

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

**Consolidated financial statements for the period January 1 -
December 31, 2015 together with independent auditor's
report**

**(Convenience translation of financial statements and auditor's report
originally issued in Turkish, see note 2.7)**

(Convenience translation of financial statements originally issued in Turkish, see note 2.7)

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Content	Page
Independent auditors' report on the consolidated financial statements.....	1 - 2
Consolidated statement of financial position (Balance Sheet)	3
Consolidated statement of profit or loss	5
Consolidated statement of other comprehensive income	6
Consolidated statement of changes in equity.....	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9 - 56

(Convenience translation of independent auditor's report originally issued in Turkish)

**Independent auditor's report on consolidated financial statements for the year ended
December 31, 2015**

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

Introduction

We have audited the accompanying consolidated statement of financial position of Yapı Kredi Yatırım Menkul Değerler A.Ş. (the "Company") and its consolidated subsidiary (together the "Group") as of December 31, 2015, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Group management related to the financial statements

The Group's management is responsible for the preparation and fair presentation of these (consolidated) financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the independent auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Standards on Auditing as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yapı Kredi Yatırım Menkul Değerler A.Ş. as of December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

- 1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

As at December 31, 2015, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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



January 29, 2015
İstanbul, Türkiye

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of financial position as of December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		(Audited)	(Audited)
Assets	Notes	December 31, 2015	December 31, 2014
Current Assets		3.282.211.608	3.177.152.027
Cash and cash equivalents	6	2.924.820.319	2.761.906.774
Financial investment	7	73.298.566	44.579.463
Trade receivable	10	221.788.060	194.076.793
- Due from related parties	28	19.938	-
- Due from other parties		221.768.122	194.076.793
Receivables from financial activities	11	7.681.847	7.304.480
- Due from related parties	28	7.642.401	7.274.215
- Due from other parties		39.446	30.265
Other receivables	12	22.504.542	144.508.973
- Due from other parties		22.504.542	144.508.973
Derivative financial instruments	16	17.129.240	10.980.547
Prepaid expenses	19	2.611.790	2.447.117
Current period tax assets	22	12.321.329	11.300.975
Other current asset	20	55.915	46.905
Sub Total		3.282.211.608	3.177.152.027
Assets classified as held for sale	8	-	-
Total current assets		3.282.211.608	3.177.152.027
Non-current assets			
Financial investments	7	32.192.533	31.713.607
Property and equipment	13	9.847.677	6.839.136
Intangible assets	14	16.348.218	5.746.148
- Other intangible assets	14	16.348.218	5.746.148
Deffered tax assets	22	10.413.304	19.698.798
Total non-current assets		68.801.732	63.997.689
Total assets		3.351.013.340	3.241.149.716

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

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of financial position as of December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		(Audited)	(Audited)
Liabilities	Notes	December 31, 2015	December 31, 2014
Short term liabilities		2.826.212.910	2.724.838.128
Short term financial liabilities	9	2.660.507.987	2.594.185.424
Trade payables	10	87.908.419	89.480.472
- Due to related parties	28	3.189.477	2.839.632
- Due to other parties		84.718.942	86.640.840
Payables due to employee benefits	18	1.392.990	1.463.171
Other payables	12	26.209.902	19.642.328
- Due to related parties	28	110.924	99.211
- Due to other parties		26.098.978	19.543.117
Derivative financial instruments	16	30.041.714	-
Current income taxes payable	22	-	-
Short term provisions	17	15.066.529	13.929.731
- Short term provisions for employee benefits	17	12.920.400	12.696.000
- Other short term provisions	15	2.146.129	1.233.731
Other short term liabilities	20	5.085.369	6.137.002
Other short term liabilities		2.826.212.910	2.724.838.128
Long term liabilities		7.412.310	6.182.070
Long term provisions			
- Provision for employee benefits	17	7.412.310	6.182.070
Deferred tax liability	22	-	-
Other long term liabilities		7.412.310	6.182.070
Total liabilities		2.833.625.220	2.731.020.198
Equity			
Paid-in share capital	21	98.918.083	98.918.083
Adjustment to share capital	21	63.078.001	63.078.001
Other comprehensive income and expenses to be reclassified in profit or loss	21	(11.913.521)	(12.187.284)
- Revaluation and measurement gains/losses		(12.104.538)	(12.093.153)
- Other gains/losses		191.017	(94.131)
Restricted reserves	21	235.511.667	238.768.671
Retained earnings	21	62.545.052	55.481.121
Net profit/(loss) for the year		62.927.268	60.236.932
Equity attributable to equity holders of the Parent		511.066.550	504.295.524
Non-controlling interest	21	6.321.570	5.833.994
Total equity		517.388.120	510.129.518
Total liabilities and equity		3.351.013.340	3.241.149.716

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

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of income for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		(Audited) December 31, 2015	(Audited) December 31, 2014
	Notes		
Profit and loss			
Revenue	23	15.265.796.691	16.113.684.283
Cost of sales(-)	23	(15.212.171.672)	(16.056.688.061)
Gross profit from commercial activities		53.625.019	56.996.222
Revenue from financial activities	24	57.477.651	45.762.524
Cost of financial activities (-)	24	(4.293.340)	(2.818.855)
Gross profit from financial activities		53.184.311	42.943.669
Gross profit/(loss)		106.809.330	99.939.891
General administrative expenses (-)	25	(91.342.858)	(80.869.913)
Selling, marketing and distribution expenses (-)	25	(8.499.032)	(6.757.533)
Other operating income	26	412.207.033	494.650.855
Other operating expense (-)	27	(337.293.223)	(428.281.805)
Operating profit/(loss)		81.881.250	78.681.495
Profit/(loss) before tax from continuing operations		81.881.250	78.681.495
Tax (income)/expense for continuing operations			
- Current tax expense/income	22	(6.212.636)	(6.023.473)
- Deferred tax income/(expense)	22	(9.211.418)	(9.703.665)
Profit/(loss) before tax from continuing operations		66.457.196	62.954.357
Net profit for the year		66.457.196	62.954.357
Distribution of profit/loss			
Non-controlling interest		3.529.928	2.717.425
Attributable equity holders of the parent		62.927.268	60.236.932

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

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

**Consolidated statement of comprehensive income
for the years ended December 31, 2015 and 2014**

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

	Audited) December 31, 2015	(Audited) December 31, 2014
Net profit/loss for the period	66.457.196	62.954.357
Other comprehensive income:		
Adjustments to net income/(loss) reconciliation		
Change in foreign currency translation differences	-	-
Adjustments/revaluation in financial assets available for sale	(8.595)	244.111
Profit/loss on cash flow hedges (effective part of the fair value changes)	-	-
Profit/loss on foreign net investment hedges (effective part of the fair value changes)	-	-
Adjustment of investments carried at equity method from other comprehensive income in profit/loss	-	-
Other comprehensive income elements adjusted as other profit or loss	356.434	(117.664)
Tax income/expense in other comprehensive income adjusted in profit or loss	(74.076)	10.905
- Current tax expense/income	-	-
- Deferred tax expense/income	(74.076)	10.905
Other comprehensive income	273.763	137.352
Total comprehensive income	66.730.959	63.091.709
Distribution of total comprehensive income		
Non-controlling interest	3.529.928	2.717.425
Attributable equity holders of the Parent	63.201.031	60.374.284

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

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of changes in equity for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Paid-in share capital		Other comprehensive income and expenses not to be reclassified in profit or loss			Accumulated profits		Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
		Adjustment to share capital	Revaluation and measurement gains/losses	Other gains /Losses	Restricted reserves	Retained earnings	Net profit for the year			
Balance as at January 1, 2014 (Beginning of the period)	98.918.083	63.078.001	(12.230.505)	118.618	61.754.489	58.116.850	266.496.516	533.252.052	6.285.666	539.537.738
Transfers	-	-	-	-	8.405.409	258.091.107	(266.496.516)	-	-	-
Dividends	-	-	-	-	(7.668.631)	(81.331.369)	-	(89.000.000)	(3.169.117)	(92.169.117)
Total comprehensive income	-	-	137.352	-	176.277.404	(176.395.467)	60.236.932	60.236.221	2.717.425	62.973.646
Other	-	-	-	(212.749)	-	-	-	(212.749)	-	(212.749)
Balance as at December 31, 2014 (End of the period)	98.918.083	63.078.001	(12.093.153)	(94.131)	238.768.671	55.481.121	60.236.932	504.295.524	5.833.994	510.129.518
Balance as at January 1, 2015 (Beginning of the period)	98.918.083	63.078.001	(12.093.153)	(94.131)	238.768.671	55.481.121	60.236.932	504.295.524	5.833.994	510.129.518
Transfers	-	-	-	-	-	60.236.932	(60.236.932)	-	-	-
Dividends	-	-	-	-	(3.257.004)	(53.173.001)	-	(56.430.005)	(3.042.352)	(59.472.357)
Total comprehensive income	-	-	-	-	-	-	62.927.268	62.927.268	3.529.928	66.457.196
Other	-	-	(11.365)	285.148	-	-	-	273.763	-	273.763
Balance as at December 31, 2015 (End of the period)	98.918.083	63.078.001	(12.104.538)	191.017	235.511.667	62.545.052	62.927.268	511.066.550	6.321.570	517.388.120

