138)	(16.690)
III. Net interest income (I + II)		5.973.300	5.066.435
IV. Net fees and commissions income		2.343.015	2.136.188
4.1 Fees and commissions received		2.960.372	2.548.931
4.1.1 Non-cash loans		324.669	282.175
4.1.2 Other	IV-j	2.635.703	2.266.756
4.2 Fees and commissions paid		(617.357)	(412.743)
4.2.1 Non-cash loans		(10.968)	(10.184)
4.2.2 Other		(606.389)	(402.559)
V. Dividend income	IV-c	9.351	15.243
VI. Trading gain/(loss) (net)	IV-ç	(236.654)	387.726
6.1 Trading gains/(losses) on securities		278.801	571.819
6.2 Derivative financial transactions gains/(losses)	IV-d	(1.279.245)	1.612.067
6.3 Foreign exchange gains/(losses)		763.790	(1.796.160)
VII. Other operating income	IV-e	621.734	445.166
VIII. Total operating income / loss (III+IV+V+VI+VII)		8.710.746	8.050.758
IX. Provision for impairment of loans and other receivables (-)	IV-f	(1.938.729)	(1.552.121)
X. Other operating expenses (-)	IV-g	(4.146.281)	(3.543.346)
XI. Net operating income/(loss) (VIII-IX-X)		2.625.736	2.955.291
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		42.842	7.688
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	2.668.578	2.962.979
XVI. Tax provision for continuing operations (±)	IV-h	(612.396)	(629.802)
16.1 Current tax provision		(784.504)	(223.229)
16.2 Deferred tax provision		172.108	(406.573)
XVII. Net profit/loss from continuing operations (XV±XVI)		2.056.182	2.333.177
XVIII. Income from discontinued operations		-	1.581.831
18.1 Income from non-current assets held for resale		-	237.009
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	1.344.822
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	(174.034)
19.1 Expenses for non-current assets held for resale		-	(174.034)
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	-	1.407.797
XXI. Tax provision for discontinued operations (±)	IV-h	-	(81.785)
21.1 Current tax provision		-	(81.785)
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	1.326.012
XXIII. Net profit/loss (XVII+XXII)	IV-i	2.056.182	3.659.189
23.1 Group's profit/loss		2.056.015	3.658.952
23.2 Minority interest profit/losses (-)	IV-i	167	237
Earnings/(loss) per share (in TL full)		0,0047	0,0084

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)

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Consolidated financial statements as of December 31, 2014 and 2013

(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 (31/12/2014)	Prior Period (31/12/2013)
Income and expense items accounted under shareholders' equity		
I. Transfers to marketable securities valuation differences from financial assets available for sale	626.802	(2.289.674)
II. Property and equipment revaluation differences	18.485	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	(101.956)	411.320
V. Profit/loss on cash flow hedges (effective part of the fair value changes)	(208.019)	661.738
VI. Profit/loss on foreign net investment hedges(effective part of the fair value changes)	31.833	(180.485)
VII. Effects of changes in accounting policy and adjustment of errors	-	-
VIII. Other income and expense items accounted under shareholders' equity according to TAS	(20.813)	25.201
IX. Deferred tax on valuation differences	(84.087)	320.866
X. Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	262.245	(1.051.034)
XI. Current year profit/loss	2.056.182	3.659.189
11.1 Net change in fair value of marketable securities (recycled to profit-loss)	154.765	449.939
11.2 Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(158.005)	(247.017)
11.3 Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4 Other	2.059.422	3.456.267
XII. Total income/loss accounted for the period (X+XI)	2.318.427	2.608.155

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, 2013

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

V. Consolidated statement of changes in shareholders' equity

Prior Period																				
December 31, 2013		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.	Period opening balance		4.347.051	-	543.881	-	359.847	-	6.546.849	505.721	2.087.673	753.844	1.487.423	-	-	(657.543)	-	15.974.746	64.792	16.039.538
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 (II+I)		4.347.051	-	543.881	-	359.847	-	6.546.849	505.721	2.087.673	753.844	1.487.423	-	-	(657.543)	-	15.974.746	64.792	16.039.538
IV.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	(1.832.122)	-	-	-	-	(1.832.122)	(380)	(1.832.502)	-
VI.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	385.003	-	385.003	-	385.003	-
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	529.391	-	529.391	-	529.391	-
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	(144.388)	-	(144.388)	-	(144.388)	-
VII.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	4.503	-	-	4.503	-	4.503
X.	Foreign exchange differences		-	-	-	-	-	-	-	232.495	-	-	226.581	-	-	(83.695)	-	375.381	-	375.381
XI.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28.092)	(28.092)
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		-	-	-	-	-	-	-	16.581	-	-	-	-	-	-	-	16.581	-	16.581
XIX.	Current year income or loss		-	-	-	-	-	-	-	-	3.658.952	-	-	-	-	-	-	3.658.952	237	3.659.189
XX.	Profit distribution		-	-	-	-	103.939	-	1.504.624	4.909	(2.087.673)	174.201	-	-	-	-	-	(300.000)	(678)	(300.678)
20.1	Dividend paid		-	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	(300.000)	(678)	(300.678)
20.2	Transfers to reserves		-	-	-	-	103.939	-	1.504.624	4.909	(2.087.673)	474.201	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	Transactions with minority		-	-	-	-	-	-	-	-	-	(61)	-	-	-	-	-	(61)	(33.352)	(33.413)
Period end balance (III+IV+V+.....+VIII+XIX+XX+XXI)			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

(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, 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated 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 ⁽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
December 31, 2014																				
I.	Prior period-end 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
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	501.407	-	-	-	-	501.407	-	501.407
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(140.950)	-	(140.950)	-	(140.950)
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(166.416)	-	(166.416)	-	(166.416)
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	25.466	-	25.466	-	25.466
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	18.485	-	-	-	18.485	-	18.485
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	(92.835)	-	-	-	8.179	-	-	(15.476)	-	(100.132)	-	(100.132)
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(16.565)	-	-	-	-	-	-	-	(16.565)	-	(16.565)
XVII.	Current year income or loss		-	-	-	-	-	-	-	-	2.056.015	-	-	-	-	-	-	2.056.015	167	2.056.182
XVIII.	Profit distribution		-	-	-	177.214	-	1.763.811	873.950	(3.658.952)	455.977	-	-	-	-	-	-	(388.000)	(47)	(388.047)
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	(388.000)	-	-	-	-	-	(388.000)	(47)	(388.047)
18.2	Transfers to reserves		-	-	-	177.214	-	1.763.811	873.950	(3.658.952)	843.977	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.185)	(2.185)
Period end balance (I+II+III+.....+XVI+XVII+XVIII+XIX)			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 financial statements as of December 31, 2014 and 2013

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

VI. Consolidated statement of cash flows

	Note (Section Five)	Current Period (31/12/2014)	Prior Period (31/12/2013)
A. Cash flows from banking operations			
1,1		3.902.923	3.224.212
1,1			
1.1.1		11.821.448	10.959.486
1.1.2		(6.725.995)	(4.869.308)
1.1.3		9.351	11.002
1.1.4		2.960.372	2.548.931
1.1.5		192.922	1.466.475
1.1.6		1.021.124	1.226.236
1.1.7		(4.276.835)	(2.812.384)
1.1.8		(784.504)	(522.041)
1.1.9	VI-c	(314.960)	(4.784.185)
1,2		(5.028.550)	(7.195.796)
1,2			
1.2.1		27.626	438.112
1.2.2		-	-
1.2.3		(2.200.700)	(6.676.502)
1.2.4		(29.857.757)	(23.798.054)
1.2.5		(441.458)	599.076
1.2.6		180.337	923.320
1.2.7		18.910.521	16.354.669
1.2.8		5.360.725	4.126.020
1.2.9		-	-
1.2.10	VI-c	2.992.156	837.563
I.		(1.125.627)	(3.971.584)
B. Cash flows from investing activities			
II. Net cash flows from investing activities			
		(3.051.911)	(392.363)
2,1			
2.1		(52)	(259.237)
2,2			
2.2		44.433	1.358.266
2,3		(474.913)	(305.050)
2,4		84.204	61.846
2,5		(12.605.606)	(11.273.077)
2,6		8.357.086	10.402.960
2,7		(834.017)	(504.486)
2,8		2.376.954	126.415
2,9		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities			
		4.602.499	3.175.953
3,1			
3.1		15.527.348	11.659.816
3,2		(10.536.802)	(8.183.185)
3,3		-	-
3,4		(388.047)	(300.678)
3,5		-	-
3,6		-	-
IV.	VI-c	121.307	836.133
V.		546.268	(351.861)
VI.	VI-a	10.480.428	10.832.289
VII.	VI-a	11.026.696	10.480.428

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, 2014 and 2013

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

VII. Profit appropriation statement ^{(1), (2)}

	Current Period (31/12/2014)	Prior Period (31/12/2013)
I. Distribution of current year income		
1.1 Current year income	2.369.625	3.783.598
1.2 Taxes and duties payable (-)	(524.659)	(580.623)
1.2.1 Corporate tax (income tax)	(680.515)	(206.221)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties ⁽³⁾	155.856	(374.402)
A. Net income for the year (1.1-1.2)	1.844.966	3.202.975
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	177.214
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(A+(1.3+1.4+1.5)]	1.844.966	3.025.761
1.6 First dividend to shareholders (-)	-	388.000
1.6.1 To owners of ordinary shares	-	388.000
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 (-)	-	-
1.9.1 To owners of ordinary shares	-	-
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 (-)	-	-
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.763.811
1.13 Other reserves	-	-
1.14 Special funds	-	873.950
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	0,0042	0,0074
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 not been held yet. Since the profit appropriation proposal for the year 2014 has not been prepared by the Board of Directors, only net profit related to the year 2013, 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 1.486 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) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. As of December 31, 2014 the Bank has deferred tax income amounting to TL 155.586 associated with the deferred tax asset which will not be distributed.

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, 2014

(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 at fair value through profit or loss, financial assets available for sale, trading derivative financial liabilities and hedging derivative financial assets/liabilities. 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, 2013, except for changes on accounting policies from historical cost basis to revaluation basis for art objects and paintings in tangible assets. TAS/TFRS changes which are effective from January 1, 2014 (TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended), TRFS Interpretation 21 Levies, Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets), Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting, TFRS 10 Consolidated Financial Statements (Amendment)) do not have a significant effect on the Group’s accounting policies, financial position or performance. Those accounting policies and valuation principles are explained in Notes II. to XXVII. below.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (continued)

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

Accounting policies (continued)

The effects of TFRS 9, “Financial Instruments” 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, 2014 (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

Yapı Kredi Sigorta A.Ş. (“YKS”) and Yapı Kredi Emeklilik A.Ş. (“YKE”) owned by YKS, which were in the consolidation scope of the Group as of December 31, 2012, are sold to Allianz SE on July 12, 2013; resulting in loss of control over these subsidiaries however, with reinvesting to YKE (the new name “Allianz Yaşam ve Emeklilik A.Ş.” (“Allianz”)) with 20% share, the Group gained a significant influence on YKE.

Until the date of the sale both YKS and YKE are consolidated and their operating results and the profit from the sale are presented under the discontinued operations in the accompanying consolidated financial statements.

The share in Allianz is accounted with its fair value at the date the control is lost.

In the Extraordinary end of liquidation General Assembly of Tasfiye Halinde Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş. (“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 KYO from the trade registry records and other governmental agencies’ records.

