Yapı ve Kredi Bankası A.Ş.

Interim condensed consolidated financial statements at June 30, 2015 together with independent auditor's review report

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Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Yapı ve Kredi Bankası A.Ş. and its subsidiaries ("the Group") as at June 30, 2015, comprising of the interim consolidated statement of financial position as at June 30, 2015 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

Yaşar Bivas
Partner, SMMM

Istanbul, September 8, 2015

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Interim consolidated statement of financial position at June 30, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	June 30, 2015	December 31, 2014
Assets			
Cash and balances with central banks	5	25,584,481	23,214,665
Loans and advances to banks		5,068,922	5,460,625
Financial assets held for trading			
- Trading securities	6	142,150	99,271
- Derivative financial instruments	7	1,976,886	1,107,682
Loans and advances to customers	8	152,238,754	133,858,203
Hedging derivatives	7	739,025	256,146
Investment securities			
- Available-for-sale	9	13,858,864	12,659,811
- Available-for-sale pledged as collateral	20	8,519,636	6,014,711
- Held-to-maturity	9	951,557	1,502,438
- Held-to-maturity pledged as collateral	20	5,086,597	4,053,931
Investment in associates and joint ventures accounted for using the equity method		536,477	475,638
Goodwill		1,023,528	1,023,528
Other intangible assets		470,968	477,878
Property and equipment		1,269,804	1,109,873
Deferred income tax assets	14	304,293	357,415
Other assets		3,867,762	2,703,430
Total assets		**221,639,704**	**194,375,245**
Liabilities			
Deposits from banks	10	10,519,804	8,684,170
Customer deposits	11	122,282,114	105,148,550
Funds borrowed	12	32,844,955	28,432,057
Debt securities in issue	13	15,414,724	14,520,052
Financial liabilities designated at fair value	13	2,179,742	1,163,996
Derivative financial instruments	7	1,929,471	860,326
Current income taxes payable		161,530	188,608
Deferred income tax liabilities	14	2,422	2,439
Hedging derivatives	7	186,933	440,448
Other provisions	15	785,455	710,139
Retirement benefit obligations		751,965	796,035
Other liabilities		12,592,673	12,080,614
Total liabilities		**199,651,788**	**173,027,434**
Equity			
Share capital and share premium		4,822,259	4,822,259
Other reserves	16	954,927	955,565
Retained earnings	16	16,210,283	15,569,527
Equity attributable to equity holders of the parent		**21,987,469**	**21,347,351**
Equity attributable to non-controlling interests		447	460
Total equity		**21,987,916**	**21,347,811**
Total liabilities and equity		**221,639,704**	**194,375,245**

The accompanying notes set out on pages 6 to 42 form an integral part of these consolidated financial statements.

Interim consolidated statement of income for the six-month period ended June 30, 2015

(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	June 30, 2015	June 30, 2014
Continuing operations			
Interest income		7,841,670	6,172,330
Interest expense		(4,972,940)	(3,870,970)
Net interest income		**2,868,730**	**2,301,360**
Fee and commission income		1,619,265	1,377,275
Fee and commission expense		(511,669)	(360,973)
Net fee and commission income		**1,107,596**	**1,016,302**
Foreign exchange gains, net		41,237	102,849
Net trading, hedging and fair value income	17	61,192	10,733
Gains from investment securities, net		129,033	87,654
Other operating income		162,964	39,957
Operating income		**4,370,752**	**3,558,855**
Impairment losses on loans, investment securities and credit related commitments, net	8, 15	(838,370)	(531,695)
Provision for retirement benefit obligations, net		28,204	28,337
Other provisions	15	(125,695)	(86,648)
Other operating expenses	18	(2,025,177)	(1,722,042)
Operating profit		**1,409,714**	**1,246,807**
Share of profit/(loss) of associates and joint ventures accounted for using the equity method		28,161	16,801
Profit before income tax from continuing operations		**1,437,875**	**1,263,608**
Income tax expense	14	(286,579)	(280,068)
Profit for the period		**1,151,296**	**983,540**
Attributable to:			
Equity holders of the parent		1,151,268	983,400
Non-controlling interest		28	140
		1,151,296	**983,540**
Basic and diluted earnings per share attributable to the equity holders of the Parent (expressed in TL per thousand share)	19	2.65	2.26
Basic and diluted earnings per share attributable to the equity holders of the Parent for continuing operations (expressed in TL per thousand share)	19	2.65	2.26

The accompanying notes set out on pages 6 to 42 form an integral part of these consolidated financial statements.

Interim consolidated statement of comprehensive income
for the six-month period ended June 30, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	June 30, 2015	June 30, 2014
Profit for the period	**1,151,296**	**983,540**
Items that are or may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	103,109	(20,839)
Net (losses) / gains on available-for-sale financial assets		
- Unrealized net (losses) / gains arising during the year, before tax	(625,746)	669,639
- Net amount reclassified to the statement of income	(172,334)	(37,378)
Net investment hedges		
- Net (losses) / gains arising on hedges recognized in other comprehensive income, before tax	(52,060)	12,381
Cash flow hedges		
- Net gains / (losses) arising on hedges recognized in other comprehensive income, before tax	490,116	(285,436)
- Net amount reclassified to the statement of income	91,682	58,508
Income tax effect	**54,083**	**(83,302)**
	(111,150)	**313,573**
Items that will never be reclassified to profit or loss		
Revaluation of property, plant and equipment	-	13,062
Income tax effect	-	(655)
	-	**12,407**
Other comprehensive income for the period, net of tax	**(111,150)**	**325,980**
Total comprehensive income for the period	**1,040,146**	**1,309,520**
Total comprehensive income attributable to:		
Equity holders of the parent (total)	1,040,118	1,309,332
Non-controlling interest (total)	28	188

The accompanying notes set out on pages 6 to 42 form an integral part of these consolidated financial statements.

Interim consolidated statement of changes in equity for the six-month period ended June 30, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Attributable to equity holders of the parent						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2014	**4,286,580**	**535,679**	**510,880**	**13,735,847**	**19,068,986**	**1,177**	**19,070,163**
Total comprehensive income for the period	-	-	325,932	983,400	1,309,332	188	1,309,520
Dividends paid	-	-	-	(388,000)	(388,000)	(47)	(388,047)
Transfer to statutory reserves	-	-	177,214	(177,214)	-	-	-
Balance at June 30, 2014	**4,286,580**	**535,679**	**1,014,026**	**14,154,033**	**19,990,318**	**1,318**	**19,991,636**
Balance at January 1, 2015	**4,286,580**	**535,679**	**955,565**	**15,569,527**	**21,347,351**	**460**	**21,347,811**
Total comprehensive income for the period	-	-	(111,150)	1,151,268	1,040,118	28	1,040,146
Dividends paid	-	-	-	(400,000)	(400,000)	(41)	(400,041)
Transfer to statutory reserves	-	-	110,512	(110,512)	-	-	-
Balance at June 30, 2015	**4,286,580**	**535,679**	**954,927**	**16,210,283**	**21,987,469**	**447**	**21,987,916**

The accompanying notes set out on pages 6 to 42 form an integral part of these consolidated financial statements.

Interim consolidated statement of cash flows for the six-month period ended June 30, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	June 30, 2015	June 30, 2014
Cash flows from operating activities			
Net profit		1,151,296	983,540
Adjustments for:			
Unrealized (gain) / loss on financial assets held for trading, net		260	370
Allowances for losses on loans, investment securities and credit related commitments	8, 15	838,370	531,695
Measurement of derivative financial instruments at fair value	7	(536,453)	906,856
Share of profit of associates and joint ventures		(28,161)	(16,801)
Amortization of other intangible assets	18	64,577	52,530
Depreciation of property and equipment	18	101,467	80,566
Provision for current and deferred income taxes		286,579	280,068
Other provisions	15	125,695	86,648
Provision / (reversal) for retirement benefit obligations		(28,204)	(28,337)
Other liabilities		(79,776)	(42,875)
Unearned commission income		3,615	13,592
Dividend income		(5,866)	(3,520)
Interest income, net		(2,868,730)	(2,301,360)
Interest paid		(4,953,009)	(3,930,881)
Interest received		8,089,001	5,747,581
Effect of exchange rates on financing activities		4,255,652	(216,996)
Others, net		(795,678)	666,158
Cash flows from operating profits before changes in operating assets and liabilities		**5,620,635**	**2,808,834**
Changes in operating assets and liabilities:			
Net decrease / (increase) in cash balances with central banks		(1,724,767)	(56,138)
Net decrease / (increase) in loans and advances to banks		(143,610)	(58,847)
Net decrease / (increase) in trading securities		(43,155)	71,509
Net decrease / (increase) in loans and advances to customers		(18,946,939)	(10,027,127)
Net (increase) / decrease in other assets		(864,631)	(855,349)
Net increase / (decrease) in deposits from banks		1,831,440	(2,629,383)
Net (decrease) / increase in customer deposits		17,099,190	7,972,357
Net increase / (decrease) in other liabilities and provisions		1,185,054	2,136,857
Income taxes paid		(207,053)	(193,313)
Net cash from / (used in) operating activities		**3,806,164**	**(830,600)**
Cash flows from investing activities			
(Purchase of) property and equipment		(535,625)	(73,303)
Net book value of property and equipment disposed		15,371	42,536
(Purchase of) intangible assets, net		(60,386)	(52,635)
(Purchase of) held-to-maturity securities		(112,407)	(883,549)
Redemption or sale of held-to-maturity securities		148,140	1,679,387
(Purchase of) available-for-sale securities		(14,090,650)	(4,528,840)
Sale or redemption of available-for-sale securities		9,322,053	3,913,435
Dividends received		5,866	3,520
Net (used in) investing activities		**(5,307,638)**	**100,551**
Cash flows from financing activities			
(Repayments of) borrowed funds and debt securities		(3,653,332)	(5,871,784)
Proceeds from borrowed funds and debt securities		5,204,437	7,476,636
Dividend paid		(400,041)	(388,047)
Net cash from / (used in) financing activities		**1,151,064**	**1,216,805**
Net increase / (decrease) in cash and cash equivalents		**(350,410)**	**486,756**
Effects of foreign exchange rate changes on cash and cash equivalents		710,885	(34,701)
Cash and cash equivalents at beginning of year		11,167,393	10,639,564
Cash and cash equivalents at end of period	5	**11,527,868**	**11,091,619**

The accompanying notes set out on pages 6 to 42 form an integral part of these consolidated financial statements.

