

Yapı ve Kredi Bankası A.Ş.

**Publicly announced consolidated financial statements
and related disclosures at December 31, 2015 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 auditor report

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

Report on the Consolidated Financial Statements

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

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

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

Independent Auditor’s responsibility

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

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

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

Opinion

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

Reports on arising from other regulatory requirements:

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

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

Additional paragraph for convenience translation to English:

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

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

Yaşar Bivas, SMMM
Partner

Istanbul, February 2, 2016

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

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

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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. Sticking 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.

Carlo VIVALDI
Chairman

H. Faik AÇIKALIN
Chief Executive Officer

Marco IANNACCONE
Chief Financial Officer

Gianni F.G. PAPA
Chairman of Audit
Committee

Füsun Akkal BOZOK
Member of Audit
Committee

B. Seda İKİZLER
Financial Reporting and Accounting
Executive Vice President

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

Name-Surname / Title : Barış Savur / International Reporting and Consolidation Manager
Telephone Number : (0212) 339 63 22
Fax Number : (0212) 339 61 05

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2015

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

Section One

General Information

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

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

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

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

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

In 2005, the Bank’s shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund (“SDIF”) were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities	Merger date	Merged entity
Yapı Kredi	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. (“Yapı Kredi Leasing”)	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. (“Yapı Kredi Faktoring”)	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. (“Yapı Kredi Portföy”)	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. (“Yapı Kredi Menkul”)	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. (“Yapı Kredi NV”)	July 2, 2007	Yapı Kredi NV

After the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

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

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

General information (continued)

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

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

Board of Directors Members:

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

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

Audit Committee Members:

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

General Manager and Deputy General Manager:

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

Yapı ve Kredi Bankası A.Ş.

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

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

General information (continued)

Assistant General Managers:

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

1) It is resolved by Board of Directors of Yapı ve Kredi Bankası A.Ş. at 21.10.2015 meeting that, as of January 1, 2016, due to Mr. S. Cihangir Kavuncu, Assistant General Manager responsible for Human Resources and Organization is taking another position within UniCredit Group as of January 1, 2016, Mr. M. Gökmen Uçar, who is currently Assistant General Manager responsible for Retail Credits, will be appointed as Assistant General Manager responsible for Human Resources and Organization; An application will be sent to BRSA to appoint Mr. Demir Karaaslan, who is currently Executive Vice President of Planning and Control - Financial Planning and Administration, as Assistant General Manager responsible for Retail Credits. The appointment will become effective unless an objection is received from BRSA within 7 working days.

(2) In accordance with the decision taken in the Board of Directors Meeting held on January 18, 2016, it is approved that effective from March 1, 2016, due to appointment of Mr. Marco Iannaccone, Assistant General Manager responsible for Financial Planning and Administration Management and Organization to another position within UniCredit Group, an application will be sent to BRSA to appoint Mr. Massimo Francese as Assistant General Manager responsible for Financial Planning and Administration Management and Organization.

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

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.555.712.396,07	%81.80	3.555.712.396,07	-

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

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

The Parent Bank's activities summarized in the article 3 of the articles of association are as follows:

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

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

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

Yapı ve Kredi Bankası A.Ş.

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

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

General information (continued)

As of December 31, 2015, the Parent Bank has 999 branches operating in Turkey and 1 branch in overseas (December 31, 2014 – 1.002 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2015, the Parent Bank has 18.262 employees (December 31, 2014 - 17.457 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the “Group” in these consolidated financial statements. As of December 31, 2015 the Group has 19.345 employees (December 31, 2014 - 18.534 employees).

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

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

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

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

All other subsidiaries are fully consolidated.

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

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

Section two Consolidated financial statements

I. Consolidated balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	3.463.676	23.925.271	27.388.947	2.990.682	20.223.983	23.214.665
II. Financial assets at fair value through profit or (loss) (net)	I-b	1.530.788	235.505	1.766.293	1.044.488	165.304	1.209.792
2.1 Trading financial assets		1.530.788	235.505	1.766.293	1.044.488	165.304	1.209.792
2.1.1 Government debt securities		51.614	14.492	66.106	69.529	25.622	95.151
2.1.2 Share certificates		8.040	-	8.040	4.037	-	4.037
2.1.3 Derivative financial assets held for trading		1.471.134	221.013	1.692.147	970.839	139.682	1.110.521
2.1.4 Other marketable securities	I-c	-	-	-	83	-	83
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	34.426	3.077.079	3.111.505	950.505	2.941.370	3.891.875
IV. Money markets		155.281	130.845	286.126	1.568.750	-	1.568.750
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		155.270	130.845	286.115	248.247	-	248.247
4.3 Receivables from reverse repurchase agreements		11	-	11	1.320.503	-	1.320.503
V. Financial assets available-for-sale (net)	I-d,e	18.641.714	4.198.490	22.840.204	15.321.839	3.352.258	18.674.097
5.1 Share certificates		44.200	210.818	255.018	43.210	400	43.610
5.2 Government debt securities		17.759.935	2.635.202	20.395.137	13.892.754	2.391.900	16.284.654
5.3 Other marketable securities		837.579	1.352.470	2.190.049	1.385.875	959.958	2.345.833
VI. Loans and receivables	I-f	99.153.273	54.864.716	154.017.989	84.713.077	42.094.032	126.807.109
6.1 Loans and receivables		97.731.030	54.758.065	152.489.095	83.654.068	41.879.999	125.534.067
6.1.1 Loans to bank's risk group		1.539.567	248.413	1.787.980	1.170.818	243.496	1.414.314
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		96.191.463	54.509.652	150.701.115	82.483.250	41.636.503	124.119.753
6.2 Loans under follow-up		5.618.346	574.961	6.193.307	3.762.524	616.799	4.379.323
6.3 Specific provisions (-)		(4.196.103)	(468.310)	(4.664.413)	(2.703.515)	(402.766)	(3.106.281)
VII. Factoring receivables		1.226.141	1.032.983	2.259.124	1.596.058	1.172.175	2.768.233
VIII. Held-to-maturity investments (net)	I-g	1.960.446	5.148.363	7.108.809	1.937.723	3.618.646	5.556.369
8.1 Government debt securities		1.960.446	4.658.180	6.618.626	1.927.769	3.314.617	5.242.386
8.2 Other marketable securities		-	490.183	490.183	9.954	304.029	313.983
IX. Investments in associates (net)	I-ğ	211.588	338.140	549.728	200.717	260.370	461.087
9.1 Consolidated based on equity method		207.085	338.140	545.225	196.214	260.370	456.584
9.2 Unconsolidated		4.503	-	4.503	4.503	-	4.503
9.2.1 Investments in financial associates		-	-	-	-	-	-
9.2.2 Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X. Subsidiaries (net)	I-h	7.300	-	7.300	2.300	-	2.300
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	2.300	-	2.300
XI. Joint ventures (net)	I-ı	20.851	-	20.851	19.054	-	19.054
11.1 Accounted based on equity method		20.851	-	20.851	19.054	-	19.054
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-i	1.614.761	5.247.500	6.862.261	1.327.249	3.678.001	5.005.250
12.1 Financial lease receivables		2.037.181	6.100.328	8.137.509	1.660.553	4.309.742	5.970.295
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(422.420)	(852.828)	(1.275.248)	(333.304)	(631.741)	(965.045)
XIII. Derivative financial assets held for hedging	I-j	954.773	6.268	961.041	256.146	-	256.146
13.1 Fair value hedge		257.144	-	257.144	177.895	-	177.895
13.2 Cash flow hedge		697.629	6.268	703.897	78.251	-	78.251
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2.733.389	34.095	2.767.484	1.061.686	48.101	1.109.787
XV. Intangible assets (net)	I-l	1.495.645	12.783	1.508.428	1.434.819	22.547	1.457.366
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		516.152	12.783	528.935	455.326	22.547	477.873
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		64.613	13.528	78.141	163.638	8.668	172.306
17.1 Current tax asset		2.763	8.660	11.423	-	3.272	3.272
17.2 Deferred tax asset	I-n	61.850	4.868	66.718	163.638	5.396	169.034
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	153.159	763	153.922	154.664	821	155.485
18.1 Held for sale purposes		153.159	763	153.922	154.664	821	155.485
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.821.607	1.758.172	3.579.779	1.536.347	1.092.687	2.629.034
Total assets		135.243.431	100.024.501	235.267.932	116.279.742	78.678.963	194.958.705

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of December 31, 2015 and 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

I. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	67.161.726	62.863.339	130.025.065	62.903.994	44.726.637	107.630.631
1.1 Deposits of the Bank's risk group		7.064.701	7.279.374	14.344.075	7.450.703	6.474.508	13.925.211
1.2 Other		60.097.025	55.583.965	115.680.990	55.453.291	38.252.129	93.705.420
II. Derivative financial liabilities held for trading	II-b	1.624.462	297.946	1.922.408	700.537	159.789	860.326
III. Funds borrowed	II-c	1.272.041	23.588.938	24.860.979	2.071.547	19.345.409	21.416.956
IV. Money markets		12.098.151	2.165.386	14.263.537	6.408.838	2.365.914	8.774.752
4.1 Funds from interbank money market		1.887.563	-	1.887.563	-	-	-
4.2 Funds from Istanbul stock exchange money market		1.960.438	-	1.960.438	2.572.663	-	2.572.663
4.3 Funds provided under repurchase agreements		8.250.150	2.165.386	10.415.536	3.836.175	2.365.914	6.202.089
V. Marketable securities issued (net)	II-ç	4.200.363	12.972.530	17.172.893	3.287.064	10.068.873	13.355.937
5.1 Bills		2.106.752	451.305	2.558.057	1.638.373	1.712.209	3.350.582
5.2 Asset backed securities		-	6.083.274	6.083.274	-	3.054.498	3.054.498
5.3 Bonds		2.093.611	6.437.951	8.531.562	1.648.691	5.302.166	6.950.857
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.055.012	1.739.669	9.794.681	7.057.974	1.680.362	8.738.336
VIII. Other liabilities	II-d	1.818.088	937.971	2.756.059	1.374.470	1.596.330	2.970.800
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables	II-e	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
XI. Derivative financial liabilities held for hedging	II-f	39.313	108.965	148.278	229.099	211.349	440.448
11.1 Fair value hedge		3.926	305	4.231	657	-	657
11.2 Cash flow hedge		35.387	108.660	144.047	228.442	211.349	439.791
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	2.961.036	1.021.950	3.982.986	2.651.981	707.056	3.359.037
12.1 General loan loss provision		1.702.877	924.394	2.627.271	1.297.235	630.586	1.927.821
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		279.020	21.493	300.513	261.025	17.019	278.044
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		979.139	76.063	1.055.202	1.093.721	59.451	1.153.172
XIII. Tax liability	II-ğ	614.290	5.163	619.453	420.462	6.766	427.228
13.1 Current tax liability		500.356	-	500.356	420.462	4.327	424.789
13.2 Deferred tax liability		113.934	5.163	119.097	-	2.439	2.439
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-h	-	6.635.191	6.635.191	-	6.770.549	6.770.549
XVI. Shareholders' equity	II-ı	22.857.536	228.866	23.086.402	20.178.005	35.700	20.213.705
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		2.648.597	228.866	2.877.463	1.582.046	36.194	1.618.240
16.2.1 Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(546.402)	261.490	(284.912)	193.539	197.929	391.468
16.2.4 Property and equipment revaluation differences		1.462.750	4.978	1.467.728	18.485	-	18.485
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Revaluation differences of investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures		4.503	-	4.503	4.503	-	4.503
16.2.8 Hedging funds (effective portion)		(9.083)	(34.866)	(43.949)	(350.926)	(161.735)	(512.661)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.192.948	(2.736)	1.190.212	1.172.564	-	1.172.564
16.3 Profit reserves		12.357.721	-	12.357.721	10.808.470	(494)	10.807.976
16.3.1 Legal reserves		751.512	-	751.512	641.000	-	641.000
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		11.148.251	-	11.148.251	9.815.284	-	9.815.284
16.3.4 Other profit reserves		457.958	-	457.958	352.186	(494)	351.692
16.4 Income or (loss)		3.503.693	-	3.503.693	3.439.976	-	3.439.976
16.4.1 Prior years' income or (loss)		1.595.010	-	1.595.010	1.383.961	-	1.383.961
16.4.2 Current year income or (loss)		1.908.683	-	1.908.683	2.056.015	-	2.056.015
16.5 Minority interest	II-ı	474	-	474	462	-	462
Total liabilities and shareholders' equity		122.702.018	112.565.914	235.267.932	107.283.971	87.674.734	194.958.705

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of December 31, 2015 and 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

II. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (II+III)		158.377.335	210.923.096	369.300.431	118.310.117	146.577.194	264.887.311
I. Guarantees and warranties	III-a-2,3	18.076.523	39.567.673	57.644.196	15.983.223	32.773.616	48.756.839
1.1 Letters of guarantee		18.031.594	27.139.408	45.171.002	15.913.418	22.081.794	37.995.212
1.1.1 Guarantees subject to state tender law		522.480	1.134.886	1.657.366	503.713	716.911	1.220.624
1.1.2 Guarantees given for foreign trade operations		2.329.832	25.797.251	28.127.083	2.316.159	21.151.474	23.467.633
1.1.3 Other letters of guarantee		15.179.282	207.271	15.386.553	13.093.546	213.409	13.306.955
1.2 Bank acceptances		-	173.524	173.524	-	126.982	126.982
1.2.1 Import letter of acceptance		-	173.524	173.524	-	126.982	126.982
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		11.483	8.032.380	8.043.863	3	7.859.830	7.859.833
1.3.1 Documentary letters of credit		11.483	8.032.016	8.043.499	3	7.859.528	7.859.531
1.3.2 Other letters of credit		-	364	364	-	302	302
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		33.446	1.430.529	1.463.975	69.802	788.994	858.796
1.9 Other warranties		-	2.791.832	2.791.832	-	1.916.016	1.916.016
II. Commitments	III-a-1	60.273.748	26.425.811	86.699.559	42.919.920	3.749.599	46.669.519
2.1 Irrevocable commitments		59.611.290	19.308.750	78.920.040	42.919.920	3.503.210	46.423.130
2.1.1 Asset purchase and sale commitments		13.018.015	17.850.821	30.868.836	937.272	2.205.515	3.142.787
2.1.2 Deposit purchase and sales commitments		-	-	-	-	8	8
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		7.816.459	1.268.554	9.085.013	6.945.817	1.179.842	8.125.659
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		6.521.085	-	6.521.085	5.981.382	-	5.981.382
2.1.8 Tax and fund liabilities from export commitments		6.376	-	6.376	44.489	-	44.489
2.1.9 Commitments for credit card limits		28.304.464	-	28.304.464	25.612.776	-	25.612.776
2.1.10 Commitments for credit cards and banking services promotions		13.810	-	13.810	11.149	-	11.149
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		3.931.081	189.375	4.120.456	3.387.035	117.845	3.504.880
2.2 Revocable commitments		662.458	7.117.061	7.779.519	-	246.389	246.389
2.2.1 Revocable loan granting commitments		662.458	7.053.496	7.715.954	-	149.837	149.837
2.2.2 Other revocable commitments		-	63.565	63.565	-	96.552	96.552
III. Derivative financial instruments	III-b-c	80.027.064	144.929.612	224.956.676	59.406.974	110.053.979	169.460.953
3.1 Derivative financial instruments for hedging purposes		27.798.633	30.927.804	58.726.437	19.811.674	22.135.823	41.947.497
3.1.1 Transactions for fair value hedge		671.683	940.678	1.612.361	461.084	699.338	1.160.422
3.1.2 Transactions for cash flow hedge		27.126.950	29.987.126	57.114.076	19.330.590	21.436.485	40.767.075
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		52.228.431	114.001.808	166.230.239	39.595.300	87.918.156	127.513.456
3.2.1 Forward foreign currency buy/sell transactions		3.521.186	6.155.716	9.676.902	2.539.384	4.580.613	7.119.997
3.2.1.1 Forward foreign currency transactions-buy		1.061.769	3.704.251	4.766.020	939.495	2.537.700	3.477.195
3.2.1.2 Forward foreign currency transactions-sell		2.459.417	2.451.465	4.910.882	1.599.889	2.042.913	3.642.802
3.2.2 Swap transactions related to foreign currency and interest rates		37.584.382	88.517.703	126.102.085	29.413.079	65.051.539	94.464.618
3.2.2.1 Foreign currency swap-buy		9.161.210	36.482.766	45.643.976	26.816.209	39.523.127	66.339.336
3.2.2.2 Foreign currency swap-sell		28.423.172	17.784.757	46.207.929	16.706.161	22.276.088	38.982.249
3.2.2.3 Interest rate swap-buy		-	17.125.090	17.125.090	-	7.979.621	7.979.621
3.2.2.4 Interest rate swap-sell		-	17.125.090	17.125.090	-	7.979.621	7.979.621
3.2.3 Foreign currency, interest rate and securities options		6.717.760	8.590.741	15.308.501	3.925.651	12.727.219	16.652.870
3.2.3.1 Foreign currency options-buy		1.991.034	4.697.239	6.688.273	1.777.316	2.931.949	4.709.265
3.2.3.2 Foreign currency options-sell		3.226.726	3.515.834	6.742.560	2.081.110	2.701.972	4.783.082
3.2.3.3 Interest rate options-buy		750.000	188.834	938.834	-	3.546.649	3.546.649
3.2.3.4 Interest rate options-sell		750.000	188.834	938.834	-	3.546.649	3.546.649
3.2.3.5 Securities options-buy		-	-	-	55.500	-	55.500
3.2.3.6 Securities options-sell		-	-	-	11.725	-	11.725
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		4.405.103	10.737.648	15.142.751	3.717.186	5.558.785	9.275.971
B. Custody and pledges received (IV+V+VI)		248.463.871	68.289.180	316.753.051	181.534.531	40.764.950	222.299.481
IV. Items held in custody		82.066.158	8.101.914	90.168.072	67.599.128	6.496.883	74.096.011
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		62.659.805	7.113.567	69.773.372	50.443.151	5.602.765	56.045.916
4.3 Checks received for collection		15.587.969	150.107	15.738.076	14.227.339	165.338	14.392.677
4.4 Commercial notes received for collection		3.776.609	798.048	4.574.657	2.866.863	693.890	3.560.753
4.5 Other assets received for collection		-	34.137	34.137	-	29.819	29.819
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	6.055	47.830	41.775	5.071	46.846
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		162.367.478	57.987.609	220.355.087	112.458.919	32.656.709	145.115.628
5.1 Marketable securities		185.826	322	186.148	179.123	257	179.380
5.2 Guarantee notes		1.063.319	300.003	1.363.322	841.979	275.888	1.117.867
5.3 Commodity		21.095	12.078	33.173	28.446	5.895	34.341
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		88.195.061	45.988.762	134.183.823	69.897.086	24.504.811	94.401.897
5.6 Other pledged items		72.902.177	11.681.250	84.583.427	41.512.285	7.865.672	49.377.957
5.7 Pledged items-depository		-	5.194	5.194	-	4.186	4.186
VI. Accepted independent guarantees and warranties		4.030.235	2.199.657	6.229.892	1.476.484	1.611.358	3.087.842
Total off-balance sheet commitments (A+B)		406.841.206	279.212.276	686.053.482	299.844.648	187.342.144	487.186.792