(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, 2014 (continued)

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

Accounting policies (continued)

Yapı Kredi Bank Malta Ltd (“Yapı Kredi Malta”) has been effectively established as a subsidiary of Yapı Kredi Holding BV, which is fully owned and controlled by the Bank, after the receipt of an approval from Maltese legal authority on October 23, 2014, on the top of other approvals of BRSA and decisions taken by the Board of the Bank. Yapı Kredi Malta is fully consolidated in the consolidated financial statements of the Bank.

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	Direct and
			rates (%) December 31, 2014	indirect rates (%) December 31, 2014
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.

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 %	Direct and
			December 31, 2014	indirect rates % December 31, 2014
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	Insurance	20,00	20,00

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (continued)

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

Accounting policies (continued)

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, 2014	Direct and indirect rates % December 31, 2014
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.

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (continued)

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

Accounting policies (continued)

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, termination of the hedged risk 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 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (continued)

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

Accounting policies (continued)

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, 2014, 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 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, 2014 (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, 2014 (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.

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Notes to consolidated financial statements December 31, 2014 (continued)

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

Accounting policies (continued)

Provision expenses are realized at the same period when they are provided. 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, 2014 (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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (continued)

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

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%

(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, 2014 (continued)

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

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 and paintings, are carried at cost less accumulated depreciation and provision for impairment. The Bank adopted a revaluation method for its art objects and paintings in tangible assets in accordance with TAS 16 in the current period.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The rates used are stated below:

Buildings	2%
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, 2014 (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 over due 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (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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Notes to consolidated financial statements December 31, 2014 (continued)

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

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.

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (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, 2014 (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, 2014 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, 2014 (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 1.585 (December 31, 2013 - TL 1.203).

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.

(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, 2014 (continued)

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

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	Prior Period
Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders	2.056.015	2.333.177
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0047	0,0054
	Current Period	Prior Period
Net Income/(loss) from discontinued operations to be appropriated to ordinary shareholders	-	1.326.012
Weighted average number of issued ordinary shares(thousand)	-	434.705.128
Earnings per share from discontinued operations (full TL)	-	0,0030

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.

In 2014 no bonus shares were issued by the Parent Bank (December 31, 2013 - 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.

(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, 2014 (continued)

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

Accounting policies (continued)

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 not 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, 2014 (continued)

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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 14,36% (December 31, 2013 – 15,32%) and the Parent Bank is 15,03% (December 31, 2013 – 16,00%).
- 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.

(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, 2014 (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								Total
	0%	20%	50%	75%	100%	150%	200%	250%	
Amounts subject to credit risk	41.218.048	6.206.895	25.726.733	39.453.298	85.215.409	3.496.976	8.330.515	702.203	210.350.077
Risk classifications:									
Conditional and unconditional receivables from central governments or central banks	38.862.292	-	4.761.168	-	-	-	-	-	43.623.460
Conditional and unconditional receivables from regional or local governments	-	149	-	-	-	-	-	-	149
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	1.067	-	-	-	1.067
Conditional and unconditional receivables from multilateral development banks	4.853	-	-	-	-	-	-	-	4.853
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	6.202.643	5.225.344	-	704.230	-	-	-	12.132.217
Conditional and unconditional receivables from corporates	-	-	-	-	74.798.145	-	-	-	74.798.145
Conditional and unconditional retail receivables	-	-	-	39.375.796	4.343.969	-	-	-	43.719.765
Conditional and unconditional receivables secured by mortgages	-	-	15.738.768	-	-	-	-	-	15.738.768
Past due receivables	-	-	-	77.502	708.163	470.184	-	-	1.255.849
Receivables defined as high risk category by the Regulator	-	-	1.453	-	49.220	3.026.792	8.330.515	702.203	12.110.183
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2.350.903	4.103	-	-	4.610.615	-	-	-	6.965.621
Credit Risk Weighted Amounts	-	1.241.378	12.863.366	29.589.973	85.215.409	5.245.463	16.661.029	1.755.507	152.572.125

	Risk Weights Consolidated								Total
	0%	20%	50%	75%	100%	150%	200%	250%	
Amounts subject to credit risk	41.553.931	6.398.004	26.072.492	39.697.741	96.910.766	3.624.311	8.330.515	702.203	223.289.963
Risk classifications:									
Conditional and unconditional receivables from central governments or central banks	39.431.858	5.801	4.795.633	-	24.270	-	-	-	44.257.562
Conditional and unconditional receivables from regional or local governments	-	149	104	-	-	-	-	-	253
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	1.067	-	-	-	1.067
Conditional and unconditional receivables from multilateral development banks	4.853	-	-	-	-	-	-	-	4.853
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	6.387.951	5.536.534	-	951.135	-	-	-	12.875.620
Conditional and unconditional receivables from corporates	-	-	-	-	88.265.663	121.791	-	-	88.387.454
Conditional and unconditional retail receivables	-	-	-	39.620.239	4.343.969	-	-	-	43.964.208
Conditional and unconditional receivables secured by mortgages	-	-	15.738.768	-	-	-	-	-	15.738.768
Past due receivables	-	-	-	77.502	719.812	475.728	-	-	1.273.042
Receivables defined as high risk category by the Regulator	-	-	1.453	-	49.220	3.026.792	8.330.515	702.203	12.110.183
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2.117.220	4.103	-	-	2.555.630	-	-	-	4.676.953
Credit Risk Weighted Amounts	-	1.279.601	13.036.246	29.773.306	96.910.766	5.436.468	16.661.030	1.755.508	164.852.925

(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, 2014 (continued)

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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)	12.205.770	13.188.234	10.042.902	10.864.694
Capital requirement for market risk (MRCR)	130.250	131.992	197.468	310.892
Capital requirement for operational risk (ORCR)	817.197	920.434	802.350	910.617
Shareholders' equity	24.705.420	25.558.364	22.084.113	23.141.967
Shareholders' equity / (CRCR+ MRCR+ORCR) * 12,5*100	15,03	14,36	16,00	15,32
Common Equity / (CRCR+ MRCR+ORCR) * 12,5*100	10,94	10,58	-	-
Tier 1 Capital / ((CRCR+ MRCR+ ORCR) *12,5*100)	11,62	11,23	-	-

e. Information about shareholders' equity items:

	December 31, 2014
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051
Share Premium	543.881
Share Cancellation Profits	-
Legal Reserves	10.807.976
Other Comprehensive Income according to TAS	1.582.517
Profit	3.439.976
Net Current Period Profit	2.056.015
Prior Period Profit	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
Minority shares	462
Common Equity Tier 1 capital before regulatory adjustments	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 (-)	-
Leasehold improvements on operational leases (-)	157.347
Goodwill and intangible assets and related deferred tax liabilities (-)	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 (-)	475.638
Total regulatory adjustments to Common equity Tier 1	919.972
Common Equity Tier 1 capital	19.986.605

(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, 2014 (continued)

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

Information related to financial position of the Group (continued)

	December 31, 2014
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)	-
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 (-)	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	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)	5.120.449
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
Generic Provisions	1.927.821
Minority shares	-
Tier 2 capital before regulatory adjustments	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	7.048.270

(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, 2014 (continued)

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

Information related to financial position of the Group (continued)

	December 31, 2014
Total capital	25.886.926
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	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 (-)	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 (-)	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 (-)	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	25.558.364
Amounts below the thresholds for deduction	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	860.094

(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, 2014 (continued)

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

Information related to financial position of the Group (continued)

	December 31, 2013
Core capital	
Paid-in capital	4.347.051
Nominal capital	4.347.051
Capital commitments (-)	-
Adjustment to paid in capital	-
Share premium	543.881
Share repeal	-
Legal reserves	8.976.351
Adjustment to legal reserves	-
Profit	4.586.936
Net Current period profit	3.658.952
Prior period profit	927.984
Provisions for possible losses up to 25% of core capital	209.470
Profit on sale of associates, subsidiaries and buildings ⁽¹⁾	298.614
Primary subordinated loans	-
Minority shares	2.527
Loss that is not covered with reserves (-)	-
Net current period loss	-
Prior period loss	-
Development cost of operating lease (-)	101.133
Intangible assets (-)	1.393.590
Deferred- assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
Goodwill (Net)	-
Total core capital	17.470.107
Supplementary capital	
General provisions	1.520.873
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	4.503
Primary Subordinated Debts excluding the portion included in Core Capital	-
Secondary subordinated loans ⁽²⁾	5.078.223
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(172.325)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Minority share	-
Total supplementary capital	6.431.274
Capital	23.901.381
Deductions from the capital	759.414
Partnership share on non-consolidated banks and financial institutions.	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	162.443
Banks and financial institutions to which equity method is applied, however, assets and liabilities are not consolidated	457.337
Loans extended being noncompliant with articles 50 and 51 of the Law	3.221
Net book value of properties owned, exceeding 50% bank's equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	6.638
Securitisations positions that is deducted-preferably-from the shareholders' equity	-
Other	129.775
Total shareholders' equity	23.141.967

(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, 2014 (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	5
Issuer	UNICREDIT BANK	BANK AUSTRIA	MERRILL LYNCH	CITIBANK	YKB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-	XS0861979440/ US984848AB73
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA	BRSA / CMB / LONDON STOCK EXCHANGE
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	Yes	Yes
Eligible at stand-alone / consolidated	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	Loan	Bond
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	1.268	1.090	223	220	2.319
Par value of instrument (Currency in million)	1.357	1.090	1.410	564	2.319
Accounting classification	Liability – Subordinated Loans- amortised cost	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	November 21, 2013	March 31, 2006	June 25, 2007	December 6, 2012
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	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	6 months
Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Floating	Fixed
Coupon rate and any related index	5,5	6,35	EURIBOR + 3%	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	Noncumulative
Convertible or non-convertible	None	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	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	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"	Yes	Yes	Yes	Yes	Yes
Details of incompliance with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	8-2-ğ	8-2-ğ

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Notes to consolidated financial statements December 31, 2014 (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.

(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, 2014 (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)	44,7%	41,3%
Average (5+ -6)	47,1%	51,7%
Below average (7+ -9)	8,2%	7,0%

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	46.429.829	36.179.090
Conditional and unconditional receivables from regional or local governments	253	703
Conditional and unconditional receivables from administrative units and non-commercial enterprises	1.067	994
Conditional and unconditional receivables from multilateral development banks	4.853	4.795
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	12.820.765	13.173.540
Conditional and unconditional receivables from corporates	92.013.803	77.621.535
Conditional and unconditional retail receivables	44.237.200	44.749.607
Conditional and unconditional receivables secured by mortgages	15.738.768	13.028.634
Past due receivables	1.273.042	1.330.238
Receivables defined as high risk category by the Regulator	12.148.089	10.866.631
Secured by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	4.676.953	6.978.217
Total	229.344.622	203.933.984

(1) Represents amounts before taking risk mitigating factors into considerations.

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Notes to consolidated financial statements December 31, 2014 (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 21% and 28%.
 2. The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 47% and 58%.
 3. The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 23% and 30% of total cash loans and non-cash loans.

- f.** The Group provided a general loan loss provision amounting to TL 1.927.821 (December 31, 2013 - TL 1.520.873).

