KPMG

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2016

30 April 2017

This report contains the "Independent Auditors' Report" comprising 4 pages and; the "Consolidated financial statements and their explanatory notes" comprising 63 pages.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Turkish Bank A.Ş.

We have audited the accompanying consolidated financial statements of Turkish Bank A.Ş. and its subsidiaries ("together the Group"), which comprise the consolidated statement of financial position as at 31 December, 2016, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Loans and Advances to Customers

Refer to Note 9 "Loans and Advances to Customers" for the relevant accounting policy and a discussion of significant accounting estimates

Key audit matter	*How the matter was addressed in our audit*
The appropriateness of loan loss provisions is a key area of judgment for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. We identified Loans and Advances to Customers' as a significant risk, requiring special audit consideration.	We assessed and tested the design and operating effectiveness of the controls over impairment calculations including the quality of underlying data and systems. For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. For loan loss provisions calculated on a collective basis we tested, the underlying models including the model approval. We also tested the appropriateness and accuracy of the inputs to those models, such as recovery and cure rates, and where available, compared data and assumptions made to external benchmarks. Finally we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosures for forbearance and cover values.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

Murat Alsan
Partner

30 April 2017
Istanbul, Turkey

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TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

	Notes	2016	2015
Assets			
Cash and balances with the Central Bank of Turkey	5	87,847	88,996
Loans and advances to banks	6	187,211	67,290
Money market placements	7	10,097	56,857
Financial assets at fair value through profit or loss	8	7,663	3,162
-Investment securities held for trading		5,886	2,589
-Derivative financial assets		1,777	573
Loans and advances to customers	9	1,024,446	811,077
Available for sale financial assets	10	52,800	64,299
Leasing receivables	11	-	474
Factoring receivables	12	-	10,198
Property and equipment	13	12,099	8,177
Intangible assets	14	5,053	4,089
Deferred tax assets	20	3,089	2,825
Other assets	15	122,327	99,993
TOTAL ASSETS		**1,512,632**	**1,217,437**

Liabilities			
Deposits	16	1,098,298	773,231
Obligations under repurchase agreements and money market borrowings	17	52,689	35,641
Funds borrowed	18	76,833	138,959
Derivative financial liabilities	8	287	1,338
Debt securities issued	19	57,600	50,778
Current tax liability	20	2,473	2,316
Employee benefits and other provisions	21	5,612	3,806
Other liabilities	22	21,884	22,808
TOTAL LIABILITIES		**1,315,676**	**1,028,877**

EQUITY			
Share capital issued	23	175,000	175,000
Adjustment to share capital	23	6,868	6,868
Fair value reserve	23	1,057	(893)
Legal reserve	23	4,906	4,947
Retained earnings		9,125	2,638
TOTAL EQUITY		**196,956**	**188,560**
TOTAL LIABILITIES AND EQUITY		**1,512,632**	**1,217,437**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

	Notes	2016	2015
Interest income		103,520	103,551
Interest expense		(46,865)	(49,543)
Net interest income	24	**56,655**	**54,008**
Fee and commission income		11,164	12,043
Fee and commission expense		(2,657)	(2,444)
Net fee and commission income		**8,507**	**9,599**
Foreign exchange losses, net		5,699	2,602
Trading gains, net	25	(7,320)	(1,248)
Gains from investment securities, net		(313)	26
Other operating income	26	10,464	4,009
Operating income, net		**73,692**	**68,996**
Impairment losses on loans and credit related commitments, net		(11,226)	(4,282)
Other operating expenses	27	(56,767)	(59,577)
Profit/(Loss) before income tax		**5,699**	**5,137**
Income tax (expense)/income	20	(569)	(1,211)
Deferred tax (expense)/income	20	497	(353)
Profit/(Loss) for the year		**5,627**	**3,573**
Profit/(Loss) Attributable to:			
Equity holders of the Bank		5,627	3,573
Non-controlling interest		-	-

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

	Notes	2016	2015
Profit for the year		**5,627**	**3,573**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Net change in fair value of available for sale financial assets		2,413	(895)
Available for sale financial assets transferred to profit or loss		25	4
Related tax	20	(488)	178
Items that never will be reclassified to profit or loss:			
Actuarial loss on measurement of defined benefit liability	21	(140)	(1,592)
Related tax	20	28	318
Other comprehensive income, net of income tax		**1,838**	**(1,987)**
Total comprehensive income		**7,465**	**1,586**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

	Notes	Share Capital	Adjustment to share capital	Unrealized gains/(losses) on available for sale financial assets, (net of tax)	Legal reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance at 1 January 2015	23	175,000	6,868	(180)	4,712	574	186,974	-	186,974
Profit for the year		-	-	-	-	3,573	3,573	-	3,573
Other comprehensive income		-	-	(713)		(1,274)	(1,987)	-	(1,987)
Total other comprehensive income		**-**	**-**	**(713)**	**-**	**2,299**	**1,586**	**-**	**1,586**
Contributions by and distributions to owners									
Transfers to reserves		-	-	-	235	(235)	-	-	-
Balance at 31 December 2015		**175,000**	**6,868**	**(893)**	**4,947**	**2,638**	**188,560**	**-**	**188,560**
Balance at 1 January 2016	23	**175,000**	**6,868**	**(893)**	**4,947**	**2,638**	**188,560**	**-**	**188,560**
Profit for the year		-	-	-	-	5,627	5,627	-	5,627
Other comprehensive income		-	-	1,950	-	(112)	1,838	-	1,838
Total other comprehensive income		**-**	**-**	**1,950**	**-**	**5,515**	**7,465**	**-**	**7,465**
Contributions by and distributions to owners									
Transfers to reserves		-	-	-	191	(191)	-	-	-
The effect of changes in the equity of subsidiaries		-	-	-	(232)	1,163	931	-	931
Balance at 31 December 2016		**175,000**	**6,868**	**1,057**	**4,906**	**9,125**	**196,956**	**-**	**196,956**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

	Notes	2016	2015
Cash flows from operating activities			
Profit for the year		**5,627**	**3,573**
Adjustments for:			
Depreciation and amortization expense	13,14	3,121	2,247
Impairment losses on loans and credit related commitments		11,226	4,282
Income tax expense	20	72	1,564
Provision for employee benefits	27	1,064	867
Net interest income		51,460	45,578
Net fee and commission income		11,845	12,213
Collections from written off loans		752	4,130
Payments to personnel and service suppliers		(48,040)	(49,377)
Taxes paid		-	-
		37,127	**25,077**
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(3,346)	926
Loans and advances to banks and customers		(212,419)	87,573
Other assets		(10,095)	(9,234)
Deposits from banks and customers		323,946	(131,753)
Other borrowed funds		(61,076)	(66,066)
Other liabilities		(80,864)	(48,004)
Net cash used in operating activities		**(6,727)**	**(141,481)**
Cash flows from investing activities			
Acquisition of fixed assets	13,14	(8,827)	(2,948)
Proceeds from sales of fixed assets		-	150
Acquisition of available for sale financial assets	10	(22,350)	(17,832)
Proceeds from sales of available for sale financial assets	10	35,792	26,264
Proceeds from sale of subsidiaries		5,000	-
Net cash from investing activities		**9,615**	**5,634**
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities issued		67,427	75,718
Repayment of funds borrowed and debt securities issued		(65,000)	(83,999)
Net cash from/(used in) financing activities		**2,427**	**(8,281)**
Net increase/(decrease) in cash and cash equivalents		**5,315**	**(144,128)**
Cash and cash equivalents at the beginning of the year		**213,054**	**325,789**
Effect of exchange rate fluctuations on cash and cash equivalents		66,784	31,393
Cash and cash equivalents at the end of the year	5	**285,153**	**213,054**

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

1. GENERAL INFORMATION

Turkish Bank A.Ş. ("the Bank") was incorporated in Turkey on 14 September 1991 and commenced operations on 25 December 1991. The registered office address of the Bank is as follows: Vali Konağı Cad. 1, 34371 Nişantaşı - Istanbul, Turkey. The Bank has 13 branches (2015: 13). The Bank and its subsidiaries in total have 268 employees as of 2016 (2015: 306).

Pursuant to the permission of Competition Board dated 8 November 2008 and numbered 07-85/1045-405 and the permission of Banking Regulation and Supervision Agency dated 28 December 2008 and numbered 17591, National Bank of Kuwait acquired 31.43% of shares of the Bank amounting to TL 22,000 from Özyol Holding A.Ş. The Board of Directors approved the acquisition on 10 January 2008 and the share transfer was registered on 29 January 2008.

Upon the resolution carried at the extraordinary general meeting of the shareholders held on 29 January 2008, the Bank's paid-in capital (TL 70,000) was raised to TL 80,000 by a cash increase of TL 10,000. Increase in paid-in capital was registered in the Trade Registry Gazette No: 6995 on 8 February 2008. The entire increase amount was paid in by the new shareholder National Bank of Kuwait as of the date of the extraordinary general meeting. The share of National Bank of Kuwait in the Bank's paid in capital increased to 40% after the capital increase. The shares issued during the capital increase are premium shares. National Bank of Kuwait paid TL 47,448 (USD 40,000) in respect of nominal shares of TL 10,000 and the difference of TL 37,448 was accounted as premium in excess of par.