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Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

III. Consolidated income statement

Income and expense items	Note (Section Five)	Current Period (01/01- 31/12/2015)	Prior Period (01/01- 31/12/2014)
I. Interest income	IV-a	16.300.345	12.633.965
1.1 Interest on loans	IV-a-1	13.132.800	9.913.741
1.2 Interest received from reserve deposits		43.309	732
1.3 Interest received from banks	IV-a-2	84.579	122.951
1.4 Interest received from money market transactions		37.877	241.310
1.5 Interest received from marketable securities portfolio	IV-a-3	2.392.122	1.861.164
1.5.1 Trading financial assets		11.284	3.378
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.947.172	1.418.768
1.5.4 Held to maturity investments		433.666	439.018
1.6 Financial lease income		438.643	334.268
1.7 Other interest income		171.015	159.799
II. Interest expense	IV-b	(9.122.142)	(6.660.665)
2.1 Interest on deposits	IV-b-4	(6.335.649)	(4.773.287)
2.2 Interest on funds borrowed	IV-b-1	(999.913)	(851.007)
2.3 Interest expense on money market transactions		(946.451)	(503.351)
2.4 Interest on securities issued	IV-b-3	(825.583)	(513.882)
2.5 Other interest expenses		(14.546)	(19.138)
III. Net interest income (I + II)		7.178.203	5.973.300
IV. Net fees and commissions income		2.840.960	2.343.015
4.1 Fees and commissions received		3.546.591	2.960.372
4.1.1 Non-cash loans		409.874	324.669
4.1.2 Other	IV-j	3.136.717	2.635.703
4.2 Fees and commissions paid		(705.631)	(617.357)
4.2.1 Non-cash loans		(8.707)	(10.968)
4.2.2 Other		(696.924)	(606.389)
V. Dividend income	IV-c	5.908	9.351
VI. Trading gain/(loss) (net)	IV-ç	(439.135)	(236.654)
6.1 Trading gains/(losses) on securities		264.590	278.801
6.2 Derivative financial transactions gains/(losses)	IV-d	816.658	(1.279.245)
6.3 Foreign exchange gains/(losses)		(1.520.383)	763.790
VII. Other operating income	IV-e	626.730	621.734
VIII. Total operating income / loss (III+IV+V+VI+VII)		10.212.666	8.710.746
IX. Provision for impairment of loans and other receivables (-)	IV-f	(2.649.238)	(1.938.729)
X. Other operating expenses (-)	IV-g	(5.077.318)	(4.146.281)
XI. Net operating income/(loss) (VIII-IX-X)		2.486.110	2.625.736
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		50.806	42.842
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	2.536.916	2.668.578
XVI. Tax provision for continuing operations (±)	IV-h	(628.188)	(612.396)
16.1 Current tax provision		(413.941)	(784.504)
16.2 Deferred tax provision		(214.247)	172.108
XVII. Net profit/loss from continuing operations (XV±XVI)		1.908.728	2.056.182
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-	-
XXI. Tax provision for discontinued operations (±)	IV-h	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	IV-i	1.908.728	2.056.182
23.1 Group's profit/loss		1.908.683	2.056.015
23.2 Minority interest profit/losses (-)	IV-i	45	167
Earnings/(loss) per share (in TL full)		0,0044	0,0047

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2015 and 2014

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

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

	Current Period (31/12/2015)	Prior Period (31/12/2014)
Income and expense items accounted under shareholders' equity		
I. Transfers to marketable securities valuation differences from financial assets available for sale	(930.590)	626.802
II. Property and equipment revaluation differences	1.525.692	18.485
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	122.784	(101.956)
V. Profit/loss on cash flow hedges (effective part of the fair value changes)	744.688	(208.019)
VI. Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(120.327)	31.833
VII. Effects of changes in accounting policy and adjustment of errors	-	-
VIII. Other income and expense items accounted under shareholders' equity according to TAS	20.459	(20.813)
IX. Deferred tax on valuation differences	1.304	(84.087)
X. Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	1.364.010	262.245
XI. Current year profit/loss	1.908.728	2.056.182
11.1 Net change in fair value of marketable securities (recycled to profit-loss)	260.308	154.765
11.2 Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(89.216)	(158.005)
11.3 Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4 Other	1.737.636	2.059.422
XII. Total income/loss accounted for the period (X+XI)	3.272.738	2.318.427

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

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

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

V. Consolidated statement of changes in shareholders' equity

Prior Period																				
December 31, 2014		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	-	463.786	-	8.051.473	759.706	3.658.952	927.984	(118.118)	-	4.503	(356.235)	-	18.282.983	2.527	18.285.510
II.	Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (II-II)		4.347.051	-	543.881	-	463.786	-	8.051.473	759.706	3.658.952	927.984	(118.118)	-	4.503	(356.235)	-	18.282.983	2.527	18.285.510
IV.	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	501.407	-	-	-	-	501.407	-	501.407
VII.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(140.950)	-	(140.950)	-	(140.950)
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(166.416)	-	(166.416)	-	(166.416)
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	25.466	-	25.466	-	25.466
VIII.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	18.485	-	-	-	18.485	-	18.485
IX.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Foreign exchange differences		-	-	-	-	-	-	-	(92.835)	-	-	8.179	-	-	(15.476)	-	(100.132)	-	(100.132)
XII.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Other		-	-	-	-	-	-	-	(16.565)	-	-	-	-	-	-	-	(16.565)	-	(16.565)
XX.	Current year income or loss		-	-	-	-	-	-	-	-	2.056.015	-	-	-	-	-	-	2.056.015	167	2.056.182
XXI.	Profit distribution		-	-	-	-	-	-	-	-	-	455.977	-	-	-	-	-	(388.000)	(47)	(388.047)
20.1	Dividend paid		-	-	-	-	-	-	-	-	-	(388.000)	-	-	-	-	-	(388.000)	(47)	(388.047)
20.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	843.977	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXII.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.185)	(2.185)
Period end balance (III+IV+V+.....+VIII+XIX+XX+XXI)			4.347.051	-	543.881	-	641.000	-	9.815.284	1.524.256	2.056.015	1.383.961	391.468	18.485	4.503	(512.661)	-	20.213.243	462	20.213.705

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated statement of changes in shareholders' equity as of December 31, 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated statement of changes in shareholders' equity

Current Period		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, 2015																				
I.	Prior period-end balance		4.347.051	-	543.881	-	641.000	-	9.815.284	1.524.256	2.056.015	1.383.961	391.468	18.485	4.503	(512.661)	-	20.213.243	462	20.213.705
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(720.756)	-	-	-	-	(720.756)	-	(720.756)
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	499.490	-	499.490	-	499.490
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	595.752	-	595.752	-	595.752
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(96.262)	-	(96.262)	-	(96.262)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	1.449.243	-	-	-	1.449.243	8	1.449.251
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	105.786	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	44.376	-	-	(30.778)	-	119.384	-	119.384
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		-	-	-	-	-	-	-	16.641	-	-	-	-	-	-	-	16.641	-	16.641
XVII.	Current year income or loss		-	-	-	-	-	-	-	-	1.908.683	-	-	-	-	-	-	1.908.683	45	1.908.728
XVIII.	Profit distribution		-	-	-	-	110.512	-	1.332.967	1.487	(2.056.015)	211.049	-	-	-	-	-	(400.000)	(41)	(400.041)
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	(400.000)	-	-	-	-	-	(400.000)	(41)	(400.041)
18.2	Transfers to reserves		-	-	-	-	110.512	-	1.332.967	1.487	(2.056.015)	611.049	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+.....+XVII+XVIII+XIX)			4.347.051	-	543.881	-	751.512	-	11.148.251	1.648.170	1.908.683	1.595.010	(284.912)	1.467.728	4.503	(43.949)	-	23.085.928	474	23.086.402

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Profit appropriation statements as of December 31, 2015 and 2014

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

VI. Consolidated statement of cash flows

	Note (Section Five)	Current Period (31/12/2015)	Prior Period (31/12/2014)
A. Cash flows from banking operations			
1.1		3.385.641	3.902.923
1.1.1		16.158.858	11.821.448
1.1.2		(9.100.081)	(6.725.995)
1.1.3		5.908	9.351
1.1.4		3.546.591	2.960.372
1.1.5		1.711.994	192.922
1.1.6		1.265.370	1.021.124
1.1.7		(4.672.655)	(4.276.835)
1.1.8		(601.092)	(784.504)
1.1.9	VI-c	(4.929.252)	(314.960)
1.2		189.588	(5.028.550)
1.2.1		24.884	27.626
1.2.2		-	-
1.2.3		(3.055.324)	(2.200.700)
1.2.4		(30.809.612)	(29.857.757)
1.2.5		(957.333)	(441.458)
1.2.6		2.568.253	180.337
1.2.7		19.768.912	18.910.521
1.2.8		11.660.949	5.360.725
1.2.9		-	-
1.2.10	VI-c	988.859	2.992.156
I.		3.575.229	(1.125.627)
B. Cash flows from investing activities			
II.		(6.459.411)	(3.051.911)
2.1		(5.000)	(52)
2.2		-	44.433
2.3		(499.805)	(474.913)
2.4		80.733	84.204
2.5		(21.010.767)	(12.605.606)
2.6		15.667.773	8.357.086
2.7		(913.249)	(834.017)
2.8		220.904	2.376.954
2.9		-	-
C. Cash flows from financing activities			
III.		723.981	4.602.499
3.1		8.972.835	15.527.348
3.2		(7.848.813)	(10.536.802)
3.3		-	-
3.4		(400.041)	(388.047)
3.5		-	-
3.6		-	-
IV.	VI-c	1.216.165	121.307
V.		(944.036)	546.268
VI.	VI-a	11.026.696	10.480.428
VII.	VI-a	10.082.660	11.026.696

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Profit appropriation statements as of December 31, 2015 and 2014

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

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

	Current Period (31/12/2015)	Prior Period ⁽³⁾ (31/12/2014)
I. Distribution of current year income		
1.1 Current year income	2.389.488	2.369.625
1.2 Taxes and duties payable (-)	(528.943)	(524.659)
1.2.1 Corporate tax (income tax)	(328.064)	(680.515)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(200.879)	155.856
A. Net income for the year (1.1-1.2)	1.860.545	1.844.966
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	92.248
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(A+(1.3+1.4+1.5)]	1.860.545	1.752.718
1.6 First dividend to shareholders (-)	-	217.353
1.6.1 To owners of ordinary shares	-	217.353
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	182.647
1.9.1 To owners of ordinary shares	-	182.647
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	18.264
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.332.967
1.13 Other reserves	-	-
1.14 Special funds	-	1.487
II. Distribution of reserves		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1 To owners of ordinary shares	0,0043	0,0042
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1 To owners of ordinary shares	-	0,0009
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

(1) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

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

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Section Three

Accounting policies

I. Explanations on basis of presentation:

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

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

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

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

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

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2014, except for changes on accounting policies from historical cost basis to revaluation basis for buildings in tangible assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

Additional paragraph for convenience translation into English:

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

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

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

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in “Hedging funds” in equity.

The Group, classifies its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

III. Information on consolidation principles:

a. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated November 8, 2006 and the “Turkish Accounting Standard for Consolidated Financial Statements” (“TFRS 10”).

1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank’s returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders’ equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) December 31, 2015	Direct and indirect rates (%) December 31, 2015
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99.99	99.99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99.96	99.96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99.98	99.98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99.95	99.97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/Russia	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Invest LLC	Baku/Azerbaijan	Portfolio Management	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2015	Direct and indirect rates % December 31, 2015
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust (“REIT”) and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2015	Direct and indirect rates % December 31, 2015
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with “Turkish Accounting Standards for Individual Financial Statements” (“TAS 27”) in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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

The Group’s derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

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

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

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

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

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

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

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

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

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

Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily by the valuation model of the Parent Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

V. Explanations on interest income and expense:

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

VI. Explanations on fee and commission income and expenses:

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

VII. Explanations on financial assets:

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

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

b. Held-to-maturity financial assets:

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

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

c. Loans and receivables:

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

d. Available-for-sale financial assets:

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

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

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under “Trading gains/(losses) on securities” according to the UCA.

VIII. Explanations on impairment of financial assets:

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

IX. Explanations on offsetting financial assets:

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

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

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

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

The Group has no securities lending transactions.

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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%

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

XIII. Explanations on property and equipment:

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

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with TAS 16.

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

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

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

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

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

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

XIV. Explanations on leasing transactions:

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

a. Accounting of leasing operations according to lessee:

Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from financial leasing contracts are accounted under “financial lease payables”. Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

Operational lease

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

b. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the Communiqué of BRSA named “The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies” (“Provisions Communiqué”) which was published in the Official Gazette dated December 24, 2013, numbered 28861. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Group also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not overdue or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Group sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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, 2015 (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. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335.

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

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

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

c. Defined contribution plans:

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

d. Short term benefits of employee:

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

XVII. Explanations on taxation:

a. Current tax:

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

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

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

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

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

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

Under the Turkish Corporate Tax Law, effective from April 24, 2003, investment allowances had provided a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand new fixed assets having economic useful life and exceeding TL 10 and directly related with the production of goods and services and investment allowance that arose prior to April 24, 2003 had been taxed at 19,8% (withholding tax) unless they had been converted to new type at companies' will. Effective from January 1, 2006, Turkish government had ceased to offer investment incentives for capital investments and companies having unused qualifying capital investment amounts as of June 30, 2006 would be able to deduct such amounts from corporate income for the following years.

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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Accounting policies (continued)

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2015 are as follows:

Netherlands	25,00%
Russia	20,00%
Azerbaijan	20,00%
Malta	35,00%

b. Deferred tax:

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

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

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS 12. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

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

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

c. Transfer pricing:

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

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

XVIII. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" including costs of transactions using the "effective interest method".

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

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

Also, Group obtains funds by issuing bonds and bills.

XIX. Explanations on issuance of share certificates:

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

No dividend payments of the Parent Bank were announced after the balance sheet date.

XX. Explanations on avalized drafts and letter of acceptances:

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

XXI. Explanations on government grants:

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

XXII. Profit reserves and profit distribution:

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

XXIII. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	1.908.683	2.056.015
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share (full TL)	0,0044	0,0047

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Accounting policies (continued)

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

No bonus shares were issued during 2015 (December 31, 2014 - no bonus shares were issued).

XXIV. Related parties:

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

XXV. Explanations on operating segments:

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

XXVI. Explanations on other matters:

None.

XXVII. Legal mergers under common control:

As in TFRS 3 or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the “pooling of interests” method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as “the effect of legal mergers under common control”.

POA has issued a policy decision in July, 2013 regarding “Accounting for business combinations Subject to Joint Control Group” which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Section four

Information related to financial position of the Group

I. Explanations on consolidated capital adequacy ratio:

- a. The consolidated capital adequacy ratio of the Group is 12,91% (December 31, 2014 – 14,36%) and the Parent Bank is 13,81% (December 31, 2014 – 15,03%).
- b. The capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio, "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" published in the Official Gazette No. 28337 dated June 28, 2012 ("Regulation") and "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 28756 as of September 5, 2013".