(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, 2014 (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	
Current Period												
Domestic	45.926.022	253	1.067	-	5.116.832	87.186.149	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	92.013.803	44.237.200	15.738.768	1.273.042	12.148.089	4.676.953	229.344.622

	Risk Classifications ^{(1) (2)}											Total
	1	2	3	4	5	6	7	8	9	10	11	
Prior Period												
Domestic	35.023.621	299	894	-	5.586.695	62.207.225	43.065.060	10.910.834	1.429.909	10.395.996	4.100.088	172.720.621
EU countries	306.888	-	-	2.302	5.363.676	1.577.994	23.484	2.605	4.216	84	-	7.281.249
OECD countries ⁽³⁾	-	-	-	-	251.856	62.117	835	-	24.640	-	-	339.448
Off-shore banking regions	-	-	-	-	259	-	21.055	-	-	-	-	21.314
USA, Canada	-	-	-	909	1.061.249	405.618	6.305	187	1.679	-	-	1.475.947
Other countries	61.656	1.584	-	-	472.116	2.789.877	17.487	22.759	44.702	29	141.955	3.552.165
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	6.803	6.803
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-
Total	35.392.165	1.883	894	3.211	12.735.851	67.042.831	43.134.226	10.936.385	1.505.146	10.396.109	4.248.846	185.397.547

(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 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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Notes to consolidated financial statements December 31, 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	-	-	-	-	-	2.476.920	1.174.091	346.894	36.488	111.350	-	538.966	3.606.777	4.145.743
Farming and raising livestock	-	-	-	-	-	2.324.854	998.742	307.923	34.125	106.630	-	447.190	3.325.084	3.772.274
Forestry	-	-	-	-	-	79.207	136.872	28.858	1.512	2.039	-	39.284	209.204	248.488
Fishing	-	-	-	-	-	72.859	38.477	10.113	851	2.681	-	52.492	72.489	124.981
Manufacturing	-	76	21	-	-	49.701.218	10.970.961	3.530.384	509.779	278.612	4.188	39.821.754	25.173.485	64.995.239
Mining	-	-	-	-	-	9.623.472	1.400.074	472.500	58.765	15.919	43	7.475.070	4.095.703	11.570.773
Production	-	76	12	-	-	31.718.050	9.159.912	2.952.750	444.598	259.405	4.145	24.540.211	19.998.737	44.538.948
Electric, gas and water	-	-	9	-	-	8.359.696	410.975	105.134	6.416	3.288	-	7.806.473	1.079.045	8.885.518
Construction	5	30	-	-	-	11.976.028	4.174.582	1.837.326	138.926	57.458	-	9.381.203	8.803.152	18.184.355
Services	46.429.824	64	786	3.141	12.819.789	19.825.114	7.641.357	3.704.783	225.275	285.524	1.945.354	48.039.006	44.842.005	92.881.011
Wholesale and retail trade	-	1	3	-	90.112	6.296.405	3.794.771	960.070	91.216	104.746	-	2.990.295	8.347.029	11.337.324
Hotel, food and beverage services	-	-	22	-	-	2.008.736	1.005.817	1.041.452	16.899	46.069	-	2.632.944	1.486.051	4.118.995
Transportation and telecommunication	-	-	2	-	-	5.240.049	1.009.859	235.367	47.405	54.351	-	4.284.418	2.302.615	6.587.033
Financial institutions	46.429.824	7	9	3.141	12.718.156	3.386.023	480.697	977.824	30.924	12.911	1.942.601	36.112.396	29.869.721	65.982.117
Real estate and renting services	-	-	-	-	6.368	367.745	117.359	53.843	8.176	7.553	-	337.444	223.600	561.044
Self-employment services	-	-	-	-	-	403.180	357.891	76.700	9.402	21.198	95	189.551	678.915	868.466
Education services	-	-	600	-	-	121.223	112.344	26.490	1.580	4.346	-	28.944	237.639	266.583
Health and social services	-	56	150	-	5.153	2.001.753	762.619	333.037	19.673	34.350	2.658	1.463.014	1.696.435	3.159.449
Other	-	83	260	1.712	976	8.034.523	20.276.209	6.319.381	362.574	11.415.145	2.727.411	4.479.632	44.658.642	49.138.274
Total	46.429.829	253	1.067	4.853	12.820.765	92.013.803	44.237.200	15.738.768	1.273.042	12.148.089	4.676.953	102.260.561	127.084.061	229.344.622

(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- Claims on banks and intermediary institutions

6- Claims on corporates

7- Claims included in the regulatory retail portfolios

8- Claims secured by residential property

9- Past due loans

10- Higher risk categories decided by the Board

11- Other receivables

(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, 2014 (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	21.660.728	1.120.789	1.254.410	2.481.776	19.820.664	46.338.367
Conditional and unconditional receivables from regional or local governments	-	-	177	-	76	253
Conditional and unconditional receivables from administrative units and non-commercial enterprises	451	-	535	-	81	1.067
Conditional and unconditional receivables from multilateral development banks	2.008	554	1.153	1.138	-	4.853
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2.492.672	1.602.969	4.294.835	940.049	3.490.240	12.820.765
Conditional and unconditional receivables from corporates	12.165.795	7.366.241	12.060.008	11.827.218	48.594.541	92.013.803
Conditional and unconditional retail receivables	1.098.436	2.316.762	12.308.438	5.099.874	23.413.689	44.237.199
Conditional and unconditional receivables secured by mortgages	261.088	1.300.545	1.261.959	894.535	12.020.641	15.738.768
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	21.924	273	23.756	1.029	12.101.107	12.148.089
Secured by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	37.703.102	13.708.133	31.205.271	21.245.619	119.441.039	223.303.164

(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.

(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, 2014 (continued)

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

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					

(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, 2014 (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	41.458.812	6.404.034	28.278.335	39.970.731	100.515.545	3.668.247	8.346.715	702.203	229.344.622	328.562
2 Total exposure after credit risk mitigation	41.553.931	6.398.004	26.072.492	39.697.741	96.910.766	3.624.311	8.330.515	702.203	223.289.963	328.562

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, 2014.

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, 2014.

Sectors / Counterparties	Loans			
	Impaired Loans	Past due	General Provisions	Specific Provisions
Agricultural	119.043	213.130	9.660	86.632
Farming and raising livestock	108.502	200.964	8.909	79.383
Forestry	7.073	6.913	408	5.046
Fishing	3.468	5.253	343	2.203
Manufacturing	1.653.443	1.515.422	260.573	1.155.778
Mining	150.274	147.851	5.720	134.937
Production	1.478.299	1.352.196	252.328	1.005.438
Electric, gas and water	24.870	15.375	2.525	15.403
Construction	478.408	491.961	106.011	240.103
Services	749.095	1.006.579	84.982	515.539
Wholesale and retail trade	353.170	327.656	40.971	232.882
Hotel, food and beverage services	66.952	87.170	5.132	43.786
Transportation and telecommunication	145.816	275.275	10.398	117.279
Financial institutions	67.894	164.435	23.898	40.819
Real estate and renting services	42.484	25.116	879	26.324
Self-employment services	-	-	-	-
Education services	7.286	6.820	324	5.232
Health and social services	65.493	120.107	3.380	49.217
Other	1.760.844	1.302.559	39.301	1.190.653
Total	4.760.833	4.529.651	500.527	3.188.705

(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, 2014 (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	2.445.001	1.321.488	(200.564)	(459.644)	3.106.281
2	General provisions	1.520.873	467.753	(46.837)	(13.968)	1.927.821

(1) The 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, 2013 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.

(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, 2014 (continued)

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

Information related to financial position of the Group (continued)

(1) Explanations on consolidated market risk:

a. Information on market risk:

	Current Period	Prior Period
(I) Capital requirement against general market risk - standard method	59.260	65.237
(II) Capital requirement against specific risks - standard method	3.137	40.521
Capital requirement against specific risks of securitization positions– standard method	-	-
(III) Capital requirement against currency exchange risk - standard method	22.927	120.679
(IV) Capital requirement against commodity risks - standard method	133	667
(V) Capital requirement against exchange risks - standard method	-	-
(VI) Capital requirement against market risks of options - standard method	1.718	6.308
(VII) Capital requirement against counterparty credit risks - standard method	44.817	77.480
(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)	131.992	310.892
(X) Value-at-market risk (12,5*VIII) or (12,5*IX)	1.649.900	3.886.150

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	98.833	137.772	59.688	53.268	66.725	35.987
Share price risk	9.797	24.106	2.141	43.410	71.561	22.150
Currency risk	58.824	137.927	22.927	157.521	215.201	120.679
Commodity risk	191	316	49	1.354	2.565	667
Settlement risk	-	-	-	-	-	-
Option risk	1.620	3.935	389	2.049	6.308	318
Counterparty credit risk	58.826	115.087	27.853	46.576	77.480	16.702
Total amount subject to risk	228.091	419.143	113.047	304.178	439.840	196.503

(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.

(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, 2014 (continued)

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

Information related to financial position of the Group (continued)

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 560.213 for the year ended December 31, 2014.

	Current Period	Prior Period
Interest rate contracts	134.142	182.300
Foreign exchange rate contracts	926.494	3.082.637
Commodity contracts	5.062	3.708
Equity shares related contracts	-	52.943
Other	1.159	2.080
Gross Positive Fair Value	197.416	998.783
Netting benefits	-	-
Net current exposure amount	-	-
Collateral received	-	-
Net derivative position	197.416	998.783

(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 2013, 2012 and 2011 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, 2014, the total amount subject to operational risk is TL 11.505.425 (December 31, 2013 - TL 11.382.718) and the amount of the related capital requirement is TL 920.434 (December 31, 2013 - TL 910.617).

	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	5.863.663	7.048.382	5.496.635	6.136.227	15	920.434
Amount subject to operational risk (Total*12,5)						11.505.425

(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, 2014 (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 XIII.

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 2,31890	TL 2,82070
First day current bid rate	TL 2,32350	TL 2,83390
Second day current bid rate	TL 2,31820	TL 2,82550
Third day current bid rate	TL 2,31770	TL 2,83680
Fourth day current bid rate	TL 2,32090	TL 2,83120
Fifth day current bid rate	TL 2,31650	TL 2,83170
Arithmetic average of the last 31 days:	TL 2,28790	TL 2,82070
Balance sheet evaluation rate as of		
Prior Period:	TL 2,13430	TL 2,93650

(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, 2014 (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	3.206.803	13.601.768	3.415.412	20.223.983
Banks	1.249.224	1.562.328	129.818	2.941.370
Financial assets at fair value through profit or loss	22.159	141.494	1.651	165.304
Money market placements	-	-	-	-
Available-for-sale financial assets	337.519	2.837.533	177.206	3.352.258
Loans ⁽¹⁾	13.253.753	32.770.407	1.173.273	47.197.433
Investments in associates, subsidiaries and joint ventures	-	-	260.370	260.370
Held-to-maturity investments	488.213	3.130.433	-	3.618.646
Hedging derivative financial assets	-	-	-	-
Tangible assets	1.873	-	46.228	48.101
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	3.219.273	2.417.882	239.186	5.876.341
Total assets	21.778.817	56.461.845	5.443.144	83.683.806
Liabilities				
Bank deposits	364.814	1.207.246	109.256	1.681.316
Foreign currency deposits	16.037.788	25.016.814	1.990.719	43.045.321
Funds from money market	-	2.365.914	-	2.365.914
Funds borrowed from other financial institutions	8.197.968	10.755.354	392.087	19.345.409
Marketable securities issued	1.931.361	7.965.033	172.479	10.068.873
Miscellaneous payables	847.768	810.712	21.882	1.680.362
Hedging derivative financial liabilities	56.238	155.110	1	211.349
Other liabilities ⁽³⁾	2.754.667	5.809.155	29.063	8.592.885
Total liabilities	30.190.604	54.085.338	2.715.487	86.991.429
Net on balance sheet position	(8.411.787)	2.376.507	2.727.657	(3.307.623)
Net off balance sheet position ⁽⁵⁾	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)	(195.729)	591.542	395.071
Non-cash loans	11.008.161	20.171.147	1.594.308	32.773.616
December 31, 2013				
Total assets	24.124.237	43.499.837	5.128.667	72.752.741
Total liabilities	30.281.374	47.804.855	2.389.806	80.476.035
Net on-balance sheet position	(6.157.137)	(4.305.018)	2.738.861	(7.723.294)
Net off-balance sheet position	6.679.854	4.310.856	(2.254.260)	8.736.450
Financial derivative assets	9.972.379	19.485.667	1.599.119	31.057.165
Financial derivative liabilities	3.292.525	15.174.811	3.853.379	22.320.715
Net position	522.717	5.838	484.601	1.013.156
Non-cash loans	9.460.817	13.877.395	1.850.746	25.188.958

(1) Includes FX indexed loans amounting to TL 5.103.401 (December 31, 2013 - TL 4.714.007) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 76.011 (December 31, 2013 - TL 60.634).

