

Annual Report 2015



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Part I

Introduction

2015 Review: The Economy and Financial Markets

Due to the challenging and volatile global environment, emerging markets has seen a net capital outflow of 735 billion dollars in 2015. That follows outflows of 111 billion dollars in 2014. The MSCI Emerging Markets Index fell by around 17% in 2015 while developed market MSCI index dropped by 3% over the same period. BIST 100, as an emerging stock market, test a local high of over 90.000 level in the first month of 2015. However, afterwards BIST 100 index returned to downward trend due to the solidified expectations of pending Fed rate hike, strengthening Dollar / Lira rate, ongoing geopolitical risks and effects of the two general elections during the year. Accordingly, MSCI Turkey Index ended the year down by 16.6%.

Fed rate hike has been one of the most widely discussed events in global markets in 2015. At the December FOMC meeting, Fed raised interest rates by 25bps, a range of 0.25-0.50% for the first time since 2006 and signalled that they expect to proceed slowly and cautiously before raising rates again. The U.S. economy grew 2.4% in 2015 after a similar expansion in 2014. Despite considerable improvement in the labor market, growth in wages continues to be disappointing. On the other hand the economy of the Eurozone posted a modest 0.3% growth during the third quarter of 2015, compared to the previous quarter. The German economy, typically an engine of growth, posted 0.3% increase at the same period. The IMF confirmed that Greece had not made its scheduled 1.6 billion euro loan repayment to the fund. As a result, Greece becomes the first developed country that fails to pay its debt to the institution. In March, ECB started its massive 60-billion-euro-a-month (\$66.3 billion) bond-buying program. Initially, these purchases will continue until end-September 2016 and will be conducted until sustained adjustment is seen in the inflation outlook towards a "just below 2% inflation rate target", in the medium term. However, despite the massive bond buying program of ECB, the chronically low inflation continues to represent a risk in the European front during the year. Even excluding the effect of the decline in the energy prices; core inflation has been in a downtrend as a consequence of high unemployment rates as well as low capacity utilization. Considering the expansionary steps in the Euro Zone and much-anticipated interest rate decision in U.S , emerging-market currencies weakened against the dollar during the year. On the Asia front, the sharp slowdown in the world's second largest economy China hindered the global growth. China's economy grew 6.9% in 2015, slightly below the government's target of around 7% and the slowest expansion since 1990.

Turkey underwent two general elections last year. Political uncertainty after June 7 elections and increased geopolitical tension negatively affected Turkish markets. However, formation of a single party government after November 1 elections caused market sentiment to improve. Turkish lira-denominated assets gained value and BIST 100 index experienced strong buying activity on the back of the election results. Turkish economy recorded a growth rate of 3.4 % in the first nine months of 2015. The expectation for Turkey's 2016 GDP growth points to figures at around 3-3.5%. Thanks to the fall in oil prices, together with other dynamics, we expect Turkey's budget deficit to stay in a controllable level in 2016.

In Brief

YKAM is a leading asset management company and offers the global standards in Asset Management.

In 2015, Fitch Ratings has confirmed Yapı Kredi Asset Management's (YKAM) "Highest Standards (tur)" rating which is the highest grade in Fitch's scale of asset manager rating. As the only rated Asset Manager of Turkey, YKAM has been being rated since 2006. Yapı Kredi Asset Management's (YKAM) grade has been upgraded to "Highest Standards (tur)" first in 2013 and it has been sustaining the "Highest Standards (tur)" grade for successive three years. Moreover, YKAM having the first international fund quality rating for its 4 mutual and 3 pension funds in 2013. Fitch Ratings has affirmed 4 Mutual Funds and 2 Pension Funds grade at "Strong" and "Good", while one Pension Fund has been rated at "Good".

Yapı Kredi Asset Management (YKAM) is a leading asset management company in Turkey with a diverse and comprehensive range of products and services including mutual funds, pension funds, discretionary portfolios, investment advisory.

YKAM is a member of Yapı Kredi Group under Koç Financial Services, which is ultimately owned by Koç Group (50%) and UniCredit from Italy (50%).

As of the end of 2015, YKAM manages a total of 32 mutual funds and 20 pension funds that comprise an extensive range of investment management products further enhanced by best-of-breed discretionary portfolios currently under management.

YKAM manages portfolios on a collaborative basis, with dedicated teams composed of professionals who are specialized in each asset class. Applying proprietary research and analysis derived from international resources with precise benchmarking and diligent risk management, YKAM produces tailor-made solutions for each client according to the guidelines and objectives of each portfolio.

As of 31 December 2015, YKAM manages assets totaling TL13.8bn (US\$ 4.7 bn) with 17.5% market share in mutual funds and 13.7% in pension funds.

Core Strengths

Yapı Kredi Asset Management meets the changing needs of investors at the global standards with its proven success in Asset Management.

• Global Standards in Asset Management

As being the only internationally rated Asset Management company of Turkey, and the holder of the highest grade in Asset Management, Yapı Kredi Asset Management offers the global standards. Pioneering the international fund quality rating in Turkey, Yapı Kredi Asset Management manages 4 mutual funds and 3 pension funds with high quality fund ratings.

• Best Asset Management Company in Turkey (2015)

Yapı Kredi Asset Management has been selected as Best* of Turkey by 7 prestigious finance magazine in 2015: Global Brands Magazine, EMEA Finance Magazine, Global Banking and Finance Review Magazine, International Finance Magazine, Business Worldwide Magazine, Global Investor Magazine and Global Finance Magazine . Yapı Kredi Asset Management's investment performance, total AuM size, leading position in the market, competence in risk management and investment processes become the key drivers.

• A Broad Product Range

As one of the pre-eminent asset management companies in Turkey, YKAM benefits from its broad presence and diversified range of products to meet the changing needs of investors with different risk/return profiles. The Company is also a pioneer in Turkey with its alternative investment products including hedge fund and funds-of-funds.

• Strength in Investment Management

All investment decision-making and portfolio management processes are implemented by relevant committees using well-established procedures and benchmark-driven strategies at YKAM. All investment cases are evaluated at the Investment Committee and Asset Allocation Committee before they are finalized.

• Proven Internal Control Systems

YKAM is very much aware of the fact that prudent risk management policies lie at the heart of longevity in asset management. Therefore, a disciplined approach is taken towards risk management with well implemented monitoring and reporting processes. Independent internal control and audit functions provide the necessary oversight functions. Mutual funds and pension funds reports are delivered daily with composites available for discretionary portfolios and tailor-made reporting services available for institutional mandates.

• Robust Technological Resources

YKAM utilizes proprietary software as its asset management portal, which is designed in-house with third party support to optimally wield YKAM's know-how with numerous analytical modules. The quality of fund administration processes including non-standard transactions like OTC options is fully supported by the Company's well-developed IT framework.

• A Consistent and Solid Track Record in Performance

YKAM aims to provide its clients with long-term competitive risk-adjusted returns. YKAM funds have consistently delivered superior risk adjustment vis-à-vis the benchmarks utilized with optimally low volatility due to prudent risk management policies.

• Well-established Client Management Services and Sales Support Functions

With a strong and well-established client service tradition, YKAM makes a difference to investors looking for premium value for their assets. The marketing, sales and customer relations functions are overseen by its dedicated and highly competitive capital markets professionals who have a keen focus on customer needs. The teams continuously come up with innovative product solutions to serve clients better and offer a full range of services for institutional and HNW clients.

• Advanced Product Management Expertise

YKAM has extensive product management expertise gained through years of in-depth experience, highly educated and skilled risk managers as well as fund managers. YKAM creates new products and strategies responsive to investors' changing needs by intensively following the fund market trends all around the world. YKAM product management functions are well supported by a dedicated and competent in-house team that conducts cutting edge research and quantitative analysis.

*According to evaluations made by Global Brands Magazine, EMEA Finance Magazine, Global Banking and Finance Review, Business Worldwide Magazine, Global Finance Magazine, International Finance Magazine and Global Investor in 2015

Key Operational Indicators

	2015		2014		2013		2012		2011	
	Asset Size (US\$ million)	Market Share (%)	Asset Size (US\$ million)	Market Share (%)	Asset Size (US\$ million)	Market Share (%)	Asset Size (US\$ million)	Market Share (%)	Asset Size (US\$ million)	Market Share (%)
Mutual Funds	2,262	17.52%	2,746	17.97%	2,597	18.22%	2,974	17.59%	2,739	17.39%
Pension Funds	2,268	13.74%	2,379	14.60%	1,983	16.10%	1,931	16.95%	1,204	15.84%
All Funds	4,531	15.40%	5,125	16.23%	4,579	17.24%	4,905	17.33%	3,943	16.88%

	2015		2014		2013		2012		2011	
	Asset Size (US\$ million)	Number of Clients	Asset Size (US\$ million)	Number of Clients	Asset Size (US\$ million)	Number of Clients	Asset Size (US\$ million)	Number of Clients	Asset Size (US\$ million)	Number of Clients
Discretionary Portfolio Management	201	451	256	389	428	412	491	358	344	281
Portfolio Advisory	252	33	362	40	333	45	342	37	224	28
Portfolio Management and Advisory	453	480	618	428	761	456	833	395	568	309

Assets Under Management*	4,732	5,381	5,007	5,396	4,287
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# of Mutual Funds Managed	32	40	40	40	40
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# of Pension Funds Managed	20	19	19	16	13
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* Mutual Funds, Pension Funds and DPM size are considered
Source: Rasyonet as of December 31st, 2015

Key Financial Indicators

Net Revenues (US\$ Million)

2015	20.0
2014	20.6
2013	20.3
2012	22.3

Net Profit (US\$ Million)

2015	9.6
2014	9.2
2013	11.0
2012	13.3

Shareholder (US\$ Million)

2015	17.2
2014	19.9
2013	23.2
2012	36.3

Ratings

YKAM has been rated by Fitch Ratings, a global rating agency, since 2006. Fitch Ratings has upgraded Yapı Kredi Asset Management's "National Asset Manager" rating from M2+ (tur) to the top rate Highest Standards (tur) in 2013. In 2015, Fitch Ratings affirmed YKAM's "Highest Standards (tur)" once again.

Yapı Kredi Asset management was rated "Highest Standards (tur)", placing it above the industry standards for institutional investment management in the list of recognized asset managers in Turkey. In accordance with its pioneer position in the market, Yapı Kredi Asset Management has proven its expertise, success, prestige and market leadership by achieving the highest rating of Asset Management sector Highest Standards (tur) by Fitch Ratings.

The rating scale consists of grades from "Inadequate Standards" to "Highest Standards" being the highest rating when all factors such as the company's resources, investment management quality, risk management applications and supporting administration as well as technological infrastructure are taken into consideration. This rating is assigned to asset manager operations demonstrating low vulnerability to operational and investment management failure, relative to all other asset managers in the same country and to what may be appropriate for the market in question.

The rating is a reflection of YKAM's consistently outstanding performance in growing its assets under management (AuM) with high profitability as well as international recognition of its experience. It also indicates YKAM's state-of-the-art technology built around a robust framework, sound and vigorous investment administration, portfolio management approach supported by built in alternative and absolute return driven strategies as well as its solid risk management and governance framework.

Fund Quality Rating

The fund rating scale consists of grades from "Inadequate" to "Excellent" with "Strong" being 2nd ranked rating and with "Good" being 3rd ranked rating when all factors such as the fund's performance, investment management quality, risk management applications and supporting administration as well as technological infrastructure are taken into consideration.

Good & Strong rating reflects the fund's performance, investment process quality and asset selections supported by weekly investment committees and daily investment meetings.

Good stands for Good rating; reflects the fund's performance, investment process quality and asset selections supported by weekly investment committees and daily investment meetings.

Strong stands for Strong rating; reflects the fund's performance, investment process quality and asset selections supported by weekly investment committees and daily investment meetings.

Mutual Funds

Yapı Kredi Asset Management Koç Holding Affiliates Equity Fund (Equity Intense Fund)–Strong

Yapı Kredi Asset Management First Equity Fund (Equity Intense Fund)– Strong

Yapı Kredi Asset Management First Variable Fund– Good

Yapı Kredi Asset Management Bonds And Bills Fund– Good

Pension Funds

Allianz Yaşam ve Emeklilik Managed Pension Fund- Good

Allianz Yasam ve Emeklilik First Managed Group Pension Fund - Good

Allianz Yasam Ve Emeklilik Government Debt Instrument Group Pension Fund - Good

Milestones

2002

- Mutual funds management has been taken over.

2003

- Management of Koç Allianz and Yapı Kredi pension funds started.
- Establishment of risk management.
- Launch of Private Banking funds for HNWI.

2004

- Building 3rd party distribution with two other banks.
- Initiation and support for distribution of foreign funds in Turkey.
- Introduction of “Pusula”, a saving system based on mutual funds and risk profile questionnaire developed by the Company.

2005

- Portfolio advisory started to run in order to serve for HNWIs.
- Managing mutual funds of a third party.

2006

- International rating company Fitch Ratings rated YKAM’s rating as M2 (tur).
- Merger of Koç and YKAM** (market leader in mutual funds)

2007

- International rating company Fitch Ratings reaffirmed YKAM’s rating as M2 (tur).
- ‘Fund of World Funds’ (1st Fund of Funds investing in foreign funds in Turkey).
- Merger process of mutual funds established by both Koçbank and Yapı Kredi Bank completed.

2008

- International rating company Fitch Ratings rated YKAM’s rating as M2+ (tur) which stands for “strong”.
- Portfolio advisory service to a foreign fund introduced.
- Turkey’s 1st capital guaranteed funds.

2009

- Yapı Kredi Istanbul Hedge Fund.
- A new business line for the low risk category clients launched in Discretionary Portfolio Management.

2010

- A new business line for the medium risk category clients launched in Discretionary Portfolio Management.
- International credit rating company Fitch Ratings reaffirmed YKAM’s rating as M2+ (tur).

2011

- Yapı Kredi issued Turkey’s largest capital guaranteed funds so far with a volume of TL280 million.
- International Credit rating company Fitch Ratings reaffirmed YKAM’s rating as M2+ (tur).

2012

- 3 new equity funds, 5 fixed income funds and 6 capital guaranteed funds were presented to Yapı Kredi clients in 2012.
- Turkey’s 1st private sector focused and ISE Dividend Index Funds.
- Fitch Ratings reaffirmed YKAM’s asset manager note as M2+ (tur)

2013

- YKAM honored as “The Best Asset Management Company in Turkey” in 2013 by EMEA Finance Magazine.
- Fitch Ratings rated Yapı Kredi Asset Management’s Note as ‘Highest Standards(tur)’ the highest National Scale
- First asset management company with rated funds in Turkey
- Yapı Kredi SICAV has been launched

2014

- Yapı Kredi Asset Management has been selected by Global Banking and Finance Review Magazine, EMEA Finance Magazine, World Finance Magazine and International Finance Magazine as the “Best Asset Manager in Turkey” in 2014.
- YKAM’s “Highest Standards (tur)” rating, has been reconfirmed by Fitch Ratings.
- YKAM maintained both its position as the first asset management company with rated funds in Turkey and its high quality rating on its funds.