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

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

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

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

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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

c. Information related to capital adequacy ratio:

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

	Risk Weights								Total
	Consolidated								
	0%	20%	50%	75%	100%	150%	200%	250%	
Amounts subject to credit risk	48.138.098	7.268.898	41.807.886	43.695.289	116.112.910	5.558.204	10.330.437	270.384	273.182.106
Risk classifications:									
Conditional and unconditional receivables from central governments or central banks	45.631.585	6.538	9.072.792	-	115.990	-	-	-	54.826.905
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	31.986	-	-	13.549	-	-	-	45.535
Conditional and unconditional receivables from multilateral development banks	127.492	-	-	-	-	-	-	-	127.492
Conditional and unconditional receivables from international organizations	65.203	-	-	-	-	-	-	-	65.203
Conditional and unconditional receivables from banks and brokerage houses	-	7.101.315	7.534.187	-	191.957	-	-	-	14.827.459
Conditional and unconditional receivables from corporates	-	113.015	-	-	103.778.765	3.493	-	-	103.895.273
Conditional and unconditional retail receivables	-	-	-	43.695.289	6.264.674	-	-	-	49.959.963
Conditional and unconditional receivables secured by mortgages	-	-	25.147.454	-	-	-	-	-	25.147.454
Past due receivables	-	-	-	-	1.063.700	459.066	-	-	1.522.766
Receivables defined as high risk category by the Regulator	-	-	53.453	-	40.666	5.095.645	10.330.437	270.384	15.790.585
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2.313.818	15.885	-	-	4.643.609	-	-	-	6.973.312
Credit Risk Weighted Amounts	-	1.453.780	20.903.943	32.771.467	116.112.910	8.337.306	20.660.874	675.960	200.916.240

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

d. Summary information about capital adequacy ratio:

	The Parent Bank	Consolidated	The Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	15.098.875	16.073.299	12.205.770	13.188.234
Capital requirement for market risk (MRCR)	186.593	184.748	130.250	131.992
Capital requirement for operational risk (ORCR)	934.030	1.026.665	817.197	920.434
Shareholders' equity	27.997.997	27.902.186	24.705.420	25.558.364
Shareholders' equity / (CRCR+ MRCR+ORCOR) * 12,5*100	13,81	12,91	15,03	14,36
Tier 1 Capital /((CRCR+ MRCR+ ORCOR) *12,5*100)	10,29	9,55	10,94	10,58
Common equity Tier 1 capital /((CRCR+MRCR+ORCR) * 12,5) * 100	10,72	9,96	11,62	11,23

e. Information about shareholders' equity items:

	Current Period	Prior Period
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051	4.347.051
Share Premium	543.881	543.881
Share Cancellation Profits	-	-
Legal Reserves	12.357.721	10.807.976
Other Comprehensive Income according to TAS	2.657.940	1.582.517
Profit	3.503.693	3.439.976
<i>Net Current Period Profit</i>	1.908.683	2.056.015
<i>Prior Period Profit</i>	1.595.010	1.383.961
Provisions for Possible Losses	-	180.211
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	4.503	4.503
Minority shares	474	462
Common Equity Tier 1 capital before regulatory adjustments	23.415.263	20.906.577
Common Equity Tier 1 capital: regulatory adjustments		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	596.826	-
Leasehold improvements on operational leases (-)	147.518	157.347
Goodwill and intangible assets and related deferred tax liabilities (-)	591.560	286.987
Net deferred tax assets / liabilities (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Investments in own common equity (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be defined by the regulator (-)	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	566.076	475.638
Total regulatory adjustments to Common equity Tier 1	1.901.980	919.972
Common Equity Tier 1 capital	21.513.283	19.986.605

Information related to financial position of the Group (continued)

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

	Current Period	Prior Period
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 (-)	887.339	1.147.949
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Tier 1 capital	20.625.944	18.838.656
Tier 2 capital		
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.213.047	5.120.449
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-	-
Generic Provisions	2.511.452	1.927.821
Minority shares	-	-
Tier 2 capital before regulatory adjustments	7.724.499	7.048.270
Tier 2 capital: regulatory adjustments		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	7.724.499	7.048.270

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

	Current Period	Prior Period
Total capital	28.350.443	25.886.926
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6.808	23.512
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	11.345	7.908
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	149.667	159.277
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Other items to be Defined by the regulator (-)	280.437	137.865
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Shareholders's equity	27.902.186	25.558.364
Amounts below the thresholds for deduction	1.003.593	860.094
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	-	-
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	-	-
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	1.003.593	860.094

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Details on calculation in accordance with the temporary calculations on equity:

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

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	UNICREDIT BANK AUSTRIA AG	UNICREDIT BANK AUSTRIA AG	CITIBANK	YKB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	XS0861979440/US984848AB73
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	Yes	Yes
Eligible at stand-alone / consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Bond
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	1.657	1.367	95	2.094
Par value of instrument (Currency in million)	1.701	1.367	636	2.908
Accounting classification	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost
Original date of issuance	January 9, 2013	December, 18 2013	June 25, 2007	December 6, 2012
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	After 5th year	-
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	-
Coupons / dividends	3 months	3 months	6 months	6 months
Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed
Coupon rate and any related index	5,7	6,55	EURIBOR + 2,78%	5,5
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	Yes
Details of incompliance with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	8-2-ğ

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

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

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

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

II. Explanations on consolidated credit risk:

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

The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations. Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

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

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers is as follows:

	Current Period	Prior Period
Above average (1-4)	47,47%	44,68%
Average (5+ -6)	43,95%	47,12%
Below average (7+ -9)	8,58%	8,20%

The Parent Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

The loan is overdue more than 90 days.

The borrower is not able to pay at least one of the loans he received from the Bank (cross default)

Having a negative intelligence and bad-record for the borrower in the market.

Deterioration of the creditworthiness of the borrower.

The Parent Bank sets aside specific and general provisions with respect to “value adjustments” procedures in accordance with the Provisioning Regulation.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current Period Risk Amount⁽¹⁾	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	58.647.408	55.358.377
Conditional and unconditional receivables from regional or local governments	159	178
Conditional and unconditional receivables from administrative units and non-commercial enterprises	45.535	22.685
Conditional and unconditional receivables from multilateral development banks	127.492	76.872
Conditional and unconditional receivables from international organizations	65.203	38.092
Conditional and unconditional receivables from banks and brokerage houses	20.338.924	18.866.123
Conditional and unconditional receivables from corporates	107.174.164	104.234.318
Conditional and unconditional retail receivables	50.093.551	47.603.691
Conditional and unconditional receivables secured by mortgages	25.147.454	21.868.913
Past due receivables	1.522.766	1.498.900
Receivables defined as high risk category by the Regulator	15.790.585	14.034.859
Secured by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	6.973.312	6.750.658
Total	285.926.553	270.353.666

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

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

- b.** The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

- c.** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- d.** The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

- e.**
1. The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 24% and 31%.
 2. The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 47% and 59%.
 3. The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 24% and 32% of total cash loans and non-cash loans.

- f.** The Group provided a general loan loss provision amounting to TL 2.627.271 (December 31, 2014 - TL 1.927.821).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

g. Risk profile according to the geographical concentration:

	Risk Classifications ^{(1),(2)}												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
Current Period													
Domestic	58.292.487	159	205	-	-10.020.459	100.087.426	49.928.886	25.142.756	1.469.877	15.789.379	6.948.575	267.680.209	
EU countries	242.187	-	-31.827	46.795	65.203	8.328.619	2.432.348	5.054	2.357	99	818	12.934	11.168.241
OECD countries ⁽³⁾	-	-	-	-	-	185.332	1.269.070	405	1.129	-	82	-	1.456.018
Off-shore banking regions	-	-	-	-	-	87.782	178.429	3.011	-	8.399	8	-	277.629
USA, Canada	-	-	-	80.697	-	1.283.785	788.615	6.474	87	29	127	-	2.159.814
Other countries	112.734	-	-13.503	-	-	432.947	2.418.276	149.721	1.125	44.362	171	-	3.172.839
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	11.803	11.803
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	58.647.408	159	45.535	127.492	65.203	338.924	107.174.164	50.093.551	25.147.454	1.522.766	15.790.585	6.973.312	285.926.553

	Risk Classifications ^{(1),(2)}												Total	
	1	2	3	4	5	6	7	8	9	10	11	12		
Prior Period														
Domestic	45.926.022	253	1.067	-	-	5.116.832	287.186	1.494.056	273.157	34.972	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	

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

(3) OECD Countries other than EU countries, USA and Canada.

(4) Assets and liabilities are not allocated on a consistent basis.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Other receivables

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Bank (continued)

ğ. Risk profile according to sectors and counterparties:

	Risk Classifications ⁽¹⁾⁽²⁾												TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12			
Agricultural	-	-	18	-	-	-	3.445.223	3.401.307	835.541	75.662	172.252	-	5.597.337	2.332.666	7.930.003
Farming and raising livestock	-	-	18	-	-	-	2.545.007	2.610.554	569.261	61.782	140.949	-	4.136.635	1.790.936	5.927.571
Forestry	-	-	-	-	-	-	756.999	770.528	260.812	13.140	30.675	-	1.396.883	435.271	1.832.154
Fishing	-	-	-	-	-	-	143.217	20.225	5.468	740	628	-	63.819	106.459	170.278
Manufacturing	-	28	12.200	-	-	-	58.485.854	12.595.322	6.660.118	495.263	426.191	2.438	33.874.936	44.802.478	78.677.414
Mining	-	-	14	-	-	-	1.845.663	343.415	260.390	19.915	6.285	-	1.353.643	1.122.039	2.475.682
Production	-	10	4.982	-	-	-	32.959.607	11.989.971	5.430.476	404.178	411.121	2.438	29.355.082	21.847.701	51.202.783
Electric, gas and water	-	18	7.204	-	-	-	23.680.584	261.936	969.252	71.170	8.785	-	3.166.211	21.832.738	24.998.949
Construction	-	2	47	-	-	-	13.138.130	4.411.254	4.667.242	222.766	145.568	-	9.941.858	12.643.151	22.585.009
Services	58.647.408	71	33.210	127.492	65.203	20.338.924	28.852.929	7.363.085	5.637.799	227.512	400.911	3.539.889	60.104.196	65.130.237	125.234.433
Wholesale and retail trade	-	1	-	-	-	-	6.449.727	3.058.571	1.318.593	119.883	137.835	-	7.947.485	3.137.125	11.084.610
Hotel, food and beverage services	-	-	-	-	-	-	2.626.043	754.895	2.458.627	14.356	39.520	-	1.840.654	4.052.787	5.893.441
Transportation and telecommunication	-	-	1.332	-	-	-	7.307.396	1.403.978	415.092	48.863	91.611	5.000	3.237.163	6.036.109	9.273.272
Financial institutions	58.647.408	-	31.827	127.492	65.203	20.338.924	3.795.838	165.270	181.354	1.653	15.084	3.534.889	41.805.952	45.098.990	86.904.942
Real estate and renting services	-	-	-	-	-	-	189.614	23.282	5.311	641	733	-	68.952	150.629	219.581
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	205.537	90.967	54.438	1.062	4.582	-	293.565	63.021	356.586
Health and social services	-	70	51	-	-	-	8.278.774	1.866.122	1.204.384	41.054	111.546	-	4.910.425	6.591.576	11.502.001
Other	-	58	60	-	-	-	3.252.028	22.322.583	7.346.754	501.563	14.645.663	3.430.985	49.553.617	1.946.077	51.499.694
Total	58.647.408	159	45.535	127.492	65.203	20.338.924	107.174.164	50.093.551	25.147.454	1.522.766	15.790.585	6.973.312	159.071.944	126.854.609	285.926.553

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Other receivables

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Information related to financial position of the Group (continued)

h. Risk profile according to remaining maturities:

Risk classifications ^{(1), (2)}	1 month	1-3 month	3-6 month	6-12 month	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	20.893.841	1.308.722	15.410	2.001.266	34.280.660	58.499.899
Conditional and unconditional receivables from regional or local governments	-	159	-	-	-	159
Conditional and unconditional receivables from administrative units and non-commercial enterprises	45	1.489	33.024	2.495	8.481	45.534
Conditional and unconditional receivables from multilateral development banks	-	25.552	19.973	81.919	48	127.492
Conditional and unconditional receivables from international organizations	-	-	-	65.203	-	65.203
Conditional and unconditional receivables from banks and brokerage houses	2.634.902	3.309.813	1.056.118	1.255.008	12.082.682	20.338.523
Conditional and unconditional receivables from corporates	10.264.962	8.526.576	10.390.868	12.811.757	65.172.443	107.166.606
Conditional and unconditional retail receivables	12.371.161	8.409.066	9.811.952	6.264.107	13.167.207	50.023.493
Conditional and unconditional receivables secured by mortgages	426.537	728.006	1.243.286	1.987.223	20.762.402	25.147.454
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	20.846	36.217	2.254	746.473	14.984.795	15.790.585
Secured by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	46.612.294	22.345.600	22.572.885	25.215.451	160.458.718	277.204.948

(1) Includes credit risk amounts of total exposure before credit risk mitigation

(2) The table above does not include items without maturity.

- i. An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

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, 2015 (continued)

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

Information related to financial position of the Group (continued)

i. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are presented below:

Risk Weights	0%	20%	50%	75%	100%	150%	200%	250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	51.958.601	7.423.529	47.164.398	43.828.877	119.392.123	5.558.204	10.330.437	270.384	285.926.553	448.257
2 Total exposure after credit risk mitigation	48.138.098	7.268.898	41.807.886	43.695.289	116.112.910	5.558.204	10.330.437	270.384	273.182.106	448.257

j. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; “Specific Provision” is set aside in the accompanying financial statements as of December 31, 2015.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; “General Provision” is set aside in the accompanying financial statements as of December 31, 2015.

Sectors / Counterparties	Loans			
	Impaired Loans	Past due	General Provisions	Specific Provisions
Agricultural	203.956	361.762	18.122	138.671
Farming and raising livestock	187.764	343.415	17.145	127.020
Forestry	10.813	11.656	563	8.021
Fishing	5.379	6.691	414	3.630
Manufacturing	1.832.026	1.669.982	231.788	1.321.121
Mining	24.182	199.879	4.443	25.895
Production	1.676.731	1.332.569	222.236	1.174.606
Electric, gas and water	131.113	137.534	5.109	120.620
Construction	738.215	505.559	145.895	420.022
Services	1.145.186	1.179.119	111.776	897.099
Wholesale and retail trade	490.956	580.080	62.453	352.091
Hotel, food and beverage services	87.671	123.100	7.473	65.074
Transportation and telecommunication	141.370	300.094	19.574	111.518
Financial institutions	193.324	33.180	3.500	185.572
Real estate and renting services	65.470	35.746	5.081	43.151
Self-employment services	-	-	-	-
Education services	7.736	7.810	646	5.978
Health and social services	158.659	99.109	13.049	133.715
Other	2.871.401	1.495.290	53.850	1.993.432
Total	6.790.784	5.211.712	561.431	4.770.345

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

k. Information about value adjustments and changes in the loan impairment:

The Group provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Group provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments ⁽¹⁾	Close out balance
1 Specific provisions	3.106.281	1.755.646	(155.622)	(41.892)	4.664.413
2 General provisions	1.927.821	719.398	-	(19.948)	2.627.271

(1) Figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

III. Explanations on consolidated market risk:

Risk management activities of the Parent Bank are carried out under the responsibility of Board of Directors in accordance with “Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”.

In order to comply with the regulations, the Parent Bank set its activities related with market risk management in accordance with “Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 29057 dated July 11, 2014.

Market risk policies, which are approved by the Board of Directors of the Bank and updated annually, if needed; include limit, methodologies, processes and responsibilities. Market risk calculations for the trading portfolio are performed by using standard method and Value at Risk (VaR) method. VaR is calculated using historical simulation method and reported to the management on a daily basis and Executive Committee on a monthly basis. In order to keep the effect of interest rate and foreign currency fluctuations at minimum, the Bank enters into derivative transactions of which some of the derivative transactions are subject to hedge accounting applications.

The table below shows details of the market risk as of December 31, 2015 in accordance with “Regulation on Banks’ Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 28337 dated June 28, 2012.

(1). Explanations on consolidated market risk:

a. Information on market risk:

	Current Period	Prior Period
(I) Capital requirement against general market risk - standard method	48.141	59.260
(II) Capital requirement against specific risks - standard method	2.055	3.137
Capital requirement against specific risks of securitization positions– standard method	-	-
(III) Capital requirement against currency exchange risk - standard method	27.616	22.927
(IV) Capital requirement against commodity risks - standard method	19	133
(V) Capital requirement against exchange risks - standard method	6	-
(VI) Capital requirement against market risks of options - standard method	893	1.718
(VII) Capital requirement against counterparty credit risks - standard method	106.018	44.817
(VIII) Capital requirement against market risks of banks applying risk measurement model	-	-
(IX) Total capital requirement against market risk (I+II+III+IV+V+VI+VII+VIII)	184.748	131.992
(X) Value-at-market risk ((12.5*VIII) or (12.5*IX))	2.309.350	1.649.900

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

b. Average market risk table of calculated market risk at month ends:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	65.939	74.524	49.553	98.833	137.772	59.688
Share price risk	1.556	4.913	270	9.797	24.106	2.141
Currency risk	39.091	62.797	25.094	58.824	137.927	22.927
Commodity risk	108	198	19	191	316	49
Settlement risk	1	6	-	-	-	-
Option risk	1.094	1.800	341	1.620	3.935	389
Counterparty credit risk	113.629	175.812	57.293	58.826	115.087	27.853
Total amount subject to risk	221.418	320.050	132.570	228.091	419.143	113.047

(2) Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated for repurchase transactions and derivative transactions. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The total of volatility, currency, credit quality levels and holding periods for marketable securities subject to repurchase and funding through repurchases are considered during the calculation of risk amount for repurchase transactions.

