GSD Yatırım Bankası Anonim Şirketi

Financial Statements as at and for the year ended December 31, 2015 Together With Independent Auditors' Report

GSD Yatırım Bankası Anonim Şirketi

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Building a better working world

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Independent Auditors' Report

To the Board of Directors of
GSD Yatırım Bankası Anonim Şirketi;

We have audited the accompanying financial statements of GSD Yatırım Bankası Anonim Şirketi ("the Bank"), which comprise the statement of financial position as at December 31, 2015 and the related statement of profit and loss and other 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.

Auditors' 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 the Bank 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

Yaşar Bivas, SMMM
Partner

August 15, 2016
Istanbul, Turkey

GSD Yatırım Bankası A.Ş.

Statement of Financial Position
As at 31 December 2015
(Currency -Thousands of Turkish Lira (TL))

	Notes	2015	2014
Assets			
Cash and balances with Central Bank	*15*	1,543	709
Due from banks	*16*	1,156	1,299
Trading securities	*17*	311	962
Investment Securities	*18*	160	160
Available for Sale Investments		*160*	*160*
Derivative financial instruments	*19*	15	-
Loans and advances to customers	*20*	256,742	101,493
Tangible assets	*21*	100	61
Intangible assets	*22*	112	106
Deferred tax assets	*23*	1,286	591
Other assets	*24*	44,076	4,028
Total assets		**305,501**	**109,409**
Liabilities			
Derivative financial instruments	*19*	1,376	-
Obligations under repurchase agreement	*17*	220	-
Current accounts of loan customers	*25*	166,074	7,116
Funds borrowed	*26*	32,700	5,360
Provisions	*27*	1,178	1,069
Income taxes payable	*14*	706	315
Other liabilities	*28*	6,317	4,442
Total liabilities		**208,571**	**18,302**
Shareholders' equity			
Share capital	*29*	50,000	50,000
Adjustment to share capital	*29*	2,686	2,713
Retained earnings		44,244	38,394
Total equity		**96,930**	**91,107**
Total liabilities and equity		**305,501**	**109,409**

The accompanying notes are an integral part of these financial statements.

GSD Yatırım Bankası A.Ş.

Statement of Comprehensive Income
For the year ended 31 December 2015
(Currency -Thousands of Turkish Lira (TL))

	Notes	2015	2014
Interest income			
Interest income on loans and advances to customers	7	19,497	13,315
Interest income on securities	7	43	19
Interest income on deposits with banks and other financial institutions	7	3	502
Total interest income		**19,543**	**13,836**
Interest expense			
Interest expense on funds borrowed and other money market deposits	8	1,780	(1,619)
Interest expense on current accounts of loan customers	8	2,835	(584)
Interest expense on other money market placements	8	26	(10)
Total interest expense		**(4,641)**	**(2,213)**
Net interest income		**14,902**	**11,623**
Fees and commission income	9	5,029	4,237
Fees and commission expense	9	(201)	(71)
Net fee and commission income		**4,828**	**4,166**
Net trading gains/(loss)	10	(2,323)	(244)
Other operating income		311	486
		(2,012)	**242**
Operating income		**17,718**	**16,031**
Net impairment gain / (loss) on financial assets	11	(912)	(1,704)
Personnel expenses	12	(4,856)	(4,527)
Other operating expenses	13	(4,664)	(3,743)
Profit before income tax		**7,286**	**6,057**
Income tax – current	14	(2,131)	(1,263)
Income tax – deferred	14	695	48
Net profit for the year		**5,850**	**4,842**
Other comprehensive income		(27)	-
Other comprehensive income for the year		**(27)**	-
Total comprehensive income for the year		**5,823**	**4,842**

The accompanying notes are an integral part of these financial statements.

GSD Yatırım Bankası A.Ş.

Statement of Changes in Equity

For the year ended 31 December 2015

(Currency -Thousands of Turkish Lira (TL))

	Share capital	Adjustment to share capital	Fair value reserve	Retained earnings	Total
Balance at 1 January 2014					
Total comprehensive income for the period	**50,000**	**2,713**	-	**33,552**	**86,265**
Net profit	-	-	-	4,842	4,842
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	**4,842**	**4,842**
Transactions with owners, recorded directly in equity	-	-	-	-	-
Balance at 31 December 2014	**50,000**	**2,713**	-	**38,394**	**91,107**
Total comprehensive income for the period					
Net profit	-	-	-	5,850	5,850
Other comprehensive income	-	(27)	-	-	(27)
Total comprehensive income for the period	-	(27)	-	5,850	5,823
Transactions with owners, recorded directly in equity	-	-	-	-	-
Balance at 31 December 2015	**50,000**	**2,686**	-	**44,244**	**96,930**

The accompanying notes are an integral part of these financial statements.

GSD Yatırım Bankası A.Ş.

Statement of Cash Flows

For the year ended 31 December 2015

(Currency -Thousands of Turkish Lira (TL))

	Notes	2015	2014
Cash flows from operating activities			
Interest received		18,122	13,913
Interest paid		(4,437)	(2,196)
Fees and commissions received		5,029	4,237
Trading income		(2,716)	(107)
Recoveries of loans	*20*	1,094	306
Fees and commissions paid		(201)	(71)
Cash payments to employees		(4,539)	(4,068)
Vacation pay liability paid	*27*	(69)	(2)
Employee termination benefits paid	*27*	(25)	(25)
Cash received from other operating activities		686	486
Cash paid for other operations		(5,334)	(3,579)
Income taxes paid		(1,524)	(1,646)
Cash flows from operating activities before changes in operating assets and liabilities		**6,086**	**7,248**
Changes in operating assets and liabilities			
Trading assets		(651)	(680)
Reserve deposits at Central Bank of Turkish Republic		834	(194)
Loans and advances to customers		(155,249)	16,413
Other assets		(40,048)	772
Current account of loan customers		159,958	304
Other money market deposits		220	-
Funds borrowed		27,340	(23,153)
Other liabilities and provisions		1,984	297
Net cash used in operating activities		**(5,612)**	**(6,241)**
Cash flows from investing activities			
Purchases of tangible assets		(61)	(24)
Proceeds from the sale of tangible assets and intangible assets		-	-
Purchase of intangible assets		(39)	(65)
Net cash provided by / (used in) investing activities		**(100)**	**(89)**
Net change in cash and cash equivalents		374	918
Cash and cash equivalents at 1 January	*30*	1,312	394
Cash and cash equivalents at 31 December	*30*	**1,686**	**1,312**

The accompanying notes are an integral part of these financial statements.