1. General information

Yapı ve Kredi Bankası A.Ş. ("YKB", the "Parent Bank" or the "Bank" or together with its subsidiaries it is referred to as "the Group" in these consolidated financial statements) was established with the permission of the Council of Ministers of the Republic of Turkey No.3/6710 on September 9, 1944 as a private capital commercial bank, authorized to perform all banking, economic, financial and commercial activities which are allowed by Turkish laws. The statute of the Bank has not changed since its incorporation. The Group provides retail, corporate and private banking, credit cards, leasing, factoring and investment management services. The Group has operations in Turkey, the Netherlands, Azerbaijan, Russia and Malta.

The Group's controlling parent with 81.80% of shareholding is Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit Group ("UCG") and Koç Group. KFS was established as a financial holding company on March 16, 2001 to combine Koç Group financial services companies under one organization. As of October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

The Bank's shares have been traded on the Istanbul Stock Exchange ("ISE") since 1987. As of June 30, 2015, 18.20% of the shares of the Bank are publicly traded (2014 - 18.20%). The Bank's publicly traded shares are traded on ISE and the representatives of these shares, Global Depository Receipts, are quoted on the London Stock Exchange.

At June 30, 2015, the Group has 19,545 employees (December 31, 2014 - 18,534 employees). The Bank has 1,012 branches operating in Turkey and 1 branch in overseas (December 31, 2014 - 1,002 branches operating in Turkey, 1 branch in overseas) and 18,444 employees (2014 - 17,457 employees).

The Bank is registered in Istanbul, Turkey at the following address: Yapı Kredi Plaza D Blok, Levent 34330, İstanbul, Turkey.

These interim condensed consolidated financial statements have been approved for issue by the Board of Directors on September 8, 2015.

2. Summary of significant accounting policies

A. Basis of preparation

These interim condensed consolidated financial statements for the period ended June 30, 2015 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2014.

The interim condensed consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements as at June 30, 2015 are consistent with those followed in the preparation of the consolidated financial statements of the prior year.

2. Summary of significant accounting policies (continued)

Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 Financial Instruments:

IFRS 9, published in July 2014, will replace the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 will be effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

Given the nature of the Group's operations, this standard is expected to have an impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in a change in the overall level of impairment allowances with the current IFRS 9 guidance.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 will be effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle

3. Changes to critical accounting estimates and judgements in applying accounting policies

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2014.

4. Financial risk management

The Group's risk management functions are independent from the commercial operations along with committees such as the Executive Committee and the other individual risk committees covering credit, market and operational risks and are an integral part of ensuring the Group's fulfilment of requirements stipulated by the Banking Law in a manner consistent with shareholders' risk appetites. The risk management function is responsible for: (1) maximizing returns on invested capital and maintaining sustainable growth of profitability (2) monitoring trends in risk exposures and communicating irregularities promptly to senior management (3) monitoring asset and liability profiles for rebalancing actions on a timely basis (4) identifying and classifying the risk structures of products, processes and services (5) developing and validating the credit rating/scoring models and (6) ensuring compliance with Basel II requirements and Banking Law.

A. Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit risk arises mainly from commercial and consumer loans and advances, credit cards and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives, reverse repos and settlement balances with market counterparties.

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

The Group manages credit risk through the following implementations:

(a) establishment of credit risk policy involving credit risk strategies, implementation of credit policy guidelines, definition of the optimum composition of the overall loan portfolio, credit risk budget and identification of risk positions within legal and group wide limitations;

(b) development, enhancement and maintenance of the rating and scoring models (probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") models for all segments for measuring, monitoring and controlling credit risk;

(c) monitoring and measuring the evolution of credit risk for all segments, (i.e. by industry, sector, geographical area etc.), presentation of the strategic credit risk related reports to senior management, including evolution of loan provisioning and comparison with peer banks;

(d) ensuring continuity of operative methodologies (e.g. borrower evaluation, loan and collateral classifications, monitoring and recovery principles) for credit processes (underwriting, monitoring and work-out) and related tools (including testing of new functionalities);

(e) evaluation of new credit products, changes to existing ones and monitoring them to ensure the risk profile is coherent with the risk appetite and reputational risk of the Bank (e.g. on the basis of minimum requirements in terms of granting, monitoring, work-out procedures, pilot phase definition, regular performance measurement, sustainable and sound introduction and growth criteria, etc.);

(f) preparation of credit risk budget in line with predefined lending targets;

(g) calculation of Cost of Risk and related provisions by segments to better assess the riskiness of loan portfolio for maintaining the asset quality;

(h) execution of provisioning methodologies in line with BRSA and IFRS principles.

Credit policies reflect the general credit risk principles to be followed throughout the Group's lending activities and the related strategies and goals, as well as shareholders' risk appetites. The credit policy guideline is prepared by the Group's credit risk management department and approved by the Board of Directors.

The details of the loans and advances past due but not impaired (the Group defines this group as loans with past due days between 30 to 90 days) which are classified under performing loans (including past due watch-listed loans) are as follows;

	June 30, 2015			December 31, 2014
	Past due between 30 – 60 days	Past due between 60 – 90 days	Total	Total
Corporate	743,559	1,224,377	1,967,936	1,195,887
Consumer	560,531	350,643	911,174	703,063
Credit cards	242,136	216,809	458,945	313,846
Leasing	4,966	6,100	11,066	5,282
Factoring	60,247	27,343	87,590	70,543
	1,611,439	**1,825,272**	**3,436,711**	**2,288,621**

The watch list category is defined as the clients with payments past due 30 to 90 days and clients which are considered by the monitoring department on the basis of subjective criteria, to require close monitoring.

4. Financial risk management (continued)

B. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. As a commercial group, the focus is serving the financial needs of the customers, thereby generating exposure to interest rate, and foreign exchange risk.

The Market Risk Policy of the Group identifies risk-management guidelines. According to the Market Risk Policy, market risk is managed depending on the treatment of the banking book and trading book. The banking book consists of all assets and liabilities arising from commercial activities and is sensitive to interest rate and foreign exchange movements. The trading book, on the other hand, includes the positions held for trading, client servicing purposes or for market making operations.

The Group trades mainly in FX and securities, with in predefined limits. Risk limits are set on intra-day and end of day positions as well as Value-at-Risk, monitored on a daily basis.

The banking book interest rate risk is measured through the economic value sensitivity method, which implies the potential change in fair value of the interest rate positions resulting from a parallel upward/downward shift of the yield curve. The overall sensitivity is required to be within 20% of the Core Tier 1 Capital, as also outlined in Basel II. Interest rate swaps are utilized to mitigate the banking book interest rate risk resulting from reprising and maturity mismatches. Besides Economic Value Sensitivity, an overall Value at Risk, covering all statement of financial position items and Basis Point Value ("BPV") methods are used to measure the structural interest rate risk.

As part of the management of market risk, the Group undertakes various hedging strategies with hedge accounting applied (Note 7). The Group also uses derivative financial instruments such as forwards, swaps, futures and options in the foreign exchange and capital markets. These transactions are considered as effective economic hedges under the Group's risk management policies. However, since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

i) Foreign exchange risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. The Group takes an exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Limits are set by Board of Directors on the level of exposure in aggregate for both overnight and intra-day positions, which are monitored on a daily basis.

The table below summarizes the Group's assets and liabilities at carrying amounts, categorized by currency. The off-balance sheet gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

June 30, 2015

	USD	EUR	Other	Foreign currency Total
Assets				
Cash and balances with central banks	13,950,712	4,001,627	4,207,386	22,159,725
Loans and advances to banks	2,529,021	1,693,200	125,816	4,348,037
Financial assets held for trading				
- Trading securities	26,527	3,419	-	29,946
- Derivative financial instruments	140,558	52,332	2,737	195,627
Loans and advances to customers	40,125,585	18,839,190	1,257,892	60,222,667
Hedging derivatives	25,524	-	-	25,524
Investment securities				
- Available-for-sale	2,906,937	344,894	40,359	3,292,190
- Held-to-maturity	3,607,297	482,409	-	4,089,706
Investment in associates and joint ventures	-	-	43,404	43,404
Property and equipment	-	2,854	45,891	48,745
Deferred income tax assets	-	3,966	731	4,697
Other assets	716,874	482,638	394,562	1,594,074
Total assets	**64,029,035**	**25,906,529**	**6,118,778**	**96,054,342**
Liabilities				
Deposits from banks	3,510,516	812,678	34,454	4,357,648
Customer deposits	38,367,800	20,974,003	1,990,104	61,331,907
Funds borrowed	17,082,683	9,057,502	253,652	26,393,837
Debt securities in issue	8,315,261	3,247,901	200,416	11,763,578
Financial liabilities designated at fair value	2,179,742		-	2,179,742
Derivative financial instruments	248,936	9,712	1,400	260,048
Current income taxes payable	-	-	218	218
Deferred income tax liabilities	-	-	2,422	2,422
Hedging derivatives	120,606	42,610	-	163,216
Other provisions	64,151	167	1,582	65,900
Retirement benefit obligations	-	15,269	-	15,269
Other liabilities	853,139	1,487,455	43,120	2,383,714
Total liabilities	**70,742,834**	**35,647,297**	**2,527,368**	**108,917,499**
Net balance sheet position	**(6,713,799)**	**(9,740,768)**	**3,591,410**	**(12,863,157)**
Off-balance sheet derivative instruments net notional position	**6,829,488**	**9,849,538**	**(3,315,294)**	**13,363,732**
Net foreign currency position	**115,689**	**108,770**	**276,116**	**500,575**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2014