In counterparty credit risk calculations, credit limits are set by internal methods and fair value methodology is used for capital allocation calculations.

The Bank uses the same policy and procedures applicable to credit collateral and provisioning for counterparty credit risk.

In accordance with the counterparty risk policies the Bank does not have the risk of the opposite tendency.

Risk and collateral amounts are calculated daily. Changes applicable to market values are also revised using daily actuals.

Total counterparty credit risk from trading activities is TL 1.325.225 for the year ended December 31, 2015.(December 31, 2014 – TL 560.213)

	Current Period	Prior Period
Interest rate contracts	301.442	134.142
Foreign exchange rate contracts	1.519.806	926.494
Commodity contracts	40	5.062
Equity shares related contracts	-	-
Other	335.533	1.159
Gross Positive Fair Value	70.771	197.416
Netting benefits	-	-
Net current exposure amount	-	-
Collateral received	-	-
Net derivative position	70.771	197.416

(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities;

Market risk is measured for trading portfolio and standard method and value at risk method are used.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

IV. Explanations on consolidated operational risk:

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2014, 2013 and 2012 year-end gross income balances of the Bank, in accordance with Section 4 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio” published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk”. As of December 31, 2015, the total amount subject to operational risk is TL 12.833.313 (December 31, 2014 - TL 11.505.425) and the amount of the related capital requirement is TL 1.026.665 (December 31, 2014 - TL 920.434).

	2 Prior Period value	1 Prior Period value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	7.048.382	5.496.635	7.988.285	6.844.434	15	1.026.665
Amount subject to operational risk (Total*12,5)						12.833.313

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

V. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note XIV.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are as follows:

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	TL 2,90760	TL 3,17760
First day current bid rate	TL 2,90840	TL 3,19210
Second day current bid rate	TL 2,91570	TL 3,20060
Third day current bid rate	TL 2,91230	TL 3,19040
Fourth day current bid rate	TL 2,91870	TL 3,19680
Fifth day current bid rate	TL 2,92620	TL 3,19690
Arithmetic average of the last 31 days:	TL 2,91749	TL 3,17315
Balance sheet evaluation rate as of		
Prior Period:	TL 2,31890	TL 2,82070

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Information on currency risk of the Group:

	EUR	USD	Other FC ⁽⁴⁾	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	4.714.733	15.450.666	3.759.872	23.925.271
Banks	1.639.855	1.350.543	86.681	3.077.079
Financial assets at fair value through profit or loss	57.051	178.402	52	235.505
Money market placements	-	130.845	-	130.845
Available-for-sale financial assets	723.258	3.021.679	453.553	4.198.490
Loans ⁽¹⁾	20.007.791	39.079.605	940.397	60.027.793
Investments in associates, subsidiaries and joint ventures	-	-	338.140	338.140
Held-to-maturity investments	661.306	4.487.057	-	5.148.363
Hedging derivative financial assets	3.421	2.847	-	6.268
Tangible assets	2.584	-	31.511	34.095
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	4.660.486	3.004.841	290.638	7.955.965
Total assets	32.470.485	66.706.485	5.900.844	105.077.814
Liabilities				
Bank deposits	1.063.242	640.449	93.729	1.797.420
Foreign currency deposits	20.547.047	38.650.945	1.867.927	61.065.919
Funds from money market	-	2.165.386	-	2.165.386
Funds borrowed from other financial institutions	6.858.735	16.529.824	200.379	23.588.938
Marketable securities issued	6.211.633	6.485.852	275.045	12.972.530
Miscellaneous payables	1.244.412	476.135	19.122	1.739.669
Hedging derivative financial liabilities	27.682	81.283	-	108.965
Other liabilities ⁽³⁾	700.321	7.226.726	25.287	7.952.334
Total liabilities	36.653.072	72.256.600	2.481.489	111.391.161
Net on balance sheet position	(4.182.587)	(5.550.115)	3.419.355	(6.313.347)
Net off balance sheet position ⁽⁵⁾	4.306.950	5.272.930	(2.551.242)	7.028.638
Financial derivative assets	9.401.060	35.397.322	1.958.188	46.756.570
Financial derivative liabilities	5.094.110	30.124.392	4.509.430	39.727.932
Net position	124.363	(277.185)	868.113	715.291
Non-cash loans	14.948.763	22.669.213	1.949.697	39.567.673
December 31, 2014				
Total assets	21.778.817	56.461.845	5.443.144	83.683.806
Total liabilities	30.190.604	54.085.339	2.715.486	86.991.429
Net on-balance sheet position	(8.411.787)	2.376.506	2.727.658	(3.307.623)
Net off-balance sheet position	8.411.045	(2.572.236)	(2.136.115)	3.702.694
Financial derivative assets	11.067.319	21.481.098	1.063.123	33.611.540
Financial derivative liabilities	2.656.274	24.053.334	3.199.238	29.908.846
Net position	(742)	(195.730)	591.543	395.071
Non-cash loans	11.008.161	20.171.147	1.594.308	32.773.616

(1) Includes FX indexed loans amounting to TL 5.163.077 (December 31, 2014 - TL 5.103.401) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 96.981 (December 31, 2014 - TL 76.011).

(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.

(4) Other FC column also includes gold balance.

(5) Forward transactions classified as commitments are also included.

(6) In accordance with the principles of the “Regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis” foreign currency intangible assets amounted TL 12.783 is not considered in the calculation.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Currency risk sensitivity analysis ⁽¹⁾:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

Change in currency exchange rates ⁽¹⁾	Current Period Profit/loss effect ⁽²⁾	Prior Period Profit/loss effect ⁽²⁾
(+) %15	(58.451)	(144.811)
(-) %15	58.451	144.811

(1) Disclosed above is that of the Parent Bank.

(2) Excluding tax effect.

VI. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Group utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	58.152	-	-	10.243.581	27.388.947
Banks	928.892	782.638	170.961	-	-	1.229.014	3.111.505
Financial assets at fair value through profit/loss	639.390	221.550	608.555	238.771	49.987	8.040	1.766.293
Money market placements	284.115	2.011	-	-	-	-	286.126
Available-for-sale financial assets	2.064.819	5.606.359	7.561.054	3.788.649	3.546.226	273.097	22.840.204
Loans	24.799.040	18.136.911	49.801.041	39.551.011	20.201.092	1.528.894	154.017.989
Held-to-maturity investments	-	396.679	1.221.604	1.143.899	4.346.627	-	7.108.809
Other assets	1.908.390	1.229.534	1.759.260	4.402.110	564.058	8.884.707	18.748.059
Total assets	47.711.860	26.375.682	61.180.627	49.124.440	28.707.990	22.167.333	235.267.932
Liabilities							
Bank deposits	3.678.714	382.544	672.053	33.072	-	349.936	5.116.319
Other deposits	64.571.208	33.002.949	6.398.343	685.677	288.583	19.961.986	124.908.746
Funds from money market	13.702.748	315.153	245.636	-	-	-	14.263.537
Miscellaneous payables	-	-	-	-	-	9.794.681	9.794.681
Marketable securities issued	435.023	8.129.023	2.325.254	6.251.601	31.992	-	17.172.893
Funds borrowed from other financial institutions	6.792.512	9.134.800	7.339.844	768.127	825.696	-	24.860.979
Other liabilities and shareholders' equity	763.758	583.539	1.104.543	193.425	6.086.423	30.419.089	39.150.777
Total liabilities	89.943.963	51.548.008	18.085.673	7.931.902	7.232.694	60.525.692	235.267.932
Balance sheet long position	-	-	43.094.954	41.192.538	21.475.296	-	105.762.788
Balance sheet short position	(42.232.103)	(25.172.326)	-	-	-	(38.358.359)	(105.762.788)
Off-balance sheet long position	6.138.880	18.321.753	-	-	-	-	24.460.633
Off-balance sheet short position	-	-	(6.677.496)	(14.181.466)	(4.332.133)	-	(25.191.095)
Total position	(36.093.223)	(6.850.573)	36.417.458	27.011.072	17.143.163	(38.358.359)	(730.462)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1.299.884	-	-	-	-	21.914.781	23.214.665
Banks	1.110.996	550.000	111.757	48.172	-	2.070.950	3.891.875
Financial assets at fair value through profit/loss	314.255	235.234	530.835	72.393	52.955	4.120	1.209.792
Money market placements	1.568.750	-	-	-	-	-	1.568.750
Available-for-sale financial assets	1.047.104	3.378.655	7.682.621	3.630.719	2.821.837	113.161	18.674.097
Loans	27.855.780	28.760.233	34.508.942	26.280.409	8.128.703	1.273.042	126.807.109
Held-to-maturity investments	46.660	427.237	1.074.105	789.647	3.218.720	-	5.556.369
Other assets	2.516.136	844.399	1.609.333	2.852.046	516.122	5.698.012	14.036.048
Total assets	35.759.565	34.195.758	45.517.593	33.673.386	14.738.337	31.074.066	194.958.705
Liabilities							
Bank deposits	1.457.118	161.294	487.985	31.301	-	406.111	2.543.809
Other deposits	56.203.929	27.010.539	4.620.103	814.992	207.116	16.230.143	105.086.822
Funds from money market	7.737.585	725.194	116.054	195.919	-	-	8.774.752
Miscellaneous payables	-	-	-	-	-	8.738.336	8.738.336
Marketable securities issued	420.397	4.587.074	3.391.721	3.845.451	1.111.294	-	13.355.937
Funds borrowed from other financial institutions	5,372.903	6,630.970	7,953.400	970.563	489.120	-	21,416.956
Other liabilities and shareholders' equity	317.984	1.918.550	996.160	73.707	4.794.907	26.940.785	35.042.093
Total liabilities	71.509.916	41.033.621	17,565.423	5,931.933	6,602.437	52,315.375	194,958.705
Balance sheet long position	-	-	27,952.170	27,741.453	8,135.900	-	63,829.523
Balance sheet short position	(35,750.351)	(6,837.863)	-	-	-	(21,241.309)	(63,829.523)
Off-balance sheet long position	3.363.730	13.286.633	1.540.302	-	-	-	18.190.665
Off-balance sheet short position	-	-	-	(18.178.694)	(408.169)	-	(18.586.863)
Total position	(32,386.621)	6,448.770	29,492.472	9,562.759	7,727.731	(21,241.309)	(396.198)

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

b. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	1,53	1,88	-	13,54
Financial assets at fair value through profit/(loss)	2,06	3,92	-	8,72
Money market placements	-	0,90	-	13,21
Available-for-sale financial assets	4,41	5,81	-	9,96
Loans	4,06	5,34	4,80	14,48
Held-to-maturity investments	3,40	5,39	-	10,61
Liabilities⁽¹⁾				
Bank deposits	1,17	1,13	-	11,07
Other deposits	1,51	2,21	1,72	12,73
Funds from money market	-	1,01	-	7,91
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,78	3,72	0,81	11,07
Funds borrowed from other financial institutions	1,01	2,95	2,99	7,14

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

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	1,30
Banks	1,06	1,90	-	10,75
Financial assets at fair value through profit/(loss)	1,97	4,41	-	8,27
Money market placements	-	-	-	11,73
Available-for-sale financial assets	5,49	6,28	-	9,98
Loans	4,55	5,00	5,20	13,50
Held-to-maturity investments	3,77	5,51	-	9,81
Liabilities⁽¹⁾				
Bank deposits	1,42	0,47	-	10,34
Other deposits	1,95	2,11	1,82	10,74
Funds from money market	-	0,85	-	9,47
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,12	3,57	-	7,85
Funds borrowed from other financial institutions	1,58	3,33	3,02	9,48

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

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

c. Interest rate risk arising from banking accounts:

The sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements is performed for all interest earning assets and interest bearing liabilities.

Interest rate risk resulting from banking books comprise of repricing risk, yield curve risk, and basis risk.

Interest rate risk arising from banking book is measured in accordance with "The regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts", published in the Official Gazette No. 28034 dated August 23, 2011 and legal limit of this measurement is monitored and reported monthly. Proportional amount of capital is provided in line with the same level of Interest rate risk arising from banking accounts.

Interest rate risk is measured and monitored monthly by market risk management. Duration analysis, gap analysis, basis points value analysis, scenario analysis and simulation of net interest income are performed and reported monthly to Asset Liability Management function of the Executive Committee. Interest sensitivity is measured most appropriately using the duration distribution map for every type of product. Investment decisions are done by taking into account the interest rate measurements. The maturity and interest risk for products with uncertain maturities is effectively measured using the behavioral analysis.

Economic value differences resulting from interest rate fluctuations of the Parent Bank as of December 31, 2015 are presented in the table below in accordance with the "Regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts".

Currency⁽¹⁾	Applied shock (+/- x basis points)	Gains/Losses	Gains/SE- Losses/SE
TRY	(+)500 bp	(2.253.008)	(8,05)%
TRY	(-)400 bp	2.233.739	7,98%
EUR	(+)200 bp	(390.249)	(1,39) %
EUR	(-)200 bp	390.595	1,40%
USD	(+)200 bp	(174.722)	(0,62)%
USD	(-)200 bp	300.442	1,07%
Total (for negative shock)		2.924.776	10,45%
Total (for positive shock)		(2.817.980)	(10,06)%

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

VII. Explanation on share certificates position risk from banking book:

1. Comparison of the carrying, fair and market values of equity shares:

Group has no unconsolidated subsidiaries and joint venture quoted in Borsa Istanbul as of December 31, 2015.

2. Information on realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

None.

VIII. Explanations on consolidated liquidity risk:

Liquidity risk is defined as risk of unexpected loss to be occurred or Group to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Group is approved by the Bank’s Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank’s policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank functions as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. The bank applies weekly liquidity stress tests consisting of different scenarios and maturity segments (maximum 60 days).

“Liquidity Contingency Plan” is applied if the Parent Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

CURRENT PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			30.592.256	21.096.422
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	61.274.185	25.773.923	5.149.032	2.303.333
Stable deposits	19.567.731	5.481.180	978.387	274.059
Less stable deposits	41.706.454	20.292.743	4.170.645	2.029.274
Unsecured Funding other than Retail and Small Business Customers Deposits	61.696.884	29.923.382	36.240.363	16.330.403
Operational deposits	-	-	-	-
Non-Operational Deposits	48.478.785	25.496.624	24.885.088	11.903.658
Other Unsecured Funding	13.218.099	4.426.758	11.355.275	4.426.745
Secured funding			20.529	20.529
Other Cash Outflows	16.322.074	9.027.288	16.320.394	9.025.608
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.319.674	9.024.888	16.319.674	9.024.888
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	2.400	2.400	720	720
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	50.132.649	32.035.021	2.506.632	1.601.751
Other irrevocable or conditionally revocable commitments	57.598.448	10.980.889	4.236.097	716.157
TOTAL CASH OUTFLOWS	247.024.240	107.740.503	64.473.047	29.997.781
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.438.444	7.658.842	13.521.423	6.170.588
Other contractual cash inflows	17.043.992	13.455.403	15.741.643	10.434.732
TOTAL CASH INFLOWS	37.482.436	21.114.245	29.263.066	16.605.320
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			30.592.256	21.096.422
TOTAL NET CASH OUTFLOWS			35.209.981	13.392.461
Liquidity Coverage Ratio (%)			86,89	157,52

(1) In Current Period Consolidated Liquidity Coverage Ratio table, the arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

PREVIOUS PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			31.630.960	18.533.027
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	44.548.300	18.495.193	4.454.830	1.849.519
Stable deposits	-	-	-	-
Less stable deposits	44.548.300	18.495.193	4.454.830	1.849.519
Unsecured Funding other than Retail and Small Business Customers Deposits	54.391.954	23.864.869	31.088.339	13.089.317
Operational deposits	-	-	-	-
Non-Operational Deposits	42.626.607	20.563.031	20.918.326	9.795.780
Other Unsecured Funding	11.765.347	3.301.838	10.170.013	3.293.537
Secured funding				
Other Cash Outflows	465.854	240.819	462.097	237.062
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	460.487	235.452	460.487	235.452
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	5.367	5.367	1.610	1.610
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	45.985.088	30.477.285	2.299.254	1.523.864
Other irrevocable or conditionally revocable commitments	43.673.151	1.954.951	3.532.137	225.157
TOTAL CASH OUTFLOWS	189.064.347	75.033.117	41.836.657	16.924.919
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	14.633.703	4.578.201	9.635.360	3.941.157
Other contractual cash inflows	409.981	4.314.146	409.981	4.314.146
TOTAL CASH INFLOWS	15.043.684	8.892.347	10.045.341	8.255.303
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			31.630.960	18.533.027
TOTAL NET CASH OUTFLOWS			31.791.316	8.669.617
Liquidity Coverage Ratio (%)			99,50	213,77

(1) In Previous Period Consolidated Liquidity Coverage Ratio table, the arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

	Minimum FC (%)	Minimum TOTAL(%)	Maximum FC (%)	Maximum TOTAL(%)
Week Ratio (%)	27 November 2015 116,83	4 December 2015 82,13	23 October 2015 170,42	31 December 2015 99,16

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Funding sources of the Bank mainly consist of deposits which constitute 58% of total liabilities of the bank (31 December 2014 – 58%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

Cash, effective money, cheques, Central Bank of the Republic of Turkey (“CBRT”) reserves and debt instruments issued by Treasury of the Republic of Turkey are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the bank are included in liquidity coverage ratio tables above.