1. Corporate information

GSD Yatırım Bankası Anonim Şirketi (the "Bank") was registered on 22 December 1998 at Turkish Trade Registry Gazette, in accordance with the decision number 98/10962 taken by the Board of Ministers on 20 April 1998. The Bank was registered as an investment bank and commenced its operations on 7 April 1999, after obtaining the necessary banking permissions from the Turkish Undersecretariat of Treasury (the "Treasury") and the Central Bank of Turkey (the "Central Bank") on 24 February 1999.

The registered office address of the Bank is Aydınevler Mah. Kaptan Rıfat Sk. No: 3 Küçükyalı 34854, Maltepe - Istanbul, Turkey.

The parent and ultimate parent of the Bank is GSD Holding AŞ ("GSD Holding") whose majority shares are publicly traded.

Nature of activities of the Bank

The Bank carries out its activities as an investment bank. The Bank's corporate services mainly include corporate lending and trade finance. In retail banking, the Bank mainly provides retail lending products such as mortgages, home equity, vehicle and consumer loans to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets.

Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending cash and non cash loans
- Providing collection and payment services, fund transfer and correspondent banking services
- Cheques and notes payable transactions
- Providing custody service
- Foreign exchange transactions
- Trading of capital market instruments, derivatives and money market instruments
- Intermediary services in money markets
- Financial lease transactions

As at 31 December 2015, the Bank provides services through its head office. As at 31 December 2015, the number of employees of the Bank is 26 (2014: 26).

2. Basis of preparation

2.1 Basis of presentation of financial statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"s) as issued by the International Accounting Standards Board ("IASB").

The financial statements of the Bank were authorised for issue by the management on April 9, 2015. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Bank maintains its books of account and prepares its financial statements in Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the "BRSA", which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA, and the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish Tax Legislation.

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, except for trading securities and derivatives which are measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The accounting policies have been consistently applied by the Bank and are consistent with those used in previous year ended 31 December 2014.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

2.3 Functional and presentation currency

These financial statements are presented in TL, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

The restatement for the changes in the general purchasing power of TL until 31 December 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous year be restated in the same terms.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgement when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

2. Basis of preparation *(continued)*

2.3 Functional and presentation currency *(continued)*

Restatement of statement of financial position and statement of comprehensive income items through the use of a general price index and relevant conversion factors does not necessarily mean that the Bank could realise or settle the same values of assets and liabilities as indicated in the statement of financial position. Similarly, it does not necessarily mean that the Bank could return or settle the same values of equity to its shareholders.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 5.

2.5 Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Significant accounting policies

The accounting policies set out below have been applied constantly to all periods presented in these financial statements and have been applied consistently by the Bank.

3.1 Foreign currency transactions

The financial statements are presented in TL, which is the Bank's functional and presentation currency. The Bank determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate date of the transaction.

(Currency - Thousands of Turkish Lira (TL))

3. Significant accounting policies *(continued)*

3.2 Foreign currency transactions *(continued)*

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period. All foreign currency differences are recognised in profit or loss.

Foreign currency translation rates used by the Bank are as follows:

	EUR / TL (full)	USD / TL (full)
31 December 2013	2.9365	2.1343
31 December 2014	2.8207	2.3189
31 December 2015	3.1776	2.9076

3.3 Interest

Interest income and expense are recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of financial instrument, but not future credit losses. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income statement include:

- the interest income and expense on financial assets and liabilities at amortised cost on an effective interest rate basis
- the interest income on trading assets.

3.4 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised as the related services are performed.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

3.5 Net trading income

Net trading income comprises all realised and unrealised fair value changes in derivative financial instruments.

3.6 Dividends

Dividend income is recognised when the right to receive the payments is established.

3.7 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3. Significant accounting policies *(continued)*

3.8 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right tot offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised for unused tax loss, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Financial assets and liabilities

Recognition

The Bank initially recognises cash and balances with the Central Bank, due from banks, loans and advances to customers, current account of loan customers and funds borrowed on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3. Significant accounting policies *(continued)*

3.9 Financial assets and liabilities *(continued)*

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument in not active, the Bank establishes fair value using a valuation technique. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristic.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

3. Significant accounting policies *(continued)*

3.9 Financial assets and liabilities *(continued)*

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the Bank.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of the reversal should not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in the income statement.

3.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.11 Segment Information

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

3. Significant accounting policies *(continued)*

3.12 Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

3.13 Derivative financial instruments

The Bank enters into derivative instrument transactions including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Bank's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading.

Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.14 Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a due from banks, and the underlying asset is not recognised in the Bank's financial statements.

Due from banks and loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3. Significant accounting policies *(continued)*

3.15 Tangible assets

Recognition and measurement

The costs of the tangible assets are restated for the effects of inflation to the end of 31 December 2005, less accumulated depreciation and impairment losses. Tangible assets acquired after 31 December 2005 is reflected at cost, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of tangible assets is determined by comparing the proceeds from disposal with the carrying amount of the item of tangible assets, and are recognised net within other operating income in profit or loss.

Subsequent costs

The cost of replacing part of an item of tangible assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of tangible assets are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Motor vehicles	5 years
Furniture and fixtures	5 – 50 years
Leased assets	shorter of 5 – 10 years and the lease term

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods and useful lives are reassessed at each financial year-end and adjusted if appropriate.

3. Significant accounting policies *(continued)*

3.16 Intangible assets

The costs of the intangible assets are restated for the effects of inflation to the end of 31 December 2005, less accumulated amortisation and impairment losses. Intangible assets acquired after 31 December 2005 are reflected at cost, less accumulated amortisation and impairment losses.

Intangible assets comprise purchased software.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimate useful lives of software are four to fifteen years.

Amortisation methods and useful lives are reassessed at each financial year-end and adjusted if appropriate.

3.17 Assets held for sale

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

3.18 Leases

The Bank as lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, the leased assets are not recognised in the Bank's statement of financial position.

The Bank as lessor

Finance leases

The Bank presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

3.19 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed on each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies *(continued)*

3.19 Impairment of non-financial assets *(continued)*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.20 Deposits, current accounts of loan customers and funds borrowed

The Bank is not entitled to collect deposits. Current accounts of loan customers and funds borrowed are the Bank's sources of debt funding.

Current accounts of loan customers and funds borrowed are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.21 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.22 Employee benefits

Defined Benefit Plans
In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. The cost of providing benefits under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 27 are reviewed regularly.

The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with IAS No:19R. The Bank has no retirement fund or foundation that the employees are the member of.