2015

- Yapı Kredi Asset Management has been selected as Best of Turkey by 7 prestigious finance magazine in 2015.***
- YKAM’s “Highest Standards (tur)” rating, which is the highest grade in Fitch’s scale of asset management rating, has been reconfirmed by Fitch Ratings.
- Only rated asset manager company in Turkey, Yapı Kredi Asset Management’s 4 Mutual Funds’ grade has been reaffirmed, 3 Pension Funds has been rated at “Good”.
- Foundership transference with Yapı Kredi Bank has been completed.
- The process of orientation to TEFAS has been completed.

* The largest merger in the history of the Turkish banking sector bringing Yapı Kredi Bank and Koçbank under one roof, so that the new Yapı Kredi Bank is positioned as the fourth largest privately-owned commercial bank.

** With the merge of Koç Asset Management and YKAM which have been conducting business since 2001 and 2002, respectively.

*** According to evaluations made by Global Brands Magazine, EMEA Finance Magazine, Global Banking and Finance Review, Business Worldwide Magazine, Global Finance Magazine, International Finance Magazine and Global Investor Magazine in 2015

Shareholders

YKAM has a solvent shareholding structure and ultimate shareholders

Shareholder Name	Number of Shares (TL)	%
Koç Holding		
UniCredit		
Yapı Kredi Bankası A.Ş.		
Yapı Kredi Yatırım Menkul Değerler A.Ş.	2,051,616.42	87.32
Yapı Kredi Bankası A.Ş.	297,191.42	12.65
Other	634.94	0.03
Total	2,349,442.78	100,00

Koç Group

Founded in 1926, Koç Group has become not only one of the largest and most successful groups of companies in Turkey, but also in Europe by staying one step ahead of change throughout its journey of 89 years. Adamant, in observing in all its operations the principles and ethical values of administering corporate governance, undertaking social responsibility and providing environmental protection at international standards, the Koç Group is a global player constantly moving toward its objective of duplicating its success in Turkey, at the global scale.

As the leading conglomerate of Turkey, the Group has been a driving force of the Turkish economy with total sales that correspond 7% of Turkey's GDP and exports that comprise 9% of Turkey's total exports. As of 2015, Koç Holding is the only Turkish company in the Fortune Global 500 list of companies, in the 381st place.

UniCredit

UniCredit is a leading European commercial bank with an international network spanning wide markets, systematically important European financial institution based in Italy. UniCredit Group has a widespread network of 7.934 branches and 144 thousand employees in 17 countries.

Yapı Kredi

Turkey's first privately-owned bank with a nationwide presence, Yapı Kredi has always played a substantial role in the development of the domestic economy and has set standards in the Turkish banking sector with various innovative products and services.

Yapı Kredi is the fourth largest private bank with total assets of TL235 bn as of 2015. Yapı Kredi increased the volume of its total cash and non-cash loans by 21% annually to TL 210 billion Yapı Kredi maintains leading positions in key segments and products supported by its large network and leading brand. In credit cards, Yapı Kredi serves 11.0 million active (21.3 million total) customers through a widespread and multi-channel service network. In addition, Yapı Kredi holds leading positions in factoring (#1 with 17.6% market share), leasing (#1 with 20.3% market share), mutual funds (#2 with 17.5% market share).

Yapı Kredi's branch network consists of 1,000 branches covering all regions of Turkey supported by a young and dynamic employee base of 19,345 people. The Bank's ADCs comprise of an ATM network with 4,332 ATMs, innovative internet banking, leading mobile banking, direct banking and four call centers.

Yapı Kredi Bank operates under the umbrella of Koç Financial Services, the 50%-50% joint venture between the Koç Group and UniCredit, Yapı Kredi's vision is to be the undisputed leader in the finance sector.

Chairman's Message

Dear Stakeholders,

We have started year 2016 with unexpected loss of chairman of Yapı Kredi and Koç Holding, Mr. Mustafa V. Koç. Mr. Koç, left a mark as a role model not only for Turkey but also in the world. We will always remember Mr. Mustafa V. Koç, one of the most valuable leader with a unique vision, with all our love, respect and gratitude.

In 2015, Federal Reserve (FED) rate hike expectations was a major factor which had influence on emerging markets. FED, had first rate hike in December, has mentioned the policy would be proceed gradually. On the Eurozone side, European Central Bank's (ECB) asset purchase program and financial issues due to Greece were effective on markets and expectations. Besides, the impact of slowdown of China's growth was felt on markets too.

Under the light of developments in international markets, 2015 was a successful year for Yapı Kredi Asset Management which raised its size of assets under management to TL 13.8 billion by the end of 2015. Yapı Kredi Asset Management has been reached to TL 6.58 billion with over 17 percent market share in mutual funds and TL 6.59 billion with approximately 20 percent growth in pension funds.

Another development in 2015, Highest Standards (tur) rating of Yapı Kredi Asset Management, the only rated Turkish asset manager company, has been affirmed by Fitch Ratings once again. Thereby, Yapı Kredi Asset Management's rating, which is the highest grade in Fitch Ratings' scale of asset management, has remained unchanged in 2015. In addition, Yapı Kredi Asset Management's funds have been rated by Fitch Ratings once again. Ratings of our four mutual funds and 3 pension funds have been affirmed as "Strong" and "Good", while one of our pension funds rated at "Good".

Another success of 2015 was being selected as "The Best of Turkey" by international prestigious magazines. Yapı Kredi Asset Management has been awarded by Global Banking and Finance Review Magazine, EMEA Finance Magazine, Global Investor Magazine, Global Finance Magazine, Business Worldwide Magazine, International Finance Magazine and Global Brands Magazine.

Besides, in 2015, Yapı Kredi Asset Management has taken over 30 funds as the founder according to new regulation of Capital Markets Board of Turkey (CMB). Sales network of Yapı Kredi Asset Management has been expanded with Turkey Electronic Fund Trading Platform which allows transactions of mutual funds to be done in a central electronic platform.

I would like to thank to employees who are contributory to continued success of Yapı Kredi Asset Management, to customers who always trust us and to our stakeholders who always beside us.

Sincerely,



Demir Karaaslan
Chairman

CEO's Message

Dear Shareholders,

We had a sad incident in the beginning of 2016. The unexpected loss of chairman of Yapı Kredi and Koç Holding, Mr. Mustafa V. Koç influenced us deeply. Mr. Koç, was a great leader to the world as a role model with his unique vision and farsightedness. We will always remember Mr. Mustafa V. Koç with love, respect and gratitude.

Throughout 2015, Federal Reserve's (FED) rate hike, Eurozone monetary policies and latest financial developments in Greece were particularly influential on global markets. On the other side, slowdown in growth of China was the major fact among other factors which had impact on economy. In face of the uncertainties and adverse conditions, Turkish asset management industry has left behind another year with success and over TL 100 billion assets under management. As of December 2015, total assets under management has reached to TL 101.72 billion, while the size of mutual funds has recorded TL 37.54 billion and pension funds has increased 26,94 percent with TL 47.98 billion.

Yapı Kredi Asset Management has sustained its success. Fitch Ratings reaffirmed Yapı Kredi Asset Management Highest Standards (tur) grade in 2015 as so in 2014, which has been upgraded first in 2013. Once again in 2015 reaffirmation of Highest Standards rating, which is the highest grade in global standards of asset manager rating, is an indication of Yapı Kredi Asset Management's success in asset management field and diversity in products and services.

Moreover, in 2015 our 4 mutual funds ratings which have been rated in Turkey first in 2013, have been rated as "Strong" and "Good" by Fitch Ratings for the third year in a row. Besides, our 3 pension funds' rating have been determined as "Good".

In 2015, total assets under our management, has reached up to TL 13.76 billion which is the highest level of all the time. While we sustained our place at second with 17,52 percent market share in mutual funds, the size of pension fund has reached to TL 6.59 billion with 19,52 percent growth.

Yapı Kredi Asset Management's successive developments in 2015, has been awarded in several categories by 7 prestigious finance magazines and we have selected as "The Best of Turkey".

Furthermore, as Yapı Kredi Asset Management we have completed the attunement to the new Capital Markets Board of Turkey (CMB) law and have taken over our 30 funds' foundership. Besides, we have facilitated reachability to our mutual funds by integrating our systems into Turkey Electronic Fund Trading Platform which provides sales and re-purchase of mutual funds in a central electronic platform.

I would like to thank our shareholders who were always with us in our successive year 2015, to our employees and to our customers for their continuous support.

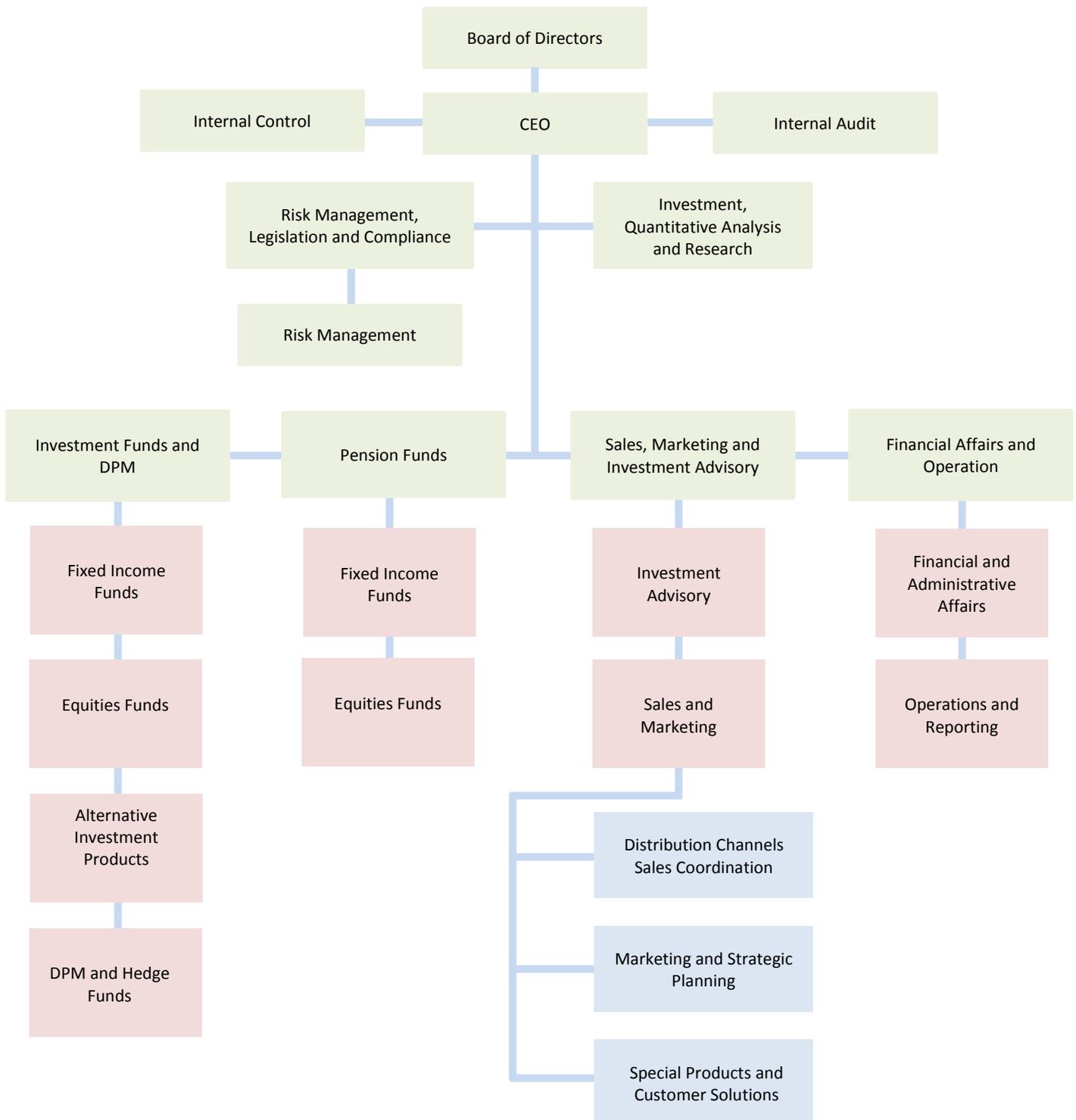
Sincerely,



Emir Alpay
CEO

Functional Organization Chart

Its streamlined functional organizational structure enables YKAM to provide faster and more flexible service in responding diverse customer needs with 64 employees.



Directors

Demir Karaaslan

Chairman of the Board of the Directors

Mr. Karaaslan, graduated from Marmara University, Business Administration in 1999. Between 1999 and 2004, he worked at PricewaterhouseCoopers (PwC) where he joined as an Assistant Auditor and promoted to Audit Manager. He continued his career at Koçbank between 2005 and 2006 as Head of Budget & Planning. Following the merger of KoçBank and Yapi Kredi Bank, he was appointed as Vice President responsible from Planning & Control. He has been the Head of Planning & Control since 2010 and he was promoted to Executive Vice President in 2011. Throughout his career, Karaaslan also assumed the positions of Statutory Auditor and member of Board in several subsidiaries of Yapi Kredi Bank.

Bahar Seda İkizler

Vice Chairman of the Board of the Directors

Seda İkizler (1972) studied Çağaloğlu Anadolu Lisesi between years 1983-1990 and graduated from Bosphorus University Business Administration at 1995. She worked for two years in Ernst&Young at Audit Department (1995-1997). She moved to Ulusalbank "Financial Control" department as manager until 2000. She continued her career at Managed Market Risk Management departments in Kocbank and Yapi Kredi until 2012. In 2012, she was appointed to the "Executive Vice President" for heading the divisions "Financial Reporting", "General Accounting", "Treasury Products and Payments" and "Basel Reporting".

Emir ALPAY

CEO and Member of the Board of Directors

Emir Alpay is the CEO and the Board Member of Yapi Kredi Asset Management since May 21st 2013. He began his career at the treasury department of Kocbank in 1997. Between 1997-1998 he served at Money market desk, after 1999 held various senior dealer positions at Fixed Income Desk. Between 2006 and 2011, he served as manager and director at Institutional Sales Department. In 2011, he was promoted to be an Executive VP of FX and Derivatives Markets. Emir Alpay received his MAIB from University of North London International Business in 1997, and a BA in Business Administration from Istanbul University in 1996.