At the extraordinary general meeting of the Bank held on 25 May 2012, the following decisions have been made by the majority of votes:

- The Bank's paid in capital amounting to TL 80,000 will be increased to TL 175,000 and TL 70,000 of the increased amount will be covered by internal resources, including TL 37,448 of Share Premiums, TL 19,032 of Inflation Difference, TL 13,520 of Extraordinary Reserves and the remaining amount, which equals to TL 25,000, will be covered in cash; and
- TL 25,000 of cash of which is the committed part of the capital increase will include TL 7,500 of payment in June 2014 and April 2013 (amounting to TL 15,000) and TL 10,000 of payment in April 2014 with reserving the Bank's General Assembly's earlier payment call right.

Procedures both related to TL 70,000 of the increased capital amount which will be covered by internal resources and the first TL 7,500 of capital increase portion were completed upon the Banking Regulation and Supervision Agency's letters of approval issued as at 28 May 2012 and 10 August 2012, respectively and recognized in the financial statements accordingly.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

1. GENERAL INFORMATION (cont'd)

As of 31 December 2016 and 31 December 2015, the composition of shareholders and their respective % shareholding interests are summarized as follows:

	2016		2015	
	Amount	**%**	**Amount**	**%**
Özyol Holding A.Ş.	103,118	58.92	103,118	58.92
National Bank of Kuwait	60,000	34.29	60,000	34.29
Mehmet Tanju Özyol	9,861	5.63	9,861	5.63
Others	2,021	1.16	2,021	1.16
Total	**175,000**	**100.00**	**175,000**	**100.00**

The Group Information

For the purposes of the accompanying consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking securities brokerage.

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of 31 December 2016 and 31 December 2015 are as follows:

	Place of Incorporat	Effective Shareholding and Voting Rights %	
		2016	**2015**
Turkish Yatırım A.Ş.	Turkey	99.99	99.99
Tasfiye Halinde Turkish Finansal Kiralama A.Ş. (*)	Turkey	-	99.99
Turkish Bilgi İşlem Hizmetleri A.Ş. (**)	Turkey	99.99	99.99

(*) As of September 30 Seotember 2016, the liquidation process of Tasfiye Halinde Turkish Finansal Kiralama A.Ş. is completed. At the end of the current reporting period, Tasfiye Halinde Turkish Finansal Kiralama A.Ş. is not taken into consolidation scope.

(**) Turkish Faktoring Hizmetleri A.Ş. had been liquidated and Turkish Bilgi İşlem Hizmetleri A.Ş. was founded as of 22 October 2015 with the permission of Banking Regulation and Supervision Agency. Since the company has immaterial asset and income size as of the 31 December 2016, Turkish Bilgi İşlem Hizmetleri A.Ş. is not taken into consolidation scope.

Turkish Yatırım A.Ş.

Turkish Yatırım A.Ş. was established on 31 December 1996 to deal with capital market activities according to the related regulations and the Capital Market Law. The head office of the Company is domiciled in Abdi İpekçi Caddesi, No: 57, Reasürans Han Kat: 5 Harbiye - İstanbul - Turkey.

Turkish Bilgi İşlem Hizmetleri A.Ş.

Turkish Faktoring Hizmetleri A.Ş. was established on 9 May 2007 to provide both domestic and export factoring services to industrial and commercial enterprises.

Pursuant to the application of Turkish Faktoring A.Ş. and the permission of Banking Regulation and Supervision Agency dated 23 July 2015 and numbered 6379, the Company's official authorization cancelled. As of 22 October 2015, the Company's title is changed as Turkish Bilgi İşlem Hizmetleri A.Ş. The Company provides export and import services of computers and other hardware and the establishments of data processing centres.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were approved by the Board of Directors of the Bank on 30 April 2017. The General Assembly has power to amend the consolidated financial statements after its issue.

2.2 Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale securities, financial assets at fair value through profit and loss and derivative financial instruments that have been measured at fair value.

2.3 Basis of presentation of consolidated financial statements:

The Bank and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), regulations promulgated by the Capital Markets Board of Turkey and also the Turkish Commercial Code.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

2.4 Inflation accounting:

The financial statements of the Bank and its subsidiaries for the periods before 1 January 2006 were adjusted to compensate the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the consolidated financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Consolidation:

The consolidated financial statements are presented in Turkish Lira ("TL"), which is the Bank's functional currency.

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to allign their accounting policies to those applied by the Bank.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.6 Income and Expense Recognition:

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis. For the purpose of convenience, certain income and expenses are recognized on a straight line basis wherever does not materially differ from fair value or amortized cost method.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Functional and Presentation Currency and Foreign Currency Transactions:

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira (TL), which is the functional currency of the Bank and its subsidiaries, and the presentation currency for the consolidated financial statements.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

As at 31 December 2016 and 31 December 2015 foreign currency assets and liabilities of the Group are mainly denominated in US Dollar and Euro. As of 31 December 2016 and 31 December 2015 exchange rates of US Dollar and Euro are as follows:

	2016	**2015**
1 US Dollar	3.5318	2.9076
1 Euro	3.6939	3.1776

Average rates for the last thirty dates are as follows:

	2016	**2015**
1 US Dollar	3.4848	2.9156
1 Euro	3.6775	3.1687

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial assets:

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.
Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" ("FVTPL"), "held-to-maturity investments", "available-for-sale" ("AFS") financial assets and "loans and receivables".

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. The Group does not have held-to-maturity investments as of the balance sheet date.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial assets: (cont'd)

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. The Group does not have held-to-maturity investments as of the balance sheet date.

Available-for-sale financial assets

Investments other than held-to-maturity debt securities and held for trading securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The Group's investments are composed of Turkish Republic Government bonds, Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices and subsequently measured as explained above in accordance with their classification.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial assets (cont'd)

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

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

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.9 Financial liabilities:

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

The Group does not have financial liabilities at FVTPL as of 31 December 2016 and 31 December 2015.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial liabilities (cont'd)

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing deposits and borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Off balance sheet commitments and contingencies

The Group deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, prefinancing loans, etc. The Group's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

2.10 Fair value considerations:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms-length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted for at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Group may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets and calculation of present values on an amortized cost basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there are a wide range of valuation techniques, it may be inappropriate to compare the Group's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.
Securities investments: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Fair value considerations: (cont'd)

Loans: The major portion of the loans is short-term and has interest rates that are subject to fluctuation at short notice in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

2.11 Derivative financial instruments:

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes.

The Group's derivative transactions are mainly in the form of forwards and currency swaps.

The Group does not have any derivatives held for hedging purposes.

2.12 Investments under Resale or Repurchase Transactions:

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

2.13 Loans and Allowance for Impairment Losses:

Loans are financial instruments extended by the Bank and accounted for at amortized cost using the effective interest rate method, except for certain loans wherever straight line accrual basis does not materially differ from amortized cost method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Loans and Allowance for Impairment Losses (cont'd)

Based on its evaluation of the current status of the loans granted, the Bank provides allowance for impairment losses on loans which it considers are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Bank classifies any loan which is not adequately collateralized or the management believing borrowers lost their creditworthiness into overdue loans. The Bank ceases to recognize income on overdue loans and receivables.

2.14 Leasing - the Group as lessor:

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Provision for doubtful finance lease receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for receivables under follow-up is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease receivables.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.15 Leasing - the Group as Lessee:

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Factoring Receivables:

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for impairment. Provision for impaired factoring receivables are recognized as an expense and written off against the profit for the year. Provision for impaired factoring receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current factoring receivables.

2.17 Property and equipment:

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Premises and equipment are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	2%
Vehicles	20%
Machinery and equipment	20%
Furniture and fixtures	20%
Other	20%

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Intangible assets:

Intangible assets of the Group consist of computer software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

2.19 Impairment of non-financial assets:

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.20 Borrowing costs:

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

2.21 Provisions:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.22 Employee Benefits:

Severance indemnity provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the net present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Actuerial gain/losses are recognized in other comprehensive income.

Vacation Pay Liability

In accordance with TAS 19, liabilities relating to vacation indemnities defined as "short-term employee benefits" are accrued at the period when earned and are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxation and deferred income taxes:

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxation and deferred income taxes:

Deferred tax (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

2.24 Business and Geographical Segments:

Business Segments

For key decision makers' review purposes, the Group is currently organized into the operating divisions of banking and securities brokerage. These divisions are the basis on which the Group reports its primary segment information.

Geographical Segments

The Group's operations are mainly located in Turkey.

2.25 Use of Estimates:

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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 2.8.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 Use of Estimates (cont'd)

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 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.

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 2.8. For financial instruments that require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

2.25 Use of Estimates (cont'd):

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 2.8.