(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 22.547 is not considered in the calculation.

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Notes to consolidated financial statements December 31, 2014 (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%	(144.811)	(67.460)
(-) 15%	144.811	67.460

(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 Parent 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.

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Notes to consolidated financial statements December 31, 2014 (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	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)

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	-	-	-	-	-	18.990.749	18.990.749
Banks	1.576.200	595.363	160.720	268.580	-	1.408.263	4.009.126
Financial assets at fair value through profit/loss	608.910	302.170	646.595	78.505	16.094	70.890	1.723.164
Money market placements	2.928.447	-	-	-	-	-	2.928.447
Available-for-sale financial assets	1.480.255	1.812.665	3.020.550	3.394.855	3.376.746	124.291	13.209.362
Loans	21.973.749	23.795.066	27.748.966	19.201.312	6.716.765	1.188.072	100.623.930
Held-to-maturity investments	428.297	1.858.200	1.379.856	213.437	3.009.813	-	6.889.603
Other assets	1.858.357	868.024	1.674.081	2.093.455	291.986	5.149.560	11.935.463
Total assets	30.854.215	29.231.488	34.630.768	25.250.144	13.411.404	26.931.825	160.309.844
Liabilities							
Bank deposits	593.418	668.674	436.095	134.031	-	540.702	2.372.920
Other deposits	51.418.875	13.295.777	6.169.525	964.820	333.389	13.926.475	86.108.861
Funds from money market	3.085.947	1.558.317	673.882	287.140	-	-	5.605.286
Miscellaneous payables	-	-	-	-	-	7.268.299	7.268.299
Marketable securities issued	42.903	914.694	2.459.188	3.649.025	1.357.033	-	8.422.843
Funds borrowed from other financial institutions	4.382.703	8.251.969	5.071.658	1.361.128	224.109	-	19.291.567
Other liabilities and shareholders' equity	307.644	1.871.236	1.131.914	35.018	4.406.619	23.487.637	31.240.068
Total liabilities	59.831.490	26.560.667	15.942.262	6.431.162	6.321.150	45.223.113	160.309.844
Balance sheet long position	-	2.670.821	18.688.506	18.818.982	7.090.254	-	47.268.563
Balance sheet short position	(28.977.275)	-	-	-	-	(18.291.288)	(47.268.563)
Off-balance sheet long position	5.300.906	10.419.510	424.881	-	-	-	16.145.297
Off-balance sheet short position	-	-	-	(14.324.820)	(1.247.341)	-	(15.572.161)
Total position	(23.676.369)	13.090.331	19.113.387	4.494.162	5.842.913	(18.291.288)	573.136

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Notes to consolidated financial statements December 31, 2014 (continued)

(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	-	-	-	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.

Prior Period	EURO	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	0,01	-	-	-
Banks	2,43	1,22	-	8,18
Financial assets at fair value through profit/loss	2,34	4,59	-	8,53
Money market placements	0,50	-	-	8,48
Available-for-sale financial assets	5,41	6,75	-	9,36
Loans	4,88	4,97	4,93	12,35
Held-to-maturity investments	4,26	5,47	-	8,93
Liabilities⁽¹⁾				
Bank deposits	1,38	2,03	-	8,02
Other deposits	2,76	2,86	2,72	9,05
Funds from money market	-	0,89	-	9,01
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,50	4,55	-	8,13
Funds borrowed from other financial institutions	2,05	3,38	2,99	8,90

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

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Notes to consolidated financial statements December 31, 2014 (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, 2014 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	(1.859.156)	(7,53)%
TRY	(-)400 bp	1.777.453	7,19%
EUR	(+)200 bp	(108.509)	(0,44) %
EUR	(-)200 bp	146.928	0,59%
USD	(+)200 bp	18.473	0,07%
USD	(-)200 bp	115.327	0,47%
Total (for negative shock)		2.039.708	8,26%
Total (for positive shock)		(1.949.192)	(7,89)%

(1) The interest rate risk disclosed above is that of the Parent Bank.

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Notes to consolidated financial statements December 31, 2014 (continued)

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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, 2014.

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 covers the inability to fund increases in assets or to meet liabilities when they are due and other risks arising from transactions undertaken in illiquid markets. These risks contain maturity mismatch risk, emergency risk and market liquidity risk.

The main objective of the Parent Bank’s overall liquidity management is to ensure the continuity of the Bank’s payment obligations and sustain the level of payments availability in crisis time without risking the value and the brand name of the Bank. For this reason, two different models are defined: the current situation liquidity management and emergency situation liquidity management.

The current situation liquidity risk is monitored by the reports of short and long term liquidity. Short-term liquidity position is monitored on a daily basis including the legal Liquidity Adequacy Reports as to whether the position is within legal limits. Long-term liquidity position aims to ensure the financial stability of the balance sheet and is monitored on a monthly basis. On a monthly basis, the Asset and Liability Management function within the scope of the meetings of the Executive Board evaluates the Parent Bank’s liquidity position and actions are taken when necessary.

In cases when the future financial events require more liquidity than the Bank’s daily liquidity needs, “Emergency Situation Liquidity Plan” is considered where duties and responsibilities are defined in detail. Liquidity stress test scenarios are used to measure the Bank’s resistance to unexpected situations.

The Parent Bank issues bonds and obtains long-term bank loans to overcome the current short-term funding of the banking sector.

In accordance with the “Regulation on Measurement and Evaluation of Liquidity Adequacy of the Banks” published in the Official gazette numbered 26333 dated November 1, 2006 by BRSA, effective from June 1, 2007, liquidity ratio, calculated weekly and monthly, have to be at least 80% for the foreign currency asset / liability and 100% for the total asset / liability. Liquidity ratios realized in 2014 and 2013 are disclosed below.

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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)

Current Period ⁽¹⁾	First-term period (Weekly)		Second-term period (Monthly)	
	FC	Total	FC	Total
Average %	176,78	148,55	129,41	108,89
Highest %	252,17	164,87	158,85	114,85
Lowest %	132,76	135,78	107,44	102,67

Prior Period ⁽¹⁾	First-term period (Weekly)		Second-term period (Monthly)	
	FC	Total	FC	Total
Average %	178,20	151,90	123,96	111,46
Highest %	236,28	173,32	163,48	124,31
Lowest %	128,64	133,90	102,19	101,56

(1) The table disclosed above is that of the Parent Bank.

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	5.794.005	17.420.660	-	-	-	-	-	23.214.665
Banks	2.070.950	1.105.351	534.862	122.668	58.044	-	-	3.891.875
Financial assets at fair value through profit or loss	83	175.398	175.560	479.366	276.271	99.077	4.037	1.209.792
Money market placements Available-for-sale financial assets	69.551	274	992.520	3.345.796	5.292.982	8.929.364	43.610	18.674.097
Loans	-	20.004.603	12.380.436	26.926.042	39.570.094	26.652.892	1.273.042	126.807.109
Held-to-maturity Investments	-	46.660	82.744	60.395	1.803.357	3.563.213	-	5.556.369
Other assets ⁽¹⁾	2.507.330	2.059.337	870.641	1.627.618	3.147.921	557.056	3.266.145	14.036.048
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
Liabilities								
Bank deposits	406.111	1.457.118	161.294	487.985	31.301	-	-	2.543.809
Other deposits	16.230.143	56.203.929	27.010.539	4.620.103	814.992	207.116	-	105.086.822
Funds borrowed from other financial institutions	-	1.786.742	1.991.449	11.622.321	3.589.937	2.426.507	-	21.416.956
Funds from money market	-	7.737.585	725.194	116.054	195.919	-	-	8.774.752
Marketable securities issued	-	97.556	1.351.038	4.057.358	5.733.957	2.116.028	-	13.355.937
Miscellaneous payables	7.574.394	962.465	99.120	98.025	372	3	3.957	8.738.336
Other liabilities ⁽²⁾	400.466	509.024	412.717	832.301	3.805.710	5.466.710	23.615.165	35.042.093
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)	-
Prior Period								
Total assets	7.481.529	37.574.592	14.713.967	25.471.860	39.058.746	31.719.917	4.289.233	160.309.844
Total liabilities	16.247.289	62.486.139	17.470.562	20.867.130	14.352.892	8.253.890	20.631.942	160.309.844
Net liquidity gap	(8.765.760)	(24.911.547)	(2.756.595)	4.604.730	24.705.854	23.466.027	(16.342.709)	-

(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.

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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 to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
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

(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	68.537.766	14.643.476	6.818.324	1.363.732	421.669	91.784.967
Funds borrowed from other financial institutions	1.576.953	680.871	10.768.294	4.998.264	1.655.275	19.679.657
Funds from money market	3.096.150	1.567.308	678.563	298.811	-	5.640.832
Subordinated loans	-	75.410	287.226	3.277.800	5.465.517	9.105.953
Marketable securities issued	64.493	919.819	2.115.859	4.722.781	1.421.062	9.244.014
Total	73.275.362	17.886.884	20.668.266	14.661.388	8.963.523	135.455.423

(1) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

IX. Explanations on securitization positions:

None.

X. 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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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 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 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	47.824.642	2.363.879	-	-
Conditional and unconditional receivables from regional or local governments	850	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13.935	-	-	-
Conditional and unconditional receivables from multilateral development banks	190.172	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	39.612.259	11.723	-	-
Conditional and unconditional receivables from corporates	250.345.367	4.498.706	-	53.910
Conditional and unconditional retail receivables	111.311.495	342.916	-	20.332
Conditional and unconditional receivables secured by mortgages	16.094.730	-	-	-
Past due receivables	1.273.042	-	-	-
Receivables defined in high risk category by the Regulator	12.247.440	44.349	-	26
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other Receivables	4.676.956	-	-	-
Total	483.590.888	7.261.573	-	74.268

(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, 2014 (continued)

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Information related to financial position of the Group (continued)

XI. 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.

XII. 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	156.498.200	127.660.468	160.077.923	129.086.493
Due from money market	1.568.750	2.928.447	1.568.750	2.928.447
Banks	3.891.875	4.009.126	3.895.771	4.017.743
Available-for-sale financial assets	18.674.097	13.209.362	18.674.097	13.209.362
Held-to-maturity investments	5.556.369	6.889.603	5.818.301	6.888.193
Loans	126.807.109	100.623.930	130.121.004	102.042.748
Financial liabilities	157.912.409	129.945.471	158.543.370	130.146.903
Bank deposits	2.543.809	2.372.920	2.540.157	2.378.151
Other deposits	105.086.822	86.108.861	105.304.517	86.180.373
Funds borrowed from other financial institutions	21.416.956	19.291.567	21.513.899	19.307.177
Subordinated loans	6.770.549	6.480.981	6.855.936	6.556.485
Marketable securities issued	13.355.937	8.422.843	13.590.525	8.456.418
Miscellaneous payables	8.738.336	7.268.299	8.738.336	7.268.299

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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 7, "Financial Instruments: Disclosures", 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)	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 (net)	-	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.