Officers

Müge PEKER

Mutual Funds and DPM Assistant General Manager

Müge Peker is Assistant General Manager of Mutual Funds and DPM section and she joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. Müge Peker holds an MBA from Yeditepe University, and a BSc. in Environmental Engineering from Marmara University (1990). Müge Peker started her career as a Management Trainee at Alternatif Bank in 1995 and she worked at the proprietary desks. Between 1995-1998 she worked as Assistant Manager in the Treasury Department of Alternatif Yatırım A.Ş. Müge Peker moved to Koç Asset Management as a Senior Portfolio Manager in 2003. Müge Peker has been in the industry since 1995.

Murat ÖNER

Pension Funds Assistant General Manager

Murat Öner is Assistant General Manager of Pension Funds Section and he joined at Yapı Kredi Asset Management or one of its predecessor firms in 2003. After graduating from Istanbul Technical University with an MS degree in Managerial Engineering (1993), he began his career at Karon Securities Inc. in 1995 as Assistant Specialist. Shortly after, in 1996, he joined Yapı Kredi Invest, serving as a Fixed Income Securities Dealer in Investment Banking Department. During his tenure, he managed various mutual and pension funds both personally and as the leader of the managing teams. Additionally, from 2007 to 2010, he served as the Head of the Discretionary Portfolio Management Section.

Bülent İMRE

Sales, Marketing and Portfolio Consultancy Assistant General Manager

Bülent İmre is the Assistant General Manager and he joined Yapı Kredi Asset Management or one of its predecessor firms in 1999. He started his career in the Private Banking Division of Garanti Bankası in 1990. Afterwards, he worked at the proprietary desks of Marmara Bank and Finansbank. He served for Interbank as the Director in Investment Banking Department until 1995. He then worked for Acar Securities. He joined Koç Securities as the Division Head in DPM and Mutual Funds Department. Bülent İmre had an MBA in Finance and Economics from Louisiana Tech University (1990), and a BSc. in Mechanical Engineering from Boğaziçi University (1987).

Cenk TÜRELİ

Risk Management and Compliance Executive Manager

Cenk Türelİ is the Executive Manager of Risk Management and Compliance and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2000. Upon completion of his BA in Mathematics from Boğaziçi University (1995) followed by MBA in Finance from Providence College (1998), Cenk Türelİ started his career in the Sales and Trading Department of the brokerage company of KFS Group in 2000. He joined YKAM in 2003 for conducting buy-side research and risk management. In 2010, he was promoted to his current position at the Risk Management and Compliance Department, managing the team responsible for designing, maintaining and monitoring the risk and compliance framework of the Company.

Benan Bilge KÖKSAL

Financial Affairs and Operations Executive Manager

Benan Bilge Köksal is the Executive Manager of Finance Affairs and Operations and she joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. After graduating from the University of Bahrain with a major in Business Administration, Benan Köksal began her career at Arthur Andersen Worldwide (Turkey) in 2000. She specialized in FSI, financial services and institutions market, also worked as an external auditor for many prestigious firms in Turkey. In 2003, she became assistant CFO of the newly established Koç Asset Management. She played an important role in merging process of Koç Asset Management and YKAM in 2006. She has been working as the CFO responsible from Finance, Operations and Administration functions since 2010.

Özgür Çatı

Sales & Marketing Executive Manager

Özgür Çatı is the Executive Manager of Sales and Marketing Management and she joined Yapı Kredi Asset Management in 2012. Özgür Çatı has more than 10 year experience in Capital markets and Marketing & Sales management. She started her career in the investment banking division of Interbank in 1997 and worked for Ak Pension Company, Dış Asset Management, Fortis Asset Management, Ashmore Asset Management respectively. Özgür Çatı holds a Business Administration degree from Istanbul University and attended several courses on Financial Markets in London between 1999-2002 including the London School of Economics and Political Science. She is a member of Communication Committee and Member Relations & Education Committee of Institutional Investment Managers Association (TKYD).

Gökhan BİLEN, PhD, CFA

MF Equities Funds Executive Manager

Gökhan Bilen is an Executive Manager of Equity Funds and Quantitative Analysis section and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2004. Holding a BS degree in Business Administration from the Middle East Technical University with honors, CFA and PhD degrees in Finance from Marmara University, Gökhan Bilen started his career at Capital Markets Board in Turkey (1990). After working there for two years, he left to pursue an MBA degree from Leonard N. Stern School of Business of New York University in 1994. Upon graduation, he started his equity research career working as an analyst at TEB Research in Istanbul (1995). After working at various brokerage houses as Head of Research, he continued his career in portfolio management at YKAM.

Officers

Okan UZUNOĞLU

PF Equities Funds Executive Manager

Okan Uzunoğlu is an Executive Manager of Equities Funds section and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2001. After graduating from Istanbul University with a major in Business Administration (1994), Okan Uzunoğlu began his career at Dow Jones Financial Services Istanbul Branch in 1995. In 2001, he joined Koç Invest as Investment Products Division Manager. He graduated from the UniCredit Young Talents Master Program of Bocconi University in 2004. After the merger of Koç Asset Management and YKAM, he started to work as Senior Fund Manager in YKAM.

Ümit ERSAMUT

Mutual Funds Fixed Income Executive Manager

Ümit Ersamut, Group Head of Mutual Funds Fixed Income, has joined Yapı Kredi Asset Management in March 2015. He graduated from Istanbul University Business Administration faculty, Business in english programme. Then he started to University of Virginia for Finance MA with scholarship by Istanbul University. After graduating, he worked at Citibank, Turkey Corporate Banking Unit in 2000-2001, then joined Akbank Corporate Banking Credit Department. In 2003 - 2004 period, he worked in PriceWaterhouseCoopers as a senior auditor and moved to Koçbank Treasury department in September 2004. After the merger of Koç Asset Management and YKAM, he rotated ALM-fixed income and FX desks respectively in 11 years. Finally in March 2015 he was attended to YKAM as a group head.

Mehmet Güçlü ÇOLAK

DPM and Hedge Funds Executive Manager

Mehmet Güçlü Çolak joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. After graduating from METU Civil Engineering Department in 1996 and Bilkent University MBA Programme in 1998, Mehmet Güçlü Çolak began his career at Inter Asset Management in 1998 as a Portfolio Manager. In 2003, he joined Koç Asset Management. After the merger of Koç Asset Management and YKAM, he started to work as a Senior Portfolio Manager in YKAM.

Onursal YAZAR

Alternative Investment Funds Senior Manager

Onursal Yazar is Senior Manager of Alternative Investment Products and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2006. After graduating from Boğaziçi University with a major in Civil Engineering in 1999, Onursal Yazar began his career at Osmanlı Bank in 2000. Between 2002 and 2004, he studied in US at Baruch College, City University of New York and has earned MBA degree in Finance. After working at the Treasury Department of Koç Invest between 2005 and 2006 as Senior Dealer, he continued his career as a Portfolio Manager at Koç Portföy (merged with YKAM in 2007). After working at Fixed Income Funds Department for approximately 10 years, he has been heading the Alternative Investment Products Department since April 2015. Onursal Yazar has been awarded the CFA Designation (Chartered Financial Analyst) in 2010.

Investment Process

Yapi Kredi Asset Management's traditional, research-driven investment process is implemented in a disciplined and controlled manner.

The YKAM Investment Process includes the following:

Employing a corporate investment decision-making process based on knowledge and team-work

At YKAM, asset allocation decisions are made weekly by the Investment Committee which is composed of all portfolio managers. Fundamental equity research constitutes the backbone of stock selection decisions. Portfolio managers rely on both in-house and third party researches to determine the fundamental merits of stocks. Company visits and valuation screens are also used for stock picking by YKAM analysts.

The Committee encourages free expression of merits and drawbacks of all investment cases by all portfolio managers. After thorough discussion including analysis of the macro economic circumstances, equity valuations and fixed-income possibilities, potential investment ideas are assigned to three categories: under benchmark, market-weight and above benchmark.

Active portfolio management strategy

YKAM, actively manages all portfolios and monitors both absolute return funds and relative return funds against various benchmarks on a daily basis. In equity funds, stock selection decisions are reviewed on an ongoing basis by taking into account multiple criteria such as valuation metrics, financial structure, business prospects and market environment of target companies among others.

The top-down analysis approach for asset allocation

In YKAM, top-down analysis is the primary approach in investment decisions. This method is to analyze the market from the big picture all the way down to individual stocks. Accordingly, the evaluation process starts with the analysis of the macroeconomic variables in the world and the Turkish economy. This is followed by sector and company analyses, which identify those sectors / companies that will benefit from the projected macro environment. An example of top-down decision making would be the company's preference for cyclicals and financials during high growth periods and for defensives and utilities during recessionary periods.

The bottom-up analysis approach for asset selection to gain optimum return

YKAM also utilizes extensive bottom-up analysis instruments for stock selection. The bottom-up approach starts with the analysis of the company's present operations and its growth prospects for the future. By relying on company visits and an in-depth analysis of the operations, earning models are prepared to predict future cash flows in target stocks. Through rigorous analysis, YKAM aims to select those stocks and or companies that have strong potential to outperform their peers in the near future. Valuation screens including P/E, P/BV, EV/EBITDA, profit margins and growth rates are compared with averages of both local and international peers to help asset managers select those stocks that will offer optimal portfolio return relative to risk undertaken.

Developing the proper management strategies to match the objectives of the managed portfolios

YKAM utilizes and constantly develops proper management strategies for managed portfolios in order to match the return objectives and risk profiles of clients with diverse risk/return preferences.

Managing assets with disciplined risk management principles

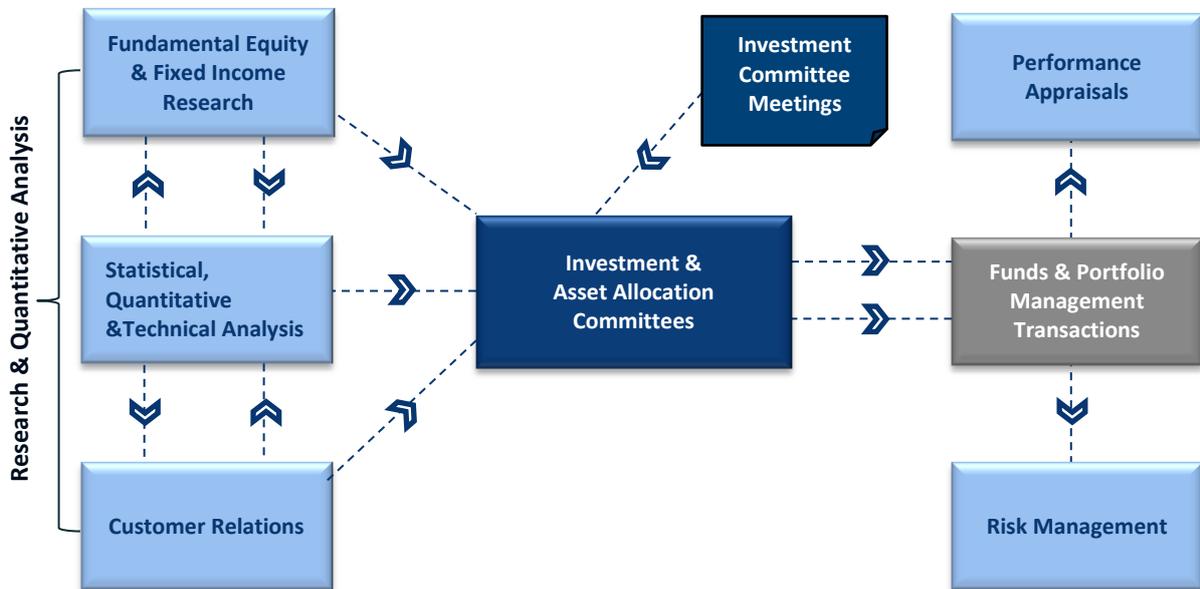
YKAM places great importance on stringent risk management principles above all other criteria in its portfolio management process. The main risks that are managed are liquidity, concentration, credit and market risks. Investment bands are defined for all assets while internationally accepted Value at Risk calculations are conducted and monitored on a daily basis using proprietary software. Stop-loss limits are tracked and if necessary, prompt action is taken by the Risk Management and Compliance departments. Portfolio managers take immediate action when stop-loss limits are reached informing relative departments on the actions undertaken in a timely manner.

Investment Process

Through pre-trade and post-trade checks, compliance with investment restrictions is continuously monitored. Regulatory or client-imposed restrictions and controls on investment constraints at the portfolio level are automatically monitored through the investment portal on a pre-trade basis. Portal provides position keeping, trade simulation and a wealth of portfolio surveillance facilities to assist portfolio managers in their decision making processes. All funds are spontaneously valued by the portal every day to ensure enhanced transparency of risk positions and efficiency in compliance controls. For discretionary management mandates, compliance is facilitated through the GTP system. Within the context of post-trade checks, all transactions undergo a compliance check in end-of day processing after being reconciled with fund accounting. If breaches occur, both active and passive, these are automatically recorded and a daily report is brought to the management’s attention.

Thanks to its solid infrastructure, effective risk mapping systems and strong control mechanisms, YKAM is well prepared to adopt expected regulatory changes in the period ahead.

Yapı Kredi Asset Management Investment Process



- Analysis
- Macro (Turkey, other Ems & DM countries)
- Bottom-up
- Asset Allocation Suggestions (including commodity & foreign equity)
- Equity Proposals

- Assessment and Suggestions of Research and Quantitative Analysis
- Mid and Long – Term Investment Perspective
- Market data & Repercussions
- Short – Term Tactical Asset Allocation Decisions

- Portfolio Construction Process
- Trading & Realization of Transactions
- Assessment of Daily Results
- Performance vs. Benchmark
- Risk Management

Risk Management, Legislation and Compliance

Yapi Kredi Asset Management has an effective risk and governance framework that is well-embedded in the business and also benefits from the independent oversight of control functions and committees.

Monitoring of Risk Indicators and Realized Portfolio Risk

The purpose of risk management is to identify and quantify risks while mitigating and managing them within the overall risk appetite criteria of the company as well as providing ongoing monitoring of such risks. YKAM maps investment risks relevant to mandates and makes necessary implementations in its risk system to cover such mapped risks in a thorough and timely manner. The Company has an integrated risk system that enables it to monitor most risks systematically in accordance with regulations. As such, all risk indicators (tracking error, information ratio, stop-loss, VaR, etc.) are displayed online real-time through GTP system and RiskTürk. Such real time monitoring enables early warnings when approaching relevant limits, the cautionary elevations of which are communicated immediately, if necessary.

Portfolio Performance and Benchmark Reporting

Risk management system involve many contemporary tools including but not limited to the use of historical Value at Risk (VaR), Monte Carlo simulated VaR, marginal VaR, relative VaR, commitment approach measures, leverage ratio, liquidity measures, counterparty risk, concentration risk, expected shortfall, maximum drawdown, volatility, tracking error and information ratio.