3. Significant accounting policies *(continued)*

3.22 Employee benefits *(continued)*

Defined Contribution Plans

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

3.23 Fiduciary assets

Assets held by the Bank in a fiduciary, agency or custodian capacity for its customers are not included in the statement of financial position, since such items are not treated as assets of the Bank.

3.24 Related parties

For the purpose of this report, the shareholders and the ultimate shareholders of the Company, GSD Group of companies, members of the key management personnel of the Company or its parent and the companies controlled by/associated with all of the above are referred to as related parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

3. Significant accounting policies *(continued)*

3.25 New standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 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 1 January 2015. The effects of these standards and interpretations on the Bank's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 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 Bank.

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.

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.

3. Significant accounting policies *(continued)*

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.

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 consolidated financial statements of the Bank.

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 Bank 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 Bank.

3. Significant accounting policies *(continued)*

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 amortization 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 Bank.

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

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 amendment is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

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 amendment is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

3. Significant accounting policies *(continued)*

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

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 consolidated financial statements of the Bank.

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 Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

3. Significant accounting policies *(continued)*

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

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

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

3. Significant accounting policies *(continued)*

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/Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

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/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

4. Financial risk management

a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Bank's risk approach is to achieve sound and sustainable low risk profile on basis, through the identification, the measurement and the monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Bank is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions.

In the course of its normal operations, the Bank is exposed to a number of risks such as credit risk, liquidity risk, market risk and operational risk. Bank's risk policy can be summarised as:

- well managing the credit risk through a high standardised credit risk management
- eliminating liquidity risk
- minimising market risk

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

In accordance with the Bank's general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to the Bank. Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank implements all necessary risk management techniques in compliance with the related regulatory requirements in Turkey.

All risk levels are set and approved by the Board of Directors on a regular basis, and it is announced to the organization.

The Bank manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Bank does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks.

The most important step in managing this risk is the initial decision whether or not to extend credit.

The Bank manages its corporate portfolio as per following principles;

There are risk limits, set by the Board of Directors, describing relevant credit limits such as single borrower limit, group exposure limit, credit approval authorities and their approval limits.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate.

Management of credit risk

Throughout the loan extension process, the Bank management evaluates the firm's operating performance, financial structure, ability of debt repayment currently and continuance of debt payment ability in the future and the morality of the firm's shareholders. The Bank has generated an internal rating system for the determination of firms' ratings and credit assessments. The "Credit Rating" process is the analysis of objective criteria formed upon the evaluation of firm's financial performance, information gathered throughout intelligence process, relations of the firm with other financial institutions, the firm's production technology, the position of the firm in its sector, the firm's competitiveness and customer and supplier portfolio of the firm. The firms are rated between A - H.

Interval	Rating	Description
90 – 100	A	Excellent
80 – 89	B	Very good
70 – 79	C	Good
60 – 69	D	Average
50 – 59	E	Fair
40 – 49	F	Closely follow up
25 – 39	G	Doubtful
0 – 24	H	Uncollectible

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Risk follow-up department performs the monitoring of the morality records of the firm and the black list of central bank, controls the distribution of concentration limits with respect to sector, geography and credit type and controls the collateral structure of the loans.

Exposure to credit risk

		Due from banks		Loans and advances to customers	
At 31 December	*Notes*	**2015**	**2014**	**2015**	**2014**
Carrying amount	*16,20*	**1,156**	**1,299**	**256,742**	**101,493**
Individually impaired					
- Non-performing financial assets		-	-	16,531	17,881
Gross amount		**-**	**-**	**16,531**	**17,881**
Allowance for impairment	*20*		-	(10,569)	(11,059)
Carrying amount		**-**	**-**	**5,962**	**6,822**
Past due but not impaired		-	-	-	30
Carrying amount		**-**	**-**	**-**	**30**
Neither past due nor impaired		1,156	1,299	254,715	96,562
Gross amount		**1,156**	**1,299**	**254,715**	**96,562**
Allowance for collective impairment	*20*	-	-	(3,935)	(1,921)
Carrying amount		**1,156**	**1,299**	**250,780**	**94,641**
Carrying amount (amortised cost)	*16, 20*	**1,156**	**1,299**	**256,742**	**101,493**

Impaired loans and advances

Individually impaired loans are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan. These loans are graded F to H in the Bank's internal credit risk grading system.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Exposure to credit risk (continued)

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of assets in respect of losses that have been incurred but not have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Bank writes off a loan balance and any related allowances for impairment losses, when Bank determines that the loans are uncollectible. This determination is made after considering information such as the occurrence of significant changes in borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not sufficient to pay back the entire exposure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Loans and advances to customers	
2015	**Gross**	**Net**
Grade F : Individually impaired	-	-
Grade G : Individually impaired	-	-
Grade H : Individually impaired	16,531	5,962
Total	**16,531**	**5,962**

	Loans and advances to customers	
2014	**Gross**	**Net**
Grade F : Individually impaired	-	-
Grade G : Individually impaired	-	-
Grade H : Individually impaired	17,881	6,822
Total	**17,881**	**6,822**

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over due from banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Collateral policy (continued)

The breakdown of performing and under close follow-up cash and non-cash loans by type of collateral is as follows:

	2015	2014
Secured loans	**696,005**	**493,687**
- Secured by mortgages	34,275	1,499
- Secured by cash collateral	4,997	5,863
- Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	656,733	486,325
Unsecured loans	**67,805**	**56,779**
Total performing loans	**763,810**	**550,466**

Segment concentration

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from due from banks and loans and advances to customers at the reporting date is shown below:

	Due from banks		Loans and advances to customers	
	2015	**2014**	**2015**	**2014**
Finance	1,156	1,299	203,026	88,739
Production	-	-	9,186	2,192
Construction	-	-	10,504	2,998
Other	-	-	31,750	2,663
Corporate loans	**1,156**	**1,299**	**254,466**	**96,592**
Consumer loans	-	-	249	-
Non-performing loans	-	-	16,531	17,881
Provision for loan losses	-	-	(14,504)	(12,980)
Total	**1,156**	**1,299**	**256,742**	**101,493**

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Segment concentration of non-cash loans is as follows:

	2015	**2014**
Mining	270,510	267,084
Electrical, gas and natural resources	96,790	44,075
Finance	52,358	48,533
Production	27,768	24,462
Construction	24,888	984
Service	7,070	24,845
Retail	-	4,136
Other	29,711	39,755
Total	**509,095**	**453,874**

Concentration risk by location

		Due from banks		**Loans and advances to customers**	
	Notes	**2015**	**2014**	**2015**	**2014**
Turkey	*16,20*	1,156	1,299	256,742	101,493
		1,156	**1,299**	**256,742**	**101,493**

Trading assets including derivative financial instruments

An analysis of the credit quality of the maximum credit exposure is as follows:

	Notes	**2015**	**2014**
Government bonds and treasury bills			
- Rated BB - (trading portfolio)	*17*	311	962
Derivative assets:			
- Bank and financial institution counterparties	*19*	15	-
Fair value and carrying amount		**326**	**962**

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is a substantial risk in the Turkish market, which exhibits significant volatility.