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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)

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	125.857	1.597.307	-	1.723.164
Government debt securities	54.967	-	-	54.967
Share certificates	20.719	-	-	20.719
Trading derivative financial assets	-	1.596.112	-	1.596.112
Other marketable securities	50.171	1.195	-	51.366
Available-for-sale financial assets	11.389.340	1.813.832	-	13.203.172
Government debt securities	11.278.626	-	-	11.278.626
Other marketable securities ⁽¹⁾	110.714	1.813.832	-	1.924.546
Hedging derivative financial assets	-	467.627	-	467.627
Total assets	11.515.197	3.878.766	-	15.393.963
Trading derivative financial liabilities		863.633		863.633
Hedging derivative financial liabilities		386.395		386.395
Total liabilities	-	1.250.028	-	1.250.028

(1) As of December 31, 2013, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 6.190 is not included.

In the current year, there is no transfer between Level 1 and Level 2.

XIII. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2014:

- 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, 2014 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)	20.360.998	78.251	439.791	17.508.859	160.252	386.395
Cross currency interest rate swap (FVH)	481.084	177.895	657	1.104.763	307.375	-
Total	20.842.082	256.146	440.448	18.613.622	467.627	386.395

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 21.105.415 (December 31, 2013 - TL 19.015.071) the total notional of derivative financial assets amounting to TL 41.947.497 (December 31, 2013 - TL 37.628.693) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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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	(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.

Priod Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value 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	(5.113)	307.375	-	(153.748)

(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 10.397.

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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, 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.

Priod 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	160.252	386.395	(115.117)	445.696

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 434.

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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, 2014 is EUR 275 million (December 31, 2013 - EUR 275 million). The foreign exchange loss of TL 215.653 net-off tax (December 31, 2013 - TL 241.119 foreign exchange loss), on translation of the borrowing to TL at the statement of financial position date is recognized in “hedging reserves” in equity.

XIV. 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.

XV. 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.

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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 and Russia. 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	3.154.995	1.984.536	193.161	247.468	505.294	2.654.658	(38.717)	8.701.395
Operating expenses continuing	(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⁾	-	-	-	-	-	9.351	-	9.351
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	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⁾	-	-	-	-	-	(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 (-)	-	-	-	-	-	(167)	-	(167)
Net period income from discontinued operations	-	-	-	-	-	-	-	-
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).

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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	3.041.777	1.705.313	159.474	194.003	790.654	2.331.393	(187.099)	8.035.515
Operating expenses continuing	(2.522.807)	(470.916)	(72.996)	(106.292)	(180.820)	(1.747.698)	6.062	(5.095.467)
Net operating income continuing	518.970	1.234.397	86.478	87.711	609.834	583.695	(181.037)	2.940.048
Dividend income ⁽²⁾	-	-	-	-	-	15.243	-	15.243
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	7.688	-	7.688
Profit before tax	518.970	1.234.397	86.478	87.711	609.834	606.626	(181.037)	2.962.979
Tax expense ⁽²⁾	-	-	-	-	-	(629.802)	-	(629.802)
Net period income from continuing operations	518.970	1.234.397	86.478	87.711	609.834	(23.176)	(181.037)	2.333.177
Minority interest (-)	-	-	-	-	-	(237)	-	(237)
Net period income from discontinued operations	-	-	-	-	-	1.326.012	-	1.326.012
Group income/loss	518.970	1.234.397	86.478	87.711	609.834	1.302.599	(181.037)	3.658.952
Segment assets ⁽³⁾	47.229.794	41.802.945	177.420	6.151.505	9.992.267	57.237.856	(2.746.083)	159.845.704
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	464.140	-	464.140
Total assets	47.229.794	41.802.945	177.420	6.151.505	9.992.267	57.701.996	(2.746.083)	160.309.844
Segment liabilities ⁽³⁾	34.135.357	35.600.735	18.846.849	5.007.946	8.235.977	42.989.422	(2.791.952)	142.024.334
Shareholders' equity	-	-	-	-	-	18.285.510	-	18.285.510
Total liabilities	34.135.357	35.600.735	18.846.849	5.007.946	8.235.977	61.274.932	(2.791.952)	160.309.844

- (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).

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Notes to consolidated financial statements December 31, 2014 (continued)

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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	1.696.981	584.111	1.287.182	519.407
The CBRT ⁽¹⁾	1.293.701	19.460.663	43.293	16.984.910
Other	-	179.209	-	155.957
Total	2.990.682	20.223.983	1.330.475	17.660.274

- (1) The balance of gold amounting to TL 3.302.860 is accounted for under the Central Bank foreign currency account (December 31, 2013 – TL 2.923.543).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ^{(1), (2)}	1.293.701	2.046.196	43.293	2.023.825
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽³⁾	-	17.414.467	-	14.961.085
Total	1.293.701	19.460.663	43.293	16.984.910

- (1) According to the letter received from BRSA on January 3, 2008, average reserve requirements balances monitored under CBRT demand deposit account.
- (2) In accordance with the announcement of CBRT numbered 2014-72 and dated October 21, 2014, interest payment on TL reserve balances (including the average balance) is started on quarterly basis, starting from November 2014.
- (3) 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, 2014, the Group's reserve deposits, including those at foreign banks, amount to TL 20.785.117 (December 31, 2013 - TL 17.068.838).

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, 2013 - None) and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2013 - None).

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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	48.509	3.088	79.156	19.853
Swap transactions	894.930	118.185	1.188.546	125.987
Futures transactions	-	-	-	-
Options	27.400	18.409	160.289	22.281
Other	-	-	-	-
Total	970.839	139.682	1.427.991	168.121

ç. Information on banks:

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	947.196	425.461	474.953	915.461
Foreign ⁽¹⁾	3.309	2.515.909	41.138	2.577.574
Head quarters and branches abroad	-	-	-	-
Total	950.505	2.941.370	516.091	3.493.035

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 66.936 (December 31, 2013 - 314.557 TL).

2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	1.151.961	1.130.877	111.270	187.412
USA, Canada	1.089.289	1.063.292	-	-
OECD countries ⁽¹⁾	23.963	56.753	-	-
Off-shore banking regions	123	206	-	-
Other	142.588	164.065	24	16.107
Total	2.407.924	2.415.193	111.294	203.519

(1) OECD countries except EU countries, USA and Canada.

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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 1.102.216 (December 31, 2013 - TL 718.291) and available-for-sale financial assets subject to repo transactions amounts to TL 4.607.767 (December 31, 2013 - TL 2.320.047).

e. Information on available-for-sale financial assets:

	Current Period	Prior Period
Debt securities	18.626.742	13.455.271
Quoted on stock exchange	17.095.631	11.761.398
Not quoted ⁽¹⁾	1.531.111	1.693.873
Share certificates	88.925	87.220
Quoted on stock exchange	177	163
Not quoted	88.748	87.057
Impairment provision (-) ⁽²⁾	(114.222)	(425.276)
Other ⁽³⁾	72.652	92.147
Total	18.674.097	13.209.362

(1) Includes credit linked notes amounting to TL 986.135 (December 31, 2013 - TL 989.937).

(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	29.825	536.763	20.756	450.294
Loans granted to employees	129.610	1.464	110.494	470
Total	159.435	538.227	131.250	450.764

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Notes to consolidated financial statements December 31, 2014 (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	121.409.873	1.457.751	-	4.124.194	1.548.463	28.765
Loans given to enterprises	54.567.274	230.384	-	1.175.819	687.276	7.582
Export loans	5.060.174	83.049	-	68.834	84.332	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3.548.044	-	-	44	-	-
Consumer loans	22.640.608	587.348	-	1.188.105	130.835	13.717
Credit cards	17.104.012	376.372	-	650.489	275.178	6.572
Other	18.489.761	180.598	-	1.040.903	370.842	894
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	121.409.873	1.457.751	-	4.124.194	1.548.463	28.765

(1) Fair value differences of the hedged item amounting to TL (10.516) are classified in other loans as explained in Note IV, Section XIII.

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	1.418.333	1.291.461
Extended by 3,4 or 5 times	22.072	249.326
Extended by more than 5 times	17.346	7.676
Total	1.457.751	1.548.463

Number of modifications made to extend payment plan ^{(1), (2), (3)}	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	754.974	412.524
6 - 12 Months	156.783	156.100
1 - 2 Years	266.973	236.451
2 - 5 Years	220.868	239.247
5 Years and over	58.153	504.141
Total	1.457.751	1.548.463

(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.

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Notes to consolidated financial statements December 31, 2014 (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	47.002.581	583.154	929.235	326.326
Non-specialised loans	47.002.581	583.154	929.235	326.326
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	72.949.541	874.597	1.617.731	1.250.902
Non-specialised loans	72.949.541	874.597	1.617.731	1.250.902
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	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

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	60.910.810	17.618.500	18.488.941	3.813.930	2.091.266	102.923.447
Watch list	1.236.814	887.111	293.682	92.780	43.659	2.554.046
Loans under legal follow-up	2.356.081	839.916	437.076	240.940	80.419	3.954.432
Specific provisions (-)	(1.599.397)	(557.204)	(288.400)	(170.278)	(73.009)	(2.688.288)
Total	62.904.308	18.788.323	18.931.299	3.977.372	2.142.335	106.743.637

(ii) Fair value of collaterals:

Current 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

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	369.311	410.304	-	40.425	-	820.040
Loans under legal follow-up ⁽¹⁾	373.350	42.900	-	50.917	-	467.167
Total	742.661	453.204	-	91.342	-	1.287.207

(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”.

(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, 2014 (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	203.395	22.684.067	22.887.462
Real estate loans	7.900	10.860.952	10.868.852
Automotive loans	4.517	671.636	676.153
Consumer loans	1.932	97.707	99.639
Other	189.046	11.053.772	11.242.818
Consumer loans-FC indexed	-	59.126	59.126
Real estate loans	-	58.425	58.425
Automotive loans	-	-	-
Consumer loans	-	701	701
Other	-	-	-
Consumer loans-FC	48.146	221.421	269.567
Real estate loans	464	31.951	32.415
Automotive loans	8.564	31.100	39.664
Consumer loans	15.704	114.405	130.109
Other	23.414	43.965	67.379
Individual credit cards-TL	12.694.359	714.918	13.409.277
With installments	6.595.800	709.479	7.305.279
Without installments	6.098.559	5.439	6.103.998
Individual credit cards-FC	1.144	76.075	77.219
With installments	1.144	76.075	77.219
Without installments	-	-	-
Personnel loans-TL	5.651	54.547	60.198
Real estate loans	-	1.179	1.179
Automotive loans	-	526	526
Consumer loans	-	-	-
Other	5.651	52.842	58.493
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	558	956	1.514
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	435	715	1.150
Other	123	241	364
Personnel credit cards-TL	65.367	538	65.905
With installments	29.938	538	30.476
Without installments	35.429	-	35.429
Personnel credit cards-FC	6	819	826
With installments	6	819	826
Without installments	-	-	-
Credit deposit account-TL (real person)⁽¹⁾	550.716	-	550.716
Credit deposit account-FC (real person)	130	-	130
Total	13.569.472	23.812.467	37.381.940

(1) TL 1.167 of the credit deposit account belongs to the loans used by personnel.