YKAM benefits from its extensive information technology to apply best-in-class risk management practices ensured by the GTP system and the third party developed RiskTürk market risk analysis software. YKAM also performs peer analyses (Rasyonet) and performance attribution (RiskTürk) to pinpoint peer-relative performance and decompose the performance itself. Analyses and reports are shared with the upper management on a daily basis while warnings and alerts are reported on an intraday frequency. In addition, a separate Risk Committee on a weekly basis chaired by the CEO is held for a broader view and assessment of risk related issues with asset managers and CIO.

Peer Group Performance Reporting

YKAM follows benchmark-relative returns for funds and discretionary portfolio composites within the context of peer group performance reporting. Tracking error and information ratio figures are also calculated and monitored daily.. Investment results versus peers are also continually reviewed.

Monitoring of Investment Committee Decisions and Management Principles

The dedicated unit focused on risk management determines the framework of controls and oversight required to ensure that risk exposures remain within acceptable levels, including investment performance risk, which is the risk that portfolios fail to meet their investment objectives.

Controlling Stop Loss Limits and Leverage

YKAM risk management system also covers stop loss limits for each managed fund and provides real time alerts and early warnings to portfolio managers. As a result, the number of breaches is low and primarily passive in nature. Stop-loss limits are activated if the daily gap between an asset, asset class, fund or discretionary portfolio composite performance and its benchmark falls below a threshold level. The risk framework includes parametric maximum drawdown limits for absolute return products. The procedures, rules and actions involving such situations are clearly depicted in the risk management directive and its annexes where the threshold values on asset classes and mandates are identified.

Regulatory and Legal Compliance Checks

Through pre-trade and post-trade checks, compliance with investment restrictions is continuously monitored. Regulatory or client-imposed restrictions and controls on investment constraints at the portfolio level are automatically monitored through the GTP on a pre-trade basis. GTP provides position keeping, trade simulation and a wealth of portfolio surveillance facilities to assist portfolio managers in their decision-making processes. All funds are spontaneously valued systemevery day to ensure enhanced transparency of risk positions and efficiency in compliance controls. For discretionary management mandates, compliance is facilitated through the GTP system. Within the context of post-trade checks, all transactions undergo a compliance check in end-of day processing after being reconciled with fund accounting. If breaches occur, both active and passive, these are automatically recorded and a daily report is brought to the management's attention.

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Risk Management, Legislation and Compliance

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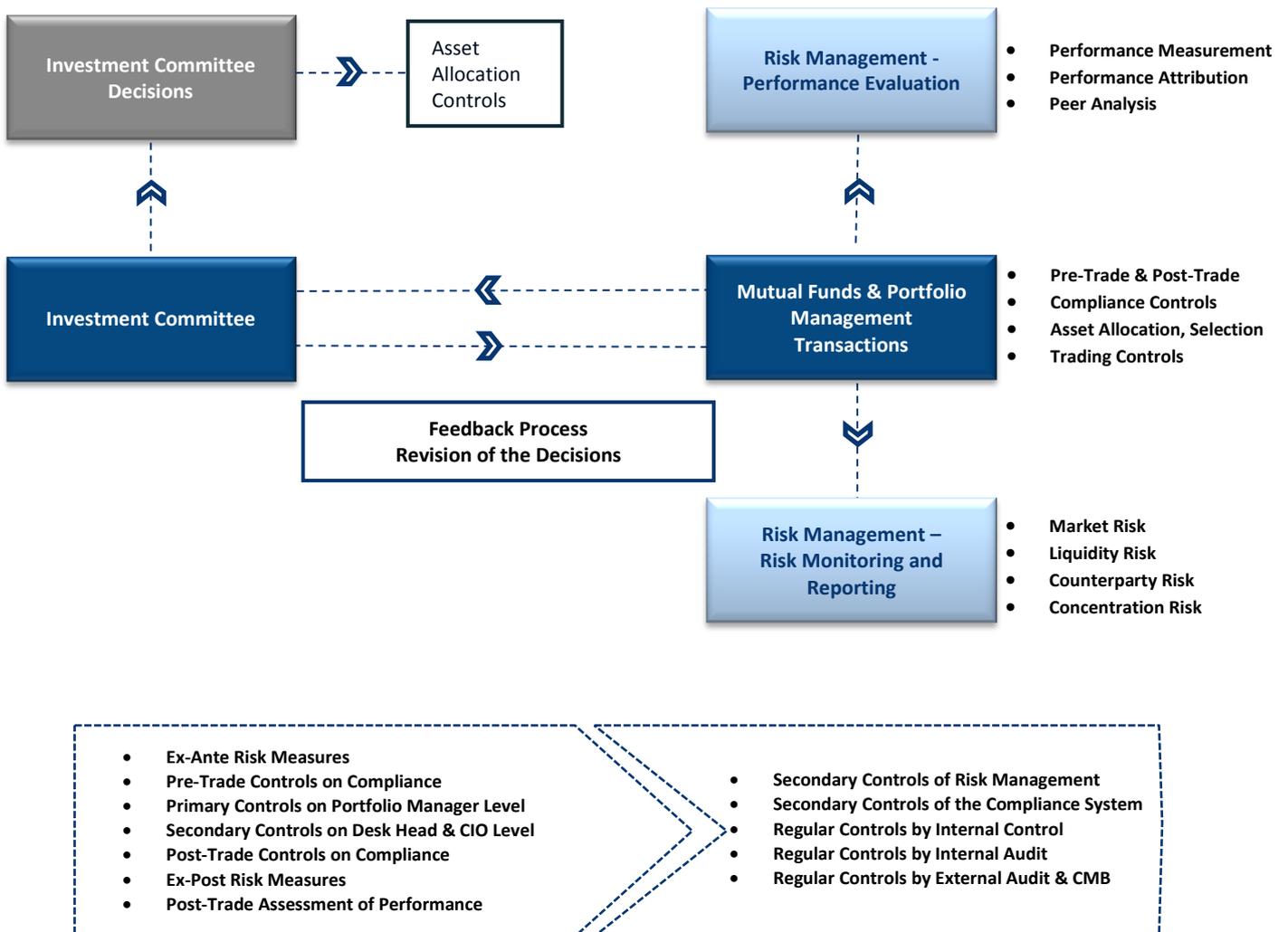
YKAM has an effective and well-established risk management system with clearly assigned responsibilities. The system is supported by systematic and periodic controls across primary risk and compliance areas, daily reporting and a dedicated risk committee responsible for independent oversight.

Risk management function ensures decomposition of risks into their factors and contributions, identification of key drivers of risk-adjusted returns and sources of benchmark deviation.

YKAM’s risk management process is composed of monitoring and control of six separate areas:

- Monitoring of Risk Indicators and Realized Portfolio Risk
- Portfolio Performance and Benchmark Reporting
- Peer Group Performance Reporting
- Monitoring of Investment Committee Decisions and Management Principles
- Control of Stop Loss Limits and Leverage
- Regulatory and Legal Compliance Checks

Yapı Kredi Asset Management Investment Process



Products and Services

A. Mutual Funds

Managing 32 mutual funds, YKAM Mutual Funds (MF) Unit aims to ensure consistently positive return above the pre-specified benchmarks for each fund at minimum risk. Mostly composed of investment professionals with strong research background, the Unit has a clear edge over the competition in asset selection and active portfolio management. Thanks to its high asset base, the MF Unit is able to work with relatively lower transaction costs and reflect this advantage directly to investors.

Hedge Funds

Istanbul Hedge Fund, registered by Capital Markets Board (CMB) in September 2008, was offered to qualified investors at the end of June 2009. Since hedge funds in Turkey are regulated as “on-shore” funds, they fall under the supervision of the local regulator, the CMB. The fund is designed as a market-directional fund that aims to profit from volatility in the equity, fixed income and currency markets. The fund targets investors with assets totaling TL1 million in terms of cash and/or money/capital instruments.

Yapı Kredi Asset Management Foreign Fund Basket Fund

Yapı Kredi Asset Management Foreign Fund Basket Fund, the first such fund in the Turkish mutual funds market, was established to provide a solution to tax disadvantages on foreign mutual funds. Yapı Kredi Asset Management Foreign Fund Basket Fund generally caters to the investment needs of investors who prefer to invest in foreign exchange-based investment products and have a long-term horizon regarding investments in international markets. The Foreign Fund Basket Fund invests;

- Minimum 80% of its portfolio in foreign exchange traded funds and foreign mutual funds,
- 0-100% of its portfolio in foreign exchange denominated securities and mutual funds,
- 0-20% of its portfolio in TL-based securities and mutual funds.

Yapı Kredi Asset Management Commodity Foreign ETF Fund Basket Fund

Yapı Kredi Asset Management Commodity Foreign ETF Fund Basket Fund invests 80% of its portfolio in Commodity ETFs . The Fund enables investors to access a wide range of commodities in agriculture, energy, metal and precious metals sectors.

Yapı Kredi Asset Management Gold Fund

Yapı Kredi Asset Management Gold Fund invests minimum 80% of the portfolio into traded gold and gold based financial instruments. The fund targets to reflect the gold market price movements. It seeks to achieve medium and long term capital appreciation with a consistent and active investment strategy.

Cutting-edge In-house Research

Research and fundamental analysis is the backbone of the asset selection process for YKAM mutual funds. For equity funds, the Unit utilizes both top-down and bottom-up analysis. Utilizing third party research services as well, YKAM also prepares proprietary in-house research through company visits and analyses on selected companies’ business models, financial performance and growth opportunities. The valuation models formed through such researches establish the basis of the portfolio management process.

International Expansion

In May 2013, with its mission to expand in international scope, YKAM established Luxembourg based Yapı Kredi SICAV with its first sub fund “Yapı Kredi SICAV Equity Turkey Fund (ISIN: LU0909056946)” aiming institutional and retail investors to invest in Turkish financial markets.

Strict Risk Management Standards

The Unit keeps a very close watch on variance limits and takes decisive actions on breach of pre-defined stop-loss limits. The in-house risk management software is pivotal to all risk management activities. The Unit also works very closely with the Risk Management Department.

Products and Services

Key Performance Indicators

Mutual Funds	2015	2014	2013	2012
Number of Funds	32	40	40	40
Number of Clients (thousand)	556	523	448	500
Assets under Management (TL mn)	6,578	6,368	5,542	5,311

Source: Rasyonet as of December 31st, 2015

Mutual funds launched in 2015

Fund	Launch Date
Yapı Kredi Asset Management Second Bonds and Bills Fund	25.02.2013*

* The fund has been transferred to Yapı Kredi Portföy Yönetimi A.Ş. in 01.12.2015

Products and Services

B. Pension Funds

The department is responsible for the management of Pension Funds which is under YKAM umbrella. The Funds are operating in almost all local markets as well as in main foreign markets and the desk has been running 20 pension funds investing in 9 different fund types.

Turkish Pension System is the most promising part of the Turkish Financial System due to its striking growth and growth prospects. The new regulation, which was launched as of January 1, 2013, has made significant contribution to the pension system. The new regulations brought government contribution of 25% of all participants' installments up to a yearly minimum wage.

Active Fund Management

Pension funds are managed in combination of team-based decision process based on research and analysis with effective risk management. Pension funds investing in equities heavily utilize delta management principles. In funds with fixed income instruments denominated in TL, liquidity issues have to be managed well because of the market structure.

Yield curve analysis, scenario analysis and international market developments are some of the many variables affecting optimum portfolio allocation. The Investment Committee makes fixed income decisions by taking into account the fund's maturity structure and possible risks in a rising interest rate environment.

Multi-step research and asset selection process

Prudential macroeconomic analysis involves scenario analysis and quantitative models. Selections of core portfolio are applied via rigorous methods to screen out investable assets and alpha creation over medium-to-long-term. Also the selection of trade portfolio is applied via technical and quantitative tools to screen out investment opportunities due to short-term market inconsistencies and beta-plays. In addition, for fixed income funds, yield curve analysis, real return and spread analysis are used.

Key Performance Indicators

Pension Funds	2015	2014	2013	2012
Number of Funds	20	19	19	16
Number of Clients (ths)	1,892	1,636	466	361
Assets under Management (TL mn)	6,592	5,517	4,231	3,450

Source: Rasyonet, as of December 31st, 2015

Products and Services

The DPM Unit provides professional asset management services presenting diversified business and client mix.

C. Discretionary Portfolio Management (DPM)

The Discretionary Portfolio Management (DPM) Unit manages portfolios on behalf of institutional investors such as insurance companies, foundations and corporations as well as high net worth individuals. The DPM Unit provides professional asset management services for its clients in order to meet each client's specified investment goals by using custom-tailored portfolios. And the DPM funds are managed with priority of minimizing risks while maximizing returns. Special emphasis is placed on actively managing funds considering the risk appetite and investment habits of each individual client. Hence, portfolio structures which best fit the client portfolios are established depending on the client's risk/return preferences and requirements. The DPM Unit also supports clients in making their own decisions in capital markets transactions by drawing upon its strength, experience and expertise in the financial markets.

Disciplined Asset Selection Process

All asset selection activities of the Unit are carried out according to clearly established internal regulations, which require the review, approval and constant monitoring of all relevant bodies vis-à-vis investment decisions. During this process, special attention is paid to clients' risk tolerance and benchmark assets. Rigorous fundamental and quantitative analysis provides the necessary framework for asset selection.

High Liquidity

DPM portfolios are composed of highly liquid assets, which make it possible to enter and exit these assets during interim periods at very low transaction costs. In addition, the Unit charges no commission in the event of account closure.

Dedicated Client Relations

YKAM's dedicated client representatives continuously provide in-depth personal analysis of the clients' portfolios through market highlights and professional comments. YKAM takes special care to communicate clearly and frequently with clients through quarterly meetings on economic developments, investment strategies and portfolio performances as well as tailor-made reporting at requested intervals.

Benchmark Based Dynamic Management Style

The DPM Unit constantly monitors its performance against various indexes as well as custom benchmarks that consist of several indices. The benchmarks are taken into consideration during the portfolio performance analysis, accordingly, plays an important role in portfolio management. All portfolios are managed proactively by considering the effects of changing micro and macro variables on each asset class and responding to these changes appropriately.

Comprehensive Risk Management Process

The risk indicators of all DPM portfolios are constantly monitored by the Risk Management and Compliance Department and regularly overviewed at the weekly Risk Committee. The value of risk calculations are tracked closely while stress-test calculations are undertaken using the RiskTurk application.

TL Portfolio models are as follows:

- TRY Deposit
- TRY Benchmark
- TRY Absolute Return
- Qualified Investor

Equity Portfolio models are as follows:

- Equity
- Equity Dynamic

Foreign Exchange Portfolio models are as follows:

- FX Deposit (EUR/USD)
- FX Dynamic (EUR/USD)

Products and Services

DPM in 2015

Market Overview

Expectations of FED's radical interest rate action kept global markets under stress in 2015. Local markets suffered from political issues (2 consecutive elections in 5 months) as well. USD/TRY appreciated throughout the year while TL deposits remain high for the whole year.