Management of liquidity risk

In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments.

The calculation method used to measure the banks compliance with the liquidity limit is set by Banking Regulatory and Supervision Agency ("BRSA"). Currently, this calculation is performed on a bank only basis. In accordance with the "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948, dated March 21, 2014, requires the banks to meet 40% liquidity ratio of foreign currency assets/liabilities and 60% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 January 2015. The Bank's liquidity ratios in 2015 and 2014 are as follows:

	Current Period	
	Foreign currency	**Total**
2015 average	6.45	1.54
2014 average	103.26	8.68

Maturity analysis for financial liabilities

The table on the next page analyses financial liabilities of the Bank into relevant maturity groupings based on the remaining period at statement of financial position date to contractual maturity date.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

Maturity analysis for financial liabilities (continued)

2015	Note	Carrying Amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities									
Current accounts of loan customers	*25*	166,074	166,435	874	107,872	57,689	-	-	-
Funds borrowed	*26*	32,700	32,890	-	26,535	-	6,355	-	-
		198,774	199,325	874	134,407	57,689	6,355	-	-
Derivative financial instruments									
- Outflow	*19*	1,376	150,703	-	150,703	-	-	-	-
- Inflow	*19*	(15)	(148,757)	-	(148,757)	-	-	-	-
		1,361	1,946	-	1,946	-	-	-	-
		200,135	201,271	874	136,353	57,689	6,355	-	-

2014	Note	Carrying Amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities									
Current accounts of loan customers	*25*	7,116	7,185	342	1,411	3,474	1,958	-	-
Funds borrowed	*26*	5,360	5,363	52	5,311	-	-	-	-
		12,476	12,548	394	6,722	3,474	1,958	-	-
Derivative financial instruments									
- Outflow	*19*	-	-	-	-	-	-	-	-
- Inflow	*19*	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		12,476	12,548	394	6,722	3,474	1,958	-	-

d) Market risk

Market risk is the risk that changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, collateralise the loans and manage liquidity.

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA. The Bank's value at market risks as at 31 December 2015 and 2014 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 28337 dated 28 June 2012, are as follows:

	2015			2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	1	1	-	1	3	-
Equity price risk	-	-	-	-	-	-
Currency risk	121	259	-	74	322	-
Total value-at-risk	**1,539**	**3,238**	**-**	**942**	**4,038**	**-**

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Bank is subject to due to the exchange rate movements in the market. The Bank does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

The Bank manages foreign currency risk by weekly Asset and Liability Committee meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

The concentrations of assets, liabilities and off statement of financial position items are as follows:

2015	**Euro**	**USD**	**Other**	**Total**
Cash and balances with the Central Bank	-	1,279	-	1,279
Due from banks	157	961	6	1,124
Loans and advances to customers(*)	6,445	3,209	-	9,654
Funds borrowed	(6,191)	-	-	(6,191)
Other liabilities(**)	(221)	(130,074)	-	(130,295)
Net balance sheet position	**190**	**(124,625)**	**6**	**(124,429)**
Net off-balance sheet position				
- Derivative financial assets	-	137,093	-	**137,093**
- Derivative financial liabilities	-	(11,630)	-	**(11,630)**
Net position	**190**	**838**	**6**	**1,034**

2014	**Euro**	**USD**	**Other**	**Total**
Cash and balances with the Central Bank	-	696	-	696
Due from banks	46	1,237	6	1,289
Loans and advances to customers(*)	-	820	-	820
Funds borrowed	-	-	-	-
Other liabilities(**)	-	(2,495)	-	(2,495)
Net balance sheet position	**46**	**258**	**6**	**310**
Net off-balance sheet position				
- Derivative financial assets	-	-	-	-
- Derivative financial liabilities	-	-	-	-
Net position	**46**	**258**	**6**	**310**

(*) Foreign currency indexed loans amortizing to TL 9,654 (December 31, 2014: TL 820) are included in the loans and advances to customers.

(**) It includes TL 130,295 (December 31, 2014: TL 2,495) current customer accounts.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

A 10 percent weakening of TL against the foreign currencies at 31 December 2015 and 2014 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	2015		2014	
	Equity(*)	**Profit or loss**	**Equity(*)**	**Profit or loss**
Euro	19	19	5	5
USD	84	84	26	26
Other currencies	1	1	-	-
Total	**104**	**104**	**31**	**31**

(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and cash flows. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Bank manages this risk by matching the repricing of assets and liabilities through risk management strategies.

A substantial majority of the Bank's assets and liabilities reprice within three months. Accordingly, there is a limited exposure to interest rate risk.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

Exposure to interest rate risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management Department of the Bank in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on portfolios is as follows:

2015	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
Assets							
Cash and balances with the Central Bank	1,543	-	-	-	-	-	1,543
Due from banks	-	-	-	-	-	1,156	1,156
Trading assets	15	311	-	-	-	160	486
Loans and advances to customers(*)	210,623	24,673	17,164	2,162	93	2,027	256,742
Other assets	-	-	-	-	-	45,574	45,574
Total assets	**212,181**	**24,984**	**17,164**	**2,162**	**93**	**48,917**	**305,501**
Liabilities							
Current accounts of loan customers	107,775	58,131	-	-	-	168	166,074
Other money market deposits	220	-	-	-	-	-	220
Funds borrowed	26,508	-	6,192	-	-	-	32,700
Other liabilities	-	-	-	-	-	106,507	106,507
Total liabilities	**134,503**	**58,131**	**6,192**	**-**	**-**	**106,675**	**305,501**
Balance sheet interest sensitivity gap	**77,678**	**(33,147)**	**10,972**	**2,162**	**93**	**(57,758)**	**-**

(*) Includes non-performing loans amounting TL 16,531 and allowance for loan losses amounting TL 10,569 TL.