Financial asset and liability classification

The Group'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 Group has determined that it meets the description of held for trading investments and liabilities set out in accounting policy 2.8.

- In classifying financial assets as "available for sale", the Group has determined that it meets the description of available for sale investments set out in accounting policy 2.8.

Details of the Group's classification of financial assets and liabilities are given in note 30.

2.26 Offsetting:

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

2.27 Customer Assets:

Customer assets, except for deposits accepted and other cash proceeds obtained, held under custody, in fiduciary, agency or intermediary capacity are not recognized in the accompanying consolidated financial statements as customers have risk and rewards of such assets.

3. ADOPTION OF NEW AND REVISED STANDARDS

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 Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments (2017 version)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is ef0fective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

Amendments to IAS 7 *Statement of Cash Flows* – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 7.

Amendments to IAS 12 *Income Taxes*– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 12.

3. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 2.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments for IFRS 12 are effective as of 1 January 2017, and other amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of 'Annual Improvements to IFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

3. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 40.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 22.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 – Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

3. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

IFRS 17 – Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

4. SEGMENT REPORTING

Business segments

2016	**Consumer/ Commercial**	**Corporate**	**Investment Banking**	**Treasury**	**Total**
Net interest income	19,509	16,940	3,840	16,366	56,655
Net fee and commission income	1,611	3,819	5,390	(2,313)	8,507
Foreign exchange gains / (losses), net	-	-	76	5,623	5,699
Trading gains and losses, net	-	-	21	(7,341)	(7,320)
Gains / losses from investment securities, net	-	-	36	(349)	(313)
Other operating income	1,431	350	7	8,676	10,464
Impairment losses on loans and advances, net	(7,663)	-	-	(3,563)	(11,226)
Other operating expenses	(11,344)	(4,561)	(9,114)	(31,748)	(56,767)
Profit / (Loss) before taxations	**3,544**	**16,548**	**256**	**(14,649)**	**5,699**
Income tax expense	-	-	(54)	(18)	(72)
Net profit / (Loss)	**3,544**	**16,548**	**202**	**(14,667)**	**5,627**

Balance Sheet	**Consumer/ Commercial**	**Corporate**	**Investment Banking**	**Treasury**	**Total**
Total assets	**342,145**	**674,302**	**39,195**	**456,990**	**1,512,632**
Liabilities	770,357	160,440	11,174	373,705	1,315,676
Equity	-	-	-	196,956	196,956
Total liabilities and equity	**770,357**	**160,440**	**11,174**	**570,661**	**1,512,632**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

4. SEGMENT REPORTING (cont'd)

Business segments (cont'd)

2015	**Consumer/ Commercial Banking**	**Corporate Banking**	**Investment Banking**	**Treasury**	**Total**
Net interest income	20,211	11,292	2,837	19,668	54,008
Net fee and commission income	1,472	2,221	7,106	(1,200)	9,599
Foreign exchange gains / (losses), net	-	-	165	2,437	2,602
Trading gains and losses, net	-	-	337	(1,585)	(1,248)
Gains / losses from investment securities, net	-	-	34	(8)	26
Other operating income	507	140	221	3,141	4,009
Impairment losses on loans and advances, net	(3,768)	-	-	(514)	(4,282)
Other operating expenses	(13,929)	-	(10,798)	(34,850)	(59,577)
Profit / (Loss) before taxations	**4,493**	**13,653**	**(98)**	**(12,911)**	**5,137**
Income tax expense	-	-	19	(1,583)	(1,564)
Net profit / (Loss)	**4,493**	**13,653**	**(79)**	**(14,494)**	**3,573**

Balance Sheet	**Consumer/ Commercial Banking**	**Corporate Banking**	**Investment Banking**	**Treasury**	**Total**
Total assets	**406,868**	**360,511**	**39,710**	**410,348**	**1,217,437**
Liabilities	409,278	331,774	13,183	274,642	1,028,877
Equity	-	-	-	188,560	188,560
Total liabilities and equity	**409,278**	**331,774**	**13,183**	**463,202**	**1,217,437**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

5. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY

	2016	2015
Cash on hand	19,812	7,918
Demand deposit with the Central Bank of Turkey	68,035	81,078
Total	**87,847**	**88,996**

a) Balances with the Central Bank of Turkey

	2016	2015
Demand deposits – Turkish Lira	7,728	26,002
Demand deposits – Foreign Currency	60,307	55,076
Total	**68,035**	**81,078**

b) Reserve Deposits at the Central Bank of Turkey

	2016	2015
Restricted balances held at Central Bank of Turkey – Foreign Currency (Note 15)	97,538	75,128
Total	**97,538**	**75,128**

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Central Bank of the Republic of Turkey's ("CBT") Communiqué numbered 2013/15 "Required Reserves". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles, the deposits accepted on behalf of foreign branches from Turkey and loans obtained by the banks but followed under foreign branches constitute the required reserves liabilities.

The reserve rates for TL liabilities vary between 4.00% and 10.50% for TL deposits and other liabilities according to their maturities as of. The reserve rates for foreign currency deposits vary between 8.50% and 12.50% and for other foreign currency liabilities between 4.50% and 24.50% as of 31 December 2016.

CBT started to pay interest for the Turkish Lira reserve since November 2015.

Cash and cash equivalents at the end of the reporting periods are as follows:

	2016	2015
Cash	**110,931**	**101,531**
Cash in TL / Foreign currency	19,810	7,918
Cash held at CBRT	68,035	81,078
Cash held at banks	23,086	12,535
Cash equivalents	**174,222**	**111,523**
Money Market placements	10,000	56,851
Time deposits (Up to 3 month)	164,222	54,672
Total cash and cash equivalents	**285,153**	**213,054**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

6. LOANS AND ADVANCED TO BANKS

	2016	2015
Domestic Banks		
Demand deposits – Turkish Lira	236	135
Demand deposits – Foreign currency	184	682
Time deposits – Turkish Lira	16,832	33,625
Time deposits – Foreign currency	158,829	29,501
Total	**176,081**	**63,943**
Foreign Banks		
Demand deposits – Foreign currency	11,130	3,347
Total	**11,130**	**3,347**
Grand Total	**187,211**	**67,290**

The time deposits in Turkish Lira above mature within one month and earn interest at rates ranging from 11.25% to 11.85% (31 December 2015: from 9.75% to 15.30%) per annum. The time deposits in foreign currency above mature within one month and earn interest at rates ranging from 0.02% to 1.00% (31 December 2015: from 0.01% to 0.45%) per annum.

7. MONEY MARKET PLACEMENTS

	2016	2015
Funds lent under reverse repurchase agreements	7,502	9,002
Interbank money market receivables	2,595	47,855
Total	**10,097**	**56,857**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
Investment securities held for trading	5,886	2,589
Derivative financial instruments	1,777	573
Total	**7,663**	**3,162**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

a) Trading Securities

	2016	2015
Private sector bonds	5,886	2,589
Total	**5,886**	**2,589**

Interest rates on bonds vary between 12.60% and 14.87% (31 December 2015: 14.47% and 14.70%).

b) 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 depend on movements in price in one or more underlying instruments, reference rates or indices.

Derivative financial instruments of the Group mainly include forwards, cross currency swaps and interest rate swaps.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

b) Derivative financial instruments (cont'd)

The fair values and notional amounts of derivative financial instruments with their contractual maturities are set out in the following table:

	2016							
	Fair value assets	**Fair value liabilities**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Notional amount in TL equivalent**
Forward exchange contracts	**66**	**24**	**28,011**	**-**	**-**	**-**	**-**	**28,011**
Purchases	-	-	14,028	-	-	-	-	14,028
Sales	-	-	13,983	-	-	-	-	13,983
Currency swap	**1,401**	**-**	**35,310**	**29,199**	**-**	**-**	**-**	**64,509**
Purchases	-	-	17,659	15,298	-	-	-	32,957
Sales	-	-	17,651	13,901	-	-	-	31,552
Interest rate swap	**310**	**263**	**-**	**-**	**-**	**134,856**	**-**	**134,856**
Purchases	-	-	-	-	-	67,428	-	67,428
Sale	-	-	-	-	-	67,428	-	67,428
Total	**1,777**	**287**	**63,321**	**29,199**	**-**	**134,856**	**-**	**227,376**

	2015							
	Fair value assets	**Fair value liabilities**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Notional amount in TL equivalent**
Forward exchange contracts	**25**	**12**	**30,663**	**-**	**-**	**-**	**-**	**30,663**
Purchases	-	-	15,348	-	-	-	-	15,348
Sales	-	-	15,315	-	-	-	-	15,315
Currency swap	**499**	**1,177**	**123,921**	**119,993**	**2,470**	**-**	**-**	**246,384**
Purchases	-	-	61,609	60,009	1,236	-	-	122,854
Sales	-	-	62,312	59,984	1,234	-	-	123,530
Interest rate swap	**49**	**149**	**-**	**43,614**	**4,000**	**-**	**-**	**47,614**
Purchases	-	-	-	21,807	2,000	-	-	23,807
Sale	-	-	-	21,807	2,000	-	-	23,807
Total	**573**	**1,338**	**154,584**	**163,607**	**6,470**	**-**	**-**	**324,661**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