As DPM department we started with a defensive stance to the year due to economic and political turmoil above. We preferred short term trading in equity and bond markets while enjoying high deposit rates. Our models beat their benchmarks at the end.

Key Performance Indicators

	2015	2014	2013	2012
Number of Clients	451	389	412	358
Institutional	14	13	16	20
Individual	437	376	396	338
Assets under Management (TL mn)	1,075	954	1,286	1,246
Institutional	568	361	592	656
Individual	507	593	693	589

Products and Services

D. Investment Advisory

The investment Advisory Department provides consultancy services to domestic and international institutions and individual clients in determining investment strategies for their portfolios. The main objective of the Department is to provide customized asset allocation based on the risk profile and requirements of the client. By creating investment ideas focused on customer satisfaction, advisory services are provided to the client with priority given towards achieving targeted risk-adjusted returns along with targeted volume and profitability. The primary objective of this strategic service is to reach institutional and individual investors who are in need of tailored investment strategy solutions developed by professional asset managers on their view and expectations.

Proactive and Efficient Asset Allocation

The Department is responsible for continuously monitoring client portfolios and offering advice according to client asset allocations and risk preferences. During the asset allocation process, efficient frontier of Turkish investment instruments, which are able to give the best return on a given level of risk, are used in addition to a variety of selected instruments. Portfolio diversification is efficiently exercised in accordance with the client's risk profile in order to reduce the risk exposure. The Portfolio Advisory Department differentiates itself from the competition with its highly skilled, well-educated team of professionals. Qualified teamwork and a wide range of experience in different asset classes back up the strong position of the Unit.

Unique Risk Standards

Since financial goals and needs of the investors may vary, the Investment Advisory Department puts the utmost emphasis on knowing the risk parameters and return expectations of the client. Consequently, the Unit classifies its client base according to their risk perception and asset class preferences. In order to determine the clients' risk preferences, questionnaires and personal meetings are conducted. The Department has its own risk standards for each risk/asset class group. Utilizing these standards, the Investment Advisory Committee monitors and supervises the portfolios within the asset/risk group on a weekly basis.

Managed Fund Accounts

Managed Fund Accounts has been constructed in March 2012 to serve affluent and private banking clients. The volume of Managed Fund Accounts, peaked at TRY 80 mn in June 2013 after Turkey's rating has been raised to investment grade, however the volume of the managed fund accounts declined to TRY 13 mn in 2014 due to the political volatility and in 2015 the end up volume of managed fund accounts is TRY 9 mn. Weekly Investment advisory committees are carried out and fund accounts performance widely followed.

Additionally, in 2015, investment advisory department started to construct Allianz Pension Fund Accounts, as well.

Investment Advisory Unit in 2015

In 2015, the Investment Advisory Unit was successful in improving service quality as well as the client loyalty.

Key Performance Indicators

	2015	2014	2013	2012
Number of Clients	33	40	45	38
Assets under Management (TL mn)	767	839	710	612

Marketing and Sales Management

YKAM aims to create high value for its clients and strives to achieve its performance targets in all investment products under management. The Company takes advantage of its strength in innovation, advanced know-how in asset management, expertise in all asset classes traded in both global and local markets and commitment to produce alternative investment products with clearly defined risk parameters. YKAM has been the pioneer in Turkey to launch the first capital guaranteed funds and first fund of funds.

YKAM supports its marketing processes with intensive advertising and product promotion activities and enhances its investor information platforms. Additionally, the Company reshuffles product management portfolio in line with investors' needs, potential trends and designs as well as changes in legislation.

New Product Development Process

Ensuring strong and steady coordination among company, sales network and support units, YKAM has always exhibited outstanding performance in designing and launching new asset management products. The main decision hub for product development process is the New Product Committee meeting, which meets regularly and comprises of extensive quorum of employees from different functions including marketing and sales management teams of distribution channels, representatives of the sales force and portfolio managers. With utmost attention on investment performance, the Portfolio Management Group, in close cooperation with Marketing and Sales Management, discusses prospect products, evaluates and decides on the suggestions to be delivered to the New Product Committee. At committee meetings, decisions about the new products are taken with consensus of all participants.

Innovation and Leadership

Being the innovation leader in Turkey, YKAM introduced these high value-adding products for the first time to the market:

- Only asset management company in Turkey with international rating and holding the highest grade in Fitch Ratings' scale of asset management rating.
- Pioneering the fund specific international rating, YKAM is the first and only asset management company in Turkey which manages funds having international rating.
- First comprehensive CRM infrastructure
- First Capital Guaranteed Funds
- First Fund of Funds
- First Private Sector Bonds&Bills Fund
- First BIST - Dividend Index Fund
- First Target Date Fund

Core Strengths

Sales Management at YKAM is based on the following core strengths:

- Being the only asset management company in Turkey which has international rating and holding the highest grade in Fitch ratings' scale of asset management rating.
- Advanced communication skills, efficient communication tools, strong sales support and coaching experience
- Client centric approach in all steps of the product sales process
- Providing all know-how and knowledge about products' specifications to distribution channels
- Providing support for after sales process and all CRM services given by distribution channels

Competitive Advantages

Benefiting from its high competitive advantages, YKAM displays outstanding performance by providing tailor-made solutions to meet the investment demands of all client segments:

- First and only international rating agency rated Asset Manager in the premier league of the fund sector.
- First and only asset management company in Turkey which manages funds having international rating.
- Holding the "Highest Standards (tur)" grade which is the top grade in Fitch Ratings' scale of asset management rating since 2013.
- First Target Date Fund has been launched.
- Private banking funds are offered exclusively for HNWIs.
- Hedge fund is offered to HNWIs and institutional investors.
- Managed Fund Accounts, a fund basket product, constituted by 3 different risk levels and return potentials, which is offered to individual clients.
- 2 new retail banking products launched. «Deposit + Fund» and «İlk Param»
- Portfolio Advisory is offered for the UHNWI and institutional client investors segments of Yapı Kredi Bank.
- Investment Advisory has reached to TL767 mn.

Marketing and Sales Management

- YKAM enjoys its operational strength established by courtesy of cooperation with several business partners.
- YKAM takes advantage of its in-depth experience in third party business and pioneers the sector in many fields.
- YKAM has considerable strength in fixed income and equity funds.
- YKAM has a leading position in alternative investments.
- Platinum Funds has been offered to qualified investors.
- Lease Certificates Fund (SUKUK) has been offered to investors.
- YKAM is one of the leaders in the management of discretionary mandates.
- New IT & CRM & IVR projects have been completed successfully.
- Luxembourg domiciled Yapı Kredi SICAV fund has been launched for sales and marketing phase in major European countries
- Foundership transference with Yapı Kredi Bank has been completed.
- The process of orientation to TEFAS has been completed.

International Recognition

With its marketing efforts in international area, YKAM continued to receive recognition from leading institutions. In 2013, Fitch Ratings upgraded Yapı Kredi Asset Management's credit note to Highest Standards (tur) which is the highest grade in Fitch's scale of asset management rating and is the only rating assigned to a Turkish asset management company. Fitch reaffirmed YKAM's "Highest Standards (tur)" again in 2014.

Four mutual funds and three pension funds managed by Yapı Kredi Asset Management have earned "High Fund Quality Rating" first in 2013 by Fitch Ratings. Thus, Yapı Kredi Asset Management manages four mutual and three pension funds, rated by an international rating group first time in Turkey. In 2015, 4 Mutual Funds and 2 Pension Funds grade has been affirmed at "Strong" and "Good", while one Pension Fund has rated at "Good" by Fitch Ratings.

Yapı Kredi Asset Management has been selected as Best* of Turkey by 7 prestigious finance magazine in 2015: Global Brands Magazine, EMEA Finance Magazine, Global Banking and Finance Review Magazine, International Finance Magazine, Business Worldwide Magazine, Global Investor Magazine and Global Finance Magazine

Selection criteria included investment performance, outstanding success in risk management and investment process, leading position in the sector, assets under management; strong IT infrastructure and various other factors. These awards indicate Yapı Kredi Asset Management's outstanding performance in growing its assets under management (AuM) with high profitability as well as international recognition of its experience.

Internal Control

Internal Control Department determines necessary steps to be taken at all levels and in all functions.

Internal control is an integral and indispensable part of YKAM's business policies and procedures. Internal Control Department carries out its activities with the aim of protecting the Company's assets, ensuring efficiency of business processes and reliability of the data as well as full compliance of operations with prevailing legislation, other regulations and the Company's rules and procedures. The Department targets to mitigate risks, which the Company is exposed through its activities, by implementing effective control points in processes. Internal Control Department is concerned with the entire range of YKAM's internal controls, including operational, financial and compliance controls.

In YKAM, all control and audit activities are conducted in accordance with international audit standards. Comprehensive software called My-Con is being used in order to monitor and report all results of audit activities within the Company. Control problems are identified and deficiencies are regularly reported, whereas serious matters are immediately reported to the Board of Directors through Audit Committee. The Board of Directors and Audit Committee are responsible for making sure that the internal control system within the Company is adequate. On behalf of the Board of Directors, the Audit Committee provides independent review and oversight on the efficiency and adequacy of internal control

Reviewing all transactions and operations throughout the Company with a risk-based approach, Internal Control Department addresses risks to achievement of the Company's objectives and determines necessary steps to be taken at all levels and in all functions for effectively managing risks. The assessment of the Department is reported to the senior management. At risk analysis meetings participated by all of the executives of the Company, strengths and weaknesses of the internal control system are reviewed. In coordination with relative units of the Company, Internal Control Department establishes policies, procedures and objectives as well as control points to ensure that management directives are thoroughly carried out. Internal Control Department also takes a pro-active role on development of technology based projects within the Company or adapting the Company to the changes in legal regulations by supporting or consulting the related units. All activities of the Department during the year are reported to the Board of Directors with an annual activity report on internal control.

Internal Audit

In YKAM, as per the decision of the Board of Directors, Internal Audit Department independently fulfills its tasks and exercises its assignment under its own initiative.

Providing an independent, objective assurance function, Internal Audit Department performs audits that comply with internal regulations and procedures, local laws and international audit standards, and recommends the best practices. The Internal Audit Department is also responsible for evaluating the effectiveness and adequacy of management procedures and business processes from a risk-oriented perspective.

Audit activities are scheduled on an annual audit plan during which risk assessment meetings in business units are organized with the top management to determine risk priorities of each individual unit. When completed, this plan is submitted to the Board of Directors.

The Department reports directly to the Board of Directors (BoD) via the Audit Committee. In 2015, the Internal Audit Department achieved its targets by performing ten regular process audits.

In YKAM, as per the decision of the Board of Directors, Internal Audit Department independently fulfills its tasks and exercises its assignment under its own initiative. Within the Internal Audit Department Charter, the BoD granted unrestricted access to all information and the authority to investigate any Company activity. The Charter is aligned with the Capital Market Board Communiqué on Portfolio Management Companies and Activities Of Such Companies and Regulation Regarding the Principles of Internal Audit, where the fundamental tenets of audit activities are described.

The Internal Audit Department aims to provide world class internal audit functions that meet expectations coming from various stakeholders and counterparties such as the Audit Committee, Board of Directors, supervisory bodies, external auditors, etc. The audit methodology used in the Company conforms to international audit standards of the Quality Assessment Review of Deloitte from 2012.

Technology

All YKAM operations rely heavily on advanced use of technology. By means of this awareness, the Company strives to stay ahead of the technological curve by implementing solutions that give a technological edge to current and potential operations. Along with many power users those have extensive knowledge and experience, YKAM enjoys a critical advantage in diagnosing operational problems due to technological inadequacies, as well as aversion of bottlenecks by providing alternative solutions, and in-house development capabilities.

Such a buoyant culture of technological innovation has yielded many positive results for the Company in terms of efficiency; many front office operations as well as most investment compliance, risk management and back office functions are well automated. The level of automation at YKAM allows employees to spend more time on value adding processes instead of operational routines.

The Company works with many solution partners for development of technological solutions and uses customized solution packs for each and every function. Fund management and private portfolio management clients are managed via the portfolio management system. This system is a system capable of instant fund management and is a complementary part of the investment compatibility function within the intra-day flows deterring active violations, reporting passive ones with advanced pre-settlement compatibility system . This system which is also capable of calculating the fund price is used with a view to controlling accuracy of fund prices so calculated by the Fund Service Unit, as well. Furthermore, this platform enables activities such as CRM, MIS, auditing, compatibility, total data and analysis-based marketing and sales reporting as required by and set forth in the legislation to be carried out whilst providing accounting, taxes, NAV and operational applications making other various calculations.

In 2015 too, YKAM is being restructured to implement a new business model aiming improved efficiency and meeting new regulatory changes. New capabilities, which are supported by the expanded conditions of entitlement, enable multiple benefits both for customers and YKAM's operations.

An IT transformation program has been created by taking into consideration requirements of the renovated business model, a result of the growth strategy and new competencies supported by the new legislation. The program aimed to design the IT infrastructure in a manner meeting the new business model and expectations of the legislation and was finalized.

The front office also relies heavily on the prompt and accurate flow of real-time market data and news that is disseminated by service providers such as Reuters, Bloomberg, Matrix and Foreks. Financial analysis packages such as Finnet and Stockground, technical analysis packages such as Metastock and statistical analysis packages such as EViews assist both the research teams and asset managers in decision-making processes.

RiskTurk, a third party risk assessment solution package and Rasyonet, another third party solution, are widely used by asset management, risk management, marketing and sales units in risk assessment and evaluation of the competitive environment.

YKP looked for new ways of integrating in-house technological solutions and ones provided by our business partners with a view to further increasing efficiency and eradicating user errors stemming from use of multiple platforms and succeeded in finding a solution to this problem owing to the new platform. Such integration built under a single roof increased the company's analytic skills and reporting capacity and, moreover, decision-making processes were strengthened.

Human Resources

Considering employees among its most valuable assets, YKAM truly acknowledges employee satisfaction as one of the prerequisites of sustainable business results and client satisfaction. With this awareness, the Human Resources Unit closely cooperates with all business segments to provide, protect and control the working environment, which is of crucial importance for solid and sustainable growth.

YKAM's fundamental human resources approach is to ensure that the right employee is matched with the right job and that the Company's workforce is effectively utilized at all times. YKAM also intensively focuses on training and development programs to ensure continuous improvement in service quality. All employees are provided with opportunities to participate in projects designed to improve their skills and abilities, facilitate their international career opportunities within the UniCredit Group and increase their experiences.

Yapı Kredi Banking Academy has a structured training catalogue corresponding to each function at the Company. Employees are strongly encouraged to plan their own annual training programs taking into consideration both compulsory and elective courses from the training catalogue. In addition to ongoing training and development activities, Yapı Kredi Banking Academy cooperates with Europe's leading business schools such as IMD and INSEAD and organizes joint certificate programs with universities and other important institutions in Turkey.