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

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2015	December 31, 2014
Cash flows from operating activities:			
Current period profit		66.457.196	62.954.357
Adjustments to net income/(loss) reconciliation			
- Adjustments related to depreciation and amortization	13,14	2.447.139	1.623.856
- Adjustments related to provisions		35.452.085	20.449.931
- Adjustments related with interest income and expense		270.308.640	244.298.744
- Adjustments related to fair value losses/gains		53.188.026	(140.027.476)
- Adjustments related to tax expenses/incomes		6.286.712	15.703.605
- Adjustments in other components related with the investments or financial activities		(29.374.110)	12.577.275
Changes in working capital			
- Change in trade receivables		(27.711.267)	25.921.253
- Change in other receivables related to operations		67.002.015	(110.089.575)
- Change in trade payables		(1.572.054)	(29.247.327)
- Change in other payables related to operations		(5.833.137)	(267.241)
Cash Flow from operating activities			
Taxes paid	22	(19.377.878)	(36.035.894)
Cash flow from operating activities		417.273.367	73.655.240
Cash flows from investing activities:			
Cash outflow for acquisition of tangible and intangible assets		(16.057.750)	(7.695.796)
Cash inflow from sale of subsidiary		-	-
Cash flows from investing activities		(16.057.750)	(7.695.796)
Cash flows from investing activities:			
Cash provided from financial liabilities		55.853.814	54.103.333
Interest paid		(272.769.882)	(245.786.604)
Dividend paid	21	(59.472.357)	(92.169.117)
Cash flows from financial activities		(276.388.425)	(283.852.388)
Net increase in cash and cash equivalents		124.827.192	(223.686.676)
Cash and cash equivalents at the beginning of the period	6	2.719.459.381	2.943.146.057
Cash and cash equivalents at the end of the period	6	2.844.286.573	2.719.459.381

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1 - Organization and nature of operations

Yapı Kredi Yatırım Menkul Değerler A.Ş. (named as "the Company" or the "Group" with its subsidiary in these consolidated financial statements) was established on September 15, 1989 under the name of Finanscorp Finansman Yatırım Anonim Şirketi, to engage in capital markets transactions and to serve as a brokerage company in accordance with the Law No. 2499 "Capital Market Law" and related legislation. In 1996, 99,6% of the shares of the Company were transferred to Yapı ve Kredi Bankası Anonim Şirketi ("Bank"). The name of the Company was changed to Yapı Kredi Yatırım Anonim Şirketi on September 9, 1996 and Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi on October 5, 1998.

As of September 28, 2005, 57,4% of the shares of Yapı ve Kredi Bankası A.Ş., the main shareholder of the Company, were sold in accordance with the share purchase agreement between Çukurova Holding A.Ş., several Çukurova Group Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş. ("KFH"), Koçbank N.V. and Koçbank A.Ş. In the framework of the agreement, KFH became the ultimate parent company of Yapı ve Kredi Bankası A.Ş. with 57,4% shares. The main shareholder of the Company is Yapı ve Kredi Bankası A.Ş.(YKB) and ultimate parent of the Company is KFH.

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

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

Approval of Financial Statements:

Consolidated financial statements prepared as of December 31, 2015 have been approved by the Board of Directors of the Company at January 30, 2015. General Assembly and regulatory bodies have the right to amend the approved financial statements.

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

- a) Buying and selling of capital market instruments within the scope of Capital Market Legislation in the name and account of the customer, in their own name and account or in their own name and in the account of the customer,
- b) According to the Capital Market Law and Capital Market Board's Regulations ("SPK or Board")
 - Execution of orders (In domestic and cross-border markets)
 - Shares,
 - Other securities,
 - Derivatively financial instruments of shares specific,
 - Derivatively financial instruments of shares index specific,
 - Other derivative financial instruments,
 - Intermediary activities dealing on own account (In domestic markets),
 - Shares,
 - Other securities,

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1 - Organization and nature of operations (continued)

- Leveraged buying and selling transactions,
 - Derivatively financial instruments of shares specific,
 - Derivatively financial instruments of shares index specific,
 - Other derivative instruments,
 - Investment advice related activities,
 - Intermediation for public offer transactions,
 - Ancillary service,
 - Best effort ancillary service,
 - Limited custodian service,
- c) Performing transactions in exchange markets by being a member of exchanges,
- d) Buying and selling instruments with repurchase agreement
- e) Providing services of collection, payment of principal, interest, dividends and related income and to obtain shares through gratis issue in the name and account of customers on the basis of authorization taken from them.
- g) Margin trading, short selling and borrowing and lending the financial instruments

The Company has 10 funds (December 31, 2014: 10) which are established by the Company itself founded by the Group. As of December 31, 2015 Group has 299 employees (December 31, 2014:253).

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

As of December 31, 2015 and 2014, details of the subsidiary of the Group are as follows:

Company Name	2015 Share in capital	2014 Share in capital	Principal activity
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87,32%	87,32%	Portfolio Management

Subsidiary

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

The Company's subsidiary Koç Portföy Yönetimi A.Ş. ("Koç Portföy") has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87,32% (December 31, 2014: 87,32%) of the voting rights.

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable accounting standards

The accompanying financial statements have been prepared in accordance with the Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") in compliance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the CMB on June 13, 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations.

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

2.1.2 Adjustments to financial statements in hyperinflationary periods

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

2.1.3 Offsetting

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

2.1.4 Going concern

The Group prepared its financial statements according to the going concern assumption.

2.1.5 Functional currency

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

2.2. Change in accounting policies and errors

Accounting policy changes taking place as a result of a new TAS/IFRS's first time use are applied in line with the transition rules if there is any, retrospective or prospectively. If transition rules are absent for such changes, intended significant changes regarding the accounting policy or identified accounting mistakes are applied retrospectively and financial statements of prior period are revised accordingly.

2.3 Change in accounting estimations

If the application of changes in the accounting estimates affects the financial results of a specific period, the accounting estimate change is applied in that specific period, if they affect the financial results of current and following periods; the accounting estimate is applied prospectively in the periods in which such change is made.

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

2.4 Changes in accounting policies and interpretations

a) Changes in accounting policies and interpretations

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the consolidated financial statements of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after July 1, 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

2 - Basis of presentation of financial statements (continued)

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80 (a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
 - In accordance with IFRS 9,
- Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

2 - Basis of presentation of financial statements (continued)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

ALTERNATIVE 1: In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some

2 - Basis of presentation of financial statements (continued)

non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional

disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2.5 Critical accounting judgements, estimates and assumptions

The significant accounting policies followed in the preparation of these financial statements are summarized below:

(a) Consolidation principles

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

As of December 31, 2015 and 2014, details of the subsidiary and associate of the Group are as follows:

Company Name	2015 Share in capital	2014 Share in capital	Principal activity
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87,32%	87,32%	Portfolio Management

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

2 - Basis of presentation of financial statements (continued)

Subsidiary

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

The Company's subsidiary Koç Portföy Yönetimi A.Ş. ("Koç Portföy") has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87,32% (December 31, 2014: 87,32%) of the voting rights.

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

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

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

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

(b) Revenue recognition

(i) Fee and commission income and expenses

Fees and commissions are recognized in the income statement when they are collected or paid. However, fund management, investment consulting fees, intermediary commissions and portfolio management commissions are recognized on an accrual basis. Common stock transaction commissions are netted off with commission rebates (Note 23).

(ii) Interest income/expense and dividend income

Interest income and expense are recognized on an accrual basis in the relevant period's income statement. Income includes coupon income from fixed and floating income securities and discounted treasury bills valued by amortized cost, income from reverse repo and stock exchange money market transactions.