2014	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
Assets							
Cash and balances with the Central Bank	696	-	-	-	-	13	709
Due from banks	-	-	-	-	-	1,299	1,299
Trading assets	-	-	962	-	-	160	1,122
Loans and advances to customers(*)	88,165	7,509	658	-	-	5,161	101,493
Other assets	-	-	-	-	-	4,786	4,786
Total assets	**88,861**	**7,509**	**1,620**	**-**	**-**	**11,419**	**109,409**
Liabilities							
Current accounts of loan customers	1,408	3,426	1,941	-	-	341	7,116
Other money market deposits	-	-	-	-	-	-	-
Funds borrowed	5,308	-	-	-	-	52	5,360
Other liabilities	-	-	-	-	-	96,933	96,933
Total liabilities	**6,716**	**3,426**	**1,941**	**-**	**-**	**97,326**	**109,409**
Balance sheet interest sensitivity gap	**82,145**	**4,083**	**(321)**	**-**	**-**	**(85,907)**	**-**

(*) Includes non-performing loans amounting TL 17,881 and allowance for loan losses amounting TL 11,059 TL.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Interest Rate Risk Arising from Banking Accounts as of December 31, 2015 (continued):

	Currency	Applied Shock (+/- x base points)	Gains/ Losses	Gains/Equity– Losses/Equity
1	TL	500	(1,053)	(%1.05)
		(400)	908	%0.91
2	Euro	200	83	%0.08
		(200)	(86)	(%0.00)
3	USD	200	172	%0.01
		(200)	(175)	(%0.01)
	Total (Negative Shock)		**647**	**%0.64**
	Total (Positive Shock)		**(798)**	**%(0.79)**

Summary of average interest rates

As at 31 December 2015 and 2014, the summary of average interest rates for different assets and liabilities are as follows:

	2015			2014		
	Euro	**USD**	**TL**	**Euro**	**USD**	**TL**
Assets						
Cash and balances with the Central Bank	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-
Trading assets	-	-	10.57	-	-	8.75
Loans and advances to customers	6.50	5.55	16.02	-	5.03	12.27
Liabilities						
Current accounts of loan customers	1.50	2.39	13.75	-	2.83	9.32
Funds borrowed	3.25	-	12	-	-	11.17

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

(Currency - Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

e) Operational risk *(continued)*

The Bank calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 28 June 2012, using gross profit of the last three years, 2013, 2014 and 2015 (Basic Indicator Approach). The amount calculated as TL 27,763 as at 31 December 2015 (2014: TL 25,042) represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

f) Capital management

BRSA, the regulatory body of the Turkish banking industry, sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets.

The Bank is regulatory capital is analysed into two tiers:

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of Tier 1 capital.
- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, revaluation of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirement is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's capital position at 31 December 2015 and 2014 is as follows:

	2015	2014
Tier 1 capital	96,031	90,617
Tier 2 capital	99,966	92,538
Deductions from capital	-	-
Total regulatory capital	**99,966**	**92,538**
Risk-weighted assets	576,750	350,321
Value at market risk	850	2,350
Operational risk	27,763	25,042
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	16.51	24.68

(Currency - Thousands of Turkish Lira (TL))

5. Use of estimates and judgements

Management decides to the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy in Note 3.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances when there is objective to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.9. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Bank's accounting policies

Set out below is a comparison by category of carrying amounts and fair values of the Bank's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying value		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial assets	**258,058**	**102,952**	**254,123**	**101,131**
Deposits with banks	1,156	1,299	1,156	1,299
Available-for-sale financial assets (*)	160	160	160	160
Loans and receivables	256,742	101,493	252,807	99,572
Financial liabilities	**198,774**	**12,476**	**199,026**	**12,476**
Deposits from banks	-	-	-	-
Customers' deposits	166,074	7,116	166,259	7,116
Funds borrowed	32,700	5,360	32,767	5,360

(*) Government bonds amounting to TL 311 have not been considered in fair value calculation. (December 31, 2014 TL 962).

5. Use of estimates and judgements *(continued)*

Critical accounting judgements made in applying the Bank's accounting policies include (continued):

Valuation of financial instruments (continued)

The Bank's accounting policy on fair value measurements is discussed in accounting policy 3.9.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments using valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like forwards and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(Currency - Thousands of Turkish Lira (TL))

5. Use of estimates and judgements *(continued)*

Critical accounting judgements made in applying the Bank's accounting policies include (continued):

Valuation of financial instruments (continued)

This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2015	*Note*	Level 1	Level 2	Level 3	Total
Assets					
Treasury Bonds	*17*	311	-	-	311
Derivative financial instruments	*19*	-	15	-	15
		311	**15**	**-**	**326**
Liabilities					
Derivative financial instruments	*19*	-	1,376	-	1,376
		-	**1,376**	**-**	**1,376**

2014	*Note*	Level 1	Level 2	Level 3	Total
Assets					
Treasury Bonds	*17*	962	-	-	962
Derivative financial instruments	*19*	-	-	-	-
		962	**-**	**-**	**962**
Liabilities					
Derivative financial instruments	*19*	-	-	-	-
		-	-	-	-

Critical accounting judgements in applying the Bank's accounting policies *(continued)*

Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets and liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3 above.

Details of the Bank's classification of financial assets and liabilities are given in note 6 below.

(Currency - Thousands of Turkish Lira (TL))

6. Financial assets and liabilities

Accounting classification and fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets or valuation techniques. However, the Bank expects no significant difference between the fair value and carrying value of the financial instruments since their maturities are short-term.

The table below sets out the Bank's classification of each class of financial assets and liabilities and their fair values.

	Notes	Trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2015						
Cash and balances with Central Bank	*15*	-	1,543	-	1,543	1,543
Due from banks	*16*	-	1,156	-	1,156	1,156
Trading assets	*17*	311	-	-	311	311
Derivative financial instruments	*19*	15	-	-	15	15
Loans and advances to customers	*20*	-	256,742	-	256,742	252,807
		326	**259,441**	**-**	**259,767**	**255,832**
Derivative financial instruments	*19*	1,376	-	-	1,376	1,376
Current accounts of loan customers	*25*	-	-	166,074	166,074	166,259
Funds borrowed	*26*	-	-	32,700	32,700	32,767
		-	**-**	**198,774**	**200,150**	**200,402**

	Notes	Trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2014						
Cash and balances with Central Bank	*15*	-	709	-	709	709
Due from banks	*16*	-	1,299	-	1,299	1,299
Trading assets	*17*	962	-	-	962	962
Derivative financial instruments	*19*	-	-	-	-	-
Loans and advances to customers	*20*	-	101,493	-	101,493	99,572
		962	**103,501**	**-**	**104,463**	**102,542**
Derivative financial instruments	*19*	-	-	-	-	-
Current accounts of loan customers	*25*	-	-	7,116	7,116	7,116
Funds borrowed	*26*	-	-	5,360	5,360	5,360
		-	**-**	**12,476**	**12,476**	**12,476**