9. LOANS AND ADVANCES TO CUSTOMERS

	2016	2015
Corporate loans	420,326	400,057
Small and medium enterprise loans	329,828	274,496
Consumer loans	4,776	4,229
Credit card receivables	1,226	1,603
Other	293,048	149,832
Subtotal	**1,049,204**	**830,217**
Specific allowance for impairment losses on loans	(16,056)	(11,462)
Collective allowance for loan losses	(8,702)	(7,678)
Total	**1,024,446**	**811,077**

Average interest rates applied to loans and advances to customers are as follows:

31 December 2016	**EUR %**	**USD %**	**TRY %**
Loans and advances to customers	5.13	5.77	12.45

31 December 2015	**EUR %**	**USD %**	**TRY %**
Loans and advances to customers	5.46	5.71	15.1

31 December 2016	**Corporate**	**SME**	**Consumer**	**Other**	**Total**
Neither past due not impaired	378,222	323,004	5,575	292,629	999,430
Past due not impaired	32,176	1,180	355	7	33,718
Individually impaired	9,928	5,644	56	428	16,056
Total gross loans	**420,326**	**329,828**	**5,986**	**293,064**	**1,049,204**
Less: allowance for individually impaired loans	9,928	5,644	56	428	16,056
Less: allowance for collectively impaired loans	-	-	-	8,702	8,702
Total allowance for impairment	**9,928**	**5,644**	**56**	**9,130**	**24,758**
Total loans (net)	**410,398**	**324,184**	**5,930**	**283,934**	**1,024,446**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

9. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

31 December 2015	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	396,965	254,937	5,115	146,369	803,386
Past due not impaired	-	713	625	10,167	11,505
Individually impaired	6,064	5,706	489	3,067	15,326
Total gross	**403,029**	**261,356**	**6,229**	**159,603**	**830,217**
Less: allowance for individually impaired loans	3,092	4,815	61	3,494	11,462
Less: allowance for collectively impaired loans	-	-	-	7,678	7,678
Total allowance for impairment	**3,092**	**4,815**	**61**	**11,172**	**19,140**
Total loans (net)	**399,937**	**256,541**	**6,168**	**148,431**	**811,077**

Movement in allowance for the impairment losses on loans are as follows:

Specific Allowance for Individual Impairment Losses:	2016	2015
As at 1 January	11,462	8,313
Charge for the year	7,931	3,872
Reversal of impairment allowances no longer required	(3,337)	(723)
Amounts written off	-	-
As at 31 December	**16,056**	**11,462**

Collective allowance for Loan Losses:	2016	2015
As at 1 January	7,678	7,765
Charge for the year	1,321	-
Reversal of impairment allowances no longer required	(297)	(87)
As at 31 December	**8,702**	**7,678**

A reconciliation of the allowance for individual impairment losses on loans by customer groups is as follows:

31 December 2016	Corporate	SME	Consumer	Other	Total
At 1 January	3,092	4,815	61	3,494	11,462
Charge for the year	6,836	1,066	1	28	7,931
Recoveries	-	(237)	(6)	(26)	(269)
Reversal of impairment allowances no longer required	-	-	-	-	-
Other(*)	-	-	-	(3,068)	(3,068)
Balance as at 31 December	**9,928**	**5,644**	**56**	**428**	**16,056**

(*) As of 30 September 2016, the liquidation process of Tasfiye Halinde Turkish Finansal Kiralama A.Ş. is completed. At the end of the current reporting period, Tasfiye Halinde Turkish Finansal Kiralama A.Ş. is not consolidated. The impairment loss amounting to TL 166 is cancelled from the "other" line.
Turkish Faktoring Hizmetleri A.Ş. had been liquidated and Turkish Bilgi İşlem Hizmetleri A.Ş. was founded as of 22 October 2015 with the permission of Banking Regulation and Supervision Agency. Since the company has immaterial asset and income size as of the 31 December 2016, Turkish Bilgi İşlem Hizmetleri A.Ş. is not taken into consolidation scope. The impairment loss, which was included in the opening balance, amounting to TL 2,902, is cancelled from the "other" line.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

9. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

2015	Corporate	SME	Consumer	Other	Total
At 1 January	-	4,272	74	3,967	8,313
Charge for the year	3,092	661	-	119	3,872
Recoveries	-	(118)	(13)	(592)	(723)
Balance as at 31 December	**3,092**	**4,815**	**61**	**3,494**	**11,462**

The total value of collaterals that the Group held for impaired loans as at 31 December 2016 was TL 1,048 (31 December 2015: TL 999). The total value of collaterals that the Group held for loans that are not impaired as at 31 December 2016 was TL 741,475 (31 December 2015: TL 708,327).

10. AVAILABLE FOR SALE FINANCIAL ASSETS

	2016	2015
Government bonds and treasury bills	50,273	48,356
Private sector bonds	-	15,783
Equities	2,527	160
Total	**52,800**	**64,299**

As of 31 December 2016, the government bonds and treasury bills with fair value of TL 44,000 (31 December 2015: TL 64,299) were sold to the Group's customers under repurchase agreements. The funds collected from those repo transactions were TL 50,084 (31 December 2015: TL 32,821) and they are included in obligations under repurchase agreements.

The restricted securities kept by the Central Bank and IMKB ("Istanbul Stock Exchange") Takas ve Saklama Bankası A.Ş. for the purposes of trading guarantee on interbank, bond, repurchase and reverse repurchase markets and custody services as of 31 December 2016 and 31 December 2015 are as follows:

	2016		2015	
	Nominal Value	Carrying Value	Nominal Value	Carrying Value
Government bonds and treasury bills	4,583	4,785	9,178	9,176

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

10. AVAILABLE FOR SALE FINANCIAL ASSETS (cont'd)

The movement in available for sale financial assets may be summarized as follows:

	2016	2015
Balance as at 1 January	**64,299**	**73,847**
Additions	22,350	17,832
Disposals (sales and redemption)	(36,287)	(26,264)
Net changes in fair value	2,438	(1,116)
Balance as at 31 December	**52,800**	**64,299**

11. LEASING RECEIVABLES

As at 31 December 2016 the Group doesn't have any leasing receivable.

As at 31 December 2015 the allocations of finance lease receivables according to their maturities, excluding net of impaired lease receivables, is as follows;

2015	Finance lease receivables (Gross)	Unearned Interest	Finance lease receivables (Net)
2016	418	30	388
2017	87	1	86
Total	**505**	**31**	**474**

As at 31 December 2016 the Group has no collaterals obtained for the lease receivables under follow up (31 December 2015: None). The Group doesn't have any collaterals obtained for the receivables that are past due but not impaired.

The Group revises the estimated fair values of the collaterals taken against the receivables under follow-up based on the current market conditions and considers such revised collateral amounts when determining impairment.

As at 31 December 2015, the Group obtained guarantees (including mortgage, bank letter of guarantees, and others) from its customers amounting to TL 9,500 against its lease receivables which are not under follow up.

12. FACTORING RECEIVABLES

The short-term and the long-term factoring receivables are as follows:

	2016	2015
Short term	-	10,198
Long term	-	-
Total	**-**	**10,198**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

13. PROPERTY AND EQUIPMENT

	Buildings	Vehicles	Other property and equipment	Leasehold improvements	Total
Acquisition cost					
Opening balance, 1 January 2016	13,486	110	10,381	1,970	25,947
Additions	794	-	5,158	-	5,952
Disposals	(794)	(27)	(1,207)	-	(2,028)
Closing balance, 31 December 2016	**13,486**	**83**	**14,332**	**1,970**	**29,871**
Accumulated depreciation					
Opening balance, 1 January 2016	6,939	110	8,946	1,775	17,770
Charge for the year	265	-	820	140	1,225
Disposals	(8)	(27)	(1,188)	-	(1,223)
Closing balance, 31 December 2016	**7,196**	**83**	**8,578**	**1,915**	**17,772**
Net carrying amount as of 31 December 2016	**6,290**	**-**	**5,754**	**55**	**12,099**
Net carrying amount as of 1 January 2016	**6,547**	**-**	**1,435**	**195**	**8,177**

There are no restrictions such as pledges, mortgages or any other restriction on the property and equipment.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

13. PROPERTY AND EQUIPMENT (cont'd)

	Buildings	Vehicles	Other fixed assets	Leasehold improvements	Total
Acquisition cost					
Opening balance, 1 January 2015	13,598	146	10,886	1,970	26,600
Additions	108	-	556	-	664
Disposals	(220)	(36)	(1,061)	-	(1,317)
Closing balance, 31 December 2015	**13,486**	**110**	**10,381**	**1,970**	**25,947**
Accumulated depreciation					
Opening balance, 1 January 2015	6,671	135	9,497	1,539	17,842
Charge for the year	268	-	506	236	1,010
Disposals	-	(25)	(1,057)	-	(1,082)
Closing balance, 31 December 2015	**6,939**	**110**	**8,946**	**1,775**	**17,770**
Net carrying amount as of 31 December 2015	**6,547**	**-**	**1,435**	**195**	**8,177**
Net carrying amount as of 1 January 2015	**6,927**	**11**	**1,389**	**431**	**8,758**