Dividend income from common stock investments is recognized when shareholders are entitled to receive dividend.

(c) Trade receivables

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

(d) Financial assets

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

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

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

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

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

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

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

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

The assets in this category are classified as current assets.

(ii) Available for sale financial assets

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

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

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

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

(iii) Held-to-maturity financial assets

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

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

(iv) Loans and other receivables

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

The Company provides loans to the customers for the share certificate takings.

(v) Reverse repurchase agreements

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

(e) Property and equipment

Property and equipment are carried at cost less accumulated depreciation (Note 13).

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

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

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

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

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

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

(f) Intangible assets

Intangible assets consist of acquired rights, information systems and softwares. These assets are recorded at original costs and amortized over their estimated useful lives, approximately 3-5 years, using the straight-line method (Note 14). The useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet

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

(g) Impairment of financial assets

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

The Group books a provision for the doubtful receivables when there is an objective evidence that trade receivables are not fully collectible. The correspondent provision amount is the difference between the book value and collectible receivable amount. The collectible amount is the discounted value of trade receivables by effective interest rate including the collectible guarantees and securities.

In the event of the collections of the doubtful receivables whether the whole amount or some part of it, after booking the provision for the doubtful receivables, the collected amount is deducted from the doubtful receivables provision and recorded as income.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in income statement.

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

(h) Financial liabilities

(i) Repurchase agreements

Securities subject to repurchase agreements ("Repos") are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Financial Liabilities" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "effective interest method" and is added to the cost of the financial assets which are subject to repurchase agreements.

The Group has no securities lending transactions

(ii) Other financial liabilities

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

(i) Borrowing Costs

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

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

(i) Foreign Currency Transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions; monetary assets and liabilities are accounted for at the period-end bid rate of Central Bank of the Republic of Turkey ("CBRT") (Note 29). Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(j) Provisions and contingent assets and liabilities

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements (Note 15).

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

2 - Basis of presentation of financial statements (continued)

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

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

(k) Finance leases - the Group as lessee

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

(l) Operational lease - the Group as lessee

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

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

(m) Subsequent events

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

(n) Related parties

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

(o) Taxes calculated on corporate income

Corporate tax

Corporation tax is calculated in conformity with Tax Procedural Law and tax expenses other than corporation tax are accounted for in operating expenses (Note 22).

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.

If there is a legal right for offsetting of current tax assets and liabilities or taxation of these assets and liabilities are determined by the same authority, offsetting is realized.

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

2 - Basis of presentation of financial statements (continued)

Deferred tax

Deferred tax is calculated, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset accordingly.

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

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Current tax and deferred tax are accounted as income or expense in the income statement, except those related to items accounted under "Revaluation fund" in equity

(ö) Employee benefits

Defined benefit plans

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

Under the Turkish Labour Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Company arising from this liability regarding the actuarial projections and reflected to financial statements (Note 17).

Defined contribution plans

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

(p) Capital and dividends

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - Basis of presentation of financial statements (continued)

(r) Statement of cash flows

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

(s) Share certificates and issuance

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

(ş) Assets held for resale and discontinued operations

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

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

(t) Derivative financial instruments

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

2.6 Critical accounting judgements, estimates and assumptions

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

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

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

2 - Basis of presentation of financial statements (continued)

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

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

2.7 Convenience translation into English of financial statements originally issued in Turkish

The accounting principles described above (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

3 - Business Combinations

None (December 31, 2014 - None).

4 - Joint ventures

None (December 31, 2014 - None).

5 - Segment reporting

The main operations of the Grup is purchasing and selling of capital market instruments. As the Group's shares are not publicly traded, therefore there is no separate segment reporting disclosed in December 31, 2015 year-end financial statements.

6 - Cash and cash equivalents

	December 31, 2015	December 31, 2014
Banks		
- Demand Deposits	49.153.392	45.645.117
- Time Deposits	2.875.655.602	2.713.971.366
- Blocked Time Deposits	-	2.111.331
Receivables from reverse repurchase agreements	11.325	95.787
Investment funds	-	83.173
	2.924.820.319	2.761.906.774

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

6 – Cash and cash equivalents (continued)

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

	December 31, 2015	December 31, 2014
Time deposits with maturity up to three months	2.826.975.562	2.696.034.896
Demand Deposits	17.299.686	23.245.525
Receivables from reverse repurchase agreements	11.325	95.787
Investment funds	-	83.173
	2.844.286.573	2.719.459.381

Cash and cash equivalents belonging to the customers of the Company consist of demand deposit amounting of TL 31.853.706 as of December 31, 2015 (December 31, 2014: TL 22.399.592).

7 – Financial investments

Short term financial assets	December 31, 2015	December 31, 2014
<i>Financial assets at fair value through profit and loss</i>		
- Share certificates quoted to BIST	8.040.334	4.037.020
<i>Available for sale financial assets</i>		
- Private sector bonds and bills	25.108.995	303
- Share certificates	-	-
- Government bonds and treasury bills	-	-
<i>Held to maturity financial assets</i>		
- Government bonds and treasury bills	40.149.237	40.542.140
	73.298.566	44.579.463
Long term financial assets		
<i>Held to maturity financial assets</i>		
- Government bonds and treasury bills	-	-
<i>Available for sale financial assets</i>		
- Share certificates	32.192.533	31.713.607
- Government bonds and treasury bills	-	-
- Private sector bonds and bills	-	-
	32.192.533	31.713.607
Total financial investments	105.491.099	76.293.070

Held-to-maturity financial investments, with the fair value of TL 31.099.144 and the carrying value of TL 30.844.032 are held as collateral in the CBRT, BIST and Takas ve Saklama Bankası A.Ş. ("Takasbank") as of December 31, 2015 (December 31, 2014: held-to-maturity financial investments, with the fair value TL 38.971.718 and the carrying value of TL 36.839.667).

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7 – Financial investment (continued)

Maturity distribution of held-to-maturity financial assets is as follows:

	December 31, 2015	December 31, 2014
Up to 3 months	-	-
3 months – 1 year	40.149.237	40.542.140
	40.149.237	40.542.140

Short term financial investments

	December 31, 2015		
	Cost	Fair value	Carrying value
<i>Financial assets at fair value through profit or loss</i>			
- Government bonds and treasury bills	-	-	-
- Share certificates quoted to BIST	8.065.246	8.040.334	8.040.334
<i>Available-for-sale financial assets</i>			
- Private sector bonds and bills	24.300.000	25.108.995	25.108.995
<i>Held to maturity financial investments</i>			
- Government bonds and treasury bills	39.620.745	40.105.859	40.149.237
	72.037.990	73.298.566	73.298.566

	December 31, 2014		
	Cost	Fair Value	Carrying value
<i>Financial assets at fair value through profit/loss</i>			
- Share certificates quoted to BIST	-	-	-
- Government bonds and treasury bills	3.820.571	4.037.020	4.037.020
<i>Available-for-sale financial assets</i>			
- Private sector bonds and bills	299	303	303
<i>Held to maturity financial investments</i>			
- Government bonds and treasury bills	38.560.993	40.623.084	40.542.140
	42.381.863	44.660.407	44.579.463

Long term financial investments

	December 31, 2015		
	Cost	Fair value	Carrying value
<i>Held-to-maturity financial investments</i>			
- Government bonds and treasury bills	-	-	-
<i>Available-for-sale financial asset</i>			
- Share certificates	32.192.533	32.192.533	32.192.533
- Government bonds and treasury bills	-	-	-
- Private sector bonds and bills	-	-	-
	32.192.533	32.192.533	32.192.533

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7 - Financial investments (continued)

	December 31, 2014		
	Cost	Fair value	Carrying value
<i>Held-to-maturity financial investments</i>			
- Government bonds and treasury bills	-	-	-
<i>Available-for-sale financial assets</i>			
- Share certificates	31.713.607	31.713.607	31.713.607
- Government bonds and treasury bills	-	-	-
- Private sector bonds and bills	-	-	-
	31.713.607	31.713.607	31.713.607

Movements of the held-to-maturity financial assets during the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
January 1	40.542.140	36.102.585
Purchases during the period	45.357.000	59.850.000
Valuation increase/decrease (rediscount rate is included)	2.250.097	(840.059)
Disposals in the period	(48.000.000)	(54.570.386)
December 31	40.149.237	40.542.140

As of December 31, 2015, available-for-sale financial assets subject to repurchase agreement is amounting to TL 11.325 (December 31, 2014 - TL 95.787).