YKAM provides competitive benefits for its employees. All YKAM employees and their families benefit from Yapı Kredi Bank's employee group pension plan, which provides additional support during retirement. Employees also benefit from group health and life insurance.

YKAM Employee Profile

YKAM Employee Profile

36

AGE

8

TENURE with
FIRM

GENDER

63%

MALE

37%

FEMALE

EDUCATION

41%

Bachelor's Degree

2%

PhD Degree

6%

High School

3%

Associate Degree

48%

Graduate Degree

Community Involvement

Yapı Kredi Asset Management launched a social responsibility fund called “Koç For My Country Variable Fund” within the context of corporate social responsibility principle. The fund’s management fees are donated to the “For My Country” projects undertaken by Koç Holding.

In addition, to increase investor awareness and literacy, YKAM continued to host its annual “Macroeconomic Expectation Conference” for the five years in row.

Business Partners

Finance/ Account / Administration

Ernst & Young – Financial audit
Deloitte & Touche Tohmatsu – Tax Audit
Yapı Kredi Bank – Custodian
ATP Tradesoft – Financial and operational software

Risk Management / Compliance

Koç Sistem – Compliance and risk management
RiskTürk – Market Risk
Rasyonet – Investment fund and pension funds data reporting / Fixed Income Module
ATP Tradesoft – Risk Management Module
Lebib Yalkın - Compliance

Marketing

Magiclick – Corporate Website and Fonport+ (internal portal on asset management products and services for Yapı Kredi Bank sales force)

Fund Performance

Mutual Funds Performance		2015	2014	2013	2012	2011
Code		Fund	Fund	Fund	Fund	Fund
YLB	Yapı Kredi Asset Management Money Market Fund	9.56%	8.54%	5.11%	7.50%	4.20%
YDK	Yapı Kredi Asset Management Working Account Short Term Bonds and Bills Fund	8.09%	7.47%	4.26%	3.42%	-
YHT	Yapı Kredi Asset Management Short Term Bonds and Bills Fund	8.53%	7.74%	4.50%	7.24%	4.40%
YOT	Yapı Kredi Asset Management Mid Term Bonds and Bills Fund	7.58%	10.15%	4.72%	9.90%	4.10%
YBU	Yapı Kredi Asset Management Bonds and Bills Fund	3.90%	12.06%	1.73%	11.87%	2.50%
YKU	Yapı Kredi Asset Management Long Term Bonds and Bills Fund	1.95%	12.36%	-0.90%	15.08%	0.70%
YBE	Yapı Kredi Asset Management Eurobond (Dollar) Bonds and Bills Fund	20.92%	21.42%	0.70%	11.60%	18.80%
YDO	Yapı Kredi Asset Management First Variable Fund	4.19%	12.63%	2.53%	13.07%	-2.20%
YOD	Yapı Kredi Asset Management Second Variable Fund	3.81%	11.37%	-	-	-
YBS	Yapı Kredi Asset Management Private Sector Bonds and Bills Fund	9.31%	9.84%	5.80%	9.60%	-
YSE	Yapı Kredi Asset Management Commodity Foreign ETF Fund Basket Fund	-11.95%	-10.34%	1.25%	-10.57%	-
YKT	Yapı Kredi Asset Management Gold Fund	7.55%	6.57%	-14.81%	-2.06%	32.00%
YSP	Yapı Kredi Asset Management DPM Second Variable Private Fund	27.97%	10.44%	-	-	-
YBP	Yapı Kredi Asset Management DPM First Variable Private Fund	9.04%	8.43%	-	-	-
YDP	Yapı Kredi Asset Management DPM Third Variable Private Fund	7.13%	11.67%	-	-	-
YSU	Yapı Kredi Asset Management Third Variable Fund	4.75%	10.53%	3.09%	-	-
YFV	Yapı Kredi Asset Management SUKUK Fund	5.67%	3.73%	-	-	-
YTP	Yapı Kredi Asset Management Fourth Variable Fund	4.14%	4.34%	-	-	-
YAF	Yapı Kredi Asset Management Fifth Variable Fund	-8.73%	14.42%	-0.64%	23.84%	-7.60%
YAK	Yapı Kredi Asset Management Balanced Fund	-4.41%	18.01%	-3.10%	35.21%	-7.70%
YHS	Yapı Kredi Asset Management First Equity Fund (Equity Intense Fund)	-12.10%	25.83%	-11.07%	50.42%	-15.50%
YEF	Yapı Kredi Asset Management ISE 30 Index Equity Fund (Equity Intense Fund)	-14.60%	28.39%	-14.00%	57.83%	-23.40%
YAU	Yapı Kredi Asset Management ISE 100 Index Equity Fund (Equity Intense Fund)	-13.96%	27.60%	-11.90%	54.04%	-21.00%
YAS	Yapı Kredi Asset Management Koc Holding Affiliate and Equity Fund (Equity Intense Fund)	0.60%	31.70%	3.09%	42.78%	-5.80%
YAY	Yapı Kredi Asset Management Foreign Technology Sector Equity Fund	22.43%	24.36%	19.61%	9.84%	12.20%
YDE	Yapı Kredi Asset Management ISE Dividend 25 Index Equity Fund (Equity Intense Fund)	-13.08%	24.10%	-11.18%	37.00%	-
YDI	Yapı Kredi Asset Management Second Equity Fund (Equity Intense Fund)	-14.57%	31.04%	-11.56%	32.92%	-
YDN	Yapı Kredi Asset Management DPM Equity Private Fund (Equity Intense Fund)	-11.03%	7.91%	-	-	-
YTD	Yapı Kredi Asset Management Foreign Fund Basket Fund	15.69%	6.65%	-	-	-
AFF*	Yapı Kredi Asset Management Second Bonds and Bills Fund	0.18%	-	-	-	-

* AFF return calculated between 01.12.2015 - 31.12.2015

Pension Funds Performance		2015	2014	2013	2012	2011
Code	Fund Performance (%)	Fund	Fund	Fund	Fund	Fund
ALL	Allianz Yaşam ve Emeklilik Money Market Temporary Liquid Managed Pension Fund	9.16%	8.49%	-	-	-
AMP	Allianz Yaşam ve Emeklilik Money Market Liquid Managed Pension Fund	9.74%	8.80%	5.39%	6.80%	5.80%
AMA	Allianz Yaşam ve Emeklilik Income-oriented Government Debt Instrument Pension Fund	0.11%	14.65%	0.21%	13.15%	2.91%
AMB	Allianz Yaşam ve Emeklilik Income-oriented Government Debt Instrument Group Pension Fund	1.84%	16.64%	1.16%	14.83%	3.79%
ALH	Allianz Yaşam ve Emeklilik Growth-oriented Equity Pension Fund	-14.39%	26.93%	-9.69%	54.76%	-21.31%
ALS	Allianz Yaşam ve Emeklilik Managed Pension Fund	2.89%	11.93%	0.18%	17.93%	-0.80%
AGL	Allianz Yaşam ve Emeklilik First Managed Group Pension Fund	0.97%	16.94%	0.13%	25.74%	-3.86%
ALR	Allianz Yaşam ve Emeklilik Second Managed Pension Fund	32.36%	26.07%	59.13%	0.91%	16.21%
AMY	Allianz Yaşam ve Emeklilik Second Managed Group Pension Fund	22.32%	28.04%	1.65%	16.92%	19.82%
AMR	Allianz Yaşam ve Emeklilik Income-oriented Second Government External Debt Instruments Pension Fund	11.69%	3.58%	19.26%	9.91%	14.43%
AMG	Allianz Yaşam ve Emeklilik Income-oriented First Government External Debt Instruments Pension Fund	21.94%	26.42%	2.61%	14.60%	19.83%
ALU	Allianz Yaşam ve Emeklilik Growth-oriented Managed Pension Fund	-5.07%	16.77%	-3.11%	28.90%	-6.73%
AEU	Allianz Yaşam ve Emeklilik ISE Dividend Index Pension Fund	-12.01%	25.15%	-10.40%	47.16%	-
ALI	Allianz Yaşam ve Emeklilik Koç Companies Affiliates Index Pension Fund	0.92%	36.35%	5.28%	45.05%	-
AEN	Allianz Yaşam ve Emeklilik Income-oriented Managed Pension Fund	7.92%	9.58%	4.35%	7.09%	-
AMN	Allianz Yaşam ve Emeklilik Pera Y Managed Group Pension Fund	6.49%	13.44%	2.74%	18.51%	-
AMZ	Allianz Yaşam ve Emeklilik Gold Pension Fund	7.88%	6.59%	-4.45%	-	-
AMS	Allianz Yaşam ve Emeklilik Standard Pension Fund	2.05%	14.31%	-0.15%	-	-
AMF	Allianz Yaşam ve Emeklilik Contribution Pension Fund	0.29%	17.57%	-2.37%	-	-
AUA*	Allianz Yaşam ve Emeklilik Managed Funds of Fund Pension Fund	-4.32%	-	-	-	-

* AUA as of 24th, February 2015

Source: Rasyonet as of December 31st, 2015

Part II

Financial Information

Yapı Kredi Portföy Yönetimi Anonim Şirketi

**Financial statements at December 31, 2015 together
with independent auditors' report**



Building a better
working world

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Independent auditor's report

To the Board of Directors of Yapı Kredi Portföy Yönetimi A.Ş.

We have audited the accompanying financial statements of Yapı Kredi Portföy Yönetimi A.Ş. ("the Company") which comprise the statement of financial position as at December 31, 2015 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 financial statements present fairly, in all material respects, the financial position of Yapı Kredi Portföy Yönetimi A.Ş. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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



Yapı Kredi Portföy Yönetimi A.Ş

Index to the financial statements

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Yapı Kredi Portföy Yönetimi A.Ş.**Statement of financial position****as at December 31, 2015**

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

	Notes	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents	5	48.958.348	44.631.973
Financial investments	7	-	-
Derivatives financial instruments	6	-	102.595
Trade receivables	8	7.681.847	7.304.480
- Receivables from related parties	22	7.642.401	7.274.215
- Other trade receivables		39.446	30.265
Property and equipment	10	977.564	1.040.000
Intangible assets	11	714.093	722.994
Deferred tax assets	12	321.955	775.079
Other assets	15	322.461	177.098
Total assets		58.976.268	54.754.219
Liabilities and equity			
Other payables	9	1.707.158	1.762.939
- Payables to related parties	22	295.149	315.054
- Other payables		1.412.009	1.447.885
Current income tax liabilities	12	2.127.255	2.272.025
Provisions	13	240.000	220.000
Provision for employee benefits	14	4.940.646	4.384.334
Total liabilities		9.015.059	8.639.298
Share capital	16	4.709.574	4.709.574
Retained earnings	17	45.251.635	41.405.347
Total equity		49.961.209	46.114.921
Total liabilities and equity		58.976.268	54.754.219

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

Yapı Kredi Portföy Yönetimi A.Ş.

**Statement of comprehensive income
for the year ended December 31, 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

	Notes	1 January- 31 December 2015	1 January- 31 December 2014
Fee and commission income, net	18	53.184.311	42.943.669
Gross profit		53.184.311	42.943.669
Marketing and selling expenses	19	(527.683)	(786.627)
Staff expenses	19	(16.266.554)	(14.787.507)
General administrative expenses	19	(6.836.669)	(5.334.754)
Profit from operations		29.553.405	22.034.781
Financial income	21	4.807.009	4.318.356
Financial expense	21	(2.195)	(2.745)
Other operating income	20	153.829	486.333
Profit before tax		34.512.048	26.836.725
Taxation			
- Current tax expense	12	(6.212.636)	(6.023.035)
- Deferred tax (expense) / income	12	(453.124)	623.065
Profit for the year		27.846.288	21.436.755
Other comprehensive income		-	-
Total comprehensive income		27.846.288	21.436.755

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

Yapı Kredi Portföy Yönetimi A.Ş.

**Statement of changes in equity
for the year ended December 31, 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

	Notes	Share capital	Adjustment to share Capital	Total Share Capital	Retained earnings	Total Equity
January 1, 2014		2.349.443	2.360.131	4.709.574	44.968.592	49.678.166
Dividend paid	17	-	-	-	(25.000.000)	(25.000.000)
Total comprehensive income		-	-	-	21.436.755	21.436.755
December 31, 2014		2.349.443	2.360.131	4.709.574	41.405.347	46.114.921
January 1, 2015		2.349.443	2.360.131	4.709.574	41.405.347	46.114.921
Dividend paid	17	-	-	-	(24.000.000)	(24.000.000)
Total comprehensive income		-	-	-	27.846.288	27.846.288
December 31, 2015		2.349.443	2.360.131	4.709.574	45.251.635	49.961.209

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

Yapı Kredi Portföy Yönetimi A.Ş.**Statement of cash flows****for the year ended December 31, 2015****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

	Notes	31 December 2015	31 December 2014
Cash flows from operating activities:			
Net profit for the year		27.846.288	21.436.755
Adjustments for to reconcile net profit to net cash provided by operating activities:			
Depreciation	10,11	486.906	383.104
Provision/(Release of provision)	13	(240.000)	(220.000)
Provision for employment termination benefits	14	250.784	160.523
Corporate tax provision	12	7.056.549	6.212.823
Deferred tax (income)/expense	12	453.124	(623.065)
Provision for personnel bonus	14	3.900.000	3.552.000
Provision for unused vacation liability	14	44.584	1.417
Derivative financial instruments valuation	6	-	(102.595)
Prior year provision changes	14,19	556.312	305.710
Cash flows from operating profits before changes in operating assets and liabilities:		40.354.547	31.106.672
(Increase)/Decrease in trade receivables	8	(377.367)	(2.499.911)
(Increase)/Decrease in other assets and prepaid expenses	15	(144.859)	92.021
(Increase)/Decrease in other liabilities	9	(55.781)	190.939
Employment termination benefits paid	14	(87.056)	(157.854)
Taxes paid	12	(7.201.319)	(5.422.476)
Changes in interest accruals		88.874	137.028
Payment of prior year bonuses	19	(3.995.414)	(3.529.710)
Net cash provided by operating activities		28.581.625	19.916.709
Cash flows from investing activities:			
Purchase of property and equipment	10	(203.569)	(408.455)
Purchase of intangible assets	11	(210.973)	(534.649)
Disposal of property and equipment	10	-	-
Increase/(decrease) in time deposits with maturity longer than 3 months		2.105.047	(2.013.666)
Purchase of securities held to maturity	7	-	-
Redemption of securities held to maturity	7	-	3.292.488
Net cash (used in) investing activities		1.690.505	335.718
Cash flows from financing activities:			
Dividend paid	17	(24.000.000)	(25.000.000)
Net cash (used in) financing activities		(24.000.000)	(25.000.000)
Net (decrease) in cash and cash equivalents		6.272.130	(4.747.573)
Cash and cash equivalents at the beginning of the year		42.431.896	47.179.469
Cash and cash equivalents at the end of the year		48.704.026	42.431.896

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

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements as of December 31, 2015

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

1. General information

Yapı Kredi Portföy Yönetimi A.Ş. ("the Company"), has been established under the name Koç Portföy Yönetimi A.Ş. at January 30, 2002 and started its operations in June 25, 2002. The Company's principal shareholders are Yapı Kredi Yatırım Menkul Değerler A.Ş. and Yapı ve Kredi Bankası A.Ş. with a total share of 99.97%, which are also subsidiaries of Koç Finansal Hizmetler A.Ş. ("KFH") which was incorporated on March 16, 2001 for the purpose of combining financial sector companies of the Koç Group. On October 12, 2002, Koç Group entered into a joint strategic partnership with UniCredit Italiano S.p.A. ("UCI"), in KFH. Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. at December 29, 2006 and changed its name as Yapı Kredi Portföy Yönetimi A.Ş. on December 21, 2006.