There are no restrictions such as pledges, mortgages or any other restriction on the property and equipment.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

14. INTANGIBLE ASSETS

	Software	Total
Acquisition cost		
Opening balance, 1 January 2016	9,425	9,425
Additions	2,875	2,875
Disposals	(449)	(449)
Closing balance, 31 December 2016	**11,851**	**11,851**
Accumulated amortization		
Opening balance, 1 January 2016	5,336	5,336
Charge for the year	1,896	1,896
Disposals	(434)	(434)
Closing balance, 31 December 2016	**6,798**	**6,798**
Net carrying amount as of, 31 December 2016	**5,053**	**5,053**
Net carrying amount as of 1 January 2016	**4,089**	**4,089**

	Software	Total
Acquisition cost		
Opening balance, 1 January 2015	8,272	8,272
Additions	2,284	2,284
Disposals	(1,131)	(1,131)
Closing balance, 31 December 2015	**9,425**	**9,425**
Accumulated amortization		
Opening balance, 1 January 2015	4,105	4,105
Charge for the year	1,237	1,237
Disposals	(6)	(6)
Closing balance, 31 December 2015	**5,336**	**5,336**
Net carrying amount as of, 31 December 2015	**4,089**	**4,089**
Net carrying amount as of 1 January 2015	**4,167**	**4,167**

Estimated useful lives for intangible assets vary between three to fifteen years.

As at 31 December 2016, the Group doesn’t have any internally generated intangible assets (31 December 2015: None).

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

15. OTHER ASSETS

	2016	**2015**
Restricted balances held at Central Bank of Turkey	97,538	75,128
Clearance account	12,138	12,719
Cash advances given	1,790	1,316
Prepaid rent expense	953	1,636
Customer collateral	-	2,086
Other	9,908	7,108
Total	**122,327**	**99,993**

16. DEPOSITS

2016	**Time**	**Demand**	**Total**
Savings deposits	223,411	6,838	230,249
Commercial deposits	69,017	10,207	79,224
Deposit from banks	22,773	675	23,448
Foreign banks	*12,719*	*640*	*13,359*
Domestic banks	*10,054*	*35*	*10,089*
TL Deposit	**315,201**	**17,720**	**332,921**
Savings deposits	310,910	14,638	325,548
Commercial deposits	214,807	83,618	298,425
Deposit from banks	139,174	2,230	141,404
Foreign banks	*100,369*	*2,230*	*102,599*
Domestic banks	*38,805*	-	*38,805*
FC deposits	**664,891**	**100,486**	**765,377**
Total	**980,092**	**118,206**	**1,098,298**

Average interest rate for the customer deposits is 10.25% per annum for Turkish Lira deposits. For foreign currency deposits the average interest rate is 2.61% for US Dollar deposits and 1.52% for Euro deposits (31 December 2015: 10.91% for Turkish Lira deposits, 1.77% for US Dollar deposits and 1.58% for Euro deposits).

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

16. DEPOSITS (cont'd)

2015	Time	Demand	Total
TL Deposit	**220,502**	**19,363**	**239,865**
Savings deposits	181,319	7,628	188,947
Commercial deposits	32,254	11,121	43,375
Deposit from banks	6,929	614	7,543
Foreign banks	*1,928*	*560*	*2,488*
Domestic banks	*5,001*	*54*	*5,055*
FC deposits	**498,815**	**34,551**	**533,366**
Savings deposits	-	-	-
Commercial deposits	370,464	32,400	402,863
Deposit from banks	128,351	2,151	130,503
Foreign banks	*99,272*	*2,151*	*101,424*
Domestic banks	*29,079*	-	*29,079*
Total	**719,317**	**53,914**	**773,231**

17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS AND MONEY MARKET BORROWINGS

	31 December 2016	31 December 2015
Obligations under reverse repurchase agreements	50,084	32,821
Money market borrowings	2,605	2,820
Total	**52,689**	**35,641**

18. FUNDS BORROWED

	31 December 2016	31 December 2015
Borrowings from banks located abroad:		
Foreign banks – TL short-term	2,501	2,201
Foreign banks – FC short-term	71,788	132,967
Total	**74,289**	**135,168**
Borrowings from domestic banks:		
Borrowings from domestic banks – TL short term	764	3,068
Borrowings from domestic banks – FC short term	1,780	723
Total	**2,544**	**3,791**
Grand Total	**76,833**	**138,959**

The interest rates for TL borrowings are between 6.63% and 8.50% (31 December 2015: 6.20% and 9.75%) while interest rates for foreign currency borrowings are between 0.01% and 1.95% (31 December 2015: 0.10% and 2.54%).

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

19. DEBT SECURITIES ISSUED

	Maturity Date	2016	2015
TL 15 million discounted bond	25 January 2016	-	14,895
TL 13 million discounted bond	29 March 2016	-	12,662
TL 24 million discounted bond	15 April 2016	-	23,221
TL 15 million discounted bond	19 January 2017	13,000	-
TL 29 million discounted bond	3 April 2017	26,478	-
TL 15 million discounted bond	8 May 2017	18,122	-
Total		**57,600**	**50,778**

20. TAXATION

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax on 31 December 2016 is 1.26% for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate on 31 December 2016 is 20% (31 December 2015: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

20. TAXATION (cont'd)

Corporate Tax (cont'd)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate.

Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

In the accompanying consolidated financial statements corporate tax and deferred tax asset/liability are comprised of the following:

Statement of Financial Position: Corporate tax

	2016	2015
Corporate tax provision	2,473	2,460
Prepaid taxes	-	(144)
Current tax liability	**2,473**	**2,316**

Profit / Loss

	2016	2015
Current tax expense	(569)	(1,211)
Deferred tax income	497	(353)
Total	**(72)**	**(1,564)**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

20. TAXATION (cont'd)

Total charge for the year can be reconciled to the accounting profit as follows:

	2016	2015
Profit before income/(expense) tax	**5,699**	**5,137**
Taxes on income per statutory tax rate	(1,140)	(1,027)
Disallowable expenses	1,441	(46)
Other	(373)	(491)
Total	**(72)**	**(1,564)**

Deferred Tax

Deferred tax assets/(liabilities) are attributable to the following items:

	Deferred tax assets		Deferred tax liabilities		Net assets / (liabilities)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Loan loss provision	1,740	1,536	-	-	1,740	1,536
Employee benefits	985	554	-	-	985	554
Carry forward tax losses	99	128	-	-	99	128
Difference between carrying value and tax base of property and equipment	377	226	(13)	(13)	364	213
Provisions	20	20	-	-	20	20
Valuation differences on investment securities	-	376	(119)	(2)	(119)	374
Subtotal	**3,221**	**2,840**	**(132)**	**(15)**	**3,089**	**2,825**
Net off	**-**	**-**	**-**	**-**		
Total	**3,221**	**2,840**	**(132)**	**(15)**	**3,089**	**2,825**

The movement of net deferred tax assets can be presented as follows:

	2016	2015
Deferred tax assets, net at 1 January	**2,825**	**2,803**
Deferred tax (expense)/income recognized in the profit or loss	497	(353)
Deferred tax income recognized in other comprehensive income	(233)	375
Deferred tax assets, net at 31 December	**3,089**	**2,825**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

21. EMPLOYEE BENEFITS AND OTHER PROVISIONS

	2016	2015
Provisions for the court cases	2,273	221
Provision for severance indemnity	1,954	2,006
Vacation pay liability	445	448
Other short term employee benefits	361	638
Other provision	579	493
Total provisions	**5,612**	**3,806**

Provision for severance indemnity

Under Turkish Labour Law, The Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their severance indemnity provisions who retired by gaining right to receive severance indemnity provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated. 2422 numbered. 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of full TL 4,297 (31 December 2015: full TL 3,828) for each period of service at 31 December 2015.

The liability of employee termination benefits is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6.00% discount rate of 10.5% and real discount rate of approximately 4.25% (31 December 2015: An annual inflation rate of 6.00% discount rate of 10.5% and real discount rate of approximately 4.25%). Anticipated turnover rate is also included in the calculation.