	USD	EUR	Other	Foreign currency Total
Assets				
Cash and balances with central banks	13,601,768	3,206,803	3,415,412	20,223,983
Loans and advances to banks	1,562,328	1,249,224	129,818	2,941,370
Financial assets held for trading				
- Trading securities	21,568	4,054	-	25,622
- Derivative financial instruments	119,926	18,105	1,651	139,682
Loans and advances to customers	34,630,338	16,145,271	1,261,446	52,037,055
Hedging derivatives				
Investment securities				
- Available-for-sale	2,837,533	337,519	177,206	3,352,258
- Held-to-maturity	3,130,433	488,213	-	3,618,646
Investment in associates and joint ventures	-	-	43,404	43,404
Property and equipment	-	1,873	46,228	48,101
Deferred income tax assets	-	4,942	1,361	6,303
Other assets	606,252	341,157	153,316	1,100,725
Total assets	**56,510,146**	**21,797,161**	**5,229,842**	**83,537,149**
Liabilities				
Deposits from banks	3,511,432	364,814	109,256	3,985,502
Customer deposits	25,078,542	16,037,788	1,990,719	43,107,049
Funds borrowed	13,211,532	10,184,228	392,087	23,787,847
Debt securities in issue	9,129,148	1,931,361	172,479	11,232,988
Financial liabilities designated at fair value	1,163,996	-	-	1,163,996
Derivative financial instruments	152,890	5,002	1,896	159,788
Current income taxes payable	-	-	3,893	3,893
Deferred income tax liabilities	-	-	2,439	2,439
Hedging derivatives	155,111	56,238	-	211,349
Other provisions	55,135	172	1,572	56,879
Retirement benefit obligations	-	14,442	-	14,442
Other liabilities	1,638,925	1,609,549	34,780	3,283,254
Total liabilities	**54,096,711**	**30,203,594**	**2,709,121**	**87,009,426**
Net balance sheet position	**2,413,435**	**(8,406,433)**	**2,520,721**	**(3,472,277)**
Off-balance sheet derivative instruments net notional position	**(2,572,236)**	**8,411,045**	**(2,136,115)**	**3,702,694**
Net foreign currency position	**(158,801)**	**4,612**	**384,606**	**230,417**

At June 30, 2015, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL 2.6863 = USD 1, and TL 2.9822 = EUR 1 (2014 - TL 2.3189 = USD 1, and TL 2.8207 = EUR 1).

For the purpose of calculating currency risks, foreign currency indexed loans and securities have been reported in this table in the relevant currency of indexation.

ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest rate risk limits are set in terms of an economic value sensitivity limit and Basis Point Value ("BPV") limit. Economic value sensitivity analysis is performed according to a scenario of 2% shift in FX yield curve and 4% shift in TL yield curve. The resulting profit/loss should not exceed 20% (Sensitivity Limit) of the Bank's Tier 1 + Tier 2 Capital. The BPV limit restricts maximum interest rate risk position by currency and time buckets. BPV is applied for the banking book and represents the sensitivity of the banking book to 1 bps change in interest rates.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

The table below summarizes the Group's exposure to interest rate risk at June 30, 2015 and December 2014. Included in the table are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

June 30, 2015	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	16,114,912	-	-	-	9,469,569	25,584,481
Loans and advances to banks	3,568,272	268,513	33,442	-	1,198,695	5,068,922
Financial assets held for trading						
- Trading securities	8,587	15,575	59,430	54,945	3,613	142,150
- Derivative financial instruments	1,093,644	680,696	184,169	18,377	-	1,976,886
Loans and advances to customers	39,162,728	44,695,810	44,513,812	20,760,697	3,105,707	152,238,754
Hedging derivatives	699,942	38,126	957	-	-	739,025
Investment securities						
- Available-for-sale	4,189,220	9,673,443	5,107,774	3,225,902	182,161	22,378,500
- Held-to-maturity	408,385	1,077,592	1,072,556	3,479,621	-	6,038,154
Investment in associates and joint ventures	-	-	-	-	536,477	536,477
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	-	-	470,968	470,968
Property and equipment	-	-	-	-	1,269,804	1,269,804
Deferred income tax assets	-	-	-	-	304,293	304,293
Other assets	-	-	-	-	3,867,762	3,867,762
Total assets	**65,245,690**	**56,449,755**	**50,972,140**	**27,539,542**	**21,432,577**	**221,639,704**
Liabilities						
Deposits from banks	9,313,528	737,678	32,068	-	436,530	10,519,804
Customer deposits	91,041,274	8,820,739	924,463	113,789	21,381,849	122,282,114
Funds borrowed	21,219,330	9,820,262	1,179,744	625,619	-	32,844,955
Debt securities in issue	4,272,624	5,496,881	5,615,194	30,025	-	15,414,724
Financial liabilities designated at fair value	2,179,742	-	-	-	-	2,179,742
Derivative financial instruments	1,163,582	585,841	167,446	12,602	-	1,929,471
Current income taxes payable	-	-	-	-	161,530	161,530
Deferred income tax liabilities	-	-	-	-	2,422	2,422
Hedging derivatives	135,253	51,507	137	36	-	186,933
Other provisions	-	-	-	-	785,455	785,455
Retirement benefit obligations	-	-	-	-	751,965	751,965
Other liabilities	8,566	11,589	596,487	5,541,998	6,434,033	12,592,673
Total liabilities	**129,333,899**	**25,524,497**	**8,515,539**	**6,324,069**	**29,953,784**	**199,651,788**
Net interest repricing gap (on balance)	**(64,088,209)**	**30,925,258**	**42,456,601**	**21,215,473**	**(8,521,207)**	**21,987,916**
Off-balance sheet derivative instruments net notional position	19,796,742	(5,615,536)	(11,857,686)	(2,678,547)	-	(355,027)
Net interest repricing gap (net position)	**(44,291,467)**	**25,309,722**	**30,598,915**	**18,536,926**	**(8,521,207)**	**21,632,889**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2014	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	1,299,884	-	-	-	21,914,781	23,214,665
Loans and advances to banks	3,229,752	112,827	48,172	-	2,069,874	5,460,625
Financial assets held for trading						
- Trading securities	2,927	35,757	15,037	41,430	4,120	99,271
- Derivative financial instruments	543,723	495,078	57,356	11,525	-	1,107,682
Loans and advances to customers	58,796,183	35,315,449	28,691,027	8,513,925	2,541,619	133,858,203
Hedging derivatives	77,388	178,758	-	-	-	256,146
Investment securities						
- Available-for-sale	4,425,759	7,682,621	3,630,719	2,821,837	113,586	18,674,522
- Held-to-maturity	473,897	1,074,105	789,647	3,218,720	-	5,556,369
Investment in associates and joint ventures	-	-	-	-	475,638	475,638
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	-	-	477,878	477,878
Property and equipment	-	-	-	-	1,109,873	1,109,873
Deferred income tax assets	-	-	-	-	357,415	357,415
Other assets	-	-	-	-	2,703,430	2,703,430
Total assets	**68,849,513**	**44,894,595**	**33,231,958**	**14,607,437**	**32,791,742**	**194,375,245**
Liabilities						
Deposits from banks	7,758,773	487,985	31,301	-	406,111	8,684,170
Customer deposits	83,276,196	4,620,103	814,992	207,116	16,230,143	105,148,550
Funds borrowed	18,454,786	8,517,588	970,563	489,120	-	28,432,057
Debt securities in issue	5,007,471	3,391,721	3,845,451	2,275,409	-	14,520,052
Financial liabilities designated at fair value	1,163,996	-	-	-	-	1,163,996
Derivative financial instruments	416,159	360,500	73,050	10,617	-	860,326
Current income taxes payable	-	-	-	-	188,608	188,608
Deferred income tax liabilities	-	-	-	-	2,439	2,439
Hedging derivatives	376,745	63,046	657	-	-	440,448
Other provisions	-	-	-	-	710,139	710,139
Retirement benefit obligations	-	-	-	-	796,035	796,035
Other liabilities	1,428,541	572,614	9,637,778	-	441,681	12,080,614
Total liabilities	**117,882,667**	**18,013,557**	**15,373,792**	**2,982,262**	**18,775,156**	**173,027,434**
Net interest repricing gap (on balance)	**(49,033,154)**	**26,881,038**	**17,858,166**	**11,625,175**	**14,016,586**	**21,347,811**
Off-balance sheet derivative instruments net notional position	16,650,363	1,540,302	(18,178,694)	(408,169)	-	(396,198)
Net interest repricing gap (net position)	**(32,382,791)**	**28,421,340**	**(320,528)**	**11,217,006**	**14,016,586**	**20,951,613**

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at June 30, 2015 and December 31, 2014 based on yearly contractual rates.

	June 30, 2015			December 31, 2014		
	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Assets						
Cash and balances with central banks	0.13	-	1.31	-	-	1.30
Loans and advances to banks	1.80	1.73	9.91	1.90	1.06	10.75
Financial assets held for trading	4.39	1.90	8.22	4.41	1.97	8.27
Investment securities						
- Available-for-sale	5.93	5.49	9.44	6.28	5.49	9.98
- Held-to-maturity	5.47	3.51	9.40	5.51	3.77	9.81
Loans and advances to customers	4.94	4.41	13.16	5.00	4.76	13.45
Liabilities						
Deposits from banks	0.83	0.77	8.90	0.51	1.42	10.49
Customer deposits	1.97	1.58	11.35	2.11	1.95	10.74
Debt securities in issue	3.87	2.23	8.62	3.93	2.12	7.85
Funds borrowed	3.18	1.52	9.98	3.34	1.78	10.25

4. Financial risk management (continued)

C. Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The liquidity risk is managed within the Asset and Liability Management strategy in accordance with the market risk policies. In this scope, the funding sources are being diversified and sufficient cash and cash equivalents are held to fulfil the obligations associated with financial liabilities. During the monthly meetings of the Executive Committee, the liquidity position of the Group is evaluated and it is ensured that the required actions are taken when considered necessary.