Details of share certificates, that are classified as short- term available-for-sale financial assets are as follows;

Type	December 31, 2015		December 31, 2014	
	Amount TL	Shareholding %	Amount TL	Shareholding %
Not quoted to stock exchange				
Takasbank	31.488.051	4,38	31.423.700	4,37
Borsa İstanbul	574.287	0,08	159.712	0,04
Yapı Kredi Azerbaycan Ltd	92.064	0,10	92.064	0,10
Allianz Emeklilik A.Ş.	26.432	0,04	26.432	0,04
Koç Kültür Sanat ve Tanıtım Hiz. Tic. A.Ş.	11.699	4,90	11.699	4,90
	32.192.533		31.713.607	

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7 - Financial Investments (continued)

As of December 31, 2015 and 2014, the Group has 4,38% of the shares of Takasbank. The Group has TL 26.280.000 shares with a nominal value of TL 26.280.000.

The above unquoted and unlisted available-for-sale equity investments whose fair value cannot be reliably measured are stated at cost less impairment, if any.

8 – Assets held for sale

None (December 31, 2014 - None).

9 – Short term trade payables

	December 31, 2015	December 31, 2014
Payables to stock exchange money market	1.956.315.696	2.562.317.642
Short-term Bonds issued	671.882.615	-
Bank loans (*)	20.028.055	20.005.945
Due to short selling transactions	4.122.500	10.345.533
Funds from repo transactions	8.159.121	1.516.304
	2.660.507.987	2.594.185.424

(*) Bank loans consist of borrowings from Takasbank.

Bonds issued as 31 December 2015 as follows:

	31 Aralık 2015	31 Aralık 2014
Bonds issued	671.882.615	-
	671.882.615	-

Type	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest Rate	Compound Interest Rate	Interest Rate Type
Bond	170.000.000	TL	2 October 2015	2 January 2016	11,50%	12,00%	Fixed
Bond	200.000.000	TL	5 November 2015	1 February 2016	11,40%	11,90%	Fixed
Bond	128.200.000	TL	18 November 2015	1 February 2016	11,40%	11,90%	Fixed
Bond	100.000.000	TL	30 November 2015	1 March 2016	11,50%	12,00%	Fixed
Bond	20.626.301	TL	9 December 2015	8 March 2016	12,75%	13,38%	Fixed
Bond	62.000.000	TL	14 December 2015	15 March 2016	11,50%	12,00%	Fixed

Yapı Kredi Yatırım Menkul Değerler A.Ş. and Its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10 – Trade receivables and payables

Trade receivables:

Short term trade receivables

	December 31, 2015	December 31, 2014
Receivables from loan customers	143.900.456	109.988.448
Receivables customers	76.106.448	48.610.075
Receivables from clearing and settlement center	-	32.136.497
Project receivables	338.026	2.005.112
Commission receivables	1.443.130	1.336.661
Doubtful receivables	1.003.693	111.295
Provision for doubtful receivables	(1.003.693)	(111.295)
Other short-term receivables	-	-
	221.788.060	194.076.793

The Group provides loans to customers for using in share certificate transactions. The Company has quoted share certificates as collateral against loans given whose total market value amounts to TL 274.923.261 (December 31, 2014: 210.455.271 TL).

Trade payables:

Short term trade payables

	December 31, 2015	December 31, 2014
Payables to customers	42.021.432	85.449.386
Payables to clearing and settlement center	42.174.201	-
Agent commissions payable	2.513.099	2.623.789
Expense accruals	433.843	651.964
Taxes and funds payables	424.292	391.951
Other trade payables	341.552	363.382
	87.908.419	89.480.472

11 – Receivables and payables from financial sector activities

Receivables and payables from financial activities consists of the the transactions of the consolidated subsidiary.

Receivables from financial sector activities

	December 31, 2015	December 31, 2014
Fund management fee receivables	3.673.667	2.986.805
Individual pension fund performance management receivables	1.734.922	2.152.691
Investment advisory receivables	1.311.728	1.418.825
Individual pension fund management receivables	853.835	715.893
Private portfolio management fee receivables	2.453	23.587
Private portfolio management success fee receivables	23.867	6.679
Other	81.375	-
	7.681.847	7.304.480

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

11 – Receivables and payables from financial sector activities (continued)

Portfolio management fee receivable amounting to TL 3.673.667 managed by the subsidiary, consists of management fee receivables from 32 (December 31, 2014: 40) investment funds and 20 (December 31, 2014: 19) pension funds, which were established according to the Capital Market Law and related legal provisions.

Management fee receivables are recognized on accrual basis and collected every month.

12 – Other receivables and payables

Other receivables

	December 31, 2015	December 31, 2014
Collaterals from foreign operations	-	131.982.498
Collaterals from Takasbank	6.510.840	10.397.483
Deposits and collaterals given	15.993.702	2.128.992
	22.504.542	144.508.973

Other payables

	December 31, 2015	December 31, 2014
Payables to parties other than suppliers or customers	25.718.558	19.150.984
Payables to marketable securities disposal fund	491.344	491.344
	26.209.902	19.642.328

13 – Property and equipment

December 31, 2015	Buildings	Vehicles	Furniture and fixtures	Leasehold improvements	Total
Net book value, January 1	3.359.558	-	3.020.730	458.848	6.839.136
Additions	2.520.243	-	1.039.081	666.846	4.226.170
Disposals	-	-	-	-	-
Depreciation expense	(207.187)	-	(844.683)	(165.759)	(1.217.629)
Net book value, December 31	5.672.614	-	3.215.128	959.935	9.847.677
Cost	11.026.598	-	16.251.556	4.848.157	32.126.311
Accumulated depreciation	(5.353.984)	-	(13.036.428)	(3.888.222)	(22.278.634)
Net book value, December 31	5.672.614	-	3.215.128	959.935	9.847.677

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

13 – Property and equipment (continued)

December 31, 2014	Buildings	Vehicles	Furniture and fixtures	Leasehold improvements	Total
Net book value, January 1	3.529.685	-	1.462.562	458.766	5.451.013
Additions	-	-	2.041.164	151.087	2.192.251
Disposals	-	-	-	-	-
Depreciation expense	(170.127)	-	(482.996)	(151.005)	(804.128)
Net book value, December 31	3.359.558	-	3.020.730	458.848	6.839.136
Cost	8.506.355	-	15.212.476	4.181.311	27.900.142
Accumulated depreciation	(5.146.797)	-	(12.191.746)	(3.722.463)	(21.061.006)
Net book value, December 31	3.359.558	-	3.020.730	458.848	6.839.136

14 – Intangible assets

	December 31, 2015
Net book value, January 1	5.746.148
Additions	11.831.579
Amortization	(1.229.510)
Net book value, December 31	16.348.217
Cost	26.678.298
Accumulated amortization	(10.330.081)
Net book value, December 31	16.348.217
	December 31, 2014
Net book value, January 1	1.062.331
Additions	5.503.545
Amortization	(819.728)
Net book value, December 31	5.746.148
Cost	14.846.719
Accumulated amortization	(9.100.571)
Net book value, December 31	5.746.148

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15 – Provisions, contingent assets and liabilities

	December 31, 2015	December 31, 2014
Short Term Provisions		
Legal Provisions	2.146.129	1.233.731
	2.146.129	1.233.731

i) Legal Provisions

Several outstanding legal cases against the Group have been considered and provision amounting to TL 2.146.129 based on the best estimates has been reflected to the consolidated financial statements as of December 31, 2014 (December 31, 2014: TL 1.233.731).

ii) Guarantees Given

	31 Aralık 2015	31 Aralık 2014
Letters of Guarantee	2.500.629.223	3.403.028.783

Letters of guarantee are given to BIST, CMB and to Takasbank for Stock Exchange Money Market transactions. Foreign currency denominated letters of guarantee amount to TL 322.775.376 (December 31, 2014: TL 454.532.607).