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

Yapı Kredi Portföy Yönetimi A.Ş. has been entitled to portfolio management and investment consultancy activities by obtaining certificate of authorization issued by Capital Market Board ("CMB") dated May 13, 2015 numbered PYŞ/PY.17-YD.9/391 in accordance with Communiqué on "Portfolio Management Companies and Activities On Such Companies" numbered III-55.1. On October 17, 2015 Yapı Kredi Portföy Yönetimi A.Ş. has been authorized by CMB to take over investment funds founded by Yapı ve Kredi Bankası A.Ş. and Yapı Kredi Yatırım Menkul Değerler A.Ş. as establisher.

The Company has taken official permission from regulator of the Luxembourg financial sector CSSF in order to establish variable capital umbrella fund with SICAV (Société d'investissement à capital variable) status in 2013. Based on the official permission, the Company has started the operation as of May 7, 2013.

As of December 31, 2015, 87.32% of the shares of the Company is owned by Yapı Kredi Yatırım Menkul Değerler A.Ş. Since the principal shareholder of Yapı Kredi Yatırım Menkul Değerler A.Ş. is Yapı ve Kredi Bankası A.Ş. who also owns 12.65% of the shares of the Company, the ultimate principal shareholder of the Company is Yapı ve Kredi Bankası A.Ş.

The Company's financial statements for the year ended December 31, 2015 have been approved by Board of Directors on March 7, 2016. General Assembly and regulatory bodies have the right to amend the financial statements within the legal framework.

The Company's head office is located at Büyükdere cad. Yapı Kredi Plaza A Blok Kat: 13 Levent, İstanbul, Turkey.

The Company has 65 employees at December 31, 2015 (December 31, 2014: 62).

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies

A) Basis of presentation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

(a) Accounting standards

Financial statements have been prepared based on the historical cost convention.

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The Company maintains its books of account and prepares its statutory financial statements in accordance with the accounting principles issued in Turkish Commercial Code and tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The functional and presentation currency of the Company is Turkish Lira (TL).

(b) Amendments to International Financial Reporting Standards

(a) Adoption of new or amended standards and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Company'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:

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 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. The amendment did not have an impact on the financial statements of the Company.

Annual Improvements to IAS/IFRSs

In December 2013, IASB issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle."

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

Annual Improvements - 2010–2012 Cycle

IFRS 2 Share-based Payment:

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

IFRS 3 Business Combinations

The amendment is applied prospectively and 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).

IFRS 8 Operating Segments

The amendments clarify that: 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.

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

The amendment to IAS 16.35(a) and IAS 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.

IAS 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

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 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.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 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.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

IAS 40 Investment Property

The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

Above amendments did not have a significant impact on the financial statements of the Company.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

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

IFRS 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 clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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

The amendments to IAS 16 and IAS 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 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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

IAS 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 IAS 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 IAS 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 Company and will not have an impact on the financial position or performance of the Company.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

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

In August 2014, IASB issued an amendment to IAS 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 IAS 28

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

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

In April 2015, amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 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 IFRS 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 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In February 2015, amendments issued to IAS 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 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

2. Summary of significant accounting policies (continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued, Annual Improvements to IFRSs 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

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

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 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 1 January 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 1 January 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 Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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 1 January 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 Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

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 Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If *the Company* applies this relief, it shall disclose that fact.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods.

B. Summary of significant accounting policies

(a) Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include balances of cash and time deposits with maturities shorter than three months excluding accrued interest (Note 5).

(b) Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and from discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to December 31, 2015 and 2014. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

(c) Leases

Finance leases as lease

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, which is the amount of cash consideration given for the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

Operating lease as lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term. The benefits obtained as incentives are recorded to income statement on a straight line basis over lease term.

(d) Trade receivables

The Company books a provision for the doubtful receivables when there is an objective evidence of trade receivables are uncollectible. The correspondent provision amount is the difference between the book value and uncollectible receivable amount. The collectible amount is the discounted portion 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 the booking of the provision for the doubtful receivables, the collected amount is deducted from the doubtful receivables provision and recorded as income.

With the write off of the doubtful receivable, previously booked provisions are reversed and the receivable is deducted from assets completely. In the case of a collection of all or a portion of the previously written off receivable, the collected amount is deducted from the provision and recorded as other income.

(e) Property and equipment

All property and equipment are carried at cost less accumulated depreciation and permanent impairment if any. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account for the determination of net profit.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

Expenses for the repair of property and equipment are charged against income. They are, however, capitalized if they result in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily the capitalized refurbishment costs.

(f) Intangible assets

Intangible assets comprise acquired software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for a period not exceeding five years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(g) Fees, commissions and interest income / expenses

(i) Fees and commissions

Fees and commissions are generally accrued at the end of the month and reflected in the income statement. Furthermore, fund management fees and discretionary portfolio management fees are recognized on an accrual basis. Discretionary portfolio management fees are recorded quarterly, performance fees are recorded semi-annually and investment advisory fees are recorded monthly on an accrual basis in the income statement.

2. Basis of presentation of financial statements (continued)

(ii) Interest income and expense

Interest income and expenses are recognized in the income statement on an accrual basis. Interest income includes coupons earned on fixed income investment securities, amortization of discounts on government bonds and interest earned from time deposits.

(h) Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities.

(i) Provision for employee benefits/retirement pay liabilities

Obligations related to employee termination and vacation rights are accounted for in accordance with IAS 19 and are classified under "provision for employee benefits".

Employment termination benefits, as required by the Turkish Labor Law, are recognized in these financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Company arising from the retirement of its employees regarding the actuarial projections.

The Company also has to pay contributions to the 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 the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

(j) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and balances denominated in foreign currency are translated by using year-end Central Bank of Turkey exchange rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the income statement.

(k) Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.

All other finance expenses will be expensed during the period incurred.

(l) Taxes calculated over the Company's operating profit

Corporate tax

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognized in general administrative expenses.

Corporate tax is subject to offsetting when a legal right exists about netting off the current tax assets / liabilities or when they are related to the corporate tax collected by the same tax regulator.

Deferred income tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax (Note 11).

The principal temporary differences arise from provision for employment termination benefits, unused vacation provisions, personnel premium provisions, expense provisions and valuation differences on investment securities and property and equipment.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred income tax assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to the Company. Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 11).

The deferred tax assets and the deferred tax liabilities can be netted off only if there is a legal right according to the tax legislation of the country they are related to.

Notes to the financial statements (continued)

as of December 31, 2015

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

2. Summary of significant accounting policies (continued)

(m) Related parties

For the purpose of these financial statements, shareholders, companies controlled by or affiliated with them and other companies within the Koç Group and the UniCredit Group are considered and referred to as related parties (Note 22).

(n) Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

(o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

3. Financial risk management

The Company's activities expose it to financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company manages the financial risks by the capital risk policies that are determined by KFH under the base of Group. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Furthermore, the Company has an investment committee and a risk management committee. These committees are responsible for reviewing portfolio risk on a weekly basis and making decision on portfolio strategies and risk management policies when needed make decisions weekly and/or when needed about the portfolio strategies and risk management policies.

3.1 Financial risk factors

i. Information on credit risk

Credit risk is the risk of the Company's potential financial loss as a result of, the counterparty not being able to fulfil its obligations.

The Company is subject to credit risk mainly due to debt securities held in the portfolio, trade receivables and bank deposits. All of held to maturity financial investments of the Company are government bonds and are issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

Notes to the financial statements (continued)

as of December 31, 2015

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

3. Financial risk management (continued)

The Company's maximum credit risk exposure:

2015	Trade receivables				
	Related parties	Other Parties	Deposits in banks	Financial investments	Financial Asset Held For Trading
Maximum credit risk exposure as of the financial statements date	7.642.401	39.446	48.958.348	-	-
Net book value of financial assets which are neither past due nor impaired	7.642.401	39.446	48.958.348	-	-

2014	Trade receivables				
	Related parties	Other parties	Deposits in banks	Financial investments	Financial Asset Held For Trading
Maximum credit risk exposure as of the financial statements date	7.274.215	30.265	44.631.973	-	102.595
Net book value of financial assets which are neither past due nor impaired	7.274.215	30.265	44.631.973	-	102.595

The Company does not have overdue receivables as of December 31, 2015 and 2014. The Company's trade receivables are mainly composed of the last month's receivables of funds management fees. Correspondent amount is collected in the first week of the following month.

For the purposes of the table above, collaterals and other guarantees which increase the collectability of the financial asset are not taken into account. There are no financial assets which are past due and/or impaired. Moreover, the Company does not have any off balance sheet instruments which are subject to credit risk.

All held to maturity securities of the Company are government bonds issued by the Republic of Turkey Prime Ministry Undersecretary of Treasury and have been rated as "Ba1" by the Moody's, one of the global rating agencies.

ii. Information on liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. A decrease in funding sources mainly due to market instability or a decrease in credit risk results in liquidity risk. The Company manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The following table presents the cash flows payable by the Company under other financial liabilities according to their remaining contractual maturities as of December 31, 2015 and 2014. The amounts presented below are undiscounted cash flows resulting from contracts.

	2015				
	Carrying Amount	Up to 1 month	1 to 3 months	3 months to 1 year	Total contractual cash outflows
Other payables	1.707.158	1.301.963	-	405.195	1.707.158
Total liabilities	1.707.158	1.301.963	-	405.195	1.707.158

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Notes to the financial statements (continued)

as of December 31, 2015

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

3. Financial risk management (continued)

	2014				Total contractual cash outflows
	Carrying amount	Up to 1 month	1 to 3 months	3 months to 1 year	
Other payables	1.762.939	1.398.650	-	364.289	1.762.939
Total liabilities	1.762.939	1.398.650	-	364.289	1.762.939

In the schedule above, non-derivative financial liabilities resulting from contracts are included.

iii. Information on market risk

a. Foreign currency risk

Foreign currency risk arises from the result of the mismatch in foreign currency denominated assets and liabilities together with exposures resulting from off-balance sheet foreign exchange derivative instruments.

The Company's foreign currency denominated assets and liabilities are presented below:

	31 December 2015				31 December 2014			
	Turkish Lira equivalent	USD	Euro	Other	Turkish Lira equivalent	USD	Euro	Other
Monetary financial asset	-	-	-	-	18.447.200	7.955.151	-	-
Current Asset	-	-	-	-	18.447.200	7.955.151	-	-
Financial Liabilities								
Short Term Financial Liabilities								
Off-Balance sheet foreign currency transactions net position								
Derivative Instruments	-	-	-	-	(18.447.200)	(7.955.151)	-	-
Net foreign currency asset (liability) position	-	-	-	-	-	-	-	-

b. Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The government bonds, accounted in the held to maturity portfolio of the Company which mainly comprises inflation indexed government bonds, are subject to price risk due to changes in inflation, but the Company is subject to reinvestment rate risk when the cash resulting from the redemption of the these securities are reinvested.

Notes to the financial statements (continued)

as of December 31, 2015

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

3. Financial risk management (continued)

Average interest rates of financial instruments as of December 31, 2015 and 2014:

Assets	2015	2014
	TL (%)	TL (%)
Due from banks:		
- Time deposits	14,54	10,74

3.2 Capital risk management

The Company's objective when managing capital is to decrease the investment risk through portfolio diversification. The Company tries to provide returns for shareholders, preserve and increase the value of its portfolio. In order to add value to its portfolio, the Company invests in high yielding fixed income securities and other financial instruments, monitors the developments in capital markets, other financial institutions and modifies its portfolio strategy accordingly.

3.3 Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if available.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is 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 are considered to approximate their respective carrying values due to their short-term nature.

Market prices are used to determine the fair values of marketable securities.

ii. Financial liabilities:

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

The fair values and carrying values of financial assets in the Company's portfolio are as follows:

	2015		2014	
	Fair value	Carrying Value	Fair value	Carrying value
Cash and cash equivalents	48.958.348	48.958.348	44.631.973	44.631.973
Financial investments	-	-	-	-

Notes to the financial statements (continued)

as of December 31, 2015

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

3. Financial risk management (continued)

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

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

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

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

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

The Company has no financial assets carried at fair value.

4. Critical accounting estimates and judgments

Preparation of financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the reporting date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include.

Employee benefits: The Company accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with "Employee Benefits" ("IAS 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 14).

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.

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

5. Cash and cash equivalents

	2015	2014
Deposits in banks		
- Time	48.880.620	42.478.746
- Blocked Time	76.702	2.111.331
- Demand	1.026	41.896
	48.958.348	44.631.973

Deposits in banks amounts to TL 76.702 (December 31, 2014 – TL 72.230) is held as a pledge in Borsa Istanbul ("BIST") for the purpose of securities transactions.

The details of the cash equivalents as per the cash flow statement are presented below:

	2015	2014
Deposits in banks		
- Time	48.703.000	42.390.000
- Demand	1.026	41.896
	48.704.026	42.431.896

6. Derivative financial instruments held for trading

The notional amounts of derivative transactions as of December 31, 2015 and 2014 are presented below:

	2015			2014		
	TL	USD	TL equivalent	TL	USD	TL equivalent
Swap transactions (buy)	-	-	- 18.447.200	-	-	18.447.200
Swap transactions (sell)	-	-	-	- 7.955.151	-	18.810.676
			18.447.200	7.955.151		

There is no derivative transaction as of December, 31 2015 (December, 31 2014 - 102.595).

7. Financial investments

There is no securities transaction as of December, 31 2015 (December, 31 2014 - None).

Yapı Kredi Portföy Yönetimi A.Ş.**Notes to the financial statements (continued)****as of December 31, 2015**

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

8. Trade receivables

	2015	2014
Receivables from management of mutual funds	3.741.916	2.986.805
Receivables from pension funds' performance fee	1.734.922	2.152.691
Investment consultancy fee receivables	1.311.728	1.418.825
Receivables from management of pension funds	853.835	715.893
Receivables from discretionary portfolio management	15.579	23.587
Other	23.867	6.679
	7.681.847	7.304.480

Receivables from management of mutual and pension funds represents the management fee receivables to be obtained from 32 mutual funds (December 31, 2014: 40) and 20 pension funds (December 31, 2014:19) which were established under Capital Markets Board regulations.