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified ⁽¹⁾⁽²⁾	Total
Current Period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	2.277.474	25.053.321	-	58.152	-	-	-	27.388.947
Banks	1.229.014	928.892	614.140	339.459	-	-	-	3.111.505
Financial assets at fair value through profit or loss	-	462.062	179.022	269.439	684.457	163.273	8.040	1.766.293
Money market placements	-	284.115	2.011	-	-	-	-	286.126
Available-for-sale financial assets	18.080	287.136	1.277.153	2.077.094	7.456.311	11.469.412	255.018	22.840.204
Loans	-	23.227.856	14.576.087	39.655.792	43.066.594	31.962.766	1.528.894	154.017.989
Held-to-maturity Investments	-	-	27.113	206.761	2.204.103	4.670.832	-	7.108.809
Other assets ⁽¹⁾	2.317.677	1.379.743	909.029	1.855.092	5.086.317	860.695	6.339.506	18.748.059
Total assets	5.842.245	51.623.125	17.584.555	44.461.789	58.497.782	49.126.978	8.131.458	235.267.932
Liabilities								
Bank deposits	349.936	3.678.714	382.544	672.053	33.072	-	-	5.116.319
Other deposits	19.961.986	64.571.208	33.002.949	6.398.343	685.677	288.583	-	124.908.746
Funds borrowed from other financial institutions	-	1.506.221	2.162.578	13.843.778	4.505.708	2.842.694	-	24.860.979
Funds from money market	-	13.702.748	315.153	245.636	-	-	-	14.263.537
Marketable securities issued	-	489.326	1.609.931	2.876.964	7.868.002	4.328.670	-	17.172.893
Miscellaneous payables	913.967	8.218.808	294.584	256.000	101	-	111.221	9.794.681
Other liabilities ⁽²⁾	2.700.431	659.674	855.331	576.432	1.756.300	6.231.362	26.371.247	39.150.777
Total liabilities	23.926.320	92.826.699	38.623.070	24.869.206	14.848.860	13.691.309	26.482.468	235.267.932
Net liquidity gap	(18.084.075)	(41.203.574)	(21.038.515)	19.592.583	43.648.922	35.435.669	(18.351.010)	-
Prior Period								
Total assets	10.441.919	42.381.033	15.036.763	32.561.885	50.148.669	39.801.602	4.586.834	194.958.705
Total liabilities	24.611.114	68.754.419	31.751.351	21.834.147	14.172.188	10.216.364	23.619.122	194.958.705
Net liquidity gap	(14.169.195)	(26.373.386)	(16.714.588)	10.727.738	35.976.481	29.585.238	(19.032.288)	-

(1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale stationary stocks, prepaid expenses and loans under follow-up, are classified in this column. Also includes factoring and leasing receivables.

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

Breakdown of 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	88.996.260	33.859.767	7.241.042	754.978	349.975	131.202.022
Funds borrowed from other financial Institutions	1.567.281	2.240.927	14.317.262	6.150.021	4.178.948	28.454.439
Funds from money market	13.719.659	315.429	257.316	-	-	14.292.404
Subordinated loans	-	47.942	300.656	1.936.583	6.697.677	8.982.858
Marketable securities issued	521.307	1.663.115	3.129.545	8.535.659	4.338.997	18.188.623
Total	104.804.507	38.127.180	25.245.821	17.377.241	15.565.597	201.120.346

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

Prior Period ⁽¹⁾	Demand and up 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.

IX. Explanations on consolidated leverage ratio:

The main reasons for decrease in leverage ratio for the current period are the increase in total risks of on-balance sheet assets and off-balance sheet exposures.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

	Current Period ⁽³⁾	Prior Period ⁽³⁾
1 Total assets in the consolidated financial statements prepared in accordance with TAS ^{(1),(2)}	231.901.550	185.322.830
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	(2.276.833)	(586.700)
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.467.817)	(2.111.056)
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	9.898.917	2.337.469
5 Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.512.027	224.916
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(3.911.486)	391.170
7 Total Risks	383.723.240	293.089.781

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(2) The current period figures are not audited as of the date of this report.

(3) The arithmetic average of the last 3 months in the related periods.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
1		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	231.035.701	184.645.466
2		
(Asset amounts deducted in determining Tier 1 capital)	(2.594.171)	(1.982.050)
3		
Total on-Balance sheet exposures	228.441.530	182.663.416
Derivative financial instruments and credit derivatives		
4		
Replacement cost of derivative financial instruments and credit derivatives	826.025	(119.730)
5		
Potential credit risk of derivative financial instruments and credit derivatives	2.467.817	2.111.056
6		
Total derivative financial instruments and credit derivatives exposure	3.293.842	1.991.326
Securities financing transaction exposure		
7		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.822.510	664.679
8		
Agent transaction exposures	-	-
9		
Total securities financing transaction exposures	1.822.510	664.679
Off-balance sheet items		
10		
Off-balance sheet exposure at gross notional amount	152.677.385	107.995.276
11		
(Adjustments for conversion to credit equivalent amounts)	(2.512.027)	(224.916)
12		
Total risk of off-balance sheet items	150.165.358	107.770.360
Capital and total exposure		
13		
Tier 1 capital	20.682.544	18.704.693
14		
Total exposures	383.723.240	293.089.781
Leverage ratio		
15		
Leverage ratio (%)	5,39%	6,38%

(1) In Current Period and Prior Period table, the arithmetic average of the last 3 months.

X. Explanations on securitization positions:

None.

XI. Credit risk mitigation techniques:

The Group does not use on-balance and off-balance sheet netting for the calculation of credit risk mitigation factors.

The Group applies credit risk mitigation according to the comprehensive method in compliance with the article 34 of the “Regulation on Credit Risk Mitigation Techniques”. Only cash and cash equivalent collaterals are taken into account for the purpose of credit risk migration.

Credit derivatives are not taken into consideration for credit risk mitigation techniques.

Cash and cash equivalent collaterals considered for the mitigating the credit risk, are taken into account at their nominal values. Standard margin is applied where currencies of exposure and the collateral are different.

Mortgage collaterals considered for mitigating the credit risk are taken into account with the expertise value (which are also reviewed by the expert group of the Bank) determined by CMB licensed experts. Based on these values of the collaterals, total amount of credit risk is determined in accordance with the maximum Loan-to-Value ratio set by BRSA. For the guarantees that are taken to mitigate the credit risk, credit worthiness of the guarantor is measured.

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Notes to consolidated financial statements December 31, 2015 (continued)

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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 the process of credit allocation, cash blockage guarantees, pledges, mortgages, guarantees and warranties are considered as risk-reducing collaterals.

The Group's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international and local regulations and internal policies. With regards to the limitation of risks, also internal limits are employed besides regulatory limits. Possible changes that may occur in the economic environment are taken into account for determining these limits.

Information about guarantees according to risk classifications:

Risk classifications	Amount ⁽¹⁾	Financial guarantees ⁽²⁾	Other / Physical guarantees ⁽²⁾	Guarantees and credit derivatives ⁽²⁾
Conditional and unconditional receivables from central governments or central banks	59.624.592	4.303.612	-	-
Conditional and unconditional receivables from regional or local governments	1.224	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	113.320	-	-	-
Conditional and unconditional receivables from multilateral development banks	499.488	-	-	-
Conditional and unconditional receivables from international organizations	65.203	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	112.463.867	6.009.627	-	-
Conditional and unconditional receivables from corporates	257.187.223	3.527.798	-	986.560
Conditional and unconditional retail receivables	127.415.953	172.025	-	8.895
Conditional and unconditional receivables secured by mortgages	25.786.901	-	-	-
Past due receivables	1.522.766	-	-	-
Receivables defined in high risk category by the Regulator	15.980.242	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other Receivables	7.025.048	-	-	-
Total	607.685.827	14.013.062	-	995.455

(1) Figures represent the total amount of credit risks prior to the risk mitigating calculations as per the “Regulation on Credit Risk Mitigation Techniques”.

(2) Figures represent the total amount of collaterals which are taken into consideration for the risk mitigating calculations. Other risk reducing items are not included in this table such as; mortgages, pledges, guarantees and warranties

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Information related to financial position of the Group (continued)

XII. Strategies and policies of the risk management system:

Risk management strategy of the Parent Bank includes measurement and monitoring of the risks with the methods that are defined in accordance with the international standards and local regulations. Also it includes having a sustainable growth in the framework of optimized capital use in accordance with the principle of keeping a balanced risk and return approach.

Risk Management Department including the sub-departments of "Credit Risk Control and Operational Risk Management", "Market Risk Management" and "Credit Risk Management", reports to the Board of Directors through the Audit Committee.

Credit risk rating models are mainly used to measure and monitor the credit risk. The rating model is used in day to day activities of the Bank such as; for the evaluation of new credit applications, determination of credit approval authority levels and monitoring the performance of the existing customer portfolio. Performance of the rating model is monitored by a validation team on a regular basis.

Reports related to the loan portfolio of the Bank are distributed to the relevant departments within the Bank, on a regular basis. Expected loss calculations for the Bank's loan portfolio are performed and used for determining the objectives and policies of the Bank.

Market Risk Analysis unit is responsible for measuring, monitoring and distributing the results of the market risk to the relevant departments within the Bank, as well as reviewing the valuation calculations of financial instruments, which are subject to market risk, in accordance with accounting standards.

The Parent Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international regulations, local regulations and internal policies. In addition to the regulatory limits, there are also internal limits set to measure and monitor the risk. Possible changes that may occur in the economic environment are taken into account for determining these limits.

XIII. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying value		Fair value	
	Current Period	Prior Period	Current period	Prior period
Financial assets	187.364.633	156.498.200	190.171.567	160.077.923
Due from money market	286.126	1.568.750	286.126	1.568.750
Banks	3.111.505	3.891.875	3.113.324	3.895.771
Available-for-sale financial assets	22.840.204	18.674.097	22.840.204	18.674.097
Held-to-maturity investments	7.108.809	5.556.369	7.038.312	5.818.301
Loans	154.017.989	126.807.109	156.893.601	130.121.004
Financial liabilities	188.488.809	157.912.409	189.242.810	158.543.370
Bank deposits	5.116.319	2.543.809	5.121.899	2.540.157
Other deposits	124.908.746	105.086.822	125.145.431	105.304.517
Funds borrowed from other financial institutions	24.860.979	21.416.956	24.989.311	21.513.899
Subordinated loans	6.635.191	6.770.549	6.726.059	6.855.936
Marketable securities issued	17.172.893	13.355.937	17.465.429	13.590.525
Miscellaneous payables	9.794.681	8.738.336	9.794.681	8.738.336

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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.

TFRS 13, “Fair Value Measurement”, requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group’s classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	74.146	1.692.147	-	1.766.293
Government debt securities	66.106	-	-	66.106
Share certificates	8.040	-	-	8.040
Trading derivative financial assets	-	1.692.147	-	1.692.147
Other marketable securities	-	-	-	-
Available-for-sale financial assets	20.426.821	2.405.868	-	22.832.689
Government debt securities	20.395.137	-	-	20.395.137
Other marketable securities(1)	31.684	2.405.868	-	2.437.552
Hedging derivative financial assets	-	961.041	-	961.041
Total assets	20.500.967	5.059.056	-	25.560.023
Trading derivative financial liabilities	-	1.922.408	-	1.922.408
Marketable securities issued	-	3.394.985	-	3.394.985
Hedging derivative financial liabilities	-	148.278	-	148.278
Total liabilities	-	5.465.671	-	5.465.671

(1) As of December 31, 2015, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 7.515 is not included.

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Information related to financial position of the Group (continued)

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	99.271	1.110.521	-	1.209.792
Government debt securities	95.151	-	-	95.151
Share certificates	4.037	-	-	4.037
Trading derivative financial assets	-	1.110.521	-	1.110.521
Other marketable securities	83	-	-	83
Available-for-sale financial assets	16.376.461	2.291.442	-	18.667.903
Government debt securities	16.284.654	-	-	16.284.654
Other marketable securities(1)	91.807	2.291.442	-	2.383.249
Hedging derivative financial assets	-	256.146	-	256.146
Total assets	16.475.732	3.658.109	-	20.133.841
Trading derivative financial liabilities	-	860.326	-	860.326
Marketable securities issued	-	1.163.996	-	1.163.996
Hedging derivative financial liabilities	-	440.448	-	440.448
Total liabilities	-	2.464.770	-	2.464.770

(1) As of December 31, 2014, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 6.194 is not included.

The Group classifies its buildings carried at their fair value within property and equipment under level 3.

XIV. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2015:

- Fair value Hedge (“FVH”)
- Cash Flow Hedge (“CFH”)

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2015 of these hedging instruments are presented in the table below:

	Current Period				Prior Period	
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	28.436.221	703.897	144.047	20.360.998	78.251	439.791
Cross currency interest rate swap (FVH)	666.872	257.144	4.231	481.084	177.895	657
Total	29.103.093	961.041	148.278	20.842.082	256.146	440.448

(1) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 29.623.344 (December 31, 2013 - TL 21.105.415) the total notional of derivative financial assets amounting to TL 58.726.437 (December 31, 2013 - TL 41.947.497) is accounted for in off-balance sheet under “Hedging Derivative Financial Instruments” line item.

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Information related to financial position of the Group (continued)

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section III. Part IV.

Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

The impact of application of FVH accounting is summarized below;

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	(28.479)	251.230	3.427	(17.963)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 2.286.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	(10.516)	177.895	-	(5.403)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 2.913.

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Information related to financial position of the group (continued)

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos .

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	703.897	144.047	267.965	564.974

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 6.355.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	78.251	439.791	(297.009)	(181.892)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 12.225.

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Notes to consolidated financial statements December 31, 2015 (continued)

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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, 2015 is EUR 348 million (December 31, 2014 - EUR 275 million).

XV. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

XVI. Explanations on consolidated operating segments:

The Group carries out its banking operations through three main business units:

- (1) Retail Banking
- (2) Corporate and Commercial Banking
- (3) Private Banking and Wealth Management.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

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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, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management’s results, operations of supporting business units and other unallocated transactions.

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Major balance sheet and income statement items based on operating segments:

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	4.085.978	2.371.581	213.250	272.453	540.672	2.679.482	43.342	10.206.758
Operating expenses continuing	(3.628.714)	(798.972)	(94.552)	(172.660)	(230.697)	(2.809.676)	8.715	(7.726.556)
Net operating income continuing	457.264	1.572.609	118.698	99.793	309.975	(130.194)	52.057	2.480.202
Dividend income ⁽²⁾	-	-	-	-	-	5.908	-	5.908
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	50.806	-	50.806
Profit before tax	457.264	1.572.609	118.698	99.793	309.975	(73.480)	52.057	2.536.916
Tax expense ⁽²⁾	-	-	-	-	-	(628.188)	-	(628.188)
Net period income from continuing operations	457.264	1.572.609	118.698	99.793	309.975	(701.668)	52.057	1.908.728
Minority interest (-)	-	-	-	-	-	(45)	-	(45)
Group income/loss	457.264	1.572.609	118.698	99.793	309.975	(701.713)	52.057	1.908.683
Segment assets ⁽³⁾	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.070.175	(2.361.014)	234.690.053
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	577.879	-	577.879
Total assets	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.648.054	(2.361.014)	235.267.932
Segment liabilities ⁽³⁾	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	68.837.738	(2.358.843)	212.181.530
Shareholders’ equity	-	-	-	-	-	23.086.402	-	23.086.402
Total liabilities	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	91.924.140	(2.358.843)	235.267.932

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under “Treasury, Asset-Liability Management and Other”.

(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).

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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 ⁽⁴⁾	3.154.995	1.984.536	193.161	247.468	505.294	2.654.658	(38.717)	8.701.395
Operating expenses continuing ⁽⁴⁾	(3.017.788)	(595.230)	(88.712)	(129.605)	(202.558)	(2.090.124)	39.007	(6.085.010)
Net operating income continuing	137.207	1.389.306	104.449	117.863	302.736	564.534	290	2.616.385
Dividend income ^{(2), (4)}	-	-	-	-	-	9.351	-	9.351
Income/Loss from Investments accounted based on equity method ⁽⁴⁾	-	-	-	-	-	42.842	-	42.842
Profit before tax	137.207	1.389.306	104.449	117.863	302.736	616.727	290	2.668.578
Tax expense ^{(2), (4)}	-	-	-	-	-	(612.396)	-	(612.396)
Net period income from continuing operations	137.207	1.389.306	104.449	117.863	302.736	4.331	290	2.056.182
Minority interest (-) ⁽⁴⁾	-	-	-	-	-	(167)	-	(167)
Group income/loss	137.207	1.389.306	104.449	117.863	302.736	4.164	290	2.056.015
Segment assets ⁽³⁾	56.570.591	56.386.444	170.177	6.463.517	11.404.711	65.569.693	(2.088.869)	194.476.264
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	482.441	-	482.441
Total assets	56.570.591	56.386.444	170.177	6.463.517	11.404.711	66.052.134	(2.088.869)	194.958.705
Segment liabilities ⁽³⁾	41.080.689	44.598.409	22.300.382	5.199.806	9.550.610	54.095.433	(2.080.329)	174.745.000
Shareholders' equity	-	-	-	-	-	20.213.705	-	20.213.705
Total liabilities	41.080.689	44.598.409	22.300.382	5.199.806	9.550.610	74.309.138	(2.080.329)	194.958.705

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under “Treasury, Asset-Liability Management and Other”.