The movement for the provision for the severance indemnity

	2016	2015
Balance as at 1 January	**2,006**	**1,139**
Payments made during the year	(1,116)	(1,290)
Service cost	269	92
Interest cost	201	92
Actuarial losses	140	980
Gain/(losses) due to payments / discharge	514	993
Other (*)	(60)	-
Balance as at 31 December	**1,954**	**2,006**

(*) As of 30 September 2016, the liquidation process of Tasfiye Halinde Turkish Finansal Kiralama A.Ş. is completed. At the end of the current reporting period, the severance indemnity provisions of Tasfiye Halinde Turkish Finansal Kiralama A.Ş., amounting to TL 60 which was included in the opening balance is deducted from the provision balance.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

22. OTHER LIABILITIES

	2016	2015
Clearance account	12,313	13,215
Payables to card holders	3,246	3,264
Unearned income	1,102	422
Cash guarantees received	102	81
Other	5,121	5,826
Total	**21,884**	**22,808**

23. EQUITY

Share capital:

		2016		2015
Shareholders	**%**		**%**	
Özyol Holding A.Ş.	58.92	103,118	58.92	103,118
National Bank of Kuwait	34.29	60,000	34.29	60,000
Mehmet Tanju Özyol	5.63	9,861	5.63	9,861
Others	1.16	2,021	1.16	2,021
Nominal Value	**100.00**	**175,000**	**100.00**	**175,000**
Effect of inflation		6,868		6,868
Total		**181,868**		**181,868**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

23. EQUITY (cont'd)

The Bank's paid in capital consists of 17.500.000.000 shares having a unit nominal value of 0.01 (in full TL) (31 December 2015: TL 0.01; 17.5000.000.000 shares).

Legal reserves:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Retained earnings comprise the accumulated actuarial losses recognized from the retirement benefit obligation amounting to TL 1,386 (31 December 2015: TL 1,274).

24. NET INTEREST INCOME

	2016	2015
Interest income from		
Loans and advances to customers	93,660	87,188
Trading Investments	4,525	8,192
Loans and advances to banks	2,545	5,413
Money market transactions	688	1,018
Interest on lease	-	92
Other interest income	2,102	1,648
Total interest income	**103,520**	**103,551**
Interest expense from		
Deposit from customers and banks	(38,194)	(36,023)
Other borrowed funds	(1,801)	(5,498)
Obligations under repurchase agreements and money market funding	(1,974)	(2,323)
Issued debt securities	(4,539)	(5,697)
Other interest expenses	(357)	(2)
Total interest expenses	**(46,865)**	**(49,543)**
Net interest income	**56,655**	**54,008**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

25. NET TRADING INCOME

	2016	2015
Gains	**934,101**	**1,161,915**
Foreign exchange	873,444	1,124,685
Derivatives	60,615	37,170
Investment securities	42	60
Losses (-)	**936,035**	**1,160,535**
Foreign exchange	867,745	1,122,083
Derivatives	67,935	38,418
Investment securities	355	34
Total gains and losses, net		
Foreign exchange gains and losses, net	5,699	2,602
Trading gains and losses, net	(7,320)	(1,248)
Gains from investment securities, net	(313)	26
Total	**(1,934)**	**1,380**

26. OTHER OPERATING INCOME

	2016	2015
Dividend received (*)	4,222	-
Reversal of provision previously recognized	726	1,364
Income from the sale of assets	138	112
Other	5,378	2,533
Total	**10,464**	**4,009**

(*) The Bank is a shareholder of Visa Europe Ltd. In 2016, as a result of acquisition of Visa Europe Ltd. by Visa Inc., the Bank recognized income from the sale.

27. OTHER OPERATING EXPENSES

	2016	2015
Wages and salaries	22,948	24,682
Rent expenses	10,175	8,147
Depreciation and amortization	3,133	2,251
Professional fees and consultancy	2,677	2,870
Taxes other than income	2,338	3,273
Communication expenses	1,699	1,766
Saving deposit insurance fund premium	864	885
Repair and maintenance expenses	304	317
Retirement benefit costs	10	867
Marketing and sales expenses	149	117
Other	12,470	14,402
Total	**56,767**	**59,577**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

28. COMMITMENTS AND CONTINGENCIES

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated financial statements, including letters of guarantee. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

	2016	**2015**
Letters of guarantee	388,995	242,607
Foreign currency	*127,538*	*70,772*
TL	*261,457*	*171,835*
Derivative financial instruments *(Note 8)*	227,376	324,661
Letters of credit	14,279	7,641
Other commitments	59,480	49,609
Total	**690,130**	**624,518**

As at 31 December 2016 The Bank has extended TL 1,891 of non-cash loans to related parties (31 December 2015: TL 629).

The Group provides custody service on behalf and account of its customers. The value of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TL 244,984 at 31 December 2016 (31 December 2015: TL 212,799).

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The main shareholders of the Group are Özyol Holding and National Bank of Kuwait. For the purpose of these consolidated financial statements, associates, shareholders, Özyol Group companies, and National Bank of Kuwait Group entities are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its business, the Group conducted various business transactions with related parties. These transactions primarily include loans, deposits and borrowing transactions. The significant outstanding balances and transactions with related parties at year-ends and related expense and income for the years are as follows:

	2016	2015
Statement of financial position:		
Loans and advances to customers	-	39
Deposits	6,901	3,845
Other funds borrowed	25,901	7,267

	2016	2015
Income Statement:		
Interest income	6	-
Interest expense	355	110
Fee and commission income	151	7

The remuneration of members of Board of Directors and other members of key management; comprising mainly of salaries and other short-term benefits for the current period is TL 923 (31 December 2015: TL 971).

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT

The Group has a Risk Management Group and is functionally independent of risk creating divisions. The Risk Management Group is responsible for identifying and analysing the exposed risks, carrying risk policies and strategies, setting limits in activities to control these risks and finally measuring these risks. The Executive Committee is the party that submits risk strategies and policies to the Board of Directors.

The Value-at-Risk measurement is used in line with local requirements of the capital adequacy calculation.

Risks emerging in the Group's business and activities are defined as credit risk, market risk, currency risk, interest rate risk, liquidity risk and operational risk, but all are considered as a whole for management purposes.

Capital management

When managing the capital the Group aims to comply with the capital requirements set by the regulators of the banking market where the Parent Bank operates; to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and to maintain a strong capital base to support the development of its business.

To monitor the adequacy of its capital, the Group uses ratios established by "BRSA". The minimum ratio is 8% (12% if banks operate in offshore markets). These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The Group's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk, in accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Group's regulatory capital position on a consolidated basis is as follows:

	2016	**2015**
Tier I capital	184,380	181,151
Tier II capital	8,702	7,678
Deductions	-	-
Total regulatory capital	**193,082**	**188,829**
Amount subject to credit risk	86,019	71,042
Amount subject to market risk	354	799
Amount subject to operational risk	8,956	8,223
Capital adequacy ratio (%)	**16.20**	**18.87**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation. Credit exposure arise principally in lending activities that lead to loans and advances and investment activities that bring debt securities into the Group's asset portfolio. There is also credit risk in off balance sheet financial instruments, such as loan commitments.

The Group determines the credit limits and restricts extension of loans and advances exceeding predetermined credit limits. The credit limits are determined for individual customers, companies, group of companies and risk groups separately for each type of product by taking into account the borrowers' financial structure, some qualitative criteria and the quality of the guarantees.

Counterparty limits are monitored on a consolidated basis. In accordance with the Group's credit policy, the ratings of the borrowers, credit limits and collateralization process are collectively considered and credit risks are monitored. The credit risks and limits relate to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the accepted risk level in relation to equity are monitored daily.

Group policy requires a review of the level of impairment allowance at least on a quarterly basis. Impairment allowances on individually assessed accounts are determined by evaluation of the exposure on a case by case basis. This will normally include a review of the collateral held and the assessment of actual and anticipated receipts. In addition a portfolio based assessment is also made for homogeneous groups of credit.

The Group uses its own internal rating system, which takes into account various financial and non-financial indicators for the evaluation of corporate and also guarantees. This system helps make decisions of allocating credit limits and accepted guarantees. The cash loans rated according to the possibility of being in default are classified from the highest grade to the lowest as below:

Basic Loan Quality Categories	**2016**	**2015**
	% In Total Loans	**% In Total Loans**
High grade	15.41	12.64
Standard grade	79.64	84.49
Sub-standard grade	3.37	1.37
Impaired	1.58	1.50
Total	**100.00**	**100.00**

Category "high" shows that the debtor has a strong financial structure, "standard" shows the debtor's financial structure is good enough while "sub-standard" category shows that debtor's financial structure is under risk in the short and medium term.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

Sectorial concentration of the Group's cash loans are as follows:

	2016		2015	
Sector		**(%)**		**(%)**
Financial institutions	327,854	31.73	187,282	22.98
Manufacturing industry	143,187	13.86	204,031	25.04
Construction	135,299	13.10	67,486	8.28
Hotel, tourism, food and beverage services	89,178	8.63	61,695	7.57
Transportation and communication	78,534	7.60	94,820	11.64
Wholesale and retail trade	57,451	5.56	31,720	3.89
Mining and quarrying	13,427	1.30	19,534	2.40
Agriculture	7,667	0.74	3,954	0.49
Other	180,551	17.48	144,369	17.71
Performing loans	**1,033,148**	**100.00**	**814,891**	**100.00**
Non-performing loans				
Total loans and advances to customer	16,056		15,326	
Allowance for loan losses	(16,056)		(11,462)	
Portfolio provision for loan losses	(8,702)		-	
Net loans and advances to customers	**1,024,446**		**811,077**	