Liquidity risk is closely monitored within the Group and particular attention is paid to keeping enough cash and cash-equivalent instruments to fund increases in assets or unexpected decreases in liabilities, and to meet legal requirements, thereby optimizing the cost of carrying any excess liquidity. The Liquidity Policy provides guidelines to quantify the liquidity position and achieve a sound balance between profitability and liquidity needs. Liquidity risk limits are set both for short-term and structural (long-term) liquidity positions.

Within the Group, the following definitions apply to the components of Liquidity Risk:

1. ***Liquidity Mismatch Risk*** refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows;

2. ***Liquidity Contingency Risk*** refers to the risk that future unexpected events could require a greater amount of liquidity than the amount foreseen as necessary for the Group. This risk could arise as a result of events such as the failure by clients to reimburse loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financings in the event of a liquidity crisis; and

3. ***Market Liquidity Risk*** refers to the risk that the Group may incur losses as a result of the sale of assets deemed to be liquid, or in extreme conditions is not able to liquidate such positions due to insufficient liquidity being offered by the market or maintains a position that is too large when compared to market turnover. Market liquidity risk is primarily handled via the VaR system in the Credit Risk Officer ("CRO") division and is not a focus of the Liquidity Policy.

Reports on short term liquidity positions and structural liquidity positions are prepared by Risk Management. Short-term liquidity risk management considers the events that will impact upon the Group's liquidity position from one day up to three months. Structural liquidity positions consider the events affecting the Group's liquidity position in the long term. The primary objective is to maintain an adequate ratio between total liabilities and medium or long term assets, with a view to avoiding pressures on short-term sources (both current and future), while in the meantime optimizing the cost of funding.

In cases when financial events require more liquidity than the Bank's daily liquidity needs, "the Emergency Situation Liquidity Plan" is activated where duties and responsibilities are defined in detail. Liquidity Stress Test scenarios are used to measure the Bank's resistance to unexpected situations.

According to the BRSA communiqué on liquidity, banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time brackets. Risk Management performs the calculation of these ratios on a daily basis and shares the results with Treasury department and senior management.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

D. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet financial position exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current period minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with regulatory guidelines) minus deductions (which comprises participations to financial institutions, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 12%.

The Group's regulatory capital adequacy position on a consolidated basis at June 30, 2015 and December 31, 2014 was as follows:

	June 30, 2015	December 31, 2014
Tier I capital	20,120,730	18,838,656
Tier II capital	7,254,567	7,048,270
Deductions	(450,574)	(328,562)
Total regulatory capital	26,924,723	25,558,364
Risk-weighted assets (including market and operational risk)	207,205,263	178,008,250
Capital adequacy ratio (%)	**12.99**	**14.36**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

E. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted market prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group did not recognise any transfers between levels of the fair value hierarchy during the year.

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements.

	June 30, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to banks	5,068,922	5,071,545	5,460,625	5,464,521
Investment securities (held-to-maturity)	6,038,154	6,166,464	5,556,369	5,818,301
Loans and advances to customers	152,238,754	156,303,040	133,858,203	137,517,049
Financial liabilities:				
Deposits from banks	10,519,804	10,525,209	8,684,170	8,680,518
Customer deposits	122,282,114	122,224,683	105,148,550	105,427,973
Funds borrowed	32,844,955	32,841,438	28,432,057	28,696,334
Debt securities in issue	15,414,724	15,436,428	14,520,052	14,538,054

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

4. Financial risk management (continued)

Determination of fair value for financial instruments not measured at fair value

Loans and advances to banks

The fair value of overnight deposits is considered to approximate its carrying amounts. The estimated fair value of interest bearing placements is based on discounted cash flows using prevailing money market interest rates at the statement of financial position date with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar currency and remaining maturity to determine their fair value. The credit risk is not considered when calculating the fair value of loans and advances to customers as this in line with the pricing of such loans.

Investment securities

Fair value for held-to-maturity securities is based on market prices or prices prevailing at the statement of financial position date announced by the BIST.

Customer deposits, deposits from banks, funds borrowed and debt securities in issue

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of other borrowings without quoted market price is based on discounted cash flows using money market interest rates prevailing at the statement of financial position date with similar credit risk, currency and remaining maturity. The fair value of debt securities in issue is considered to approximate its carrying amounts.

Determination of fair value for financial instruments measured at fair value

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial investments - available-for-sale

Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Other trading assets

Other trading assets valued using a valuation technique consists of certain debt securities. The Group values the securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

Other liabilities designated at fair value through profit or loss

For unquoted notes issued, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity adjusted for market liquidity and own credit spreads.

Determination of fair value hierarchy:

IFRS 7 requires classification of line items at fair value presented in the financial statements according to defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is generated as follows below:

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Assets and liabilities measured at fair value

June 30, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	138,693	-	-	138,693
- Equity securities	3,457	-	-	3,457
- Derivatives	-	1,976,886	-	1,976,886
Hedging derivatives	-	739,025	-	739,025
Available-for-sale financial assets				
- Investments securities - debt	20,574,584	1,752,934	-	22,327,518
- Investments securities - equity	-	39,179	-	39,179
Total assets	**20,716,734**	**4,508,024**	**-**	**25,224,758**
Financial liabilities at fair value through profit or loss				
- Derivatives	-	1,929,471	-	1,929,471
- Financial Liabilities designated at fair value	-	2,179,742	-	2,179,742
Hedging derivatives	-	186,933	-	186,933
Total liabilities	**-**	**4,296,146**	**-**	**4,296,146**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	95,234	-	-	95,234
- Equity securities	4,037	-	-	4,037
- Derivatives	-	1,107,682	-	1,107,682
Hedging derivatives	-	256,146	-	256,146
Available-for-sale financial assets				
- Investments securities - debt	16,376,461	2,254,029	-	18,630,490
- Investments securities - equity	-	37,413	-	37,413
Total assets	**16,475,732**	**3,655,270**	**-**	**20,131,002**
Financial liabilities at fair value through profit or loss				
- Derivatives	-	860,326	-	860,326
- Financial Liabilities designated at fair value	-	1,163,996	-	1,163,996
Hedging derivatives	-	440,448	-	440,448
Total liabilities	**-**	**2,464,770**	**-**	**2,464,770**

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The fair value amounts of the Bank's financial instruments disclosed in this note that are not carried at fair value in the financial statements are categorised in Level 2 in the fair value hierarchy except investment securities (held-to-maturity) which are categorised in Level 1.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5. Cash and cash equivalents for the purpose of presentation in the consolidated statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	June 30, 2015	June 30, 2014
Cash and cash equivalents	2,664,166	2,563,260
Balances with central banks	22,920,315	17,505,057
Reserve deposits with central banks (-)	(19,177,043)	(14,613,944)
Loans and advances to banks (with original maturity less than 90 days) (+)	4,733,117	5,486,565
Other cash equivalents (+)	387,313	150,681
Total	**11,527,868**	**11,091,619**

The TL reserve requirement has been classified in Central Bank Unrestricted Account based on the correspondence with BRSA letter as of January 3, 2008.

The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank Accounts in accordance with the legislation of Central Bank numbered 2005/1, "Decree on Reserve Deposits".

Foreign reserve requirements:

Reserve requirements of De Nederlandsche Bank and Central Bank of Malta represent reserve deposits equivalent to 1% of deposits and securities issued; excluding deposits with agreed maturity over two years or deposits redeemable at notice over 2 years, repos and debt securities issued with an agreed maturity over two years which are taken into calculation with a reserve ratio of 0%. Each institution may deduct a uniform lump-sum allowance from its reserve requirement. As specified in the European Central Bank Regulation on minimum reserves, the lump-sum allowance amounts to EUR 100 thousand.

Reserve requirements of Central Bank of the Russian Federation represent reserve deposits equivalent to 4.25% of the liabilities to non-resident legal entities in all currencies, 4.25% of the liabilities to natural persons in all currencies, 4.25% of the other liabilities in all currencies.

Reserve requirements of National Bank of Azerbaijan represent reserve deposits equivalent to 2% (for AZN liabilities), 2% (for foreign currency liabilities) of the statutory balances of customer accounts, due to banks and other funds borrowed.

(Amounts expressed in thousands of TL unless otherwise indicated.)

6. Financial assets held for trading

	June 30, 2015	December 31, 2014
Government bonds and treasury bills	138,537	95,151
Other debt securities	156	83
Total debt securities	**138,693**	**95,234**
Equity securities - listed	3,457	4,037
Total equity securities	**3,457**	**4,037**
Total securities	**142,150**	**99,271**
Derivative financial instruments	1,976,886	1,107,682
Total financial assets held for trading	**2,119,036**	**1,206,953**

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey. Other debt securities mainly represent A and B type open-ended mutual funds incorporated in Turkey managed by the Group and carried for resale to customers.

7. Derivative financial instruments and hedging activities

The Group utilizes the following derivative instruments with the general purpose of minimising market risk carried by balance sheet instruments and/or meeting customer demand:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Forwards are customized contracts transacted in over-the-counter (OTC) market. The Group has credit exposure to the counterparties of forward contracts.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

"Options" are contractual agreements that convey the right to the buyer and the obligations to the writer to buy or sell an asset at a specified price either at a fixed future date or at any time within a specified period. A major part of the Group's option book activity stems from the clients' needs; therefore to meet the client demands Group actively runs an option book on the residual open positions which are not fully covered. The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

"Interest rate cap and floor arrangements" provide the purchaser with the right to receive interest rate differential payments on a notional amount when the indexed rate is in excess of the specified cap rate and limits the benefit of reductions in interest rates if it occurs.

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

(Amounts expressed in thousands of TL unless otherwise indicated.)