7. Interest income

	2015	**2014**
Loans and receivables	19,497	13,315
Securities	43	19
Deposits with banks and other financial institutions	3	502
Total	**19,543**	**13,836**

(Currency - Thousands of Turkish Lira (TL))

8. Interest expense

	2015	2014
Money market interest expenses	(1,780)	(1,619)
Customer deposits	(2,835)	(584)
Funds borrowed and deposits from other banks	(26)	(10)
Total	**(4,641)**	**(2,213)**

9. Net fee and commission income

	2015	2014
Fee and commission income		
Fee and commission income from non-cash loans	4,852	4,095
Fee on banking services	111	110
Other	66	32
Total fee and commission income	**5,029**	**4,237**
Fee and commission expense		
Fee and commission expense on banks	162	42
Other	39	29
Total fee and commission expense	**201**	**71**
Net fee and commission income	**4,828**	**4,166**

10. Net trading gain/(loss)

	2015	2014
Derivative financial instruments	(3,564)	(107)
Foreign exchange gains/(loss),net	1,241	(137)
	(2,323)	**(244)**

(Currency - Thousands of Turkish Lira (TL))

11. Net impairment gain / (loss) on financial assets

	2015	2014
Provisions for loan losses and other receivables	2,618	2,278
Reversal of prior year provisions (individually impaired loans)	(1,094)	(306)
Income from sales of properties	(370)	-
Reversal of prior year provisions (bonus premium)	(242)	-
Reversal of prior year provisions (collectively impaired loans)	-	(268)
	912	**1,704**

12. Personnel expenses

	2015	2014
Wages and salaries	3,661	3,392
Social security premiums	322	272
Employee bonus provision	257	242
Provision for vacation pay liability	69	2
Provision for employee termination benefits	60	247
Other personnel expenses	487	372
	4,856	**4,527**

13. Other operating expenses

	2015	2014
Utilities expense	1,698	1,355
Operating lease expenses	994	766
Financial operating fee	423	369
Vehicle expenses	340	285
Online data expenses	303	377
Auditing and consulting expenses	248	211
Subscription and membership fees	48	69
Other	610	311
	4,664	**3,743**

(Currency - Thousands of Turkish Lira (TL))

14. Income tax

The Bank is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

As at 31 December 2015, corporate income tax is 20% (2014: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, has been redefined according to the cabinet decision numbered 2006/10731, which has been announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent has been increased to 15% from 10%.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

As at 31 December 2015 and 2014, prepaid income taxes are netted off with the current tax liability as stated below:

	2015	2014
Income tax liability	2,131	1,263
Prepaid income tax	(1,425)	(948)
Income taxes payable	**706**	**315**

Income tax recognised in the income statement

The components of income tax expense for the years ended 31 December 2015 and 2014 are:

	2015	2014
Current tax expense		
Current year	2,131	1,263
Deferred tax income / (expense)		
Origination and reversal of temporary differences	(695)	(48)
Total income tax expense	**1,436**	**1,215**

(Currency - Thousands of Turkish Lira (TL))

14. Income tax *(continued)*

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate of the Bank for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
Profit before income tax	7,286	6,057
Taxes on income per statutory tax rate	1,457	1,211
Tax effect of disallowable expenses	34	5
Tax effect of exempt items	(2)	(1)
Tax effect of assets held for sale	(53)	-
Total income tax expense	**1,436**	**1,215**

15. Cash and balances with Central Bank

	2015	2014
Cash on hand	-	-
Cash and balances with Central Bank of Turkish Republic	530	13
Reserve deposits at Central Bank of Turkish Republic	1,013	696
	1,543	**709**

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the bank is required to maintain reserves in Central Bank for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. Central Bank started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 5% and 11.5% for TL deposits and other liabilities according to their maturities as of 31 December 2015 (31 December 2014: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2015 (31 December 2014: 6% and 13% for all foreign currency liabilities).

(Currency - Thousands of Turkish Lira (TL))

16. Due from banks

	2015	2014
Placements with other banks	1,156	1,299
- Demand	*1,156*	*1,299*
- Time	-	-
	1,156	**1,299**

17. Trading securities

	2015		2014	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Debt and other instruments				
Government bonds	-	311	-	962
	-	**311**	**-**	**962**

Obligations under repurchase agreement

	2015	2014
Obligations under repurchase agreement	220	-
	220	**-**

18. Investment securities

	December 31, 2015	December 31, 2014
Available for sale securities	160	160
	160	**160**

19. Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards.

	2015	2014
Derivative financial assets		
Forwards	15	-
Derivative financial liabilities		
Forwards	1,376	-

(Currency - Thousands of Turkish Lira (TL))

20. Loans and advances to customers

	December 31, 2015			December 31, 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira (*)	Foreign Currency		Turkish Lira (*)	Foreign Currency
Corporate loans	254,466	19.00%-12.80%	6.50%-5.50&	96,592	19.08%-11.20%	6.00%-4.28%
Consumer loans	249	12.48%-12.60%	-	-	-	-
Retail loans	-	-	-	-	-	-
Small business loans	-	-	-	-	-	-
Total performing loans	**254,715**			**96,592**		
Non-performing loans	16,531			17,881		
Less: Specific reserve for impairment	(10,569)			(11,059)		
Less: Portfolio reserve for impairment	(3,935)			(1,921)		
Total	**256,742**			**101,493**		

(*) Effective interest rates of overdraft loans are included. The above distribution has been made based on the business lines.

	2015	2014
Corporate, commercial and small business loans	254,466	96,592
- Loans given to finance sector	203,026	88,479
- Export loans	-	-
- Foreign loans	-	-
- Discount notes	-	-
- Other	51,440	8,113
Consumer loans(*)	249	-
Performing loans	**254,715**	**96,592**
Non-performing loans	16,531	17,881
Total loans and advances to customers	**271,246**	**114,473**
Provision for impairment	(14,504)	(12,980)
- Specific allowance for impairment	(10,569)	(11,059)
- Collective allowance for impairment	(3,935)	(1,921)
Net loans and advances to customers	**256,742**	**101,493**

(*) Comprises of mortgage, automotive and personal loans.

The above distribution has been made based on the account codes.