(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).

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Notes to consolidated financial statements December 31, 2015 (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	1.437.741	567.110	1.696.981	584.111
The CBRT ⁽¹⁾	2.025.935	23.019.557	1.293.701	19.460.663
Other	-	338.604	-	179.209
Total	3.463.676	23.925.271	2.990.682	20.223.983

- (1) The balance of gold amounting to TL 3.677.328 is accounted for under the Central Bank foreign currency account (December 31, 2014 – TL 3.302.860).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	2.025.935	2.735.055	1.293.701	2.046.196
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	20.284.502	-	17.414.467
Total	2.025.935	23.019.557	1.293.701	19.460.663

- (1) According to the letter received from BRSA on January 3, 2008, average reserve requirements balances monitored under CBRT demand deposit account.

- (2) According to the "Required Reserves Communiqué", numbered 2005/1, Bank is required to maintain reserves for liabilities in TL, USD, EUR and gold currencies.

As of December 31, 2015, the Group's reserve deposits, including those at foreign banks, amount to TL 25.118.042 (December 31, 2014 - TL 20.785.117).

b. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions (December 31, 2014 - None) and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2014 - None).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	154.716	200	48.509	3.088
Swap transactions	1.209.471	211.898	894.930	118.185
Futures transactions	-	-	-	-
Options	106.947	8.915	27.400	18.409
Other	-	-	-	-
Total	1.471.134	221.013	970.839	139.682

ç. Information on banks:

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	19.613	1.383.588	947.196	425.461
Foreign ⁽¹⁾	14.813	1.693.491	3.309	2.515.909
Head quarters and branches abroad	-	-	-	-
Total	34.426	3.077.079	950.505	2.941.370

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 116.632 (December 31, 2014 - 66.936 TL).

2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	420.678	1.151.961	89.007	111.270
USA, Canada	949.461	1.089.289	72.690	-
OECD countries ⁽¹⁾	38.346	23.963	18.173	-
Off-shore banking regions	383	123	-	-
Other	119.536	142.588	30	24
Total	1.528.404	2.407.924	179.900	111.294

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

d. Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Available-for-sale financial assets given as collateral/blocked amount to TL 4.172.519 (December 31, 2014 - TL 1.102.216) and available-for-sale financial assets subject to repo transactions amounts to TL 8.389.163 (December 31, 2014 - TL 4.607.767).

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

	Current Period	Prior Period
Debt securities	22.925.060	18.626.742
Quoted on stock exchange	21.794.371	17.095.631
Not quoted ⁽¹⁾	1.130.689	1.531.111
Share certificates	300.332	88.925
Quoted on stock exchange	112	177
Not quoted	300.220	88.748
Impairment provision (-) ⁽²⁾	(410.013)	(114.222)
Other ⁽³⁾	24.825	72.652
Total	22.840.204	18.674.097

(1) Includes credit linked notes amounting to TL 476.119 (December 31, 2014 - TL 986.135).

(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.

(3) Other available-for-sale financial assets include mutual funds.

f. Explanations on loans:

1. Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	6.593	954.585	29.825	536.763
Loans granted to employees	138.434	492	129.610	1.464
Total	145.027	955.077	159.435	538.227

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	of which, terms & conditions are changed		Loans and other receivables (Total)	of which, terms & conditions are changed	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	147.634.319	2.164.392	-	4.854.776	1.474.643	133.659
Loans given to enterprises	70.203.815	562.943	-	1.385.922	589.281	98.442
Export loans	5.328.817	152.107	-	50.305	26.961	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3.495.267	-	-	-	-	-
Consumer loans	28.127.331	747.750	-	1.198.035	184.053	21.836
Credit cards	19.312.167	438.377	-	608.349	157.836	10.733
Other	21.166.922	263.215	-	1.612.165	516.512	2.648
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	147.634.319	2.164.392	-	4.854.776	1.474.643	133.659

(1) Fair value differences of the hedged item amounting to TL (28.479) are classified in other loans as explained in Note IV, Section XIV.

Number of modifications made to extend payment plan ⁽¹⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	1.992.149	1.292.472
Extended by 3,4 or 5 times	135.597	175.962
Extended by more than 5 times	36.646	6.209
Total	2.164.392	1.474.643

Number of modifications made to extend payment plan ⁽¹⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	747.745	305.547
6 - 12 Months	170.432	81.830
1 - 2 Years	481.313	240.127
2 - 5 Years	573.534	426.742
5 Years and over	191.368	420.397
Total	2.164.392	1.474.643

(1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 09, 2011.

(2) There are twenty seven loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities between 0 to 6 month, 6 to 12 month, 1 to 2 years, 2 to 5 years, 5 years and over. Twenty fourth of them was restructured once, and rest of the three are restructured three times.

(3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

3. Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short-term loans and other receivables	49.617.979	795.357	1.161.055	216.951
Non-specialised loans	49.617.979	795.357	1.161.055	216.951
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	95.851.948	1.369.035	2.085.419	1.391.351
Non-specialised loans	95.851.948	1.369.035	2.085.419	1.391.351
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

4.(i) Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	100.194.821	28.127.331	19.312.167	6.644.822	2.143.844	156.422.985
Watch list	3.048.392	1.198.035	608.349	180.017	89.924	5.124.717
Loans under legal follow-up	3.605.834	1.527.753	1.059.720	279.521	130.318	6.603.146
Specific provisions (-)	(2.668.475)	(1.174.379)	(821.559)	(242.099)	(104.962)	(5.011.474)
Total	104.180.572	29.678.740	20.158.677	6.862.261	2.259.124	163.139.374

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	81.665.253	22.640.608	17.104.012	4.751.537	2.686.888	128.848.298
Watch list	2.285.600	1.188.105	650.489	199.487	70.543	4.394.224
Loans under legal follow-up	2.704.502	1.062.029	612.792	264.424	78.294	4.722.041
Specific provisions (-)	(1.961.533)	(762.778)	(381.970)	(210.198)	(67.492)	(3.383.971)
Total	84.693.822	24.127.964	17.985.323	5.005.250	2.768.233	134.580.592

(ii) Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	1.043.065	539.021	-	69.011	-	1.651.097
Loans under legal follow-up ⁽¹⁾	543.935	59.821	-	40.153	-	643.909
Total	1.587.000	598.842	-	109.164	-	2.295.006

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	405.922	768.941	-	91.619	-	1.266.482
Loans under legal follow-up ⁽¹⁾	386.126	49.413	-	43.805	-	479.344
Total	792.048	818.354	-	135.424	-	1.745.826

1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the “Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	198.926	27.990.569	28.189.495
Real estate loans	7.328	12.212.049	12.219.377
Automotive loans	4.275	426.769	431.044
Consumer loans	187.323	15.351.751	15.539.074
Other	-	-	-
Consumer loans-FC indexed	-	45.822	45.822
Real estate loans	-	45.116	45.116
Automotive loans	-	-	-
Consumer loans	-	706	706
Other	-	-	-
Consumer loans-FC	32.283	105.746	138.029
Real estate loans	968	21.295	22.263
Automotive loans	4.893	5.239	10.132
Consumer loans	11.896	48.085	59.981
Other	14.526	31.127	45.653
Individual credit cards-TL	13.843.803	625.416	14.469.219
With installments	7.039.711	615.630	7.655.341
Without installments	6.804.092	9.786	6.813.878
Individual credit cards-FC	379	42.633	43.012
With installments	379	42.633	43.012
Without installments	-	-	-
Personnel loans-TL	4.593	57.960	62.553
Real estate loans	24	1.211	1.235
Automotive loans	-	297	297
Consumer loans	4.569	56.452	61.021
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	505	871	1.376
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	162	647	809
Other	343	224	567
Personnel credit cards-TL	72.353	279	72.632
With installments	33.652	279	33.931
Without installments	38.701	-	38.701
Personnel credit cards-FC	2	505	507
With installments	2	505	507
Without installments	-	-	-
Credit deposit account-TL (real person)⁽¹⁾	887.664	-	887.664
Credit deposit account-FC (real person)	427	-	427
Total	15.040.935	28.869.801	43.910.736

(1) TL 1.366 of the credit deposit account belongs to the loans used by personnel.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

6. Information on commercial installment loans and corporate credit cards:

	Short- term	Current Period Medium and long-term	Total
Commercial installments loans-TL	845.670	10.263.502	11.109.172
Business loans	668	759.567	760.235
Automotive loans	32.311	1.930.723	1.963.034
Consumer loans	812.691	7.573.212	8.385.903
Other	-	-	-
Commercial installments loans-FC indexed	16.723	211.300	228.023
Business loans	-	20.041	20.041
Automotive loans	124	48.793	48.917
Consumer loans	16.599	142.466	159.065
Other	-	-	-
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	5.332.741	2.405	5.335.146
With installment	3.331.466	2.056	3.333.522
Without installment	2.001.275	349	2.001.624
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Credit deposit account-TL (legal person)	1.216.911	-	1.216.911
Credit deposit account-FC (legal person)	-	-	-
Total	7.412.045	10.477.207	17.889.252

7. Loans according to types of borrowers:

	Current Period	Prior Period
Public	1.713.483	1.698.012
Private	150.775.612	123.836.055
Total	152.489.095	125.534.067

8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	Current Period	Prior Period
Domestic loans	149.261.801	122.057.842
Foreign loans	3.227.294	3.476.225
Total	152.489.095	125.534.067

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	33.816	88.339
Indirect loans granted to associates and subsidiaries	-	-
Total	33.816	88.339

10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	124.531	97.558
Loans and other receivables with doubtful collectability	519.512	484.214
Uncollectible loans and other receivables	4.020.370	2.524.509
Total	4.664.413	3.106.281

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.961.533	762.778	381.970	3.106.281
Allowance for impairment	1.145.261	668.114	598.949	2.412.324
Amount recovered during the period	(399.791)	(254.220)	(158.289)	(812.300)
Loans written off during the period as uncollectible ⁽¹⁾	(37.633)	(46)	(11)	(37.690)
Exchange difference	(895)	(2.247)	(1.060)	(4.202)
December 31	2.668.475	1.174.379	821.559	4.664.413

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.599.397	557.204	288.400	2.445.001
Allowance for impairment	862.763	669.641	432.659	1.965.063
Amount recovered during the period	(352.784)	(367.326)	(124.029)	(844.139)
Loans written off during the period as uncollectible ⁽¹⁾	(149.174)	(97.510)	(215.137)	(461.821)
Exchange difference	1.331	769	77	2.177
December 31	1.961.533	762.778	381.970	3.106.281

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

11. Information on non-performing loans (net):

(i).Information on non-performing loans restructured or rescheduled by the Group, and other receivables:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	51.746	88.265	146.882
Restructured loans and other receivables	51.746	88.265	146.882
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	15.966	42.429	316.142
Restructured loans and other receivables	15.966	42.429	316.142
Rescheduled loans and other receivables	-	-	-

(ii).Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period	621.628	1.057.713	2.699.982
Additions (+)	2.766.396	89.185	273.346
Transfers from other categories of non-performing loans (+)	-	2.512.876	2.079.036
Transfer to other categories of non-performing loans (-)	(2.512.876)	(2.079.036)	-
Collections (-)	(179.176)	(268.157)	(818.037)
FX valuation differences	(1.190)	(2.301)	(8.392)
Write-offs (-)	-	-	(37.690)
Corporate and commercial loans	-	-	(37.633)
Consumer loans	-	-	(46)
Credit cards	-	-	(11)
Other	-	-	-
Current Period	694.782	1.310.280	4.188.245
Specific provision (-)	(124.531)	(519.512)	(4.020.370)
Net balance on balance sheet	570.251	790.768	167.875

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

(iii). Information on non-performing loans granted as foreign currency loans

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Period end balance	1.130	10.614	563.217
Specific provision (-)	(501)	(6.058)	(461.751)
Net balance on-balance sheet	629	4.556	101.466
Prior Period			
Period end balance	58.978	25.592	532.229
Specific provision (-)	(2.897)	(14.493)	(385.376)
Net balance on-balance sheet	56.081	11.099	146.853

(iv). Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (net)	570.251	790.768	167.875
Loans granted to real persons and corporate entities (gross)	694.782	1.310.280	4.079.682
Specific provision amount (-)	(124.531)	(519.512)	(3.911.807)
Loans granted to real persons and corporate entities (net)	570.251	790.768	167.875
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (Net) ⁽¹⁾	-	-	-
Prior Period (net)	524.070	573.499	175.473
Loans granted to real persons and corporate entities (gross)	621.628	1.057.713	2.591.386
Specific provision amount (-)	(97.558)	(484.214)	(2.415.913)
Loans granted to real persons and corporate entities (Net)	524.070	573.499	175.473
Banks (gross)	-	-	24.600
Specific provision amount (-)	-	-	(24.600)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.996
Specific provision amount (-)	-	-	(83.996)
Other loans and receivables (Net) ⁽¹⁾	-	-	-

(1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş. in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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 1.758.825 (December 31, 2014 - TL 1.619.980). Held-to-maturity investments subject to repurchase agreements amount to TL 3.147.388 (December 31, 2014 - TL 2.143.948).

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

	Current Period	Prior Period
Government bond	6.618.626	5.242.386
Treasury bill	-	-
Other debt securities	490.183	313.983
Total	7.108.809	5.556.369

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

	Current Period	Prior Period
Debt securities	7.303.077	5.678.909
Quoted on stock exchange	7.303.077	5.678.909
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(194.268)	(122.540)
Total	7.108.809	5.556.369

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

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Explanations and notes related to consolidated financial statements (continued)

4. Movement of held-to-maturity investments within the period:

	Current Period	Prior Period
Beginning balance	5.556.369	6.889.603
Foreign currency differences on monetary assets ⁽¹⁾	931.823	201.600
Purchases during year	913.249	834.017
Disposals through sales and redemptions	(220.904)	(2.376.954)
Impairment provision (-) ⁽²⁾	(71.728)	8.103
Period end balance	7.108.809	5.556.369

(1) Also includes the changes in the interest income accruals.

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

ğ. Information on investments in associates (net):

1. General information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	9,98	9,98

No	Total Shareholders' assets	Total fixed equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	129.527	104.842	62.913	3.663	1.332	26.782	18.547	-
2	65.901	35.309	39.402	744	-	9.605	7.882	-

(1) Financial statement information disclosed above shows September 30, 2015 results.

2. Consolidated investments in associates:

(i). Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%) ⁽¹⁾
1	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	-	20,00

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

- (ii). Main financial figures of the consolidated investments in associates in order of the above table:

No	Total Shareholders' assets	equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	9.625.663	1.159.581	6.492	117.316	21.203	68.320	50.601	-
2	1.191.057	336.062	81.950	65.706	-	140.075	97.058	-

- (iii). Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	456.584	446.961
Movements during the period	88.641	9.623
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	49.009	34.164
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽²⁾	61.566	(5.046)
Impairment provision ⁽¹⁾	(21.934)	(19.495)
Balance at the end of the period	545.225	456.584
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes dividend income received in current year.

(2) Includes value increase/(decrease) due to equity pick up.

- (iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	338.140	260.370
Insurance companies	207.085	196.214
Total financial investments	545.225	456.584

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

h. Information on shareholders' equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	13.669	-	-	-	(3.470)
Other reserves	93.614	11	(217.064)	-	-
Legal reserves	66.880	8.034	79.305	16.314	-
Extraordinary reserves	209.302	10.458	771.384	-	423.809
Other reserves	-	-	-	-	348.160
Profit/loss	(10.388)	116.732	474.768	27.850	61.198
Current period net profit	59.558	9.867	196.527	27.850	61.198
Prior period profit	(69.946)	106.865	278.241	-	-
Leasehold improvements (-)	-	-	210	251	67
Intangible assets (-)	1.516	543	3.451	701	337
Total core capital	484.176	195.406	1.494.660	48.919	941.735
Supplementary capital	-	10.127	34.708	-	178
Capital	484.176	205.533	1.529.368	48.919	941.913
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	484.176	205.533	1.529.368	48.919	941.913

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2015.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process (“ICAAP”) report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

2. Unconsolidated subsidiaries

(i). Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/Turkey	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
3 Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

(ii). Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	21.811	18.599	1.196	20	-	2.428	2.436	-
2	38.532	25.692	3.749	1.920	-	(620)	903	-
3	5.279	4.318	289	216	-	(682)	-	-

3. Consolidated subsidiaries:

(i). Information on consolidated subsidiaries:

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2 Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
7 Yapı Kredi NV ⁽¹⁾	Amsterdam/Nederlands	67,24	100,00
8 Yapı Kredi Azerbaycan ⁽²⁾	Bakü/Azerbaijan	99,80	100,00
9 Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company (“Special Purpose Entity”) which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation as the Bank has a control of 100%.