(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, 2014 (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		Total
	Short- term	Medium and long-term	
Commercial installments loans-TL	924.361	8.399.319	9.323.680
Business loans	3.575	610.039	613.614
Automotive loans	40.627	1.819.332	1.859.959
Consumer loans	2.807	17.257	20.064
Other	877.352	5.952.691	6.830.043
Commercial installments loans-FC indexed	25.484	258.613	284.097
Business loans	-	16.126	16.126
Automotive loans	112	62.857	62.969
Consumer loans	116	-	116
Other	25.256	179.630	204.886
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	4.194.635	6.639	4.201.274
With installment	2.736.029	6.330	2.742.359
Without installment	1.458.606	309	1.458.915
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Credit deposit account-TL (legal person)	893.675	-	893.675
Credit deposit account-FC (legal person)	-	-	-
Total	6.038.155	8.664.571	14.702.726

7. Loans according to types of borrowers:

	Current Period	Prior Period
Public	1.698.012	997.751
Private	123.836.055	98.438.107
Total	125.534.067	99.435.858

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	122.057.842	95.921.730
Foreign loans	3.476.225	3.514.128
Total	125.534.067	99.435.858

(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, 2014 (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	88.339	88.320
Indirect loans granted to associates and subsidiaries	-	-
Total	88.339	88.320

10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	97.558	117.677
Loans and other receivables with doubtful collectability	484.214	428.790
Uncollectible loans and other receivables	2.524.509	1.898.534
Total	3.106.281	2.445.001

Current 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

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.042.729	291.018	264.167	1.597.914
Allowance for impairment	781.016	578.849	310.325	1.670.190
Amount recovered during the period	(213.101)	(313.342)	(83.666)	(610.109)
Loans written off during the period as uncollectible ⁽¹⁾	(20.526)	(400)	(202.472)	(223.398)
Exchange difference	9.279	1.079	46	10.404
December 31	1.599.397	557.204	288.400	2.445.001

(1) Also includes the effects of the sales of non-performing loan portfolios.

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (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 collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current 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	-	-	-
Prior Period			
(Gross amounts before specific reserves)	8.048	52.709	236.784
Restructured loans and other receivables	8.048	52.709	236.784
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	630.585	929.114	2.073.374
Additions (+)	2.017.354	118.364	102.101
Transfers from other categories of non-performing loans (+)	-	1.760.502	1.488.725
Transfer to other categories of non-performing loans (-)	(1.760.502)	(1.488.725)	-
Collections (-)	(264.442)	(263.018)	(493.664)
FX valuation differences	(1.367)	1.476	(8.733)
Write-offs (-)	-	-	(461.821)
Corporate and commercial loans	-	-	(149.174)
Consumer loans	-	-	(97.510)
Credit cards	-	-	(215.137)
Other	-	-	-
Current Period	621.628	1.057.713	2.699.982
Specific provision (-)	(97.558)	(484.214)	(2.524.509)
Net balance on balance sheet	524.070	573.499	175.473

The Parent Bank sold part of its non-performing loan portfolios to various asset management companies for a consideration of TL 52.270, in accordance with the Board of Directors' decisions during the year 2014.

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Notes to consolidated financial statements December 31, 2014 (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	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
Prior Period			
Period end balance	120.948	22.122	433.876
Specific provision (-)	(23.691)	(12.633)	(289.984)
Net balance on-balance sheet	97.257	9.489	143.892

(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)	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⁾	-	-	-
Prior Period (net)	512.908	500.324	174.840
Loans granted to real persons and corporate entities (gross)	630.585	929.114	1.964.796
Specific provision amount (-)	(117.677)	(428.790)	(1.789.956)
Loans granted to real persons and corporate entities (Net)	512.908	500.324	174.840
Banks (gross)	-	-	24.582
Specific provision amount (-)	-	-	(24.582)
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.

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Notes to consolidated financial statements December 31, 2014 (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 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 1.619.980 (December 31, 2013 - TL 1.398.334). Held-to-maturity investments subject to repurchase agreements amount to TL 2.143.948 (December 31, 2013 - TL 1.968.378).

2. Information on government debt securities held-to-maturity:

	Current Period	Prior Period
Government bond	5.242.386	6.527.368
Treasury bill	-	-
Other debt securities	313.983	362.235
Total	5.556.369	6.889.603

3. Information on investment securities held-to-maturity:

	Current Period	Prior Period
Debt securities	5.678.909	7.020.246
Quoted on stock exchange	5.678.909	7.020.246
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(122.540)	(130.643)
Total	5.556.369	6.889.603

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

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Notes to consolidated financial statements December 31, 2014 (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	6.889.603	5.827.694
Foreign currency differences on monetary assets ⁽¹⁾	201.600	645.086
Purchases during year	834.017	634.403
Disposals through sales and redemptions ⁽³⁾	(2.376.954)	(126.415)
Impairment provision (-) ⁽²⁾	8.103	(91.165)
Period end balance	5.556.369	6.889.603

(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.

(3) In 2013, Yapı Kredi NV has classified its USD 63.385 thousand and EUR 7.250 thousand nominal value of foreign currency denominated securities from available for sale portfolio to held to maturity portfolio in accordance with the TAS 39 relevant paragraphs.

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/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Türkiye	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	105.453	88.452	52.574	3.178	-	18.547	28.149	-
2	52.777	30.264	32.405	681	-	7.882	4.171	-

(1) Financial statement information disclosed above shows September 30, 2014 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/Türkiye	-	20,00

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

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Notes to consolidated financial statements December 31, 2014 (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	6.267.421	875.236	5.379	114.242	19.169	50.601	26.162	-
2	1.040.433	254.520	23.379	44.013	18.071	97.058	48.239	-

(iii). Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	446.961	193.934
Movements during the period	9.623	253.027
Purchases ⁽¹⁾	-	188.108
Bonus shares obtained	-	-
Share of current year income	34.164	15.773
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries	(5.046)	51.729
Impairment provision ⁽²⁾	(19.495)	(2.583)
Balance at the end of the period	456.584	446.961
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes repurchase of 19,93% of YKE.

(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	260.370	253.462
Insurance companies	196.214	193.499
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	456.584	446.961

(v). Investments in associates quoted on stock exchange: None.

(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, 2014 (continued)

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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	-	-	-	-	-
Marketable Securities Valuation Differences	13.613	-	-	-	(3.887)
Other Capital Reserves	93.423	-	(217.104)	-	-
Legal reserves	70.137	8.034	79.305	18.878	-
Extraordinary reserves	193.207	10.458	619.019	-	373.243
Other reserves	(94)	(10)	40	-	245.472
Profit/loss	(678)	153.865	430.606	21.386	50.566
Current period net profit	69.268	46.971	152.365	21.386	50.566
Prior period profit	(69.946)	106.894	278.241	-	-
Leasehold improvements (-)	-	-	-	-	-
Intangible assets (-)	2.277	74	3.390	710	522
Total core capital	466.249	232.987	1.298.404	45.261	777.314
Supplementary capital	-	10.127	25.523	-	158
Capital	466.249	243.114	1.323.927	45.261	777.472
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	466.249	243.114	1.323.927	45.261	777.472

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, 2014.

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, 2014 (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.	İstanbul/Türkiye	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99

(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	21.267	16.151	862	5	-	2.436	1.412	-
2	39.345	26.310	3.799	1.663	8	903	932	-

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	İstanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	İstanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	İstanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	İstanbul/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 Sticking Custody Services YKB.

(2) Includes the balances for Yapı Kredi Invest LLC.

(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, 2014 (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	226.643	226.537	-	-	-	351	(211)	-	-
2	3.219.331	473.030	10.827	120.215	3.638	69.268	269.067	-	-
3	2.808.850	233.061	596	150.598	-	46.971	147.894	-	-
4	487.574	106.623	6.894	31.761	3.455	19.423	20.311	-	-
5	5.521.625	1.301.794	4.076	334.592	-	152.365	139.445	-	-
6	54.659	45.971	1.645	2.227	209	21.386	23.408	-	-
7	4.750.973	777.836	1.684	207.803	11.120	50.566	41.778	-	-
8	1.049.870	204.272	59.179	94.366	744	21.004	3.219	-	-
9	168.909	168.895	2.891	363	-	(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, 2014.

(iii). Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	2.363.467	3.817.879
Movements during the period	71.083	(1.454.412)
Purchases ⁽¹⁾	124.138	71.129
Free shares obtained profit from current years share	-	15.107
Share of current year income	-	-
Sales	-	-
Liquidation ⁽²⁾	(39.558)	-
Transfers	-	(1.410.080)
Revaluation (decrease) / increase	(13.497)	(130.568)
Impairment provision	-	-
Balance at the end of the period	2.434.550	2.363.467
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.

(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Priod Period
Banks	525.238	397.955
Insurance companies	-	-
Factoring companies	328.859	375.349
Leasing companies	908.760	917.855
Finance companies	-	-
Other financial subsidiaries	671.693	672.308
Total financial subsidiaries	2.434.550	2.363.467

(v). Subsidiaries quoted on stock exchange:

None (December 31, 2013 - 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, 2014 (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	Current assets	Non- current assets	Long term debts	Income	Expense
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	68.332	116.537	-	95.369	(66.412)
Total			68.332	116.537	-	95.369	(66.412)

i. Information on lease receivables (net):

- 1) Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.906.241	1.577.071	1.895.389	1.618.416
Between 1- 4 years	2.780.122	2.273.797	2.452.443	2.120.668
More than 4 years	1.283.932	1.154.382	269.856	238.288
Total	5.970.295	5.005.250	4.617.688	3.977.372

- 2) Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	1.660.553	4.309.742	1.257.705	3.359.983
Unearned financial income from leases (-)	(333.304)	(631.741)	(233.531)	(406.785)
Amount of cancelled leases (-)	-	-	-	-
Total	1.327.249	3.678.001	1.024.174	2.953.198

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	177.895	-	307.375	-
Cash flow hedge ⁽¹⁾	78.251	-	155.444	4.808
Foreign net investment hedge	-	-	-	-
Total	256.146	-	462.819	4.808

(1) Explained in the note XIII of Section IV.