7. Derivative financial instruments and hedging activities

As of June 30, 2015, the Bank's credit derivatives portfolio is composed of "credit linked notes" (embedded derivatives are separated from host contract in line with IAS 39 and recorded as credit default swaps) and "credit default swaps". 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 while credit linked notes are valued monthly.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

June 30, 2015

	Contract/ notional amount (aggregate of buy and sell)	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	10,286,647	185,303	146,450
Currency swaps	79,260,429	685,452	1,344,839
Over the counter ("OTC") currency options	15,868,690	100,080	89,485
Total OTC foreign exchange derivatives	**105,415,766**	**970,835**	**1,580,774**
Interest rate derivatives:			
Interest rate swaps	28,696,352	193,268	93,828
Cross-currency interest rate swaps	38,003,587	792,401	216,164
OTC interest rate options	4,457,816	-	7,222
Total OTC interest rate derivatives	**71,157,755**	**985,669**	**317,214**
Other derivatives	**14,520,381**	**20,382**	**31,483**
Total derivative assets/ (liabilities) held for trading	**191,093,902**	**1,976,886**	**1,929,471**
Derivatives used for hedging			
Derivatives designated as fair value hedges:			
Cross-currency interest rate swaps	870,844	183,396	173
Derivatives designated as cash flow hedges:			
Interest rate swaps and cross currency interest rate swaps	47,027,799	555,629	186,760
Total derivative assets/ (liabilities) used for hedging	**47,898,643**	**739,025**	**186,933**
Total recognized derivative assets/ (liabilities)	**238,992,545**	**2,715,911**	**2,116,404**
Current		2,514,509	1,940,125
Non-current		201,402	176,279
Total recognized derivative assets/ (liabilities)	**238,992,545**	**2,715,911**	**2,116,404**

(Amounts expressed in thousands of TL unless otherwise indicated.)

7. Derivative financial instruments and hedging activities (continued)

December 31, 2014

	Contract/ notional amount (aggregate of buy and sell)	Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	7,119,997	51,495	62,855
Currency swaps	56,749,020	443,609	583,913
Over the counter ("OTC") currency options	9,492,347	45,692	38,530
Total OTC foreign exchange derivatives	**73,361,364**	**540,796**	**685,298**
Interest rate derivatives:			
Interest rate swaps	15,959,242	100,288	68,024
Cross-currency interest rate swaps	21,756,356	447,573	85,235
OTC interest rate options	7,093,298	-	16,113
Total OTC interest rate derivatives	**44,808,896**	**547,861**	**169,372**
Other derivatives	**9,343,196**	**19,025**	**5,656**
Total derivative assets/ (liabilities) held for trading	**127,513,456**	**1,107,682**	**860,326**
Derivatives used for hedging			
Derivatives designated as fair value hedges:			
Cross-currency interest rate swaps	1,180,422	177,895	657
Derivatives designated as cash flow hedges:			
Interest rate swaps	40,767,075	78,251	439,791
Total derivative assets/ (liabilities) used for hedging	**41,947,497**	**256,146**	**440,448**
Total recognized derivative assets/ (liabilities)	**169,460,953**	**1,363,828**	**1,300,774**
Current		882,174	889,572
Non-current		481,654	411,202
Total recognized derivative assets/ (liabilities)	**169,460,953**	**1,363,828**	**1,300,774**

Fair value hedges

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 deposits using cross-currency interest rate swaps. The net carrying value of hedging derivatives at June 30, 2015 is an asset amounting to TL 182,245 (2014 - asset TL 177,238). At June 30, 2015, the marked to market difference of the hedging derivatives is TL 10,545 loss (2014 - TL 148,345 gain), the fair value difference of the hedged items is liability TL 24,464 (2014 - liability TL 10,516) and their changes in the fair value for the period amounts to liability TL 15,948 (2014 - liability TL 5,403).

(Amounts expressed in thousands of TL unless otherwise indicated.)

7. Derivative financial instruments and hedging activities (continued)

Cash flow hedges

The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks.

In order to hedge its cash flow risk from liabilities, the Group started to apply cash flow hedge accounting from January 1, 2010 onwards. 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 variable interest payments subject to repricing USD, EUR and TL customer deposits, repos and borrowings.

Net gain on cash flow hedges reclassified to the statement of income

The net gain / (loss) on cash flow hedges reclassified to the statement of income during the six month periods ended June 30 was as follows:

	June 30, 2015	June 30, 2014
Net interest income / (expense)	91,682	58,508
Taxation	(18,336)	(11,702)

As of June 30, 2015, a loss of TL 24,169 (June 30, 2014 - TL 7,579) was recognized in the statement of income due to hedge ineffectiveness from cash flow hedges.

As of June 30, 2015 net accumulated gain arising from cash flow hedges recognized under equity, net of reclassification to statement of income and net of tax, is TL 168,436 (December 31, 2014 – TL 297,009 loss).

Net investment hedges

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 EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at June 30, 2015 is EUR 345 million (December 2014 - EUR 275 million). The foreign exchange loss of TL 257,300 (June 30, 2014 - TL 241,756 loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in "other reserves" in equity and netted with currency translation adjustment.

No ineffectiveness from hedges of net investments in foreign operations was recognized in profit or loss during the period (June 30, 2014 - None).

(Amounts expressed in thousands of TL unless otherwise indicated.)

8. Loans and advances to customers

June 30, 2015

	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	94,088,091	26,210,226	18,093,838	5,559,720	2,755,260	146,707,135
Watch listed loans	2,633,190	1,120,144	594,151	157,118	60,066	4,564,669
Loans under legal follow - up	3,153,766	1,261,272	800,065	340,635	104,762	5,660,500
Gross	**99,875,047**	**28,591,642**	**19,488,054**	**6,057,473**	**2,920,088**	**156,932,304**
Specific allowance for impairment	(2,364,219)	(793,240)	(489,842)	(232,526)	(78,163)	(3,957,990)
Collective allowance for impairment	(511,508)	(127,062)	(59,376)	(27,487)	(10,127)	(735,560)
Total allowance for impairment	**(2,875,727)**	**(920,302)**	**(549,218)**	**(260,013)**	**(88,290)**	**(4,693,550)**
Net	**96,999,320**	**27,671,340**	**18,938,836**	**5,797,460**	**2,831,798**	**152,238,754**

December 31, 2014

	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	81,508,320	22,676,535	17,104,012	4,751,537	2,686,888	128,727,292
Watch listed loans	2,285,600	1,188,105	650,489	199,487	70,543	4,394,224
Loans under legal follow - up	2,620,482	1,062,029	612,792	264,424	78,294	4,638,021
Gross	**86,414,402**	**24,926,669**	**18,367,293**	**5,215,448**	**2,835,725**	**137,759,537**
Specific allowance for impairment	(1,939,658)	(646,871)	(318,233)	(212,221)	(67,492)	(3,184,475)
Collective allowance for impairment	(491,292)	(127,145)	(64,795)	(23,500)	(10,127)	(716,859)
Total allowance for impairment	**(2,430,950)**	**(774,016)**	**(383,028)**	**(235,721)**	**(77,619)**	**(3,901,334)**
Net	**83,983,452**	**24,152,653**	**17,984,265**	**4,979,727**	**2,758,106**	**133,858,203**

Loans amounting to TL 524,562 (at amortized cost) included in the performing loans and advances to consumers have been designated as hedged items in fair value hedges as of June 30, 2015 (December 31, 2014 - TL 1,085,379). Those loans have been hedged with cross currency interest rate swaps as part of a documented interest rate risk management strategy. The carrying values of such loans that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

(Amounts expressed in thousands of TL unless otherwise indicated.)

8. Loans and advances to customers (continued)

Reconciliation of impairment allowance account for losses on loans and advances by class is as follows:

						June 30, 2015
	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
At January 1	**2,430,950**	**774,016**	**383,028**	**235,721**	**77,619**	**3,901,334**
Provision for loan impairment	647,856	229,457	171,777	33,863	13,721	1,096,674
Amounts recovered during the year	(190,477)	(82,613)	(5,188)	(9,571)	(3,050)	(290,899)
Loans written off during the year as uncollectible (-)	(14,133)	(43)	(15)	-	-	(14,191)
Exchange differences	1,531	(515)	(384)	-	-	632
At June 30	**2,875,727**	**920,302**	**549,218**	**260,013**	**88,290**	**4,693,550**

						December 31, 2014
	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
At January 1	**2,008,456**	**680,124**	**390,125**	**190,133**	**82,033**	**3,350,871**
Provision for loan impairment	842,558	230,938	343,455	61,952	19,028	1,497,931
Amounts recovered during the year	(268,164)	(40,624)	(135,795)	(16,364)	(959)	(461,906)
Loans written off during the year as uncollectible (-) [1]	(149,174)	(97,510)	(215,137)	-	(22,483)	(484,304)
Exchange differences	(2,726)	1,088	380	-	-	(1,258)
At December 31	**2,430,950**	**774,016**	**383,028**	**235,721**	**77,619**	**3,901,334**

[1] Includes the effect of provision releases due to sales from loans under legal follow - up.

The calculation of net investment in direct finance leases is as follows:

	June 30, 2015	December 31, 2014
Gross investment in direct finance leases	7,047,054	6,103,679
Unearned finance income	(1,078,166)	(965,045)
	5,968,888	**5,138,634**
Interest accrual on receivables	62,790	52,983
Receivables from outstanding lease payments	25,824	23,831
Provision for impaired lease receivables	(260,042)	(235,721)
Net investment in direct finance leases	**5,797,460**	**4,979,727**

Lease payments receivable consists of rentals over the terms of leases. The rentals according to maturity are as follows:

	June 30, 2015	December 31, 2014
Less than 1 year	2,016,788	1,792,151
More than 1 year but not later than 5 years	3,943,272	2,914,069
Later than 5 years	677,826	1,010,362
Less: unearned finance income	(1,078,166)	(965,045)
Investment in performing lease receivables	**5,559,720**	**4,751,537**

(Amounts expressed in thousands of TL unless otherwise indicated.)