(Currency - Thousands of Turkish Lira (TL))

20. Loans and advances to customers *(continued)*

Non-performing loans represent impaired loans and receivables on which interest is not being accrued and loans overdue generally for more than 90 days for which interest is suspended.

December 31, 2015	Corporate	Small Business	Consumer	Total
Neither past due nor impaired	254,466	-	249	254,715
Past due not impaired(*)	-	-	-	-
Individually impaired	16,531	-	-	16,531
Total gross	**270,997**	**-**	**249**	**271,246**
Less: allowance for individually impaired loans	(10,569)	-	-	(10,569)
Less: allowance for collectively impaired loans	(3,935)	-	-	(3,935)
Total Allowance for impairment	**(14,504)**	**-**	**-**	**(14,504)**
Total net	**256,493**	**-**	**249**	**256,742**

December 31, 2014	Corporate	Small Business	Consumer	Total
Neither past due nor impaired	96,562	-	-	96,562
Past due not impaired(*)	30	-	-	30
Individually impaired	17,881	-	-	17,881
Total Gross	114,473	-	-	114,473
Less: allowance for individually impaired loans	(11,059)	-	-	(11,059)
Less: allowance for collectively impaired loans	(1,921)	-	-	(1,921)
Total Allowance for impairment	(12,980)	-	-	(12,980)
Total net	**101,493**	**-**	**-**	**101,493**

(*) Past due not impaired loans include also loan customers not past due however monitored closely by the Bank.

A reconciliation of the allowance for individually impaired loans is as follows;

December 31, 2015	Total	December 31, 2014	Total
At January 1	11,059	At January 1	9,282
Charge for the year	604	Charge for the year	2,083
Sales of non-performing loans (NPL)	-	Sales of non-performing loans (NPL)	-
Recoveries	(1,094)	Recoveries	(306)
Amounts written off	-	Amounts written off	-
Reclassification from other liabilities and provisions, net of recoveries	-	Reclassification from other liabilities and provisions, net of recoveries	-
At December 31	**10,569**	**At December 31**	**11,059**

(Currency - Thousands of Turkish Lira (TL))

20. Loans and advances to customers *(continued)*

Movements in the provision for impairment:

	2015	2014
At January 1	12,980	11,276
Reclassification from other liabilities and provisions, net of recoveries	-	-
Provision for impairment	2,618	2,278
Recoveries	(1,094)	(574)
Provision net recoveries	1,524	1,704
Loans sold and written off during the year	-	-
At December 31	**14,504**	**12,980**

Aging analysis of past due but not impaired loans per class of financial instruments is as follows:

December 31, 2015	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	254,466	-	-	16,531	270,997
Consumer loans	249	-	-	-	249
Small business loans	-	-	-	-	-
Retail loans	-	-	-	-	-
Total	**254,715**	-	-	**16,531**	**271,246**

December 31, 2014	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	96,562	30	-	17,881	114,473
Consumer loans	-	-	-	-	-
Small business loans	-	-	-	-	-
Retail loans	-	-	-	-	-
Total	**96,562**	**30**	-	**17,881**	**114,473**

(Currency - Thousands of Turkish Lira (TL))

21. Tangible assets

	Motor vehicles	Furniture and fixtures	Leased assets	Leasehold improvements	Total
Cost					
Balance at 1 January 2014	-	414	263	-	677
Acquisitions	-	24	-	-	24
Disposals	-	(3)	-	-	(3)
Balance at 31 December 2014	**-**	**435**	**263**	**-**	**698**
Balance at 1 January 2015	-	435	263	-	698
Acquisitions	-	61	-	-	61
Disposals	-	(4)	-	-	(4)
Balance at 31 December 2015	**-**	**492**	**263**	**-**	**755**
Depreciation					
Balance at 1 January 2014	-	362	262	-	624
Depreciation for the year	-	15	1	-	16
Disposals	-	(3)	-	-	(3)
Balance at 31 December 2014	**-**	**374**	**263**	**-**	**637**
Balance at 1 January 2015	-	374	263	-	637
Depreciation for the year	-	23	-	-	23
Disposals	-	(5)	-	-	(5)
Balance at 31 December 2015	**-**	**392**	**263**	**-**	**655**
Carrying amounts					
Balance at 1 January 2014	-	52	1	-	53
Balance at 31 December 2014	-	61	-	-	61
Balance at 31 December 2015	-	100	-	-	100

There were no capitalised borrowing costs related to the acquisition of tangible assets during the year (2014: None).

(Currency - Thousands of Turkish Lira (TL))

22. Intangible assets

	Software
Cost	
Balance at 1 January 2014	900
Acquisitions	65
Disposals	-
Balance at 31 December 2014	**965**
Balance at 1 January 2015	965
Acquisitions	39
Disposals	-
Balance at 31 December 2015	**1,004**
Amortisation	
Balance at 1 January 2014	831
Amortisation for the year	28
Disposals	-
Balance at 31 December 2014	**859**
Balance at 1 January 2015	859
Amortisation for the year	33
Disposals	-
Balance at 31 December 2015	**892**
Carrying amounts	
Balance at 1 January 2014	69
Balance at 31 December 2014	106
Balance at 31 December 2015	112

(Currency - Thousands of Turkish Lira (TL))

23. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015			2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Allowances on loans and advances to customers	787	-	787	384	-	384
Derivative financial instruments	275	(3)	272	-	-	-
Employee termination benefits	127	-	127	106	-	106
Vacation pay liability	55	-	55	57	-	57
Bonus accrual	51	-	51	48	-	48
Depreciation methodology differences on tangible assets and intangible assets	-	(5)	(5)	-	(4)	(4)
Other	-	(1)	(1)	-	-	-
	1,295	**(9)**	**1,286**	**595**	**(4)**	**591**

Movements in temporary differences during the year

	Balance at 1 January	Recognised in profit or loss	Balance at 31 December
2015			
Allowances on loans and advances to customers	384	403	787
Derivative financial instruments	-	272	272
Reserve for employee severance indemnity	106	21	127
Vacation pay liability	57	(2)	55
Bonus accrual	48	3	51
Depreciation methodology differences on tangible assets and intangible assets	(4)	(1)	(5)
Other	-	(1)	(1)
	591	**695**	**1,286**
2014			
Allowances on loans and advances to customers	399	(15)	384
Reserve for employee severance indemnity	73	33	106
Vacation pay liability	46	11	57
Bonus accrual	44	4	48
Derivative financial instruments	(16)	16	-
Depreciation methodology differences on tangible assets and intangible assets	(3)	(1)	(4)
Other	-	-	-
	543	**48**	**591**

(Currency - Thousands of Turkish Lira (TL))

24. Other assets

	2015	2014
Other miscellaneous receivables(*)	38,010	-
Transitory accounts	5,287	3,925
Assets held for sale	660	-
Prepaid expenses	89	83
Receivables from group companies	30	20
Total	**44,076**	**4,028**

(*)Other miscellaneous receivables, amounting to TL 38,010, consists of a property value which is executed from a non-performing loan customer. The Bank won the tender dated August 11, 2015 for pledged property with the fee of TL 48,010 and TL 10,000 is deducted from pledge amount regarding to the loan. As the legal procees is in progress, the property is expected to be transferred after the completion of legal process and offset of the loan receivable.