(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, 2014 (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	1.977.369	422.378	3.745	942.201	3.345.693
Accumulated depreciation (-)	(1.386.192)	(323.504)	(1.989)	(617.467)	(2.329.152)
Net book value	591.177	98.874	1.756	324.734	1.016.541
Current Period					
Net book value at beginning of the period	591.177	98.874	1.756	324.734	1.016.541
Additions	48	6.122	32	313.873	320.075
Disposals (-), net	(800)	(49)	(47)	(46.321)	(47.217)
Reversal of impairment, net	925	-	47	-	972
Impairment (-)	-	-	-	-	-
Depreciation (-)	(39.819)	(34.256)	(367)	(93.270)	(167.712)
Foreign exchange differences, net	(3.794)	1.621	(128)	(10.571)	(12.872)
Net book value at end of the period	547.737	72.312	1.293	488.445	1.109.787
Cost at the end of the period	1.966.626	394.322	3.404	986.814	3.351.166
Accumulated depreciation at the period end (-)	(1.418.889)	(322.010)	(2.111)	(498.369)	(2.241.379)
Current Period	547.737	72.312	1.293	488.445	1.109.787

As of December 31, 2014, the Parent Bank had total provision for impairment amounting to TL 326.748 (December 31, 2013 – TL 327.673) for the property and equipment.

l. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.393.590	1.361.391
Additions during the period	173.323	131.329
Unused and disposed items (-)	(217)	(183)
Sales of a subsidiary	-	(19.669)
Impairment reversal	-	-
Amortization expenses (-)	(110.151)	(80.594)
Foreign exchange valuation differences	821	1.316
Balance at the end of the period	1.457.366	1.393.590

m. Information on investment property:

None (December 31, 2013 - 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, 2014 (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
Temporary differences	934.405	187.183	1.004.869	201.149
Derivative financial liabilities	1.324.579	256.083	1.262.940	276.380
Securities portfolio valuation differences	17.344	3.468	18.499	3.700
Subsidiaries, investment in associates and share certificates	122.117	24.423	122.117	24.423
Other	844.582	170.007	562.614	113.756
Total deferred tax asset	3.243.027	641.164	2.971.039	619.408
Derivative financial assets	(1.484.690)	(297.640)	(2.176.864)	(447.867)
Valuation difference of securities portfolio	(587.640)	(117.430)	(206.816)	(41.366)
Property, equipment and intangibles, net	(255.343)	(40.638)	(225.745)	(34.602)
Other	(79.144)	(18.861)	(62.408)	(12.481)
Total deferred tax liability	(2.406.817)	(474.569)	(2.671.833)	(536.316)
Deferred tax asset, net⁽¹⁾	836.210	166.595	299.206	83.092

(1) Includes TL 2.439 deferred tax liabilities as of December 31, 2014.

Deferred tax expense amounting to TL 84.087 was recognized in profit and loss statement, whereas deferred tax income amounting to TL 172.108 was recognized directly in equity accounts for the period ended December 31, 2014.

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	159.395	139.653
Additions	64.578	66.982
Transfers ⁽¹⁾	-	1.410.080
Disposals (-), net	(63.481)	(1.453.446)
Impairment provision reversal	979	934
Impairment provision (-)	(566)	(302)
Depreciation (-)	(4.958)	(4.586)
Translation differences	(462)	80
Net book value at the end of the period	155.485	159.395
Cost at the end of the period	169.027	171.377
Accumulated depreciation at the end of the period (-)	(13.542)	(11.982)
Net book value at the end of the period	155.485	159.395

(1) As of July 12, 2013, the transfer of YKS's shares is completed.

As of December 31, 2014, the Group booked impairment provision on assets held for resale with an amount of TL 7.998 (December 31, 2013 - TL 8.411).

ö. Information on other assets:

As of December 31, 2014, other assets do not exceed 10% of the total assets.

(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, 2014 (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	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

(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	2.767.927	3	900.126	18.933.100	781.300	180.664	221.297	23.784.417
Foreign currency deposits	5.614.849	31.425	2.254.769	26.196.898	3.111.597	1.302.867	3.404.436	41.916.841
Residents in Turkey	4.643.375	26.860	2.128.111	25.732.386	1.577.097	784.777	1.526.998	36.419.604
Residents abroad	971.474	4.565	126.658	464.512	1.534.500	518.090	1.877.438	5.497.237
Public sector deposits	715.021	-	206.687	151	1.778	2.387.769	30	3.311.436
Commercial deposits	4.006.380	10	3.245.660	5.628.503	269.711	165.109	85.976	13.401.349
Other institutions deposits	75.070	-	198.765	1.132.227	255.756	851.554	3.759	2.517.131
Precious metals vault	747.228	-	1.579	114.459	43.762	96.790	173.869	1.177.687
Bank deposits	540.702	100.613	31.559	1.100.399	78.748	375.131	145.768	2.372.920
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	365.130	-	-	848.726	32.740	37.795	11.802	1.296.193
Foreign banks	9.110	100.613	31.559	251.673	46.008	337.336	133.966	910.265
Participation banks	166.462	-	-	-	-	-	-	166.462
Other	-	-	-	-	-	-	-	-
Total	14.467.177	132.051	6.839.145	53.105.737	4.542.652	5.359.884	4.035.135	88.481.781

(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, 2014 (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 ⁽¹⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	14.413.302	12.724.262	15.541.985	11.119.884
Foreign currency savings deposit	5.038.690	3.417.838	13.437.356	14.100.882
Other deposits in the form of savings deposits	453.318	638.262	300.290	423.714
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	6.348	6.329
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	89.998	65.355
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	58.781	3.942	54.945	735
Swap transactions	610.069	132.892	585.846	62.338
Futures transactions	-	-	-	-
Options	31.687	22.955	134.744	25.025
Other	-	-	-	-
Total	700.537	159.789	775.535	88.098

(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, 2014 (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	1.408.691	906.936	1.155.299	349.000
From foreign banks, institutions and funds	662.856	18.438.473	894.179	16.893.089
Total	2.071.547	19.345.409	2.049.478	17.242.089

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.394.185	9.627.189	1.627.155	8.733.133
Medium and long-term	677.362	9.718.220	422.323	8.508.956
Total	2.071.547	19.345.409	2.049.478	17.242.089

ç. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.638.373	1.712.209	1.165.920	827.050
Asset backed securities	-	3.054.498	-	2.576.083
Bonds	1.648.691	5.302.166	493.857	3.359.933
<i>Collateralized securities</i>	462.642	-	462.691	-
Total	3.287.064	10.068.873	1.659.777	6.763.066

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, 2014, the total amount of financial liabilities classified as fair value through profit/loss is TL 1.163.996 and the fair value difference is TL 5.673 recognised in the income statement as income.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (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, 2014, 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, 2013 - 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⁾	657	-	-	-
Cash flow hedge ⁽¹⁾	228.442	211.349	30.573	355.822
Foreign net investment hedge	-	-	-	-
Total	229.099	211.349	30.573	355.822

(1) Explained in Note XIII. of Section IV.

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	1.489.110	1.205.781
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	61.798	60.329
II. Provisions for second group loans and receivables	194.464	104.333
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	55.839	26.777
Provisions for non-cash loans	84.796	65.880
Other	159.451	144.879
Total	1.927.821	1.520.873

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, 2014 (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 (%)	3,50	4,78
Possibility of being eligible for retirement (%)	94,11	94,59

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 3.541,37 effective from January 1, 2015 (January 1, 2014 - full TL 3.438,22) 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	122.718	142.207
Changes during the period	28.456	35.264
Recognized in equity	21.194	(20.590)
Paid during the period	(31.631)	(36.712)
Foreign currency differences	397	2.549
Balance at the end of the period	141.134	122.718

In addition, the Group has accounted for unused vacation rights provision amounting to TL 136.910 as of December 31, 2014 (December 31, 2013 - TL 115.317).

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

As of December 31, 2014, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 25.125 (December 31, 2013 - TL 691). 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	654.901	767.131
Provisions on unindemnified non cash loans	82.424	73.790
Provisions on credit cards and promotion campaigns related to banking services	35.877	28.804
Provision on export commitment tax and funds liability	44.489	41.007
Other	155.270	200.893
Total	972.961	1.111.625

(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, 2014 (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	209.470
Total	180.211	209.470

5. Pension fund provision:

The Parent Bank provided provision amounting to TL 654.901 (December 31, 2013 – TL 767.131) 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	112.230	60.046

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	1.621.901	1.635.549
- Pension benefits transferable to SSI	1.658.083	1.543.740
- Post employment medical benefits transferable to SSI	(36.182)	91.809
Fair value of plan assets	(967.000)	(868.418)
Provision for the actuarial deficit of the pension fund	654.901	767.131

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 the mortality table based on statistical data, as 13 years for men and 18 years for women who retire at the age of 66 and 64, respectively.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Government bonds and treasury bills	190.168	20	178.678	21
Premises and equipment	138.997	14	304.423	35
Bank placements	570.814	59	339.980	39
Short term receivables	52.549	6	30.219	3
Other	14.472	1	15.118	2
Total	967.000	100	868.418	100

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (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	179.027	30.573
Taxation of Marketable Securities	94.719	71.659
Property Tax	2.411	2.000
Banking Insurance Transaction Tax (“BITT”)	79.811	62.360
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	10.766	7.122
Other	30.592	25.650
Total	397.326	199.364

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	239	187
Social security premiums - employer	280	219
Bank pension fund premiums - employee	11.981	9.751
Bank pension fund premiums - employer	12.397	10.146
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	855	695
Unemployment insurance - employer	1.711	1.392
Other	-	-
Total	27.463	22.390

(iii) Information on deferred tax liability:

There is a deferred tax liability amounting to TL 2.439 as of December 31, 2014 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, 2013 – TL 1.321).

h. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	6.770.549	-	6.480.981
From other foreign institutions	-	-	-	-
Total	-	6.770.549	-	6.480.981

(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, 2014 (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
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, 2013 - 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 ⁽¹⁾	-	-	-	-
Available for sale securities	193.539	197.929	(241.315)	123.197
Valuation differences	193.539	197.929	(241.315)	(123.197)
Foreign currency differences ⁽¹⁾	-	-	-	-
Total	193.539	197.929	(241.315)	123.197

(1) Includes current period foreign currency differences.

(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, 2014 (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	2.527	64.792
Current period income/(loss)	167	237
Dividends paid	(47)	(678)
Translation differences	-	(380)
Transaction done with minority ⁽²⁾	(2.185)	(33.352)
Other ⁽¹⁾	-	(28.092)
Period ending balance	462	2.527

(1) Includes the change in the consolidation due to the sales of YKS shares.

(2) Includes the change of the minority purchased of YKYO which is liquidated.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2014 (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	25.612.776	21.610.762
Loan granting commitments	8.125.659	6.394.154
Commitments for cheques	5.981.382	5.385.711
Other irrevocable commitments	6.703.313	11.657.414
Total	46.423.130	45.048.041

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 84.796 (December 31, 2013 - TL 65.880) and specific provision amounting to TL 381.510 (December 31, 2013 - TL 334.113) for non-cash loans which are not indemnified yet amounting to TL 82.424 (December 31, 2013 - TL 73.790).