Sectorial concentration of the Group's non-cash loans and commitments are as follows:

	2016		2015	
Sector		**(%)**		**(%)**
Financial institutions	274,373	64.64	153,303	58.74
Manufacturing industry	87,212	20.55	87,277	33.44
Hotel, tourism, food and beverage services	39,923	9.40	224	0.09
Transportation and communication	1,100	0.26	1,146	0.44
Construction	-	-	182	0.07
Wholesale and retail trade	-	-	1,424	0.55
Agriculture	-	-	277	0.11
Other	21,857	5.15	17,174	6.56
Total	**424,465**	**100.00**	**261,007**	**100.00**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	2016	2015
Loans and receivables	1,024,446	811,077
Balances with the Central Bank	68,035	81,078
Balances with banks	187,211	67,290
Financial assets available for sale	52,800	64,299
Money market placements	10,097	56,857
Factoring receivables	-	10,198
Financial assets at fair value through profit and loss	7,663	3,162
Leasing receivables	-	474
Total	**1,350,252**	**1,094,435**
Non cash loans and commitments	424,465	261,007
Total	**424,465**	**261,007**

The carrying amount of loans and receivables whose terms have been renegotiated are TL 2,286 (31 December 2015: TL 348).

Credit quality per class of financial assets as of 31 December 2016 and 31 December 2015 are as follows:

2016	Neither past due nor impaired	Past due or individually impaired	Total
Loans (*)			
Corporate loans	378,222	32,176	410,398
Small business lending	323,004	1,180	324,184
Consumer loans	5,575	355	5,930
Other	283,927	7	283,934
Total	**990,728**	**33,718**	**1,024,446**

2015	Neither past due nor impaired	Past due or individually impaired	Total
Loans (**)			
Corporate loans	396,965	-	396,965
Small business lending	254,937	14,744	269,681
Consumer loans	5,115	620	5,735
Other	138,691	5	138,696
Total	**795,708**	**15,369**	**811,077**

(*) Includes loans and advances to customers and excludes portfolio provision for loan losses.

(**) Includes loans and advances to customers, Leasing Receivables and Factoring Receivables and excludes portfolio provision for loan losses.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

Fair value of collaterals for the impaired loans are as follows:

Type of Collaterals	2016	2015
Real-estate mortgage	4,305	420
Other	-	-
Total	**4,305**	**420**

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements when due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. Liquidity risk occurs when there is insufficient amount of cash inflows to fulfil the cash outflows completely on time.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from June 1, 2007. "Measurement and Assessment of the Adequacy of Banks' Liquidity". The weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100% respectively. The ratios realized during the year 2016 and 2015 are as follows:

The Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages for the last three months, the highest value and the lowest value occurred in this period are given below:

	2016		2015	
	TL+FC (%)	FC (%)	TL+FC (%)	FC (%)
The lowest value	140.0	101.3	182.2	120.5
Applicable week	18.11.2016	16.12.2016	23.10.2015	23.10.2015
The highest value	229.3	178.3	241.2	169.6
Applicable week	23.12.2016	30.12.2016	30.10.2015	02.10.2015

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to contractual maturity date.

31 December 2016	Demand	Up to 1 Month	1 to 3 Month	3 to 12 Month	1 to 5 Year	Over 5 Year	Unallocated	Total
ASSETS								
Cash and balances with the Central Bank of Turkey	87,847	-	-	-	-	-	-	87,847
Loans and advances to banks	23,084	164,127	-	-	-	-	-	187,211
Money market placements	-	2,595	-	7,502	-	-	-	10,097
Trading investment securities	-	1,202	1,063	3,621	-	-	-	5,886
Derivative financial assets	-	90	1,377	-	310	-	-	1,777
Loans and advances to customer	-	428,197	92,760	185,372	295,994	22,123	-	1,024,446
Available for sale financial assets	2,527	25,985	-	20,183	4,105	-	-	52,800
Property and equipment (net)	-	-	-	-	-	-	12,099	12,099
Intangible assets (net)	-	-	-	-	-	-	5,053	5,053
Deferred tax asset (net)	-	-	-	-	-	-	3,089	3,089
Other assets	-	-		-			122,327	122,327
Total Assets	**113,458**	**622,195**	**95,201**	**216,678**	**300,409**	**22,123**	**142,568**	**1,512,632**
LIABILITIES								
Deposits	117,591	747,228	206,639	26,735	105	-	-	1,098,298
Obligations under repurchase agreements and money market funding	-	42,992	-	7,092	-	-	2,605	52,689
Funds borrowed	-	25,903	13,539	37,391	-	-	-	76,833
Derivative financial liabilities	-	24	-	-	263	-	-	287
Debt securities issued	-	14,922	-	42,678	-	-	-	57,600
Corporate tax liability	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	226,925	226,925
Total liabilities	**117,591**	**831,069**	**220,178**	**113,896**	**368**	**-**	**229,530**	**1,512,632**
Net liquidity gap	**(4,133)**	**(208,874)**	**(124,977)**	**102,782**	**300,041**	**22,123**	**(86,962)**	**-**
As at 31 December 2015								
Total assets	101,531	351,551	118,180	261,717	214,031	51,319	119,108	1,217,437
Total liabilities	53,914	410,709	382,758	131,769	17,977	-	220,310	1,217,437
Net liquidity gap	**47,617**	**(59,158)**	**(264,578)**	**129,948**	**196,054**	**51,319**	**(101,202)**	**-**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

Analysis of financial liabilities by the remaining contractual maturities:

31 December 2016	On Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Adjustments	Total
Obligations under repurchase agreements and money market funding	2,605	43,018	-	7,092	-	-	(26)	52,689
Deposits from banks	2,904	142,384	19,700	-	-	-	(136)	164,852
Deposit from customers	114,685	623,785	171,370	24,946	116	-	(1,456)	933,446
Other borrowed funds	-	25,905	13,595	37,800	-	-	(467)	76,833
Issued debt securities	-	15,000	-	44,000	-	-	(1,400)	57,600
Total	**120,194**	**850,092**	**204,665**	**113,838**	**116**	**-**	**(3,485)**	**1,285,420**

31 December 2015	On Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Adjustments	Total
Obligations under repurchase agreements and money market funding	2,820	32,877	-	-	-	-	(56)	35,641
Deposits from banks	2,765	96,710	38,502	161	-	-	(92)	138,046
Deposit from customers	51,149	258,497	284,987	25,584	18,322	-	(3,354)	635,185
Other borrowed funds	-	7,786	48,425	83,815	-	-	(1,067)	138,959
Issued debt securities	-	15,000	13,000	24,000	-	-	(1,222)	50,778
Total	**56,734**	**410,870**	**384,914**	**133,560**	**18,322**	**-**	**(5,791)**	**998,609**

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Total
Interest rate swap purchase	-	-	-	67,428	-	67,428
Interest rate swap sale	-	-	-	67,428	-	67,428
Currency swap purchase	17,659	15,298	-	-	-	32,957
Currency swap sale	17,651	13,901	-	-	-	31,552
Forward exchange rate contracts purchase	14,028	-	-	-	-	14,028
Forward exchange rate contracts sale	13,983	-	-	-	-	13,983
Total	**63,321**	**29,199**	**-**	**134,856**	**-**	**227,376**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Total
Interest rate swap purchase	-	21,807	2,000	-	-	23,807
Interest rate swap sale	-	21,807	2,000	-	-	23,807
Currency swap purchase	105,241	1,476	16,137	-	-	122,854
Currency swap sale	107,363	16,166	-	-	-	123,529
Forward exchange rate contracts purchase	15,348	-	-	-	-	15,348
Forward exchange rate contracts sale	15,316	-	-	-	-	15,316
Total	**243,268**	**61,256**	**20,137**	**-**	**-**	**324,661**

Market risk

Market risks arise from changes in interest rates, foreign exchange rates and prices of equities, all of which are exposed to general and specific market movements. The Group considers currency risk and interest rate risk as the most important constituents of market risk. These are different levels of cut-loss and cut-profit policies to control the risks that may come from the fluctuations in the market.