25. Current accounts of loan customers

	2015	2014
Corporate customers	166,074	7,116
- Demand	*874*	*341*
- Time	*165,200*	*6,775*
	166,074	**7,116**

26. Funds borrowed

		2015(*)	
		Effective interest rate	
	Amount	Turkish Lira	Foreign currency
Short-term			
Fixed interest	32,700	12%	3.25%
Variable interest	-	-	-
Medium/long-term			
Fixed interest	-	-	-
Variable interest	-	-	-
Total	**32,700**		

(*) Based on original maturities.

(Currency - Thousands of Turkish Lira (TL))

26. Funds borrowed (continued)

		2014(*)	
		Effective interest rate	
	Amount	Turkish Lira	Foreign currency
Short-term			
Fixed interest	5,360	11%	-
Variable interest	-	-	-
Medium/long-term			
Fixed interest	-	-	-
Variable interest	-	-	-
Total	**5,360**		

(*) Based on original maturities.

27. Provisions

	2015	2014
Employee termination benefits	634	528
Vacation pay liability	275	287
Bonus accrual	257	241
Non-cash loans	12	13
Total	**1,178**	**1,069**

Vacation pay liability

In accordance with existing social legislation in Turkey, the Bank is required to make payments to employees whose employment is terminated for any reason for their vested unused vacation days. Such payments are calculated on the basis of the salary of the employee at the date of termination. Vacation pay liability is the total undiscounted liability of vested unused vacation days of the employees as at 31 December 2015 and 2014.

For the years ended 31 December, movements in the vacation pay liability are as follows:

	2015	2014
At 1 January	287	230
Increase during the year	57	59
Paid	(69)	(2)
At 31 December	**275**	**287**

(Currency - Thousands of Turkish Lira (TL))

27. Provisions (continued)

Employee termination benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 3,828 at 31 December 2015 (2014: TL 3,438) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

Movements in the defined benefit obligations in the current period were as follows:

	2015	2014
Opening	528	367
Current service cost	72	167
Actuarial (gains)/ losses	34	-
Interest cost	25	19
Benefits paid	(25)	(25)
Benefits not paid	-	-
Closing balance at period end	**634**	**528**

International Accounting Standard No: 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Bank arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability:

	2015	2014
Discount rate	10.8%	10.08%
Expected rate of salary/limit increase	6.0%	6.0%
Estimated rate of obtaining right for employee termination indemnity	98.71%	96.32%

28. Other liabilities

	2015	2014
Transitory accounts	5,663	4,067
Taxes and funds payable	471	248
VAT payable	3	2
Others	180	125
	6,317	**4,442**

(Currency - Thousands of Turkish Lira (TL))

29. Capital and reserves

	2015	2014
Total number of shares, TL 0.1 (in full TL), per value	500.000.000	500.000.000

As at 31 December 2015, the Bank's historical subscribed and issued share capital is TL 50,000.

As at 31 December 2015 and 2014, the composition of shareholders and their respective ownership percentages are summarised as follows:

	2015		2014	
	Amount	%	Amount	%
GSD Holding	50,000	100	50,000	100
Adjustment to share capital(*)	2,686		2,713	
	52,686		**52,713**	

(*) Adjustment to share capital includes the restatement effect of share capital until 31 December 2005 and actuarial gain/loss effect.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Dividends paid and proposed

The Bank did not declare or pay dividends out of the profits for the year ended 31 December 2015 as at the date of preparation of these financial statements.

30. Cash and cash equivalents

	Notes	2015	2014
Cash on hand	*15*	-	-
Cash and balances with Central Bank of Turkish Republic	*15*	530	13
Placement with other banks	*16*	1,156	1,299
		1,686	**1,312**
Interest accruals on cash and cash equivalents		-	-
		1,686	**1,312**

The reserve deposits at Central Bank are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

(Currency - Thousands of Turkish Lira (TL))

31. Commitments and contingencies

There is no significant legal proceeding outstanding against the Bank as at 31 December 2015.

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	2015	2014
Letters of guarantee	509,095	453,874
Derivative Transactions	299,460	-
Irrevocable commitments	25	24
Total	**808,580**	**453,898**

32. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Bank is controlled by GSD Holding, which owns 100% of ordinary shares. For the purpose of these financial statements, shareholders of the Bank, GSD Holding, its subsidiaries (GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş., GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş., GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., GSD Faktoring A.Ş., GSD Eğitim Vakfı, and GSD Plan Proje Etüd A.Ş.) are referred to as related parties. The related parties mainly consist of shareholders, related companies, directors and key management personnel.

	2015						
	Cash Loans	Non-cash Loans	Placements	Current accounts of loan customers	Funds Borrowed	Other current assets	Notional amount of derivative transactions
Direct / indirect shareholders	13,005	20,993	-	156,701	-	-	11,664
Others	596	-	-	10	-	-	-

	2015				
	Interest Income	Interest expense	Fees and commission income	Other operating income	Other operating expenses
Direct / indirect shareholders	130	2,187	78	269	2,499
Others	188	22	171	-	-

	2014						
	Cash Loans	Non-cash Loans	Placements	Current accounts of loan customers	Funds Borrowed	Other current assets	Notional amount of derivative transactions
Direct / indirect shareholders	260	40,566	-	4	-	-	-
Others	688	-	3	-	351	-	-

(Currency - Thousands of Turkish Lira (TL))

32. Related parties (continued)

	2014				
	Interest Income	Interest expense	Fees and commission income	Other operating income	Other operating expenses
Direct / indirect shareholders	192	-	53	263	1,914
Others	87	1,265	313	-	-

For the year ended 31 December 2015, the executive and non-executive members of Board of Directors and management received remuneration and fees totalling approximately TL 644 (2014: TL 556) comprising salaries and other short-term benefits.

33. Subsequent Events

None.