16. Derivative transactions

As of December 31, 2015 and December 31, 2014, the details of TL nominal amounts of derivative transaction are as follows:

	December 31, 2015			December 31, 2014	
	USD	EUR	TL	USD	EUR
Forward transactions(buy)	-	4.979.609		-	582.810
Forward transactions(sell)	-	4.960.812		-	557.446
Swap transactions(buy)	10.597.188	2.435.395.094		18.810.676	278.859.950
Swap transactions(sell)	10.525.512	2.432.764.205		18.447.200	266.556.150
	21.122.700	4.878.099.720		37.257.876	546.556.356

Receivables from derivative transactions

	December 31, 2015	December 31, 2014
Forward transactions	36.722	22.336
Swap transactions	17.092.518	10.958.211
	17.129.240	10.980.547

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

16. Derivative transactions (continued)

Payables to derivative transactions

	December 31, 2015	December 31, 2014
Forward transactions	56.908	-
Swap transactions	29.984.806	-
	30.041.714	-

17 – Provision for employee benefits

	December 31, 2015	December 31, 2014
Short-term provisions		
Provision for personnel premiums	12.920.400	12.696.000
	12.920.400	12.696.000
Long-term provisions		
Provision for employment termination benefits	3.227.685	2.359.636
Provision for unused vacations	4.184.625	3.822.434
	7.412.310	6.182.070

Provision for employment termination benefits

Under the Turkish Labour Law, the Company required to pay the employment termination benefits to each employee who have completed one year of service at the Company when they retire (for women 58, for men 60) and when they are dismissed or called up for military services or die. Due to changes in the Law on September 8, 1999, some sections regarding the temporary period related with the working period before retirement have been removed. The indemnity is one month's salary for each working year and is limited to TL 4.092,53 as of December 31, 2015 (December 31, 2014 - TL 3.541,37).

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

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

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

	December 31, 2015	December 31, 2014
Discount rate (%)	4,60	3,5
Turnover rate to estimate retirement probability (%) (*)	97	96,21

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year end calculation, the effective amount as of January 1, 2015 of TL 4.092,53 TL (January 1, 2014 - TL 3.541,37).

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17 – Provision for employee benefits (continued)

Movements in the provision for employment termination benefits as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
January 1	2.359.636	1.848.618
Service cost and actuarial gain and loss	356.434	(140.049)
Interest cost	235.277	178.697
Provisions during the period	796.027	908.755
Payments during the period	(519.689)	(436.385)
December 31	3.227.685	2.359.636

18- Liabilities for employee benefits

	December 31, 2015	December 31, 2014
Taxes payable and liabilities	958.474	1.121.281
Social security premiums payables	434.516	341.890
	1.392.990	1.463.171

19- Prepaid expenses

	December 31, 2015	December 31, 2014
Commissions for letters of guarantees	1.049.216	1.375.092
Prepaid expenses	1.562.574	1.072.025
	2.611.790	2.447.117

20 – Other assets and liabilities

Other current assets

	December 31, 2015	December 31, 2014
Due from personnel	5.740	17.320
Other	50.175	29.585
	55.915	46.905

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

20 – Other assets and liabilities (continued)

Other short-term liabilities

	December 31, 2015	December 31, 2014
Other payable taxes and funds	1.801.665	2.344.104
Blocked client account amounts	2.033.764	1.727.531
Other expense accruals	567.384	1.125.417
Takasbank-BIST commission provision	430.000	-
Takasbank-BIST commission provision	252.556	-
Advisory fee payable	-	939.950
	5.085.369	6.137.002

21 - Equity

Paid-in capital and adjustment differences

The paid-in capital of the Company is TL 98.918.083 (December 31,2014: TL 98.918.083) and consists of 9.891.808.346 (December 31, 2014: 9.891.808.346) authorized shares with a nominal value of kr 1 each.The Group has no preferred share as of December 31, 2015.

The shareholders and their shares in capital with historic values as of December 31, 2015 and December 31, 2014 are as follows:

Shareholders	December 31, 2015		December 31, 2014	
	TL	Share %	TL	Share %
Yapı ve Kredi Bankası A.Ş.	98.895.466	99,98	98.895.466	99,98
Temel Ticaret ve Yatırım A.Ş.	20.951	0,02	20.951	0,02
Other	1.666	0,00	1.666	0,00
	98.918.083		98.918.083	
Adjustment to share capital	63.078.001		63.078.001	
Total paid-in capital	161.996.084		161.996.084	

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

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

As of December 31, 2015, restricted reserves are amounting to TL 235.511.667 (December 31, 2014: TL 238.768.671).

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21 – Equity (continued)

Restricted reserves and previous years' profits/losses

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
First legal reserves	18.891.100	18.891.100
Second legal reserves	35.716.350	38.973.350
Special reserves ^(*)	180.904.217	180.904.221
Total restricted reserves	235.511.667	238.768.671

(*) TL 4.626.817 of the special reserves amounting to TL 180.904.217 classified under equity as of December 31, 2015 is the amount which makes up 75% of the profit obtained from the sale of buildings in 2010 and TL 176.277.404 is the amount which makes up 75% of the profit obtained from the sale of affiliates.

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

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

In accordance with the provisions of the said communiqué, non-listed companies may choose not to distribute dividends in the event that the calculated profit share is less than five percent of the capital stock in the most recent annual financial statements to be presented to the general assembly or in the event that the net distributable profit for the period is less than TL 100.000 according to these financial statements. In this case, the undistributed dividends are distributed in subsequent periods.

Ordinary General Meeting held on March 17, 2015 in the amount of TL 59,472,357 be distributed as cash dividends to the shareholders and dividend distribution date it has decided unanimously to set as 24.03.2015.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Beginning of the period	5.833.994	6.285.686
Minority interest decrease due to dividend payment	(3.042.352)	(3.169.117)
Minority interest net income	3.647.591	2.717.425
End of the period	6.439.233	5.833.994

Distribution of minority interest net income is as follows:

Minority interest income from continuing operations	3.529.928	2.717.425
	3.529.928	2.717.425

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

22 – Tax assets and liabilities

Corporate Tax

	December 31, 2015	December 31, 2014
Corporate taxes payable	7.056.549	6.212.823
Less: prepaid taxes	(19.377.878)	(17.513.798)
Taxes payable-net	(12.321.329)	(11.300.975)
Current tax expenses	6.212.636	6.023.100
Deferred tax income/(expense)	9.211.418	9.704.038
Total tax expense	15.424.054	15.727.138

Deferred tax assets and liabilities

	December 31, 2015	December 31, 2014
Deferred tax assets	14.925.445	22.377.125
Deferred tax liabilities	(4.512.141)	(2.678.327)
Deferred tax (liabilities) / assets - net	10.413.304	19.698.798

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

	December 31, 2015	December 31, 2014
Net profit before taxes	81.713.765	78.681.495
Theoretical tax expense with 20% tax rate	(16.342.753)	(15.736.299)
Non-deductible expenses	(1.494.257)	(1.244.721)
Non taxable income	388.291	160.447
Other	2.024.665	1.093.435
Current year tax expense	(15.424.054)	(15.727.138)

The Corporate Tax Law was altered by Law No.5520 on June 21, 2006 and published in the Official Gazette No.26205. The majority of regulations in Corporate Tax Law No.5520 became effective as of January 1, 2006. According to this Law, the corporation tax rate of the fiscal year 2015 is 20% (2014: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (e.g. research and development expenditures deductions). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance amount utilized within the scope of the Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10% in accordance with 94th article of Income Tax Law. Addition of profit to share capital is not considered a profit distribution.

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

22 – Tax assets and liabilities (continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

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

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

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

	December 31, 2015		December 31, 2014	
	Cumulative temporary differences	Deferred tax assets / (liabilities)	Cumulative temporary differences	Deferred tax assets / (liabilities)
Valuation differences in financial assets	162.937	32.587	67.952	13.590
Impairment provision for property and equipment	-	-	2.520.243	504.050
Provision for unused vacations	4.090.485	818.097	3.822.434	764.487
Provision for employment termination benefits	3.227.685	645.537	2.359.636	471.927
Provision for personnel premium	1.170.000	234.000	4.491.950	898.390
Legal cases provision	1.253.731	250.746	1.233.731	246.746
Derivatives	30.041.714	6.008.343	43.698	8.740
Tax Loss	31.836.548	6.367.310	96.792.739	19.358.54
Expense provision	227.720	45.544	-	-
Other	2.616.403	523.281	553.243	110.647
Deferred tax assets		14.925.445		22.377.125
Financial assets fair value increase	-	-	-	-
Net difference between the tax base and carrying amount of property and equipment	3.542.668	708.534	1.145.498	229.099
Valuation differences in financial assets	287.128	57.426	251.494	50.300
Derivatives	17.129.239	3.425.848	11.778.191	2.355.638
Other	1.601.669	320.333	216.449	43.290
Deferred tax liabilities		4.512.141		2.678.327
Deferred tax (liabilities) / assets, net		10.413.304		19.698.798

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

22 – Tax assets and liabilities (continued)

Starting from January 1, 2006 the treatment of tax exemption of capital gains from sales of property and participations as per the new Corporate Tax Law numbered 5520 and old Corporate Tax Law numbered 5422 was amended. According to the amendment, 75% of the gains from sales of property and shares of participation are exempted from corporate tax for property and shares that were held for at least two full years in the company's financial statements. However, for the exemption to be utilized, the exempted amounts should be accounted under a special fund account in liabilities for a period for 5 years. The remaining portion is subject to corporate tax.