(1) Includes the balances for Sticing Custody Services YKB.

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

(ii). Main financial figures of the consolidated subsidiaries in the order of the below table⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value ⁽²⁾	Required equity
1	227.804	227.633	-	-	-	326	351	-	-
2	3.338.442	490.196	38.760	99.540	5.232	59.558	69.268	-	-
3	2.282.938	195.949	1.307	153.474	-	9.867	46.971	-	-
4	406.567	125.728	12.613	37.496	2.162	14.115	19.423	-	-
5	7.639.749	1.498.321	4.058	440.634	-	196.527	152.365	-	-
6	58.883	49.871	1.574	3.442	-	27.850	21.386	-	-
7	5.960.637	939.403	922	225.368	11.848	61.198	50.566	-	-
8	897.519	129.113	30.277	90.459	29	395	21.004	-	-
9	285.415	186.777	3.066	3.269	51	(3.417)	(357)	-	-

(1) The above financial information is extracted from the financial statements of companies included in the preparation of consolidated financial statements are used as of December 31, 2015.

(iii). Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.309.478	3.166.037
Movements during the period	304.958	143.441
Purchases ⁽¹⁾	-	124.138
Free shares obtained profit from current years share	-	-
Share of current year income	345.342	322.018
Sales	-	-
Liquidation ⁽¹⁾	-	(39.558)
Transfers	-	-
Revaluation (decrease) / increase ⁽²⁾	66.047	(95.052)
Impairment provision ⁽³⁾	(106.431)	(168.105)
Balance at the end of the period	3.614.436	3.309.478
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) In the Extraordinary end of liquidation General Assembly of YKYO held on July 8, 2014 it was decided to conclude the liquidation process and to pay the remaining liquidation liabilities to the shareholders. In addition, it was decided to delist the official name, information and registry record of the YKYO from the trade registry records and other governmental agencies' records.

(2) Includes value increase/(decrease) due to equity pick up.

(3) Includes dividend income received in current year.

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

Financial Subsidiaries	Current Period	Priod Period
Banks	886.070	833.361
Insurance companies	-	-
Factoring companies	195.856	232.950
Leasing companies	1.498.228	1.301.713
Finance companies	-	-
Other financial subsidiaries	1.034.282	941.454
Total financial subsidiaries	3.614.436	3.309.478

(v). Subsidiaries quoted on stock exchange:

None (December 31, 2014 - None)

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

i. Information on joint ventures (net):

1. Unconsolidated joint ventures: None.
2. Consolidated joint ventures:
 - (i). Information on consolidated Joint Ventures:

	The Parent Bank's shareholding percentage	Group's shareholding percentage	Total Shareholders' assets	Shareholders' equity	Current assets	Non- current assets	Long term debts	Income	Expense
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	181.540	72.841	55.990	125.550	8.410	91.828	(85.747)
Total	30,45	30,45	181.540	72.841	55.990	125.550	8.410	91.828	(85.747)

i. Information on lease receivables (net):

- 1) Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2.339.085	1.917.198	1.906.241	1.577.071
Between 1- 4 years	4.262.288	3.557.981	2.780.122	2.273.797
More than 4 years	1.536.136	1.387.082	1.283.932	1.154.382
Total	8.137.509	6.862.261	5.970.295	5.005.250

- 2) Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	2.037.181	6.100.328	1.660.553	4.309.742
Unearned financial income from leases (-)	(422.420)	(852.828)	(333.304)	(631.741)
Amount of cancelled leases (-)	-	-	-	-
Total	1.614.761	5.247.500	1.327.249	3.678.001

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	257.144	-	177.895	-
Cash flow hedge ⁽¹⁾	697.629	6.268	78.251	-
Foreign net investment hedge	-	-	-	-
Total	954.773	6.268	256.146	-

- (1) Explained in the note XIV of Section IV.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

k. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	1.966.626	394.322	3.404	986.814	3.351.166
Accumulated depreciation (-)	(1.418.889)	(322.010)	(2.111)	(498.369)	(2.241.379)
Net book value	547.737	72.312	1.293	488.445	1.109.787
Current Period					
Net book value at beginning of the period	547.737	72.312	1.293	488.445	1.109.787
Additions ⁽¹⁾	1.526.243	828	190	295.638	1.822.899
Disposals (-), net	(1.255)	(28)	(32)	(40.380)	(41.695)
Reversal of impairment, net	106.382	-	13	-	106.395
Impairment (-)	(1.492)	-	-	-	(1.492)
Depreciation (-)	(42.899)	(29.534)	(349)	(145.310)	(218.092)
Transfers	-	-	-	1.230	1.230
Foreign exchange differences, net	(164)	(7.445)	(5)	(3.934)	(11.548)
Net book value at end of the period	2.134.552	36.133	1.110	595.689	2.767.484
Cost at the end of the period	3.011.229	367.789	3.420	1.165.529	4.547.967
Accumulated depreciation at the period end (-)	(876.677)	(331.656)	(2.310)	(569.840)	(1.780.483)
December 31, 2015	2.134.552	36.133	1.110	595.689	2.767.484

(1) As of March 31, 2015 The Group decided to change its accounting policy on valuation of buildings to fair value accounting in accordance with TAS 16. Based on valuation reports of expertise companies, authorized by CMB and BRSA, the Bank realized a positive fair valuation difference as other comprehensive income amounting to TL 1.510.187.

As of December 31, 2015, the Parent Bank had total provision for impairment amounting to TL 224.378 (December 31, 2014 – TL 326.748) for the property and equipment.

l. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.457.366	1.393.590
Additions during the period	187.093	173.323
Unused and disposed items (-)	(955)	(217)
Sales of a subsidiary	(1.230)	-
Impairment reversal	-	-
Amortization expenses (-)	(128.678)	(110.151)
Foreign exchange valuation differences	(5.168)	821
Balance at the end of the period	1.508.428	1.457.366

m. Information on investment property:

None (December 31, 2014 - None).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

n. Information on deferred tax asset:

	Current Period		Prior Period	
	Tax base	Deferred Tax	Tax base	Deferred Tax
Reserves for employee benefit	874.762	175.788	934.405	187.183
Derivative financial liabilities	2.108.733	414.520	1.324.579	256.083
Securities portfolio valuation differences	378.951	99.176	17.344	3.468
Subsidiaries, investment in associates and share certificates	122.117	24.423	122.117	24.423
Other	766.946	153.153	844.582	170.007
Total deferred tax asset	4.251.509	867.060	3.243.027	641.164
Derivative financial assets	(2.784.083)	(561.588)	(1.484.690)	(297.640)
Valuation difference of securities portfolio	(953.965)	(190.819)	(587.640)	(117.430)
Property, equipment and intangibles, net	(1.860.362)	(127.130)	(255.343)	(40.638)
Other	(210.312)	(39.902)	(79.144)	(18.861)
Total deferred tax liability	(5.808.722)	(919.439)	(2.406.817)	(474.569)
Deferred tax asset, net⁽¹⁾	(1.557.213)	(52.379)	836.210	166.595

(1) Includes TL 119.097 deferred tax liabilities as of December 31, 2015.

Deferred tax expense amounting to TL 214.247 was recognized in profit and loss statement, whereas deferred tax income amounting to TL 1.304 was recognized directly in equity accounts for the period ended December 31, 2015.

o. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	155.485	159.395
Additions	71.898	64.578
Disposals (-), net	(68.679)	(63.481)
Impairment provision reversal	560	979
Impairment provision (-)	(400)	(566)
Depreciation (-)	(5.149)	(4.958)
Translation differences	207	(462)
Net book value at the end of the period	153.922	155.485
Cost at the end of the period	169.035	169.027
Accumulated depreciation at the end of the period (-)	(15.113)	(13.542)
Net book value at the end of the period	153.922	155.485

As of December 31, 2015, the Group booked impairment provision on assets held for resale with an amount of TL 7.838 (December 31, 2014 - TL 7.998).

ö. Information on other assets:

As of December 31, 2015, other assets do not exceed 10% of the total assets.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

II. Explanations and notes related to consolidated liabilities:

a. Information on deposits:

1. Information on maturity structure of deposits/collected funds:

(i). Current Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Months	3-6 Months	6 Months - 1 Year	1 Year and over	Total
Saving deposits	4.219.828	292	1.342.831	26.878.250	806.474	127.203	187.905	33.562.783
Foreign currency deposits	9.680.582	16.477	7.748.761	30.615.266	4.731.711	4.755.724	2.938.619	60.487.140
Residents in Turkey	8.654.417	8.900	7.710.165	29.872.663	3.009.199	707.224	1.177.571	51.140.139
Residents abroad	1.026.165	7.577	38.596	742.603	1.722.512	4.048.500	1.761.048	9.347.001
Public sector deposits	833.607	-	70	72.690	71	660	77	907.175
Commercial deposits	4.806.847	-	4.143.763	15.441.255	732.772	139.680	638.898	25.903.215
Other institutions deposits	91.538	-	62.089	2.592.019	320.813	402.005	1.190	3.469.654
Precious metals vault	329.584	-	5.828	59.963	26.188	33.296	123.920	578.779
Bank deposits	349.936	8.215	3.102.799	739.430	202.185	662.035	51.719	5.116.319
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	1.854	-	2.886.157	365.081	-	-	-	3.253.092
Foreign banks	23.581	8.215	216.642	374.349	202.185	662.035	51.719	1.538.726
Participation banks	324.501	-	-	-	-	-	-	324.501
Other	-	-	-	-	-	-	-	-
Total	20.311.922	24.984	16.406.141	76.398.873	6.820.214	6.120.603	3.942.328	130.025.065

(ii). Prior Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and over	Total
Saving deposits	3.183.189	19.203	1.472.508	23.308.258	1.124.488	261.856	241.704	29.611.206
Foreign currency deposits	7.115.405	28.095	5.555.497	22.185.813	3.568.019	1.454.480	2.297.646	42.204.955
Residents in Turkey	6.254.086	18.288	5.372.527	20.979.428	1.214.498	648.474	1.158.253	35.645.554
Residents abroad	861.319	9.807	182.970	1.206.385	2.353.521	806.006	1.139.393	6.559.401
Public sector deposits	899.028	-	-	3.076	417	516	1	903.038
Commercial deposits	4.440.843	-	4.182.457	14.150.955	2.814.083	501.598	124.116	26.214.052
Other institutions deposits	92.324	-	970.380	3.557.132	253.563	434.066	5.740	5.313.205
Precious metals vault	499.354	-	1.473	91.739	29.870	49.681	168.249	840.366
Bank deposits	406.111	12.744	999.163	592.191	30.098	465.868	37.634	2.543.809
The CBRT	2	-	-	-	-	-	-	2
Domestic banks	2.981	-	878.853	445.203	-	12.715	6.333	1.346.085
Foreign banks	121.380	12.744	120.310	146.988	30.098	453.153	31.301	915.974
Participation banks	281.748	-	-	-	-	-	-	281.748
Other	-	-	-	-	-	-	-	-
Total	16.636.254	60.042	13.181.478	63.889.164	7.820.538	3.168.065	2.875.090	107.630.631

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

2. Information on saving deposits insurance:

(i). Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

Saving deposits	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	17.037.310	14.413.302	16.965.778	15.541.985
Foreign currency savings deposit	6.632.647	5.038.690	17.764.322	13.437.356
Other deposits in the form of savings deposits	241.329	453.318	277.182	300.290
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

(ii). Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	5.495	6.348
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	132.362	89.998
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

b. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	97.011	156	58.781	3.942
Swap transactions ⁽¹⁾	1.422.269	284.342	610.069	132.892
Futures transactions	-	-	-	-
Options	105.182	13.448	31.687	22.955
Other	-	-	-	-
Total	1.624.462	297.946	700.537	159.789

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on borrowings:

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	730.154	1.247.208	1.408.691	906.936
From foreign banks, institutions and funds	541.887	22.341.730	662.856	18.438.473
Total	1.272.041	23.588.938	2.071.547	19.345.409

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	772.974	1.204.093	1.394.185	9.627.189
Medium and long-term	499.067	22.384.845	677.362	9.718.220
Total	1.272.041	23.588.938	2.071.547	19.345.409

ç. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	2.106.752	451.305	1.638.373	1.712.209
Asset backed securities	-	6.083.274	-	3.054.498
Bonds	2.093.611	6.437.951	1.648.691	5.302.166
<i>Collateralized securities</i>	288.650	-	462.642	-
Total	4.200.363	12.972.530	3.287.064	10.068.873

The Group classified some of its asset backed securities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with IAS 39 paragraph 9. As of December 31, 2015, the total amount of financial liabilities classified as fair value through profit/loss is TL 3.394.985 (31 December 2014: TL 1.163.996) and the fair value difference is TL 96.945 (31 December 2014: TL 5.673) recognised in the income statement as income.

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

d. Information on other liabilities:

As of December 31, 2015, other liabilities do not exceed 10% of the total balance sheet commitments.

e. Information on lease payables:

1. Information on financial leasing agreements:

None (December 31, 2014 - None).

2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	3.926	305	657	-
Cash flow hedge ⁽¹⁾	35.387	108.660	228.442	211.349
Foreign net investment hedge	-	-	-	-
Total	39.313	108.965	229.099	211.349

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

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	2.091.893	1.489.110
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	85.758	61.798
II. Provisions for second group loans and receivables	213.075	194.464
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	57.504	55.839
Provisions for non-cash loans	89.448	84.796
Other	232.855	159.451
Total	2.627.271	1.927.821

2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. TAS 19 necessitates actuarial valuation methods to calculate the liabilities of enterprises.

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Notes to consolidated financial statements December 31, 2015 (continued)

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Explanations and notes related to consolidated financial statements (continued)

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	4,60	3,50
Possibility of being eligible for retirement (%)	93,89	94,11

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.092,53 effective from January 1, 2016 (January 1, 2015 - full TL 3.541,37) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	141.134	122.718
Changes during the period	49.143	28.456
Recognized in equity	(20.478)	21.194
Paid during the period	(28.238)	(31.631)
Foreign currency differences	(173)	397
Balance at the end of the period	141.388	141.134

In addition, the Group has accounted for unused vacation rights provision amounting to TL 159.125 as of December 31, 2015 (December 31, 2014 - TL 136.910).

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

As of December 31, 2015, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 30.295 (December 31, 2014 - TL 25.125). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

4. Other provisions:

(i) Information on other provisions:

	Current Period	Prior Period
Pension fund provision	574.249	654.901
Provisions on unindemnified non cash loans	105.932	82.424
Provisions on credit cards and promotion campaigns related to banking services	38.678	35.877
Provision on export commitment tax and funds liability	6.376	44.489
Other	329.967	155.270
Total	1.055.202	972.961

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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Explanations and notes related to consolidated financial statements (continued)

(ii) General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	-	180.211
Total	-	180.211

5. Pension fund provision:

The Parent Bank provided provision amounting to TL 574.249 (December 31, 2014 – TL 654.901) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (charge)/benefit	80.652	112.230

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

	Current Period	Prior Period
Present value of funded obligations	1.757.364	1.621.901
- Pension benefits transferable to SSI	1.889.880	1.658.083
- Post employment medical benefits transferable to SSI	(132.516)	(36.182)
Fair value of plan assets	(1.183.115)	(967.000)
Provision for the actuarial deficit of the pension fund	574.249	654.901

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	%9,80	%9,80
- Post employment medical benefits transferable to SSI	%9,80	%9,80

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Government bonds and treasury bills	168.951	14	190.168	20
Premises and equipment	223.142	19	138.997	14
Bank placements	728.589	62	570.814	59
Other	62.433	5	67.021	7
Total	1.183.115	100	967.000	100

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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Explanations and notes related to consolidated financial statements (continued)

ğ. Information on taxes payable:

(i) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	195.493	179.027
Taxation of Marketable Securities	111.321	94.719
Property Tax	2.795	2.411
Banking Insurance Transaction Tax (“BITT”)	107.141	79.811
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	13.240	10.766
Other	39.413	30.592
Total	469.403	397.326

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	312	239
Social security premiums - employer	364	280
Bank pension fund premiums - employee	13.473	11.981
Bank pension fund premiums - employer	13.921	12.397
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	961	855
Unemployment insurance - employer	1.922	1.711
Other	-	-
Total	30.953	27.463

(iii) Information on deferred tax liability:

There is a deferred tax liability amounting to TL 119.097 as of December 31, 2015 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2014 – TL 2.439).

h. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	6.635.191	-	6.770.549
From other foreign institutions	-	-	-	-
Total	-	6.635.191	-	6.770.549

(1)Subordinated loans are explained in detail in the Note “Information on debt instruments included in the calculation of equity” in section four.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

i. Information on shareholders’ equity:

1. Presentation of paid-in capital

	Current Period		Prior Period	
	TL	FC	TL	FC
Common stock	4.347.051	-	4.347.051	-
Preferred stock	-	-	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

The Parent Bank’s paid-in-capital is amounting to TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Parent Bank has switched to the registered capital system and the registered share capital ceiling is TL 10.000.000.