- 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	126.982	118.686
Letter of credits	7.859.833	6.710.481
Other guarantees and collaterals	2.774.812	3.611.450
Total	10.761.627	10.440.617

- 2(ii). Guarantees, surety ships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.825.976	1.275.206
Definite letter of guarantees	27.510.437	18.915.412
Advance letter of guarantees	4.339.852	4.459.399
Letter of guarantees given to customs	2.069.847	1.373.468
Other letter of guarantees	2.249.100	1.623.814
Total	37.995.212	27.647.299

(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, 2014 (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	1.980.658	1.384.229
With original maturity of 1 year or less than 1 year	360.254	146.909
With original maturity of more than 1 year	1.620.404	1.237.320
Other non-cash loans	46.776.181	36.703.687
Total	48.756.839	38.087.916

3(ii) Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	196.602	1,22	328.672	1,00	149.219	1,15	286.469	1,14
Farming and raising livestock	160.024	1,00	286.518	0,87	120.504	0,93	250.704	1,00
Forestry	30.413	0,19	19.070	0,06	23.781	0,18	15.860	0,06
Fishing	6.165	0,04	23.084	0,07	4.934	0,04	19.905	0,08
Manufacturing	6.906.723	43,21	15.750.516	48,06	5.435.621	42,14	11.128.192	44,17
Mining	861.448	5,39	1.329.664	4,06	784.397	6,08	823.901	3,27
Production	5.354.725	33,50	12.607.283	38,47	4.052.815	31,42	8.794.606	34,91
Electric, gas and water	690.550	4,32	1.813.569	5,53	598.409	4,64	1.509.685	5,99
Construction	4.071.437	25,47	6.709.671	20,47	3.395.001	26,32	6.347.603	25,20
Services	2.937.242	18,38	6.898.215	21,05	2.791.833	21,64	5.097.488	20,25
Wholesale and retail trade	1.381.946	8,65	2.632.317	8,03	1.171.783	9,08	2.327.424	9,24
Hotel, food and beverage services	118.296	0,74	303.617	0,93	120.130	0,93	136.859	0,54
Transportation and telecommunication	363.853	2,28	1.570.946	4,79	332.783	2,58	568.268	2,26
Financial institutions	340.457	2,13	1.365.876	4,17	722.895	5,60	1.066.851	4,24
Real estate and renting services	248.093	1,55	306.883	0,94	144.743	1,12	419.479	1,67
Self-employment services	-	-	-	-	-	-	-	-
Education services	18.842	0,12	3.697	0,01	18.745	0,15	4.124	0,02
Health and social services	465.755	2,91	714.879	2,18	280.754	2,18	574.483	2,28
Other	1.871.219	11,72	3.086.542	9,42	1.127.284	8,75	2.329.206	9,24
Total	15.983.223	100,00	32.773.616	100,00	12.898.958	100,00	25.188.958	100,00

(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, 2014 (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	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

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	12.663.136	14.776.419	155.264	52.480
Bank acceptances	-	118.517	-	169
Letters of credit	1.208	6.709.273	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	79.350	3.532.100	-	-
Total	12.743.694	25.136.309	155.264	52.649

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 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
Prior Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of guarantee	14.985.676	3.699.173	8.030.583	931.867	27.647.299
Bank acceptances	118.686	-	-	-	118.686
Other	328.556	1.731.701	1.156.224	394.969	3.611.450
Total	19.633.812	7.634.224	9.492.248	1.327.632	38.087.916

(1) The distribution is based on the original maturities.

(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, 2014 (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)	95.117.720	87.093.268
FC trading forward transactions	7.119.997	9.463.616
Trading swap transactions	78.505.376	64.982.398
Futures transactions	-	-
Trading option transactions	9.492.347	12.647.254
Interest related derivative transactions (II)	23.052.540	15.426.976
Forward interest rate agreements	-	-
Interest rate swaps	15.959.242	10.566.324
Interest rate options	7.093.298	4.860.652
Interest rate futures	-	-
Other trading derivative transactions (III)	9.343.196	2.482.678
A. Total trading derivative transactions (I+II+III)	127.513.456	105.002.922
Types of hedging derivative transactions		
Transactions for fair value hedge	1.180.422	2.610.975
Cash flow hedges	40.767.075	35.017.718
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	41.947.497	37.628.693
Total derivative transactions (A+B)	169.460.953	142.631.615

c. Information on credit derivatives and risk exposures:

Derivative portfolio of the Group includes credit default swaps for TL 1.217.430 for the period ended December 31, 2014. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2013 – TL 1.210.160).

ç. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 81.056 (December 31, 2013 – TL 68.691) for litigations against the Group and has accounted for it in accompanying consolidated 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.

d. 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.

(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, 2014 (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⁾	4.025.822	262.885	3.244.278	219.177
Medium/long-term loans ⁽¹⁾	3.787.374	1.737.098	2.901.328	1.305.086
Interest on loans under follow-up	100.029	533	104.305	2.408
Premiums received from resource utilisation support fund	-	-	-	-
Total	7.913.225	2.000.516	6.249.911	1.526.671

(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	102.265	10	75.974	9.747
From foreign banks	5.047	15.629	3.480	17.087
Headquarters and branches abroad	-	-	-	-
Total	107.312	15.639	79.454	26.834

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	2.143	1.235	8.451	2.695
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.215.336	203.432	726.968	377.084
From held-to-maturity investments	239.032	199.986	266.457	158.184
Total	1.456.511	404.653	1.001.876	537.963

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interests received from associates and subsidiaries			4.534	2.824

(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, 2014 (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	134.228	708.634	94.565	683.336
The CBRT	-	-	-	-
Domestic banks	46.169	9.536	36.690	11.975
Foreign banks	88.059	699.098	57.875	671.361
Headquarters and branches abroad	-	-	-	-
Other institutions	20	8.125	-	364
Total⁽¹⁾	134.248	716.759	94.565	683.700

(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	1.463	1.188

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	242.454	271.428	121.263	148.959
Total	242.454	271.428	121.263	148.959

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	294	9.677	398	135	2.691	-	-	13.195	13.685
Saving deposit	1	76.397	1.918.995	85.047	38.918	17.091	-	2.136.449	1.580.452
Public sector deposit	-	32	2.895	51	45	-	-	3.023	795
Commercial deposit	44	174.465	854.749	137.599	48.224	8.540	-	1.223.621	808.536
Other deposit	-	10.258	283.170	37.040	114.743	512	-	445.723	351.795
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	339	270.829	3.060.207	259.872	204.621	26.143	-	3.822.011	2.755.263
FC									
Foreign currency deposit	3.135	171.952	583.707	43.798	33.526	86.911	-	923.029	776.673
Bank deposit	87	4.299	4.557	5.415	10.302	1.086	-	25.746	23.076
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	649	1.451	137	231	33	-	2.501	2.665
Total	3.222	176.900	589.715	49.350	44.059	88.030	-	951.276	802.414
Grand total	3.561	447.729	3.649.922	309.222	248.680	114.173	-	4.773.287	3.557.677

(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, 2014 (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	3.235
Other	9.319	12.008
Total	9.351	15.243

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

	Current Period	Prior Period
Gain	37.037.115	30.378.541
Gain from capital market transactions	310.974	630.378
Derivative financial transaction gains	8.269.427	10.527.461
Foreign exchange gains	28.456.714	19.220.702
Loss(-)	(37.273.769)	(29.990.815)
Loss from capital market transactions	(32.173)	(58.559)
Derivative financial transaction losses	(9.548.672)	(8.915.394)
Foreign exchange loss	(27.692.924)	(21.016.862)
Net gain/loss	(236.654)	387.726

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 707.009 (December 31, 2013 - TL 2.213.911 loss).

e. Information on other operating income:

Other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets.

(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, 2014 (continued)

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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	1.321.488	1.158.549
III. Group loans and receivables	47.437	33.343
IV. Group loans and receivables	130.539	69.695
V. Group loans and receivables	1.143.512	1.055.511
General provision expenses	467.753	233.042
Provision expense for possible risks	25.256	57.854
Marketable securities impairment expenses ⁽¹⁾	55.459	31.124
Financial assets at fair value through profit or loss	565	1.436
Available-for-sale financial assets	54.894	29.688
Impairment of investments in associates, subsidiaries and held-to-maturity securities	35.360	32.081
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	35.360	32.081
Other	33.413	39.471
Total	1.938.729	1.552.121

(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	1.710.692	1.456.388
Reserve for employee termination benefits	520	7.652
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	167.712	164.747
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	110.151	80.594
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	566	302
Depreciation expenses of assets held for resale	4.958	4.586
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.400.631	1.193.135
Operational lease expenses	205.467	172.856
Repair and maintenance expenses	83.428	68.083
Advertising expenses	136.166	114.012
Other expense	975.570	838.184
Loss on sales of assets	32.400	304
Other	718.651	635.638
Total	4.146.281	3.543.346

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Notes to consolidated financial statements December 31, 2014 (continued)

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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 5.973.300 (December 31, 2013 -TL 5.066.435), net fee and commission income amounting to TL 2.343.015 (December 31, 2013 - TL 2.136.188) and total other operating expense amounting TL 4.146.281 (December 31, 2013 - TL 3.543.346).

As of December 31, 2014, the Group has no profit before taxes from discontinued operations (December 31, 2013 – TL 1.407.797).

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

As of December 31, 2014, the Group has current tax expense amounting to TL 784.504 (December 31, 2013 - TL 223.229) and deferred tax income amounting to TL 172.108 (December 31, 2013 - TL 406.573 deferred tax expense).

As at December 31, 2014 the Group has no current and deferred tax income / (expense) related to discontinued operations (December 31, 2013 – TL 81.785 current tax expense and no deferred tax income / expense).

	Current Period	Prior Period
Profit before tax	2.668.578	4.370.776
Tax calculated at rate of 20%	533.716	874.155
Nondeductible expenses, discounts and other, net	78.680	(162.568)
Total	612.396	711.587

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	167	237

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.

(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, 2014 (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.

ç. 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, 2014 is TL 297.009 loss (December 31, 2013 – TL 115.117 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, 2014 is EUR 275 million (December 31, 2013 - EUR 275 million). The foreign exchange loss of TL 215.653 (December 31, 2013 - TL 241.119 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.

d. 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, 2014 (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	5.397.292	5.386.164
Cash and effectives	1.806.589	1.546.923
Demand deposits in banks	3.590.703	3.839.241
Cash equivalents	5.083.136	5.446.125
Interbank money market	2.922.052	2.768.409
Deposits in bank	2.161.084	2.677.716
Total cash and cash equivalents	10.480.428	10.832.289

- 3 (ii). Cash and cash equivalents at the end of the 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

b. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2014, the Group’s reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 20.785.117 (December 31, 2013 - TL 17.068.838).

(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, 2014 (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 314.960 (December 31, 2013 – TL 4.784.185 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 2.992.156 (December 31, 2013 - TL 837.563 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 121.307 as of December 31, 2014 (December 31, 2013 - TL 836.133 decrease).

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	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group’s risk group ⁽¹⁾⁽²⁾						
Loans 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 the Banking Act No. 5411.

(2) The information in table above includes loans and due from banks as well as marketable securities.

Prior Period	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
Group’s risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	35.480	2.559	361.814	403.915	777.335	937.437
Balance at the end of the period	88.320	3.769	127.213	450.294	903.056	1.029.707
Interest and commission income received⁽³⁾	2.824	30	9.817	2.348	65.738	13.047

(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.

(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, 2014 (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	6.688	15.788	15.480.464	8.646.705	6.544.935	8.339.879
End of the period	121.840	6.688	13.660.682	15.480.464	10.291.156	6.544.935
Interest expense on deposits	1.463	1.188	581.190	443.293	304.426	264.308

(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⁾	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⁾	-	-	442.253	300.627	659.635	432.403
End of the period ⁽³⁾	-	-	150.569	442.253	879.327	659.635
Total profit / loss	(11.463)	57	(1.830)	12.415	(75.049)	(32.013)
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / loss ⁽⁴⁾	-	-	-	-	-	-

(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 40.723 as of December 31, 2014 (December 31, 2012 - TL 43.220).

IX. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank ⁽¹⁾:

	Number	Number of Employees			
Domestic Branch	1.002	17.454			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total assets	Statutory share capital
Foreign Branch	1	3	Bahreyn	7.677.632	-
Off-Shore Banking Region Branch	-	-		-	-

(1) The values disclosed above are those of the Parent Bank.

(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, 2014 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

X. Explanations and notes related to subsequent events

In accordance with the decision taken in the Board of Directors Meeting held on January 19, 2015, it was decided to establish a company, with a paid-in capital amount up to 5.000.000 full TL paid by the Bank, which operates in information technology sector and provides software development, research/development and consultancy activities in İstanbul Teknik Üniversitesi ARI Teknokent Teknoloji Geliştirme Bölgesi and it was decided to authorize the Head Quarter of the Bank in order to apply for relevant regulatory approvals and authorizations.

(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, 2014 (continued)

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

Section six

Other Explanations and Notes

I. Other explanations on 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, 2014 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, 2015 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.