	December 31, 2015	December 31, 2014
Beginning deferred tax assets / (liabilities), net	19.698.798	29.391.558
Deferred tax income / (expense)	(9.211.418)	(9.703.665)
Deferred tax (expense) / income netted in revaluation fund	(74.076)	10.905
Deferred tax (liabilities) / assets at period end, net	10.413.304	19.698.798

23 – Revenue and cost of sales

	December 31, 2015	December 31, 2014
Revenue		
Share certificates sales	14.508.750.538	14.347.569.028
Treasury bills and government bonds sales	698.000.696	1.705.328.821
Commissions on intermediary activities on share certificates	49.671.138	46.048.509
Intermediary commissions on futures market	8.517.228	7.625.692
Fund management fees	2.270.794	942.153
Consultancy services	1.220.058	182.453
Custody commissions	1.091.329	1.074.987
Repo intermediary commissions	390.411	479.484
Outright purchase-sale transactions intermediary commissions	138.699	450.298
Other service revenues	15.721.639	19.056.549
Other intermediary commissions	8.127.880	10.212.988
Total revenue	15.293.900.410	16.138.970.962
Service income discounts and allowances		
Commissions paid to agencies	26.796.112	25.024.553
Commission returns	1.307.607	262.126
Total discounts and allowances	28.103.719	25.286.679
Revenue	15.265.796.691	16.113.684.283
Cost of sales		
Costs of treasury bills and government bond sales	14.514.072.782	14.351.535.184
Costs of share certificate sales	698.098.890	1.705.152.877
Total cost of sales	15.212.171.672	16.056.688.061
Gross operating profit	53.625.019	56.996.222

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014

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

24 – Revenue and cost of financial activities

	December 31, 2015	December 31, 2014
Revenue from financial activities		
Investment funds management fee	42.213.973	30.661.614
Individual pension funds management fee	8.874.885	7.420.542
Individual pension funds performance fee	1.652.307	2.152.691
Fund management fee	52.741.165	40.234.847
Discretionary portfolio management commission	2.993.917	3.618.884
Portfolio achievement premiums	454.035	489.968
Discretionary portfolio management income	3.447.952	4.108.852
Investment consultancy revenues	1.288.534	1.418.825
Other revenues from financial activities	1.288.534	1.418.825
Financial activities revenue	57.477.651	45.762.524
Financial activities revenue		
Commission expenses	(3.791.528)	(2.533.195)
Fund management commission expense	(501.812)	(285.660)
Financial activities cost	(4.293.340)	(2.818.855)
Gross profit/(loss) from financial sector activities	53.184.311	42.943.669

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

25- General administrative expenses

	December 31, 2015	December 31, 2014
Personnel expenses	60.664.293	54.875.446
Information services expenses	6.429.289	4.761.952
Data processing expenses	5.031.143	3.615.277
Duties, taxes and levies	3.406.480	3.288.008
Depreciation and amortization expenses	2.447.140	1.375.897
Rent expenses	2.133.921	1.350.918
Audit and advisory expenses	1.771.702	1.307.005
Communication expenses	1.545.922	1.413.455
IT restructuring expenses	1.409.356	1.671.740
Vehicle expenses	879.316	763.269
Meeting and travelling expenses	753.526	946.768
Maintenance service expenses	684.330	477.397
Cleaning expenses	447.072	384.851
Stationary expenses	388.777	318.452
Insurance expenses	352.249	421.337
Representation expenses	333.209	483.908
Membership and subscription fees	930	20.513
Other	2.664.203	3.393.720
	91.342.858	80.869.913

Marketing, sales and distribution expenses:

	December 31, 2015	December 31, 2014
Brokerage and operation fees	5.786.367	4.176.649
Advertisement expenses	1.636.699	1.638.988
Custody commissions	1.075.966	941.896
	8.499.032	6.757.533

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26- Other income from operating activities

	December 31, 2015	December 31, 2014
Income due to derivative operations	252.792.189	370.064.283
Interest income on deposit at banks	77.977.260	103.936.811
Foreign Exchange gains	51.340.478	-
Interest income on loans	19.289.409	13.726.848
Interest income on treasury bills and government bonds	5.464.230	3.827.981
Dividend income	2.905.503	1.082.974
Other income	2.176.534	1.010.191
Other interest income	261.430	375.926
Futures trading income	-	625.841
	412.207.033	494.650.855

27 - Other expense from operating activities

	December 31, 2015	December 31, 2014
Interest expense	293.123.352	259.403.191
Derivative loss	30.041.943	225.520
Commissions paid for guarantee letters	8.106.731	10.375.422
Commission expenses	2.603.451	3.800.265
Other expenses	2.431.163	2.598.989
Banking and insurance transactions tax expense on money market transactions	959.476	2.460.762
Impairment of financial investments	24.912	-
Foreign Exchange loss	2.195	149.344.615
Legal cases and other provision expenses	-	73.041
	337.293.223	428.281.805

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

28 – Related party explanations

Bank deposits in related parties

	December 31, 2015	December 31, 2015
Yapı ve Kredi Bankası A.Ş. - shareholder	1.818.373.987	1.739.457.158
Yapı Kredi Netherland N.V. - other related party	100	100
	1.818.374.087	1.739.457.258

The customer deposits that are deposited in Yapı ve Kredi Bankası A.Ş are amounting to TL 31.853.706 (December 31, 2014: TL 22.399.592).

Cash and cash equivalents in related parties

	December 31, 2015	December 31, 2014
Yapı ve Kredi Bankası A.Ş. B Tipi Likit Fon- other related party	-	83.173
	-	83.173

Receivables from related parties

Commission and portfolio management fee receivables

	December 31, 2015	December 31, 2014
Yapı ve Kredi Bankası A.Ş. Investment funds - other related party	3.741.916	2.986.825
Yapı ve Kredi Bankası A.Ş. - shareholder	2.588.757	2.868.565
Allianz Emeklilik A.Ş. Pension funds - other related party	1.311.728	1.418.825
	7.642.401	7.274.215

Due to related parties

	December 31, 2015	December 31, 2014
Trade Payables		
Yapı ve Kredi Bankası A.Ş.- shareholder	3.189.477	2.839.632
	3.189.477	2.839.632

Financial and other payables

	December 31, 2015	December 31, 2014
Allianz Emeklilik	87.627	69.818
YKS Tesis Yönetimi Hizmetleri A.Ş.-other related party	-	15.639
Opet Petrolcülük A.Ş.-other related party	2.274	7.053
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8.767	-
Setur Servis Turistik A.Ş. – other related party	1.031	-
Koç Holding A.Ş. - other related party	7.434	-
Other	3.791	6.701
	110.924	99.211

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

28 – Related party explanations (continued)

Operating income from related parties

	December 31, 2015	December 31, 2014
Yapı ve Kredi Bankası A.Ş. Yatırım Fonları- other related party	40.301.553	28.910.970
Allianz Hayat ve Emeklilik AŞ Emeklilik Fonları	8.874.885	9.583.320
Yapı Kredi Yatırım Menkul Değerler A.Ş. Yatırım Fonları- other related party	3.150.333	3.101.736
Allianz Hayat ve Emeklilik AŞ- succes fee	1.652.307	-
Koç Finansman A.Ş.	540.214	-
Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş.	-	41.928
Koç Holding A.Ş. - other related party	11.811	11.398
Ford Otosan Otomotiv San. A.Ş. – other related party	11.811	11.398
Türkiye Petrol Rafinerileri A.Ş. – other related party	11.811	11.398
Aygaz A.Ş. – other related party	491.811	11.398
Türk Traktör A.Ş. – other related party	11.811	11.398
Tofaş Türk Otomobil Fabrikaları A.Ş. – other related party	11.811	11.398
Arçelik A.Ş. – other related party	11.811	11.398
Otokar Otobüs Karoseri A.Ş. – other related party	11.811	11.398
Tat Konserve ve Sanayi A.Ş. – other related party	11.811	11.398
Marmaris Altinyunus Turistik Tesisleri A.Ş. – other related party	11.811	11.398
Allianz Emeklilik. – other related party	-	1.167
Others– other related party	597.876	378.877
	55.715.278	42.131.972