9. Investment securities

(i) Securities available-for-sale

	June 30, 2015	December 31, 2014
Debt securities - at fair value:		
Government bonds and treasury bills	14,026,605	10,678,281
Eurobonds	1,568,067	998,565
Government and corporate bonds and treasury bills sold under repurchase agreements	3,577,955	3,258,280
Eurobonds sold under repurchase agreements	646,831	1,349,487
Other	2,508,060	2,345,877
Equity securities - at fair value:		
Unlisted	50,982	44,032
Total securities available-for-sale	**22,378,500**	**18,674,522**
Current	4,812,266	4,439,735
Non-current	17,566,234	14,234,787

Government bonds, treasury bills and Eurobonds are discount and coupon securities issued by the Government of the Republic of Turkey. Other securities mainly represent A and B type open-ended mutual funds incorporated in Turkey managed by the Group and credit linked notes and other bonds issued by domestic and foreign financial institutions.

There are no impairments recognized for available-for-sale debt securities.

(ii) Securities held-to-maturity

	June 30, 2015	December 31, 2014
Debt securities - at amortized cost - listed:		
Government bonds and treasury bills	1,174,375	1,435,831
Eurobonds	1,453,186	1,662,607
Government bonds and treasury bills sold under repurchase agreements	794,570	674,734
Eurobonds sold under repurchase agreement	2,303,623	1,469,214
Foreign government bonds	312,400	313,983
Total securities held-to-maturity	**6,038,154**	**5,556,369**
Current	115,196	189,799
Non-current	5,922,958	5,366,570

(Amounts expressed in thousands of TL unless otherwise indicated.)

10. Deposits from banks

		June 30, 2015			December 31, 2014	
	Demand	Term	Total	Demand	Term	Total
Foreign currency:						
Domestic banks	167,570	490,100	657,670	201,130	390,848	591,978
Foreign banks	161,244	1,197,375	1,358,619	102,550	986,787	1,089,337
Funds deposited under repurchase agreements	-	2,341,359	2,341,359	-	2,365,914	2,365,914
	328,814	**4,028,834**	**4,357,648**	**303,680**	**3,743,549**	**4,047,229**
TL:						
Domestic banks	1,408	1,035,344	1,036,752	812	686,770	687,582
Foreign banks	106,308	694,740	801,048	101,619	73,292	174,911
Funds deposited under repurchase agreements	-	4,324,356	4,324,356	-	3,774,448	3,774,448
	107,716	**6,054,440**	**6,162,156**	**102,431**	**4,534,510**	**4,636,941**
	436,530	**10,083,274**	**10,519,804**	**406,111**	**8,278,059**	**8,684,170**
Current	436,530	10,051,206	10,487,736	406,111	8,246,758	8,652,869
Non-current	-	32,068	32,068	-	31,301	31,301

11. Customer deposits

		June 30, 2015			December 31, 2014	
	Demand	Term	Total	Demand	Term	Total
Foreign currency deposits:						
Saving deposits	3,851,949	19,179,273	23,031,222	2,944,165	15,192,970	18,137,135
Commercial deposits	7,162,748	31,137,937	38,300,685	4,670,594	20,237,592	24,908,186
	11,014,697	**50,317,210**	**61,331,907**	**7,614,759**	**35,430,562**	**43,045,321**
TL deposits:						
Saving deposits	4,066,060	27,272,692	31,338,752	3,183,189	26,428,017	29,611,206
Commercial deposits	5,082,896	23,189,071	28,271,967	4,533,167	26,994,090	31,527,257
Funds deposited under repurchase agreements	-	51,764	51,764	-	61,728	61,728
Public sector deposits	1,218,196	69,528	1,287,724	899,028	4,010	903,038
	10,367,152	**50,583,055**	**60,950,207**	**8,615,384**	**53,487,845**	**62,103,229**
	21,381,849	**100,900,265**	**122,282,114**	**16,230,143**	**88,918,407**	**105,148,550**
Current	21,381,849	99,716,121	121,097,970	16,230,143	87,896,297	104,126,440
Non-current	-	1,184,144	1,184,144	-	1,022,110	1,022,110

(Amounts expressed in thousands of TL unless otherwise indicated.)

12. Funds borrowed

	June 30, 2015	December 31, 2014
Foreign institutions and banks		
Syndication loans	3,286,935	6,086,051
Subordinated debt	3,441,917	4,442,438
Other	18,911,153	13,015,278
Total foreign	**25,640,005**	**23,543,767**
Domestic institutions and banks		
Domestic banks	2,604,442	2,315,627
Interbank money market and Settlement Custody Bank	4,600,508	2,572,663
Total domestic	**7,204,950**	**4,888,290**
	32,844,955	**28,432,057**
Current	19,177,105	19,493,849
Non-current	13,667,850	8,938,208

On May 15, 2015, the Parent Bank paid the subordinated loan before its maturity amounting to EUR 500 million, with 10 years maturity which was originated on March 31, 2006. The interest rate was EURIBOR+3% (for the first five years it was EURIBOR+2%). The loan was obtained from Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. as guarantor.

The Parent Bank obtained a subordinated loan on June 25, 2007 amounting to EUR 200 million, with 10 years maturity and a repayment option at the end of 5 years. The interest rate is determined as EURIBOR+1,85% for the first 5 years and EURIBOR+2,78% for the remaining 5 years. The loan was obtained from Citibank, N.A., London Branch with Unicredito Italiano SpA as guarantor. The Parent Bank has not exercised the early repayment option related to these two loans which was available as of the date of these financial statements.

With the written approvals of the BRSA dated June 19, 2007, the loan has been approved as subordinated loan and can be taken into consideration as supplementary capital within the limits of the Regulation Regarding Banks' Shareholders' Equity. According to the Regulation, subordinated loan obtained from Citibank, N.A. London Branch is considered in the supplementary capital calculation at the rate of 20% since the remaining maturity of this loan is less than 2 years.

The Parent Bank had early repaid its borrowing for USD 585 million on January 9, 2013 which was received from Unicredit Bank Austria AG on February 22, 2012 with an interest rate of 3 months Libor + 8,30% and received another subordinated borrowing from the same counterparty for USD 585 million with 10 years of maturity (payable after 5 years) and 5,5% of fixed interest rate. The Parent Bank incurred an early payment fee for TL 57 million with respect to early closing of this subordinated loan. As per the approval of BRSA dated December 31, 2012 this loan is accepted as subordinated loan. On January 30, 2015, relevant articles of this agreement have been amended in accordance with Article 8 of the Regulation Regarding Equity of Banks, which is the relevant legislation in force issued by the BRSA. In addition, the interest rate in the credit agreement has been updated as 5.70%.

The Parent Bank obtained a subordinated loan on December 18, 2013 amounting to USD 470 million, with 10 years maturity and a repayment option at the end of 5 years. The interest rate is determined as 6.35% for the first 5 years and midswap+4.68% for the remaining 5 years. The loan was obtained from Unicredit Bank Austria AG. On January 30, 2015, relevant articles of this agreement have been amended in accordance with Article 8 of the Regulation on Own Fund of Banks. In addition, the interest rate has been updated as 6.55%.

(Amounts expressed in thousands of TL unless otherwise indicated.)

13. Debt securities in issue

	June 30, 2015	December 31, 2014
Securitization borrowings	4,349,257	3,054,498
Subordinated debt	2,696,566	2,328,111
Bills	3,018,142	3,350,582
Bonds	5,350,759	5,786,861
	15,414,724	**14,520,052**
Current	4,494,016	4,874,434
Non-current	10,920,708	9,645,618
	15,414,724	**14,520,052**

The Group classified some of its debt securities issued as financial liabilities designated at fair value in order to eliminate the accounting mismatch at initial recognition in accordance with IAS 39 paragraph 9. As of December 31, 2014, the total amount of financial liabilities designated at fair value through profit/loss is TL 2,179,742 (December 31, 2014 - TL 1,163,996) and the fair value difference is TL 23,535 (December 31, 2014 - TL 5,673) recognised in the income statement as income.

14. Taxation

	June 30, 2015	June 30, 2014
Current tax expense	(186,401)	(552,291)
Deferred tax (expense) / income	(100,178)	272,223
Total income tax expense	**(286,579)**	**(280,068)**

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.

Deferred income taxes

For all domestic subsidiaries and the Parent Bank, deferred income taxes are calculated on temporary differences that are expected to be realized or settled under the liability method using a principal tax rate of 20% at June 30, 2015 (December 31, 2014 - 20%).

For foreign subsidiaries deferred income taxes are calculated on all temporary differences under the liability method before the exemptions using the principal tax rates at June 30, 2015 and December 31, 2014 which are as follows:

	Tax rate (%)	
Country of incorporation	**June 30, 2015**	**December 31, 2014**
Russia	20.00	20.00
Netherlands	25.00	25.00
Azerbaijan	20.00	20.00
Malta	35.00	35.00

The deferred income tax assets and liabilities represent the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return in accordance with the applicable tax law plus any available tax loss carried forward from previous years.

(Amounts expressed in thousands of TL unless otherwise indicated.)

14. Taxation (continued)

The temporary differences giving rise to the deferred income tax assets and deferred income tax liabilities are as follows:

	Cumulative Temporary Differences		Deferred Tax Asset/Liability	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Impairment on property and equipment and investments	182,085	505,138	36,417	63,274
Allowance for loan impairment	996,688	974,657	199,305	194,900
Pension benefits transferable to the Social Security Institution ("SSI")	610,766	654,901	122,153	130,980
Reserve for employment termination benefits	141,336	141,134	29,002	28,920
Revaluation of derivative instruments at fair value	2,102,813	1,324,579	399,302	256,082
Valuation differences on investment securities	43,750	17,344	8,753	3,469
Other	1,045,157	979,574	228,632	196,073
Deferred income tax assets	**5,122,595**	**4,597,327**	**1,023,564**	**873,698**
Difference between carrying value and tax base of property and equipment	428,312	662,505	76,847	84,313
Valuation differences on investment securities	369,345	587,640	73,869	117,528
Revaluation of derivative instruments at fair value	2,817,827	1,484,690	570,625	297,641
Other	1,305	130,476	352	19,240
Deferred income tax liabilities	**3,616,789**	**2,865,311**	**721,693**	**518,722**
Deferred income tax assets, net [1]	**1,505,806**	**1,732,016**	**301,871**	**354,976**

(1) Includes TL 2,422 deferred tax liabilities as of June 30, 2015 (December 31, 2014 – TL 2,439).