9. Other payables

	2015	2014
Expense accruals	433.838	651.964
Taxes and duties payable	678.003	621.243
Social security premiums payable	151.484	134.996
Audit and consulting accruals	92.634	83.735
Advertisement expense accruals	16.401	-
Other short term payables	334.798	271.001
	1.707.158	1.762.939

10. Property and equipment

December 31, 2014	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
Net book value, January 1, 2014	-	587.062	262.938	850.000
Disposals	-	-	-	-
Additions	-	363.156	45.299	408.455
Depreciation (-)	-	(152.498)	(65.957)	(218.455)
Net book value	-	797.720	242.280	1.040.000
December 31, 2014				
Cost	102.669	1.889.362	768.563	2.760.594
Accumulated depreciation (-)	(102.669)	(1.091.642)	(526.283)	(1.720.594)
Net book value	-	797.720	242.280	1.040.000
December 31, 2015				
Net book value, January 1, 2015	-	797.720	242.280	1.040.000
Disposals	-	-	-	-
Additions	-	202.592	1.186	203.778
Depreciation (-)	-	(200.065)	(66.149)	(266.214)
Net book value, December 31, 2015	-	800.247	177.317	977.564
December 31, 2015				
Cost	102.669	2.067.865	793.838	2.964.372
Accumulated depreciation (-)	(102.669)	(1.267.618)	(616.521)	(1.986.808)
Net book value	-	800.247	177.317	977.564

There are no pledges or mortgages on property and equipment as of December 31, 2015 and 2014.

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

11. Intangible assets

December 31, 2014		Software
Cost		1.582.066
Accumulated amortization (-)		(859.072)
Net book value		722.994
Net book value, January 1, 2015		722.994
Additions		211.791
Amortization (-)		(220.692)
Net book value, December 31, 2015		714.093
December 31, 2015		
Cost		1.793.857
Accumulated amortization (-)		(1.079.764)
Net book value		714.093

12. Taxes

Corporate tax

	2015	2014
Corporate tax payable	7.056.549	6.212.823
Less: Prepaid taxes	(4.929.294)	(3.940.798)
Tax liability - net	2.127.255	2.272.025
Current tax expense	6.212.636	6.023.035
Deferred tax (income)/expense	453.124	(623.065)
	6.665.760	5.399.970

Corporate Tax Law numbered 5520 became effective as of January 1, 2006 with the Official Gazette numbered 26205 published on June 21, 2006. By the issue of this law, Corporate Tax Law numbered 5422 was abolished. Under the Corporate Tax Law numbered 5520, the applicable corporate tax rate is 20% for 2015 (December 31, 2014: 20%). Corporation tax is payable at a rate of 20% over the corporate tax base of the Company after adjusting for certain disallowable expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed until 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in single instalment until the end of the month in which the tax return is to be filed.

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 15%. Provisions of the bilateral tax treaties are reserved). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their quarterly determined corporate income. Advance tax return is filed by the 14th of the second month following each quarterly period and is payable on the 17th of the same month. 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.

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

12. Taxes (continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax authorities have the right to audit tax returns and accounting records for 5 years, and may issue re-assessment 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.

Reconciliation between the theoretical tax amount that would arise using the basic tax rate of the Company and the actual taxation charge for the year is stated below:

	2015	2014
Profit before tax	34.512.048	26.836.725
Theoretical income tax at the applicable tax rate of 20%	6.902.410	5.367.345
Effect of non-deductable expenses	994.509	868.946
Effect of non-taxable items	(43.239)	(79.605)
Other, net	(1.187.920)	(756.716)
Current year tax expense	6.665.760	5.399.970

Deferred income taxes

The deferred income taxes are calculated on temporary differences under the liability method using the principal tax rate of 20% at December 31, 2015 (December 31, 2014: 20%).

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

	2015	2014
Deferred tax assets	536.278	999.293
Deferred tax liabilities	(214.323)	(224.214)
	321.955	775.079

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

12. Taxes (continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2015	2014	2015	2014
Deferred tax assets				
Personnel premium provision (*)	1.170.000	3.552.000	234.000	710.400
Unused vacation provision	648.036	603.452	129.607	120.690
Expense provisions	467.720	568.280	93.544	113.656
Reserve for employment termination benefits	392.610	228.883	78.522	45.777
Valuation difference on time deposits	3.025	150	605	30
Valuation difference on derivatives	-	43.698	-	8.740
	2.681.391	4.996.463	536.278	999.293
Deferred tax liabilities				
Difference between tax base and carrying value of tangible and intangible assets	(1.071.615)	(1.018.470)	(214.323)	(203.694)
Valuation difference on marketable securities	-	-	-	-
Revaluation of derivative instruments at fair value	-	(102.595)	-	(20.520)
Deposit valuation differences	-	-	-	-
	(1.071.615)	(1.121.065)	(214.323)	(224.214)
Deferred tax assets, net			321.955	775.079

13. Provisions

	2015	2014
Provisions for legal case	240.000	220.000
Other provisions	-	-
	240.000	220.000

The amount consists of provisions for re-employment cases filed against the Company and other provisions.

Notes to the financial statements (continued)

as of December 31, 2015

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

14. Provision for employee benefits

	2015	2014
Short-term provisions		
Personnel premium provision	3.900.000	3.552.000
	3.900.000	3.552.000
Long-term provisions		
Unused vacation provision	648.036	603.452
Provision for employment termination benefits	392.610	228.882
	1.040.646	832.334
Total provision for employee benefits	4.940.646	4.384.334

Employment termination benefit:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Due to changes in the Law on May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 4.092,53 (December 31, 2014: TL 3.541,37) for each year of service at December 31, 2015.

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 arising from the retirement of employees.

	2015	2014
Discount rate (%)	%4,6	%3,5
Turnover rate to estimate the probability of retirement (%)	%91	%91

The basic assumption is that the determined value for every working year increases proportional to inflation. Using this assumption, the existing discount ratio shows the real ratio, unaffected by inflation. Therefore the maximum amount of employment termination benefits of the Company is determined every six months and is calculated using the maximum amount of TL 4.092,53 valid from January 1, 2016.

Movements in the reserve for employment termination benefits during the current year are as follows:

	2015	2014
Balance at January 1	228.882	226.213
Service cost/Actuarial profit/loss	189.643	1.148
Interest cost	22.202	16.457
Charge for the year	38.939	142.918
Payment within the period	(87.056)	(157.854)
Balance at December 31	392.610	228.882

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

15. Other assets

	2015	2014
Other assets		
Prepaid insurance expenses	130.953	48.159
Prepaid Information Technology expenses	157.655	80.901
Other	33.853	48.038
	322.461	177.098

16. Share capital

At December 31, 2015 and 2014 the issued and fully paid-in share capital held is as follows:

Shareholders	Share (%)	2015		2014	
		TL	Share (%)	TL	TL
Yapı Kredi Yatırım Menkul Değerler A.Ş.	87,32	2.051.616	87,32	2.051.616	
Yapı ve Kredi Bankası A.Ş.	12,65	297.192	12,65	297.192	
Other	0,03	635	0,03	635	
Total paid-in share capital	100,00	2.349.443	100,00	2.349.443	
Adjustment to share capital		2.360.131		2.360.131	
Total		4.709.574		4.709.574	

Share capital of the Company is TL 2.349.443 and consists of 234.944.278 authorized shares of nominal value of TL 0.01 each.

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at December 31, 2005.

17. Retained earnings and legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code the (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

At December 31, 2015 and 2014 the statutory reserves held by the Company in the financial statements are as follows:

	2015	2014
Legal reserves	17.462.705	20.025.950
Undistributed general reserve	-	-
	17.462.705	20.025.950
Historical amounts of dividends distributed during the year from the previous year's net income per statutory financial statements	24.000.000	25.000.000

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

17. Retained earnings and legal reserves

Profit distribution

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 are 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. The Company distributed TL 24.000.000 cash dividend to its Shareholders on March 24, 2015.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used as an internal source of capital increase, dividend distribution in cash or the net off from prior period losses. In case of usage of inflation adjustment to issued capital in dividend distribution in cash, it is subject to corporation tax.

18. Fee and commission income

	2015	2014
Mutual funds management fee	42.213.973	30.661.614
Pension funds management fee	8.874.885	7.420.542
Pension funds performance fee	1.652.307	2.152.691
Funds management fee	52.741.165	40.234.847
DPM management fee	2.993.917	3.618.884
DPM performance fee	454.035	489.968
Commission expense	(2.109.256)	(2.533.195)
Discretionary portfolio management fees	1.338.696	1.575.657
Fund management commission expense	(2.184.084)	(285.660)
Investment consultancy fees	1.288.534	1.418.825
	53.184.311	42.943.669

Yapı Kredi Portföy Yönetimi A.Ş.**Notes to the financial statements (continued)****as of December 31, 2015****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****19. Expenses by nature**

	2015	2014
General administrative expenses		
Personnel expenses	11.874.090	10.681.746
Personnel premium expenses	3.995.414	3.857.710
Provision expenses for employment termination benefits (Note 14)	272.469	160.023
Vacation expenses	124.581	88.028
Personnel expenses	16.266.554	14.787.507
Information technology expenses	2.173.350	1.592.611
Audit and consultancy expenses	1.012.013	911.633
Rent expenses	737.152	628.322
Other	645.207	560.610
Taxes and duties	569.336	183.694
Donations	516.520	387.410
Communication expenses	377.114	326.791
Office general expenses	270.938	250.828
Amortization and depreciation expenses (Note 10,11)	486.906	383.104
Insurance expenses	48.133	109.751
General administrative expenses	6.836.669	5.334.754
Total general administrative expenses	23.103.223	20.122.261
Marketing and selling expenses		
Marketing and selling expenses	527.683	786.627
	527.683	786.627
20. Other operating income		
	2015	2014
Other operating income		
Reversal of provisions	67.409	415.982
Other income	86.420	70.351
	153.829	486.333
21. Financial income/expenses		
	2015	2014
Financial income		
Interest income from time deposits	3.065.774	2.018.641
Interest income from derivatives	1.740.679	2.088.972
Interest income from marketable securities	-	209.384
Foreign exchange gain	556	1.359
	4.807.009	4.318.356

Yapı Kredi Portföy Yönetimi A.Ş.**Notes to the financial statements (continued)****as of December 31, 2015**

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

21. Financial income/expenses (continued)

	2015	2014
Financial expense		
Foreign exchange loss	2.195	2.745
	2.195	2.745

22. Related party transactions**a) Balances with related parties as of December 31, 2015 and 2014 are as follows:**

	2015	2014
Cash and cash equivalents		
Yapı Kredi Bankası A.Ş. (Time-TL)	44.847.964	17.950.298
Yapı ve Kredi Bankası A.Ş. (Demand-TL)	926	41.796
Yapı Kredi Netherland N.V. (Time- TL)	100	100
	44.848.990	17.992.194
Trade receivables		
Yapı ve Kredi Bankası A.Ş. mutual funds	3.741.916	2.986.805
Allianz Emeklilik A.Ş. (Formerly Yapı Kredi Emeklilik A.Ş.) pension funds	2.588.757	2.868.565
Yapı Kredi Bankası A.Ş.	1.311.728	1.418.825
Yapı Kredi Yatırım Menkul Değerler A.Ş. mutual funds		
	7.642.401	7.274.195
Other payables		
Yapı Kredi Bankası A.Ş.	184.225	215.842
Allianz Emeklilik A.Ş. (Formerly Yapı Kredi Emeklilik A.Ş.) pension funds	87.627	69.818
YKS Tesis Yönetim Hizmetleri A.Ş.	-	15.639
Opet Petrolcülük A.Ş.	2.274	7.053
Avis - Otokoç Otomotiv Tic. ve San. A.Ş.	-	6.702
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8.767	-
Koç Holding A.Ş.	7.434	-
Setur Servis Turistik A.Ş.	1.031	-
Koç Sistem A.Ş.	3.791	-
	295.149	315.054

Yapı Kredi Portföy Yönetimi A.Ş.**Notes to the financial statements (continued)****as of December 31, 2015**

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

22. Related party transactions (continued)**b) Transactions with related parties during the periods ended at December 31, 2015 and 2014 are as follows:**

	2015	2014
Interest income received from time deposits		
Yapı ve Kredi Bankası A.Ş.	2.660.858	1.457.530
Yapı Kredi Netherland N.V.	-	8.483
	2.660.858	1.466.013
Fee and commission received from related parties:		
Yapı ve Kredi Bankası A.Ş. Yatırım Fonları	40.301.553	28.910.970
Allianz Emeklilik A.Ş. Emeklilik Fonları	8.874.855	9.583.320
Yapı Kredi Yatırım Menkul Değerler A.Ş. Yatırım Fonları	3.150.333	3.101.736
Allianz Emeklilik A.Ş. Başarı Ücreti	1.652.307	2.050.182
Koç Ailesi üyeleri	540.214	378.877
Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş.(Tasviye Halinde)	-	15.000
SICAV	50.620	42.645
Türk Eğitim Vakfı	7.046	-
	54.576.928	44.082.730
Fee and commission paid to related parties		
Yapı ve Kredi Bankası A.Ş.	2.630.713	2.752.673
Yapı Kredi Yatırım Menkul Değerler A.Ş.	1.575.000	-
Allianz Emeklilik A.Ş. (Formerly Yapı Kredi Emeklilik A.Ş.)	87.627	66.182
	4.293.340	2.818.855
Other expenses paid to related parties:		
Yapı Kredi Bankası A.Ş.	612.908	376.536
Vehbi Koç Vakfı	500.000	385.000
Zer Merkezi Hizmetler ve Ticaret A.Ş.	313.286	241.889
Avis - Otokoç Otomotiv Tic. ve San. A.Ş.	207.904	167.817
YKS Tesis Yönetim Hizmetleri A.Ş.	131.694	66.417
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	52.722	67.974
Allianz Yaşam ve Emeklilik A.Ş.	52.025	63.266
Setur Servis Turistik A.Ş.	49.668	48.936
Opet Petrolcülük A.Ş.	46.848	61.363
Koç Holding A.Ş.	10.509	14.868
Akpa Day. Tük. LPG ve Akaryakıt Ür. Paz. A.Ş.	3.444	2.631
	1.981.008	1.496.697

c) Total salaries and benefits paid to the members of the Board of Directors, general manager, assistant general managers and other top management for the whole year 2015 amount to TL 2.433.039 (31 December 2014 – 1.426.881 TL).

Yapı Kredi Portföy Yönetimi A.Ş.

Notes to the financial statements (continued)

as of December 31, 2015

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

24. Other matters

Explanations on portfolio management operations:

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

25. Subsequent events

None.