Other income from related parties

Interest income

	December 31, 2015	December 31, 2014
Yapı ve Kredi Bankası A.Ş. – shareholder	37.724.943	58.482.084
Yapı Kredi Nderland N.V. – other related party	-	8.483
	37.724.943	58.490.567

Service sharing income

	December 31, 2015	December 31, 2014
Tasfiye Olmuş Yapı Kredi Yatırım Ortaklığı – associate (liquidation)	-	19.455
	-	19.455

Rent income

	December 31, 2015	December 31, 2014
Yapı Kredi Yatırım Ortaklığı – associate(liquidation)	-	19.455
	-	19.455

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

28 – Related party explanations (continued)

Operating expenses paid to related parties

	December 31, 2015	December 31, 2014
Zer Merkezi Hizmetler ve Tic. A.Ş. – other related party	1.521.003	1.397.532
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. - other related party	782.422	262.188
YKS Tesis Yönetimi	663.179	567.375
Yapı ve Kredi Bankası A.Ş.	612.908	-
Setur Servis Turistik A.Ş. – other related party	395.468	379.880
Otokoç Otomotiv Tic. ve San. A.Ş. – other related party	323.548	327.649
Avis AŞ – other related party	207.904	167.817
Opet Petrolcülük A.Ş. – other related party	140.924	182.787
Koç Holding A.Ş. – other related party	112.869	150.568
Allianz Sigorta A.Ş.	52.025	-
Other	710.278	387.631
	5.522.528	3.823.427

Commission paid to related parties

	December 31, 2015	December 31, 2014
Yapı ve Kredi Bankası A.Ş.-shareholder	25.926.346	24.105.751
Allianz Emeklilik A.Ş.	87.627	69.818
	26.013.973	24.175.569

Financial expenses paid to related parties

	December 31, 2015	December 31, 2014
Yapı ve Kredi Bankası A.Ş.- shareholder	2.022.766	1.825.806
	2.022.766	1.825.806

Benefits provided to key management

	December 31, 2015	December 31, 2014
Benefits provided to key management	5.390.495	4.643.416
	5.390.495	4.643.416

Related Party Dividend Income

	December 31, 2015	December 31, 2014
Yapı Kredi Yatırım Ortaklığı (liquidation)	-	29.047
Allianz Yaşam ve Emeklilik A.Ş.	31.225	-
Takasbank Takas ve Saklama Bankası A.Ş.	2.628.000	-
	2.659.225	29.047

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments

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

a. Credit risk

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

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

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

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

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

The share of the receivables from the biggest 10 credit customers in the total receivables from credit customers of the Company is 66% (December 31, 2014: 68%).

The table below shows credit risk exposure based on financial instruments as of December 31, 2015 and 2014. In the determination of the maximum amount of credit risk exposure, in addition to the collaterals received, factors that lead to credit enhancement are not taken into account.

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments (continued)

	Receivables						
	Trade receivables			Other receivables			
	Related party	Other	Related party	Other	Bank deposit	Financial investments	Derivatives
December 31, 2015							
Total credit risk exposure (A+B+C)	7.642.401	206.463.382	-	22.504.542	2.924.820.319	105.491.099	17.129.240
- Amount of risk that is guaranteed with collateral *	-	143.900.456	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	7.642.401	206.463.382	-	22.504.542	2.924.820.319	105.491.099	-
B. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1.003.692	-	-	-	-	-
- Impairment	-	1.003.692	-	-	-	-	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	17.129.240

	Receivables						
	Trade receivables			Other receivables			
	Related party	Other	Related party	Other	Bank deposit	Financial investments	Derivatives
December 31, 2014							
Total credit risk exposure (A+B+C)	7.274.215	194.076.793	-	144.508.973	2.761.906.774	76.293.070	10.980.547
- Amount of risk that is guaranteed with collateral *	-	109.988.448	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	7.274.215	186.802.578	-	-	2.761.906.774	76.293.070	-
B. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	111.295	-	-	-	-	-
- Impairment	-	111.295	-	-	-	-	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	10.980.547

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments (continued)

b. Information on market risk

Interest rate risk

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

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

The table below shows the interest rate position details and sensitivity analysis as of December 31, 2015 and 2014:

Interest Rate Position Table

Financial instruments with fixed interest rates	December 31, 2015	December 31, 2014
Financial assets		
Financial assets held to maturity *	40.149.237	40.542.140
Banks	2.875.655.602	2.761.906.774
Receivables from reverse repo transactions	11.325	95.787
Financial Assets available for sale	25.108.995	-
Financial liabilities		
Funds generated from repo transactions	8.159.121	1.516.304
Financial leasing payables		-
Funds generated from Takasbank Money Market	1.956.315.696	2.562.317.642
Bank loans	20.028.055	20.005.945

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

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

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments (continued)

As of December 31, 2015 and 2014, average interest rates of financial instruments:

	2015		2014	
	TL (%)	EUR (%)	TL (%)	USD (%)
Assets				
Cash and cash equivalents	13,70	1,72	-	2,10
Available for sale financial assets	10,75	-	-	-
Held to maturity financial assets	10,10	-	9,82	-
Credits originated by the Company	13,60	-	12,43	-
Liabilities				
Payables to Stock Exchange Money Market	13,50	-	10,75	-
Bank loans	13,50	-	10,75	-
Funds generated from repo transactions	9,4	-	8,75	-

The Group's assets and liabilities are grouped based on their repricing maturities as follows as of December 31, 2015 and 2014:

	December 31, 2015					Total
	Up to 1 month	Up to 3 months	3 months to 1 year	1 year to 5 years	Non-interest bearing	
Cash and cash equivalents	2.438.428.517	497.238.410	-	-	49.153.392	2.924.820.319
Financial investments	-	27.112.941	13.036.296	25.108.996	40.232.867	105.491.099
Trade receivables	143.900.456	-	-	-	77.887.604	221.788.060
Derivative financial assets held for trading	-	-	-	-	17.129.240	17.129.240
Other receivables	-	-	-	-	81.784.622	81.784.622
	2.582.328.973	464.351.351	13.036.296	25.108.996	266.187.725	3.351.013.340
Financial liabilities	2.492.219.253	168.288.734	-	-	-	2.660.507.987
Trade payables	-	-	-	-	88.019.342	88.019.342
Other payables	-	-	-	-	85.097.891	85.097.891
	2.492.219.253	168.288.734	-	-	173.117.233	2.833.625.220
	90.109.720	296.062.617	13.036.296	25.108.996	93.070.492	517.388.120
	December 31, 2014					Total
	1 Up to 1 month	Up to 3 months	3 months to 1 year	1 year to 5 years	Non-interest bearing	
Cash and cash equivalents	2.716.261.657	-	-	-	45.645.117	2.761.906.774
Financial investments	-	25.584.892	14.957.550	-	35.750.628	76.293.070
Trade receivables	109.988.448	-	-	-	84.088.345	194.076.793
Derivative financial assets held for trading	-	-	-	-	10.980.547	10.980.547
Other receivables	-	-	-	-	186.591.557	186.591.557
	2.824.138.774	25.584.89	17.068.881	-	363.056.194	3.229.848.741
Financial liabilities	2.594.185.424	-	-	-	-	2.594.185.424
Trade payables	-	-	-	-	89.480.471	89.480.472
Other payables	-	-	-	-	27.711.975	47.354.303
	2.594.185.424	-	-	-	136.834.774	2.731.020.198
	229.953.350	25.584.892	17.068.881	-	237.522.395	510.129.518

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments (continued)

a. Exchange rate risk

As of December 31, 2015 and 2014, the Company's assets and liabilities denominated in foreign currencies are as follows:

	December 31, 2015					December 31, 2014		
	TL Equivalent	USD	EURO	Other	TL Equivalent	USD	EURO	Other
Monetary financial assets	2.474.844.211	13.058.792	766.846.138	49.244	310.356.390	15.893.364	96.874.265	73.479
Current assets	2.474.844.211	13.058.792	766.846.138	49.244	310.356.390	15.893.364	96.874.265	73.479
Financial liabilities	(28.408.077)	(8.937.712)	(722.288)	(44.266)	(22.399.592)	(8.721.236)	(726.326)	(34.499)
Short-term financial liabilities	(28.408.077)	(8.937.712)	(722.288)	(44.266)	(22.399.592)	(8.721.236)	(726.326)	(34.499)
Off-balance sheet derivative instruments denominated in foreign currency	(2.443.289.717)	(3.620.000)	(765.598.000)	-	(279.442.760)	(7.955.151)	(94.500.000)	-
Derivative instruments								
Total Net foreign currency position(*)	3.146.418	501.080	525.850	4.978	8.514.038	783.023	1.647.939	38.980

(*) Foreign currency position of derivative instruments are solely considered in the net foreign currency position calculation in the above table.