(Amounts expressed in thousands of TL unless otherwise indicated.)

15. Other provisions

	June 30, 2015	December 31, 2014
Provision for losses on credit related commitments	393,882	362,214
Tax and other legal provisions	218,060	180,211
Provisions on credit cards and promotion campaigns	39,521	35,877
Provision on export commitments	45,727	44,489
Other	88,265	87,348
	785,455	**710,139**
Current	39,521	35,877
Non-current	745,934	674,262

Credit related commitments provision

The Group management has estimated losses that may arise from credit related commitments and has recognized a provision of TL 393,882 (2014 - TL 362,214).

Tax and other legal provisions

The Group has recorded a provision of TL 85,038 (2014 - TL 81,056) for litigation and has accounted for it in the financial statements under the "Other provisions" account. Except for the cases where provisions are recorded, management considers that a negative result in ongoing litigations resulting in cash outflows is not probable.

The Group also recorded total provision of TL 133,022 (2014 - TL 99,155) against potential tax risks in the form of possible tax duties and penalties in the consolidated financial statements for the period ended June 30, 2015.

Export commitment provision

The Group management has estimated losses that may arise from export loans to customers under legal follow-up that do not have the ability to fulfill their export commitments and has recognized a provision of TL 45,727 (2014 - TL 44,489).

Movement in other provisions is as follows:

	Provision for credit related commitments	Tax and other legal provisions	Provisions on credit cards and promotion campaigns	Export commitment provisions	Other	June 30, 2015 Total	December 31, 2014 Total
At January 1	**362,214**	**180,211**	**35,877**	**44,489**	**87,348**	**710,139**	**645,087**
Provision charged	32,595	37,949	85,591	1,238	917	158,290	271,972
Provision used / released	-	(100)	(81,726)	-	-	(81,826)	(206,648)
Translation difference	(927)	-	(221)	-	-	(1,148)	(272)
Balance at June 30	**393,882**	**218,060**	**39,521**	**45,727**	**88,265**	**785,455**	**710,139**

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Retained earnings and other reserves

	June 30, 2015	December 31, 2014
Statutory reserve	751,537	641,025
Translation reserves	504,412	401,303
Revaluation reserve - available-for-sale investments	(208,542)	429,515
Hedging reserves	(99,405)	(523,203)
Re-measurement gains on defined benefit liability	(10,900)	(10,900)
Revaluation of property, plant and equipment	17,825	17,825
Total other reserves	**954,927**	**955,565**
Retained earnings	**16,210,283**	**15,569,527**

Movements in other reserves were as follows:

	Statutory reserves	Revaluation reserves	Translation reserves	Hedging reserves	Actuarial gains	Revaluation of fixed assets	Total
At January 1, 2015	**641,025**	**429,515**	**401,303**	**(523,203)**	**(10,900)**	**17,825**	**955,565**
Net change in available-for-sale investments, net of tax	-	(638,057)	-	-	-	-	(638,057)
Gains / (losses) on hedges of a net investment in a foreign operation	-	-	-	(41,648)	-	-	(41,648)
Gains / (losses) on cash flow hedges	-	-	-	465,446	-	-	465,446
Currency translation differences	-	-	103,109	-	-	-	103,109
Revaluation of property, plant and equipment, net of tax	-	-	-	-	-	-	-
Transfer to statutory reserves	110,512	-	-	-	-	-	110,512
At June 30, 2015	**751,537**	**(208,542)**	**504,412**	**(99,405)**	**(10,900)**	**17,825**	**954,927**

	Statutory reserves	Revaluation reserves	Translation reserves	Hedging reserves	Actuarial gains	Revaluation of fixed assets	Total
At January 1, 2014	**463,811**	**(80,805)**	**488,605**	**(366,777)**	**6,046**	**-**	**510,880**
Net change in available-for-sale investments, net of tax	-	506,000	-	-	-	-	506,000
Gains / (losses) on hedges of a net investment in a foreign operation	-	-	-	9,905	-	-	9,905
Gains / (losses) on cash flow hedges	-	-	-	(181,541)	-	-	(181,541)
Currency translation differences	-	-	(20,839)	-	-	-	(20,839)
Revaluation of property, plant and equipment, net of tax	-	-	-	-	-	12,407	12,407
Transfer to statutory reserves	177,214	-	-	-	-	-	177,214
At June 30, 2014	**641,025**	**425,195**	**467,766**	**(538,413)**	**6,046**	**12,407**	**1,014,026**

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Retained earnings and other reserves (continued)

Retained earnings as per the statutory financial statements other than statutory reserves are available for distribution, subject to the statutory reserve requirement referred to below.

Under the Turkish Commercial Code, the Group is required to create the following statutory reserves from appropriation of earnings, which are available for distribution only in the event of liquidation or losses:

a) First statutory reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second statutory reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the statutory reserves as discussed above, the remaining balance of statutory net profit is available for distribution to shareholders.

As per the Ordinary General Assembly meeting dated March 25, 2015, it has been decided that TL 400,000 is to be paid as dividend to shareholders.

17. Net trading, hedging and fair value income and net gains / losses from investment securities

	June 30, 2015	June 30, 2014
Foreign exchange:		
- Transaction gains less losses on derivatives and securities	(616,022)	259,664
Interest rate instruments	680,080	(257,287)
Other	(2,866)	8,356
	61,192	**10,733**

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, futures and translated foreign currency assets and liabilities. Interest rate instruments includes the results of making markets in government securities, money market instruments, interest rate and cross currency interest rate swaps, options, hedge items and other derivatives.

(Amounts expressed in thousands of TL unless otherwise indicated.)

18. Other operating expenses

	June 30, 2015	June 30, 2014
Staff costs	**(1,054,162)**	**(893,152)**
Depreciation on property and equipment	(101,467)	(80,566)
Amortization of intangible assets	(64,577)	(52,530)
Depreciation and amortization	**(166,044)**	**(133,096)**
Rent expenses	(133,673)	(109,169)
Marketing and advertisement costs	(72,143)	(68,762)
Payment to Saving Deposit Insurance Fund	(69,795)	(59,373)
Sundry taxes and duties	(66,931)	(59,611)
Communication expenses	(64,661)	(58,173)
Repair and maintenance expenses	(41,900)	(30,448)
Audit and consultancy fees	(29,951)	(25,581)
Utilities expenses	(25,014)	(22,359)
Charities	(1,079)	(931)
Other	(299,824)	(261,387)
General and administrative expenses	**(804,971)**	**(695,794)**
Total	**(2,025,177)**	**(1,722,042)**

19. Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the period in which they were issued and for each earlier period.

The Bank has not issued any shares attributable to transfers to share capital from retained earnings during the year ended June 30, 2015 (June 2014 - none).

The earnings attributable to basic shares for each period are as follows

	June 30, 2015	June 30, 2014
Profit attributable to equity holders of the Parent	1,151,268	983,400
Weighted average number of ordinary shares in issue (thousand) (1 Kr each)	434,705,128	434,705,128
Basic and diluted earnings per share (expressed in TL, full amount per thousand share)	**2.65**	**2.26**

(Amounts expressed in thousands of TL unless otherwise indicated.)

20. Assets pledged and restricted

The Group has the following assets pledged as collateral:

	June 30, 2015		December 31, 2014	
	Assets	Related liability	Assets	Related liability
Investment securities (Note 9)	13,606,233	9,736,332	10,068,642	6,734,671
Other assets pledged[1]	264,143	-	666,807	-
Total	13,870,376	9,736,332	10,735,449	6,734,671

(1) Other assets pledged represent collateral given to the counter parties of the derivative transactions and the additional collaterals given in relation to the funds obtained under repurchase agreements.

Available-for-sale and held-to-maturity securities whose total carrying amount is TL 7,953,892 as of June 30, 2015 (December 31, 2014 - TL 7,346,446) are pledged to banks and other financial institutions against borrowed funds, funds obtained under repurchase agreements and total return swap transactions. Total amount of funds obtained under repurchase agreements and total return swaps is TL 9,736,332 as of June 30, 2015 (December 31, 2014 - TL 6,734,671). In accordance with the terms of the agreements with these financial institutions ("transferees"), the Bank provides this collateral (debt instruments as given above) to the transferees and the transferees have the right to sell or repledge the collateral until the expiry date of the agreements.

Securities are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, Istanbul Stock Exchange (ISE) Settlement and Custody Bank and other financial institutions and amount to TL 5,652,341 (2014 - TL 2,722,196).

As of June 30, 2015, the Group's reserve deposits, including those at foreign central banks, amount to TL 22,920,315 (2014 - TL 20,785,117). There is also TL 66,728 (December 31, 2014 - TL 111,294) of deposits blocked held in foreign bank accounts.

The Group does not have any financial assets and liabilities that are offset in the financial statements or subject to an enforceable master netting agreement or similar agreements. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the above transactions summarized in the above table.

21. Commitments and contingent liabilities

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities.

Legal proceedings

Due to the nature of its business, the Group is involved in a number of claims and legal proceedings, arising in the ordinary course of business. The Group recognizes provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

(Amounts expressed in thousands of TL unless otherwise indicated.)

21. Commitments and contingent liabilities (continued)

In respect of the further claims asserted against the Group, which according to the principles outlined above, have not been provided for, it is the opinion of the management and its professional advisors that such claims are either without merit, can be successfully defended or will not have a material adverse effect on the Group's financial position.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

As of June 30, 2015 the Group's commitments for unused credit card limits amounted to TL 27,281,427 (December 31, 2014 - TL 25,612,776).