Other than treasury bill positions, the Group places and borrows funds on a very short term basis, mostly on overnight, keeping the market risk of these transactions at minimum level. Thus, the Group acts quickly to any unexpected fluctuation in the market.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, the interest rates are highly volatile and this may result in significant changes in the prices of financial instruments such as government bonds and treasury bills. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

In case of any transactions that are exposed to interest rate risk, cut-loss policies are in place to control this risk. Interest rate risk is controlled and analysed by duration analysis. Furthermore, various simulation techniques are employed in order to analyse the effects of market volatilities on the Group's balance sheet.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk (cont'd)

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

2016	Up to 1 Month	1 to 3 Month	3 to 12 Month	Over 1 Year	Non-interest bearing(*)	Total
ASSETS						
Cash and balances with the Central Bank of Turkey	-	-	-	-	87,847	87,847
Balances with banks	164,127	-	-	-	23,084	187,211
Interbank money market placements	2,595	-	7,502	-	-	10,097
Financial assets at fair value through profit or loss (net)	1,350	2,692	3,621	-	-	7,663
Available for sale assets	29,103	987	20,183	-	2,527	52,800
Loans and advances to customer	648,096	121,009	46,784	208,557	-	1,024,446
Leasing receivables(net)	-	-	-	-	-	-
Premises and equipment (net)	-	-	-	-	12,099	12,099
Intangible assets (net)	-	-	-	-	5,053	5,053
Deferred tax asset (net)	-	-	-	-	3,089	3,089
Other assets	-	94,500	-	-	27,827	122,327
Total Assets	**845,271**	**219,188**	**78,090**	**208,557**	**161,526**	**1,512,632**
LIABILITIES						
Deposits	747,228	206,639	26,735	105	117,591	1,098,298
Interbank money market borrowings	42,992	-	7,092	-	2,605	52,689
Other borrowed funds	25,902	13,540	37,391	-	-	76,833
Derivative financial liabilities	240	14	33	-	-	287
Issued debit Securıtıes	14,922	-	42,678	-	-	57,600
Other liabilities(*)	-	-	-	-	226,925	226,925
Total liabilities	**831,284**	**220,193**	**113,929**	**105**	**347,121**	**1,512,632**
Net interest sensitivity gap	**13,987**	**(1,005)**	**(35,839)**	**208,452**	**(185,595)**	**-**
As at 31 December 2015						
Total assets	536,609	265,017	137,526	143,701	134,584	1,217,437
Total liabilities	414,357	382,389	131,735	17,977	270,979	1,217,437
Net interest sensitivity gap	**122,252**	**(117,372)**	**5,791**	**125,724**	**(136,395)**	**-**

(*)The amount includes equity .

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk (cont'd)

As at 31 December 2016 and 31 December 2015, summary of average interest rates for different assets and liabilities are as follows:

	2016			2015		
	EURO %	**USD %**	**TL %**	**EURO %**	**USD %**	**TL %**
Assets						
Cash and balances with the Central Bank of Turkey	-	-	0.16	-	-	0.03
Loans and advances to banks	0.2	-	-	0.01	0.45	14.4
Money market placements	-	-	-	-	-	-
Available for sale Assets	-	-	11.28	-	-	10.7
Loans and advances to customer	5.13	5.77	12.45	5.46	5.71	15.1
Leasing receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Liabilities						
Deposits from banks	1.05	1.49	9.53	1.35	0.65	10.2
Deposits from customers	1.52	2.61	10.25	1.65	1.96	10.9
Obligations under repurchase agreements and money market funding	-	-	-	-	-	7.50
Issued debit Securıtıes	-	-	-	-	-	8.83
Other Borrowed funds	1.53	0.48	8.27	1.75	2.39	8.77

Interest Rate Sensitivity:

The Group ensures that the risk remains within the predefined limits although the Group is exposed to structural interest rate risk on the statement of financial position due to the nature of its existing activities.

The Bank applies interest sensitivity scenarios with the changes in the interest rate and interest margins, so as to calculate the impact on the income statement and the shareholder's equity.

		2016		2015	
Type of currency	**Shocks Applied (+ / - basis point)**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**
TL	(+) 500	(430)	(0.22%)	(646)	(0.3%)
TL	(-) 400	366	0.19%	521	0.3%
USD	(+) 200	(7,054)	(3.65%)	(6,013)	(3.1%)
USD	(-) 200	7,799	4.04%	6,352	3.3%
EUR	(+) 200	(4,740)	(2.45%)	(7,140)	(3.7%)
EUR	(-) 200	5,171	2.68%	6,464	3.4%
Total (for negative shocks)		**13,336**	**6.91%**	**13,337**	**7.0%**
Total (for positive shocks)		**(12,224)**	**(6.32%)**	**(13,799)**	**(7.1%)**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. Long and short exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. Currency risk is also controlled through keeping a short position within local requirements.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The tables below summarize the Group's exposures to foreign currency exchange rate risk at 31 December 2016 and 31 December 2015. Included in the table are the Group's assets and liabilities and equity at carrying amounts, categorized by currency.

Foreign currency position of the Group is as follows:

2016	EURO	USD	Other Foreign Currencies	Total
ASSETS				
Cash and balances with the Central Bank of Turkey	13,736	47,511	15,504	76,751
Loans and advances to banks	79,452	7,687	83,007	170,146
Avilable for sale assets	1,185	-	-	1,185
Loans and advances to customer	220,908	253,392	6,617	480,917
Other assets	48,526	50,370	-	98,896
Total	**363,807**	**358,960**	**105,128**	**827,895**
LIABILITIES				
Deposits	298,073	378,193	88,872	765,138
Other Borrowed funds	59,401	13,951	216	73,568
Other liabilities	2,440	1,845	1,210	5,495
Total	**359,914**	**393,989**	**90,298**	**844,201**
Net balance sheet position	**3,893**	**(35,029)**	**14,830**	**(16,306)**
Off-balance sheet position				
Net notional amount of derivatives	**(683)**	**34,061**	**(14,660)**	**18,718**
As at 31 December 2015				
Total assets	261,450	397,052	31,301	689,803
Total liabilities	248,363	354,874	69,648	672,885
Net balance sheet position	**13,087**	**42,178**	**(38,347)**	**16,918**
Off-balance sheet position				
Net notional amount of derivatives	**-**	**(39,579)**	**38,875**	**(704)**

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

Foreign Currency Sensitivity:

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase USD and EUR in profit or loss and other equity where the TL strengthens against USD, EUR and GBP.

	Change in currency rate in %		Effect on profit or loss		Effect on equity	
			2016	**2015**	**2016**	**2015**
USD	10	Increase	(97)	260	-	-
USD	10	Decrease	97	(260)	-	-
EUR	10	Increase	321	1,309	-	-
EUR	10	Decrease	(321)	(1,309)	-	-

The Group's sensitivity to foreign currency rates has not changed much during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving job technology and job definitions, establishing the necessary internal controls and various insurances are employed as the main methods. The internal control and audit mechanism contributes greatly to the management of operational risk.

For the regulatory purposes and consideration in statutory capital adequacy ratio, on a consolidated base the Group calculates the amount subject to operational risk with the basic indicator method in accordance with the Section 4 of the " Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No, 28337 dated 28 June 2012, namely "The Calculation of the Amount Subject to Operational Risk", based on the gross income of the Group for the years ended 2013, 2014 and 2015, as of 31 December 2016. The total amount subject to operational risk is calculated as TL 111,955 (31 December 2015: TL 102,788) and the amount of the related capital requirement is TL 8,956 (31 December 2015: TL 8,223).

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Fair Values of Financial Instruments

As at 31 December 2016 and 31 December 2015, fair values of financial assets and liabilities are as follows:

	Carrying Value		Fair Value	
	2016	**2015**	**2016**	**2015**
Financial Assets				
Financial assets at fair value through profit or loss				
- Trading securities	5,886	2,589	5,886	2,589
- Derivative financial instruments	1,777	573	1,777	573
Available-for-sale financial assets	52,800	64,299	52,800	64,299
Loans (*)	1,024,446	811,077	1,095,407	774,543
Total	**1,084,909**	**878,538**	**1,155,870**	**842,004**
Financial Liabilities				
Deposits from banks	164,852	138,046	164,706	138,122
Deposit from customers	933,446	635,185	932,390	635,011
Other borrowed funds	76,833	138,959	77,341	139,645
Derivative financial instruments	287	1,338	287	1,338
Issued debt securities	57,600	50,778	57,717	50,886
Total	**1,233,018**	**964,306**	**1,232,441**	**965,002**

(*) Non performing loans are excluded.

The fair value of available for sale securities is based on market prices. Where market prices are not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of deposits with no stated maturity, floating rate placements and overnight deposits is their carrying amount. The estimated fair value of bank deposits and customer deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at amortized cost are considered to approximate their respective carrying values due to their short-term nature.

Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following hierarchy of method:

- **Level 1:** This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Bank's portfolio.
- **Level 2:** This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which 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 uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

	Level 1		**Level 2**		**Level 3**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Financial Assets						
Financial assets at fair value through profit or loss	5,886	2,589	1,777	573	-	-
Available-for-sale financial assets	51,458	64,139	1,342	-	-	-
Total	**57,344**	**66,728**	**3,119**	**573**	**-**	**-**
Financial Liabilities						
Derivative financial liabilities	-	-	287	1,338	-	-
Total	**-**	**-**	**287**	**1,338**	**-**	**-**

No securities were transferred from Level 1 to Level 2 of the fair value hierarchy in 2016.

31. EVENTS AFTER THE REPORTING PERIOD

None.