Foreign currency assets consist of deposits and collaterals given to foreign markets.

Foreign currency liabilities consist of liabilities to customers.

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments (continued)

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

According to the analyses of the Group's sensitivity where, all other variables are kept as constant, the effects of a 10% increase/decrease in the carrying value of common stocks, revaluation fund, net income for the period and equity are as follows:

December 31, 2015	Exchange Rate Sensitivity Analysis Table			
	Profit/Loss Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency	Appreciation of foreign currency
<i>In case of a 10% change in USD exchange rates:</i>				
USD net asset/liability effect	(145.694)	145.694	-	-
<i>In case of a 10% change in EURO exchange rates:</i>				
EURO net asset/liability effect	(167.094)	167.094	-	-
<i>In case of a 10% change in other exchange rates:</i>				
Other foreign currency net effect	(1.854)	1.854	-	-
Total	(314.642)	314.642	-	-

December 31, 2014	Exchange Rate Sensitivity Analysis Table			
	Profit/Loss Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency	Appreciation of foreign currency
<i>In case of a 10% change in USD exchange rates:</i>				
USD net asset/liability effect	(181.575)	181.575	-	-
<i>In case of a 10% change in EURO exchange rates:</i>				
EURO net asset/liability effect	(464.834)	464.834	-	-
<i>In case of a 10% change in other exchange rates:</i>				
Other foreign currency net effect	(24.821)	24.821	-	-
Total	(671.230)	671.230	-	-

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29 – Nature and level of risks arising from financial instruments (continued)

b. Common stock price risk

Majority of the equity shares classified in the balance sheet of the Group at fair value through profit or loss and available for sale financial assets are traded on BIST. According to the analyses of the Company where, all other variables are kept as constant, the effects of a 10% increase/decrease in the carrying value of common stocks, revaluation fund, net income for the period and equity are as follows:

December 31, 2015

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity
Common stocks						
Financial assets available for sale	10%	Increase	-	-	-	-
Financial assets at a fair value through profit/loss	10%	Decrease	-	-	-	-
Financial assets		Increase	804.033	-	804.033	-
		Decrease	(804.033)	-	(804.033)	-

December 31, 2014

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity
Common stocks						
Financial assets available for sale	%10	Increase	-	-	-	-
Financial assets at a fair value through profit/loss	%10	Decrease	-	-	-	-
Financial assets		Increase	4.037.020	-	4.037.020	-
		Decrease	(4.037.020)	-	(4.037.020)	-

c. Liquidity risk

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

	December 31, 2015				
	Carrying value	Up to 1 month to 1 month	1 year to 1 year	1 year to 5 years	Total of contractual cash outflows
Financial liabilities	2.650.039.238	2.660.507.987	-	-	2.660.507.987
Trade payables	88.019.343	88.019.343	-	-	88.019.343
Other payables	26.209.902	26.209.902	-	-	26.209.902

	December 31, 2014				
	Carrying value	Up to 1 month to 1 month	1 year to 1 year	1 year to 5 years	Total of contractual cash outflows
Financial liabilities	2.594.185.424	2.594.185.424	-	-	2.594.185.424
Trade payables	89.480.472	89.480.472	-	-	89.480.472
Other payables	19.642.328	19.642.328	-	-	19.642.328

Convenience translation of financial statements originally issued in Turkish, see note 2.6

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

30. Financial instruments

Fair value of financial instruments

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

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

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

i. Financial assets:

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

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

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

ii. Financial liabilities:

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

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

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

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

30. Financial instruments (continued)

Financial assets and financial liabilities carried at fair value:

December 31, 2015	Level 1	Level 2	Level 3
Financial assets designated at fair value through profit/loss	8.040.334	-	-
<i>Share certificates trading on BIST</i>	8.040.334	-	-
<i>Public sector bonds, notes and bills</i>	-	-	-
Available for sale financial assets	-	57.301.528	-
<i>Share certificates</i>	-	32.192.533	-
<i>Public sector bonds, notes and bills</i>	-	-	-
<i>Private sector bonds and bills</i>	-	25.108.995	-
Derivative receivables held for trading	-	17.129.240	-
Derivative liabilities held for trading	-	30.041.714	-
December 31, 2014	Level 1	Level 2	Level 3
Financial assets designated at fair value through profit/loss	4.037.020	-	-
<i>Share certificates trading on BIST</i>	4.037.020	-	-
<i>Government bonds and treasury bills</i>	-	-	-
Available for sale financial assets	-	31.713.605	-
<i>Share certificates</i>	-	31.713.605	-
<i>Public sector bonds, notes and bills</i>	-	-	-
<i>Private sector bonds and bills</i>	-	-	-
Derivative receivables held for trading	-	10.980.547	-
Derivative liabilities held for trading	-	-	-

31 - Other explanations on operations and other matters

a. Explanation on portfolio management operations:

At December 31, the Company managed 32 mutual funds and 20 pension funds (December, 31 2014 - 40 mutual funds and 19 pension funds) In accordance with the Funds' statute, the Group purchases and sells securities and share certificates for the Funds, markets their participation certificates and provides other services and charges daily management fees. At December 31, 2015 the Group earned a management fee of TL 51.088.858 (December 31, 2014 – 38.082.156 TL).

Yapı Kredi Yatırım Menkul Değerler A.Ş. and its Subsidiary

Consolidated statement of cash flows for the years ended December 31, 2015 and 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

31. Other explanations on operations and other matters (continued)

b. Capital management and capital adequacy requirements

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

The Company defines and manages its capital in accordance with CMB's Communiqué Series:V No:34 on capital and capital adequacy of intermediary institutions. According to the related communiqué, the equity of intermediary institutions is composed of the portion of total assets, which are valued according to the valuation principles discussed in Communiqué Series:V No:34 and are present in the balance sheet prepared as of the valuation date. Communiqué Series:V No:34 and are present in the balance sheet prepared as of the valuation date. According to the clauses of Communiqué Series: V No: 34, the amount of equity necessary for an intermediary institution's trading operations is TL 825.000 (December 31, 2014: TL 852.000) for the period ended December 31, 2015. In addition, intermediary institutions are obliged to increase their equity for each capital markets operation as follows. In this respect, the required equity for the Company is TL 2.139.000 (December 31, 2014: TL 2.139.000).

- a) For IPO intermediary activities, 50% of equity that is necessary for trading intermediary activities,
- b) For repo and reverse repo activities, 50% of equity that is necessary for trading intermediary activities,
- c) For portfolio management activities, 40% of equity that is necessary for trading intermediary activities,
- d) For investment advisory activities, 10% of equity that is necessary for trading intermediary activities.

According to the Communiqué Series: V No: 34 4th clause, capital adequacy base of intermediary institutions is equal to the equity which is calculated according to Communiqué Series: V No: 34 3rd clause, less net amount of tangible and intangible assets, financial assets not traded in stock exchanges and any other organized markets net of impairment provision and capital commitments, other fixed assets, receivables without collaterals from personnel, shareholders, subsidiaries, associates and persons or entities directly or indirectly related to the company in respect of capital, management and audit, even if they bear client status, and the amount of capital markets instruments issued by these persons and entities not traded in stock exchanges and other organized markets.

According to the Communiqué Series: V No: 34 8th clause, capital adequacy base of intermediary institutions cannot be lower than any of the following: minimum equity amounts corresponding to the certificates of authorization, risk provisions discussed in Communiqué Series: V No: 34 or the operating expenses incurred in the 3 months prior to valuation date.

The Company meets the capital adequacy requirements as of December 31, 2015 and December 31, 2014.

32 - Subsequent events

None.