3. Information on the share capital increases during the period and the sources:
None (December 31, 2014 - None).

4. Information on transfers from capital reserves to capital during the current period: None.

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

6. Information on prior period’s indicators on the Group’s income, profitability and liquidity, and possible effects of these future assumptions on the Bank’s equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

7. Privileges on the corporate stock: None.

8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Available for sale securities	(546.402)	261.490	193.539	197.929
Valuation differences	(546.402)	261.490	193.539	197.929
Foreign currency differences	-	-	-	-
Total	(546.402)	261.490	193.539	197.929

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

i. Information on minority interest:

	Current Period	Prior Period
Period opening balance	462	2.527
Current period income/(loss)	45	167
Dividends paid	(41)	(47)
Property and equipment revaluation differences	8	-
Transaction done with minority	-	(2.185)
Period ending balance	474	462

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Notes to consolidated financial statements December 31, 2015 (continued)

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Explanations and notes related to consolidated financial statements (continued)

III. Explanations and notes related to consolidated off-balance sheet accounts

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	28.304.464	25.612.776
Loan granting commitments	9.085.013	8.125.659
Commitments for cheques	6.521.085	5.981.382
Other irrevocable commitments	35.009.478	6.703.313
Total	78.920.040	46.423.130

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 89.448 (December 31, 2014 - TL 84.796) and specific provision amounting to TL 597.477 (December 31, 2014 - TL 381.510) for non-cash loans which are not indemnified yet amounting to TL 105.932 (December 31, 2014 - TL 82.424).

- 2(i). Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	173.524	126.982
Letter of credits	8.043.863	7.859.833
Other guarantees and collaterals	4.255.807	2.774.812
Total	12.473.194	10.761.627

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

	Current Period	Prior Period
Temporary letter of guarantees	1.926.929	1.825.976
Definite letter of guarantees	31.839.457	27.510.437
Advance letter of guarantees	5.556.443	4.339.852
Letter of guarantees given to customs	2.016.807	2.069.847
Other letter of guarantees	3.831.366	2.249.100
Total	45.171.002	37.995.212

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

3(i). Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	3.496.922	1.980.658
With original maturity of 1 year or less than 1 year	465.353	360.254
With original maturity of more than 1 year	3.031.569	1.620.404
Other non-cash loans	54.147.274	46.776.181
Total	57.644.196	48.756.839

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	201.097	1,11	300.661	0,76	196.602	1,23	328.672	1,00
Farming and raising livestock	145.432	0,80	248.322	0,63	160.024	1,00	286.518	0,87
Forestry	39.083	0,22	32.771	0,08	30.413	0,19	19.070	0,06
Fishing	16.582	0,09	19.568	0,05	6.165	0,04	23.084	0,07
Manufacturing	7.163.316	39,63	18.881.195	47,72	6.906.723	43,21	15.750.516	48,06
Mining	722.796	4,00	1.458.233	3,69	861.448	5,39	1.329.664	4,06
Production	5.379.717	29,76	14.272.627	36,07	5.354.725	33,50	12.607.283	38,47
Electric, gas and water	1.060.803	5,87	3.150.335	7,96	690.550	4,32	1.813.569	5,53
Construction	4.554.374	25,19	7.832.024	19,79	4.071.437	25,47	6.709.671	20,47
Services	4.243.253	23,48	10.018.001	25,32	2.937.242	18,38	6.898.215	21,05
Wholesale and retail trade	1.902.714	10,53	3.164.517	8,00	1.381.946	8,65	2.632.317	8,03
Hotel, food and beverage services	181.879	1,01	407.687	1,03	118.296	0,74	303.617	0,93
Transportation and telecommunication	377.454	2,09	3.044.644	7,69	363.853	2,28	1.570.946	4,79
Financial institutions	1.000.426	5,53	1.660.349	4,20	340.457	2,13	1.365.876	4,17
Real estate and renting services	262.802	1,45	189.037	0,48	248.093	1,55	306.883	0,94
Self-employment services	-	-	-	-	-	-	-	-
Education services	31.839	0,18	63.497	0,16	18.842	0,12	3.697	0,01
Health and social services	486.139	2,69	1.488.270	3,76	465.755	2,91	714.879	2,18
Other	1.914.483	10,59	2.535.792	6,41	1.871.219	11,72	3.086.542	9,42
Total	18.076.523	100,00	39.567.673	100,00	15.983.223	100,00	32.773.616	100,00

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

3(iii) Information on non-cash loans classified in Group I. and Group II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	17.753.621	27.065.480	277.973	73.928
Bank acceptances	-	173.524	-	-
Letters of credit	11.483	8.028.440	-	3.940
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	33.446	4.221.266	-	1.095
Total	17.798.550	39.488.710	277.973	78.963
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	15.593.060	22.007.956	320.358	73.838
Bank acceptances	-	124.663	-	2.319
Letters of credit	3	7.857.458	-	2.372
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	69.802	2.698.440	-	6.570
Total	15.662.865	32.688.517	320.358	85.099

3(iv) Maturity distribution of non cash loans:

Current Period ⁽¹⁾	Indefinite	Up to	1-5	Above	Total
		1 year	years	5 years	
Letter of credit	371.490	5.416.736	2.251.603	4.034	8.043.863
Letter of guarantee	24.019.787	7.062.457	12.263.282	1.825.476	45.171.002
Bank acceptances	-	147.671	24.795	1.058	173.524
Other	678.044	382.031	1.519.599	1.676.133	4.255.807
Total	25.069.321	13.008.895	16.059.279	3.506.701	57.644.196
Prior Period ⁽¹⁾	Indefinite	Up to	1-5	Above	Total
		1 year	years	5 years	
Letter of credit	4.991.798	2.361.487	506.243	305	7.859.833
Letter of guarantee	32.914.935	310.385	4.114.862	655.030	37.995.212
Bank acceptances	126.639	343	-	-	126.982
Other	702.860	120.775	1.366.233	584.944	2.774.812
Total	38.736.232	2.792.990	5.987.338	1.240.279	48.756.839

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

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Explanations and notes related to consolidated financial statements (continued)

b. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	114.959.640	95.117.720
FC trading forward transactions	9.676.902	7.119.997
Trading swap transactions	91.851.905	78.505.376
Futures transactions	-	-
Trading option transactions	13.430.833	9.492.347
Interest related derivative transactions (II)	36.127.848	23.052.540
Forward interest rate agreements	-	-
Interest rate swaps	34.250.180	15.959.242
Interest rate options	1.877.668	7.093.298
Interest rate futures	-	-
Other trading derivative transactions (III)	15.142.751	9.343.196
A. Total trading derivative transactions (I+II+III)	166.230.239	127.513.456
Types of hedging derivative transactions		
Transactions for fair value hedge	1.612.361	1.180.422
Cash flow hedges	57.114.076	40.767.075
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	58.726.437	41.947.497
Total derivative transactions (A+B)	224.956.676	169.460.953

c. Information on credit derivatives and risk exposures:

Derivative portfolio of the Group includes credit default swaps for TL 794.684 for the period ended December 31, 2015. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2014 – TL 1.217.430).

d. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 64.875 (December 31, 2014 – TL 81.056) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the “Other provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

e. Information on services in the name and account of others:

The Group’s activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

IV. Explanations and notes related to consolidated income statement:

a. Information on interest income:

1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	4.882.403	320.268	4.025.822	262.885
Medium/long-term loans ⁽¹⁾	5.535.883	2.316.712	3.787.374	1.737.098
Interest on loans under follow-up	77.480	54	100.029	533
Premiums received from resource utilisation support fund	-	-	-	-
Total	10.495.766	2.637.034	7.913.225	2.000.516

(1) Includes fees and commissions received for cash loans.

2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From domestic banks	61.896	3.427	102.265	10
From foreign banks	2.880	16.376	5.047	15.629
Headquarters and branches abroad	-	-	-	-
Total	64.776	19.803	107.312	15.639

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	10.042	1.242	2.143	1.235
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.740.814	206.358	1.215.336	203.432
From held-to-maturity investments	184.747	248.919	239.032	199.986
Total	1.935.603	456.519	1.456.511	404.653

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	2.381	4.534

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	151.164	740.890	134.228	708.634
The CBRT	-	-	-	-
Domestic banks	82.262	33.728	46.169	9.536
Foreign banks	68.902	707.162	88.059	699.098
Headquarters and branches abroad	-	-	-	-
Other institutions	134	107.725	20	8.125
Total⁽¹⁾	151.298	848.615	134.248	716.759

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	2.426	1.463

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	348.860	476.723	242.454	271.428
Total	348.860	476.723	242.454	271.428

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Prior Period	
								Total	Prior Period
TL									
Bank deposit	242	91.569	2.961	166	535	-	-	95.473	13.195
Saving deposit	1	158.516	2.501.843	88.751	16.995	18.866	-	2.784.972	2.136.449
Public sector deposit	-	34	7.157	14	32	5	-	7.242	3.023
Commercial deposit	87	369.220	1.337.901	113.816	25.417	42.028	-	1.888.469	1.223.621
Other deposit	-	26.396	449.098	67.581	32.243	262	-	575.580	445.723
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	330	645.735	4.298.960	270.328	75.222	61.161	-	5.351.736	3.822.011
FC									
Foreign currency deposit	916	223.695	529.907	65.629	49.625	76.930	-	946.702	923.029
Bank deposit	29	6.490	7.148	7.294	13.334	948	-	35.243	25.746
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	667	1.045	82	130	44	-	1.968	2.501
Total	945	230.852	538.100	73.005	63.089	77.922	-	983.913	951.276
Grand total	1.275	876.587	4.837.060	343.333	138.311	139.083	-	6.335.649	4.773.287

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on dividend income:

	Current Period	Prior Period
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	32	32
Subsidiaries and associates	5.876	9.319
Total	5.908	9.351

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

	Current Period	Prior Period
Gain	46.365.051	37.037.115
Gain from capital market transactions	328.490	310.974
Derivative financial transaction gains	15.970.929	8.269.427
Foreign exchange gains	30.065.632	28.456.714
Loss(-)	(46.804.186)	(37.273.769)
Loss from capital market transactions	(63.900)	(32.173)
Derivative financial transaction losses	(15.154.271)	(9.548.672)
Foreign exchange loss	(31.586.015)	(27.692.924)
Net gain/loss	(439.135)	(236.654)

d. Information on gain/loss from derivative financial transactions:

The amount of net income from derivative financial transactions related to exchange rate changes is TL 1.668.074 (December 31, 2014 - TL 707.009 loss).

e. Information on other operating income:

Based on valuation reports of expertise companies, authorized by CMB and BRSA, the Bank booked a reversal out of previously incurred impairment amounting to TL 105.921, as an income. Other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

f. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	1.755.646	1.321.488
III. Group loans and receivables	56.967	47.437
IV. Group loans and receivables	85.177	130.539
V. Group loans and receivables	1.613.502	1.143.512
General provision expenses	719.398	467.753
Provision expense for possible risks	-	25.256
Marketable securities impairment expenses ⁽¹⁾	80.104	55.459
Financial assets at fair value through profit or loss	1.225	565
Available-for-sale financial assets	78.879	54.894
Impairment of investments in associates, subsidiaries and held-to-maturity securities	38.955	35.360
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	38.955	35.360
Other	55.135	33.413
Total	2.649.238	1.938.729

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

g. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	1.959.370	1.710.692
Reserve for employee termination benefits	20.793	520
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	1.492	-
Depreciation expenses of property and equipment	218.092	167.712
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	128.678	110.151
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	400	566
Depreciation expenses of assets held for resale	5.149	4.958
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.626.536	1.400.631
Operational lease expenses	251.968	205.467
Repair and maintenance expenses	100.503	83.428
Advertising expenses	129.418	136.166
Other expense	1.144.647	975.570
Loss on sales of assets	117	32.400
Other	1.116.691	718.651
Total	5.077.318	4.146.281

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

ğ. Explanations on income/loss from continuing operations and discontinued operations before tax:

Income before tax includes net interest income amounting to TL 7.178.203 (December 31, 2014 -TL 5.973.300), net fee and commission income amounting to TL 2.840.960 (December 31, 2014 - TL 2.343.015) and total other operating expense amounting TL 5.077.318 (December 31, 2014 - TL 4.146.281).

As of December 31, 2015, the Group has no profit before taxes from discontinued operations (December 31, 2014 – None).

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

As of December 31, 2015, the Group has current tax expense amounting to TL 413.941 (December 31, 2014 - TL 784.504) and deferred tax expense amounting to TL 214.247 (December 31, 2014 - TL 172.108 deferred tax income).

As at December 31, 2015 the Group has no current and deferred tax income / (expense) related to discontinued operations (December 31, 2014 – none)

	Current Period	Prior Period
Profit before tax	2.536.916	2.668.578
Tax calculated at rate of 20%	507.383	533.716
Nondeductible expenses, discounts and other, net	120.805	78.680
Total	628.188	612.396

i. Information on net income/loss for the period:

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group’s current period performance.
2. Information on any change in the accounting estimates concerning the current period or future periods: None

i. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	45	167

j. Other items in income statement:

“Other fees and commissions received” in income statement mainly includes commissions and fees from credit cards and banking transactions.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

V. Explanations and notes related to consolidated statement of changes in shareholders’ equity

a. Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

b. Information on increase/decrease amounts resulting from merger:

None.

c. Information on increase/decrease amounts resulting from merger:

“Unrealised gain/loss” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the “Marketable securities valuation differences” account under equity, until the financial assets are derecognised, sold, disposed or impaired.

d. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2015 is TL 267.965 gain (December 31, 2014 – TL 297.009 loss).

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group’s Euro denominated borrowing is designated as a hedge of the net investment in the Group’s certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2015 is EUR 348 million (December 31, 2014 - EUR 275 million). The foreign exchange loss of TL 311.914 (December 31, 2014 - TL 215.653 foreign exchange loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in “hedging reserves” in equity.

e. Information on share issue premium:

Explained in details in Note XIX of Section Three.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

VI. Explanations and notes related to consolidated statement of cash flows

a. Information on cash and cash equivalent:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as “Cash”; money market placements and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

2. Effect of a change in the accounting policies: None.
3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

- 3 (i). Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	7.840.395	5.397.292
Cash and effectives	2.281.092	1.806.589
Demand deposits in banks	5.559.303	3.590.703
Cash equivalents	3.186.301	5.083.136
Interbank money market	1.567.096	2.922.052
Deposits in bank	1.619.205	2.161.084
Total cash and cash equivalents	11.026.696	10.480.428

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

	Current Period	Prior Period
Cash	8.260.909	7.840.395
Cash and effectives	2.004.851	2.281.092
Demand deposits in banks	6.256.058	5.559.303
Cash equivalents	1.821.751	3.186.301
Interbank money market	284.706	1.567.096
Deposits in bank	1.537.045	1.619.205
Total cash and cash equivalents	10.082.660	11.026.696

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

As of December 31, 2015, the Group’s reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 25.118.042 (December 31, 2014 - TL 20.785.117).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in “Other account” amounting to TL 4.929.252 (December 31, 2014 – TL 314.960 decrease) which is classified under “Operating profit before changes in operating assets and liabilities” includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in “Net increase/decrease in other liabilities” amounting to TL 988.859 (December 31, 2014 - TL 2.992.156 increase) which is classified under “Changes in operating assets and liabilities” mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 1.216.165 as of December 31, 2015 (December 31, 2014 - TL 121.307 increase).

VII. Explanations and notes related to Group’s merger, transfers and companies acquired by Bank

None.

VIII. Explanations and notes related to Group’s risk group

a. The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Information on loans of the Group’s risk group:

Current Period	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	88.339	5.916	47.956	536.763	1.320.617	2.117.169
Balance at the end of the period	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Interest and commission income received	2.381	109	13.052	6.027	201.351	8.986

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

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

Prior Period	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	88.320	3.769	127.213	450.294	903.056	1.029.707
Balance at the end of the period	88.339	5.916	47.956	536.763	1.320.617	2.117.169
Interest and commission income received	4.534	57	5.065	4.100	112.997	10.095

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements December 31, 2015 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

2. Information on deposits of the Group's risk group:

Group's risk group ^{(1) (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	121.840	6.688	13.660.682	15.480.464	10.291.156	6.544.935
End of the period	82.069	121.840	19.927.462	13.660.682	5.148.413	10.291.156
Interest expense on deposits	2.426	1.463	892.403	581.190	385.410	304.426

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

Group's risk group ^{(1) (2)}	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	150.569	442.253	879.327	659.635
End of the period ⁽³⁾	-	-	1.455.484	150.569	146.778	879.327
Total profit / loss	(7.169)	(11.463)	(53.226)	(1.830)	31.343	(75.049)
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / loss	-	-	-	-	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The Bank's derivative instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivative financial instruments held for hedging" according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

b. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 47.455 as of December 31, 2015 (December 31, 2014 - TL 40.723).

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

	Number of		Country of incorporation	Total assets	Statutory share capital
	Number	Employees			
Domestic Branch	999	18.260			
Foreign Rep. Office	-	-			
Foreign Branch	1	2	Bahreyn	14.869.397	-
Off-Shore Banking Region Branch ⁽¹⁾	-	-		-	-

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

X. Explanations and notes related to subsequent events

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements December 31, 2015 (continued)

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

Section six

Other Explanations and Notes

I. Other explanations on the Group's operations

None

Section Seven

Explanations on independent audit report

I. Explanations on independent auditor's report

The consolidated financial statements for the period ended December 31, 2015 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's report dated February 2, 2016 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.