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

June 30, 2015[(1)]	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	368,137	7,567,329	1,926,565	8,755	9,870,786
Letter of guarantees	22,601,372	7,573,264	9,953,147	1,697,428	41,825,211
Acceptance credits	-	104,584	12,261	-	116,845
Other commitments	456,715	277,597	1,360,669	1,348,936	3,443,917
Total	**23,426,224**	**15,522,774**	**13,252,642**	**3,055,119**	**55,256,759**

December 31, 2014[(1)]	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	4,991,798	2,361,487	506,243	305	7,859,833
Letter of guarantees	32,914,935	310,385	4,114,862	655,030	37,995,212
Acceptance credits	126,639	343	-	-	126,982
Other commitments	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) Based on original maturities.

22. Segment analysis

The Group carries out its banking operations through three main business units: (1) Retail Banking (including credit cards and SME banking), (2) Corporate and Commercial Banking (3) Private Banking and Wealth Management.

The Group'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.

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 Group.

(Amounts expressed in thousands of TL unless otherwise indicated.)

22. Segment analysis (continued)

The Group's management manages segment performance based on IFRS consolidated figures.

June 30, 2015	Retail banking	Corporate banking Commercial banking	Private banking wealth management	Foreign operations	Domestic operations	Treasury, asset liability man. & Other[1]	Eliminations[2]	Group
Segment revenue	1,904,208	1,118,547	104,828	116,627	268,439	917,316	(59,213)	4,370,752
Segment expenses	(1,747,808)	(488,649)	(44,314)	(72,963)	(112,450)	(497,791)	2,937	(2,961,038)
Segment result	156,400	629,898	60,514	43,664	155,989	419,525	(56,276)	1,409,714
Operating profit	**156,400**	**629,898**	**60,514**	**43,664**	**155,989**	**419,525**	**(56,276)**	**1,409,714**
Share of results of associates and joint ventures	-	-	-	-	-	28,161	-	28,161
Profit before tax	**156,400**	**629,898**	**60,514**	**43,664**	**155,989**	**447,686**	**(56,276)**	**1,437,875**
Income tax expense[3]	-	-	-	-	-	(286,579)	-	(286,579)
Profit for the period	**156,400**	**629,898**	**60,514**	**43,664**	**155,989**	**161,107**	**(56,276)**	**1,151,296**
June 30, 2015								
Segment assets	63,664,207	65,391,609	177,383	6,942,259	12,778,430	73,410,589	(1,261,250)	221,103,227
Associates and joint ventures	-	-	-	-	-	536,477	-	536,477
Total assets	**63,664,207**	**65,391,609**	**177,383**	**6,942,259**	**12,778,430**	**73,947,066**	**(1,261,250)**	**221,639,704**
Segment liabilities	47,385,294	48,693,111	27,195,838	5,594,809	10,906,152	83,542,243	(1,677,743)	221,639,704
Total liabilities	**47,385,294**	**48,693,111**	**27,195,838**	**5,594,809**	**10,906,152**	**83,542,243**	**(1,677,743)**	**221,639,704**

(1) Other segment liabilities also include the equity.
(2) Consolidation adjustments include transactions with subsidiaries and investments consolidated and other consolidated adjustments in these financial statements.
(3) Income tax expenses have not been distributed based on operating segments and have been presented under "Treasury, asset liability management and other".

June 30, 2014	Retail banking	Corporate banking Commercial banking	Private banking wealth management	Foreign operations	Domestic operations	Treasury, asset liability man. & Other[1]	Eliminations[2]	Group
Segment revenue	1,439,796	972,993	102,348	109,968	252,842	862,942	(182,034)	3,558,855
Segment expenses	(1,457,385)	(266,595)	(42,124)	(61,497)	(93,468)	(394,164)	3,185	(2,312,048)
Segment result	(17,589)	706,398	60,224	48,471	159,374	468,778	(178,849)	1,246,807
Operating profit	**(17,589)**	**706,398**	**60,224**	**48,471**	**159,374**	**468,778**	**(178,849)**	**1,246,807**
Share of results of associates and joint ventures	-	-	-	-	-	16,801	-	16,801
Profit before tax	**(17,589)**	**706,398**	**60,224**	**48,471**	**159,374**	**485,579**	**(178,849)**	**1,263,608**
Income tax expense[3]	-	-	-	-	-	(280,068)		(280,068)
Profit for the period	**(17,589)**	**706,398**	**60,224**	**48,471**	**159,374**	**205,511**	**(178,849)**	**983,540**
December 31, 2014								
Segment assets	56,318,766	56,153,488	170,177	6,454,985	11,372,911	65,096,409	(1,667,129)	193,899,607
Associates and joint ventures	-	-	-	-	-	475,638	-	475,638
Total assets	**56,318,766**	**56,153,488**	**170,177**	**6,454,985**	**11,372,911**	**65,572,047**	**(1,667,129)**	**194,375,245**
Segment liabilities	41,080,689	44,598,409	22,300,382	5,191,196	9,524,958	73,759,965	(2,080,354)	194,375,245
Total liabilities	**41,080,689**	**44,598,409**	**22,300,382**	**5,191,196**	**9,524,958**	**73,759,965**	**(2,080,354)**	**194,375,245**

(1) Other segment liabilities also include the equity.
(2) Consolidation adjustments include transactions with subsidiaries and investments consolidated and other consolidated adjustments in these financial statements.
(3) Income tax expenses have not been distributed based on operating segments and have been presented under "Treasury, asset liability management and other".

(Amounts expressed in thousands of TL unless otherwise indicated.)

23. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Koç Group and UCG, owning 50% of the ordinary shares each of KFS.

A number of transactions were entered into with related parties in the normal course of business,

(i) Balances with related parties:

	June 30, 2015			
	Parent	Other[1]	Key management	Total
Loans and advances to customers, net	132,972	3,028,303	17	3,161,292
Derivative financial instruments	9,450	-	-	9,450
Loans and advances to banks	15,600	26,546	-	42,146
Other assets	-	220	-	220
Total assets	**158,022**	**3,055,069**	**17**	**3,213,108**
Customer deposits	8,744,276	5,244,445	192,892	14,181,613
Funds borrowed	5,968,186	3,517,862	-	9,486,048
Derivative financial instruments	44,298	4,562	-	48,860
Other liabilities	3	2,195	-	2,198
Deposits from banks	595,545	3	-	595,548
Total liabilities	**15,352,308**	**8,769,067**	**192,892**	**24,314,267**
Commitment under derivative instruments	1,466,683	604,712	-	2,071,395
Credit related commitments	1,156,985	2,227,789	-	3,384,774
Total commitments and contingent liabilities	**2,623,668**	**2,832,501**	**-**	**5,456,169**

	December 31, 2014			
	Parent	Other[1]	Key management	Total
Loans and advances to customers, net	29,787	2,504,081	51	2,533,919
Derivative financial instruments	1,024	-	-	1,024
Loans and advances to banks	18,169	24,429	-	42,598
Other assets	-	739	-	739
Total assets	**48,980**	**2,529,249**	**51**	**2,578,280**
Customer deposits	8,111,586	5,157,991	91,837	13,361,414
Funds borrowed	5,142,913	5,005,553	-	10,148,466
Derivative financial instruments	12,312	31,370	-	43,682
Other liabilities	8	74	-	82
Deposits from banks	563,796	2	-	563,798
Total liabilities	**13,830,615**	**10,194,990**	**91,837**	**24,117,442**
Commitment under derivative instruments	428,403	718,079	-	1,146,482
Credit related commitments	536,763	2,123,085	-	2,659,848
Total commitments and contingent liabilities	**965,166**	**2,841,164**	**-**	**3,806,330**

(1) Other consists of entities with joint control or significant influence over the entity, associates and joint ventures in which the entity is a venture and other related parties.

(Amounts expressed in thousands of TL unless otherwise indicated.)

23. Related party transactions (continued)

(ii) Transactions with related parties:

	June 30, 2015			
	Parent	Other[1]	Key management	Total
Interest income on loans and advances to customers	8,832	93,708	-	102,540
Fee and commission income	6,759	16,988	-	23,747
Interest income on financial leases	-	15,166	-	15,166
Interest income on loans and advances to banks	-	100	-	100
Other operating income	-	-	-	-
Total interest and fee income	**15,591**	**125,962**	**-**	**141,553**
Interest expense on deposits	(391,449)	(136,769)	(48)	(528,266)
Interest expense on funds borrowed	(28,558)	(69,011)	-	(97,569)
Other operating expense	(1,101)	(11,892)	-	(12,993)
Fee and commission expense	-	(109)	-	(109)
Total interest and fee expense	**(421,108)**	**(217,781)**	**(48)**	**(638,937)**

	June 30, 2014			
	Parent	Other[1]	Key management	Total
Interest income on loans and advances to customers	1,709	68,215	-	69,924
Fee and commission income	4,551	16,329	-	20,880
Interest income on financial leases	-	7,605	-	7,605
Interest income on loans and advances to banks	-	345	-	345
Other operating income	-	-	-	-
Total interest and fee income	**6,260**	**92,494**	**-**	**98,754**
Interest expense on deposits	(202,680)	(131,954)	(30)	(334,664)
Interest expense on funds borrowed	(36,094)	(68,038)	-	(104,132)
Other operating expense	(1,559)	(3,443)	-	(5,002)
Fee and commission expense	(4)	(32)	-	(36)
Total interest and fee expense	**(240,337)**	**(203,467)**	**(30)**	**(443,834)**

(1) Other consists of entities with joint control or significant influence over the entity, associates and joint ventures in which the entity is a venture and other related parties.

Salaries and other benefits paid to the Group's key management approximately amount to TL 33,356 as of June 30, 2015 (June 30, 2014 - TL 29,524).

A significant part of the related party balances and transactions are with related parties other than the parent or the associate or the joint venture; mainly comprising Koç Group and UCG entities.

24. Subsequent events

None.