

**(CONVENIENCE TRANSLATION OF THE REPORT AND FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**CITI MENKUL DEĞERLER  
ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2015 AND  
INDEPENDENT AUDITOR'S REPORT**

(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Citi Menkul Değerler A.Ş.

### Report on the Financial Statements

We have audited the accompanying financial statements of Citi Menkul Değerler A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

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

## **Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Hasan Kılıç  
Partner

Istanbul, 30 March 2016

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENT OF FINANCIAL POSITION.....	1-2
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
STATEMENT OF CHANGES IN EQUITY.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6-37

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ****AUDITED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 2015**

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

		<u><i>Current Period</i></u>	<u><i>Prior Period</i></u>
		<u>December 31,</u>	<u>December 31,</u>
	<u><i>Notes</i></u>	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	93,273,356	116,724,603
Trade receivables	10	42,602,371	33,363,136
-Trade receivables from related parties	34	44,671,213	77,226,244
-Trade receivables from third parties		2,818,290	7,421,955
Other receivables	11	41,852,923	69,804,289
-Other receivables from third parties		5,851,274	5,519,175
Prepaid expenses	22	5,851,274	5,519,175
Assets related to the current period tax	32	47,082	30,439
		101,416	585,609
<b>Non-Current Assets</b>			
Financial investments	7	1,485,269	732,491
Other receivables	11	159,711	159,711
-Other receivables from third parties		5,801	5,754
Property, plant and equipment	18	5,801	5,754
Intangible assets	19	82,524	19,486
Deferred tax assets	32	646,211	394,468
		591,022	153,072
<b>TOTAL ASSETS</b>		<b>94,758,625</b>	<b>117,457,094</b>

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

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

AUDITED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

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

	<u>Notes</u>	<u>Current Period</u> <u>December 31,</u> <u>2015</u>	<u>Prior Period</u> <u>December 31,</u> <u>2014</u>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>		<b>46,803,771</b>	<b>76,227,060</b>
Trade payables	10	43,129,827	73,324,115
-Trade payables to related parties	34	42,096,873	72,526,902
-Trade payables to third parties		1,032,954	797,213
Payables related to employee benefits	24	120,301	110,758
Current tax liabilities	32	-	-
Short-term provisions	24	3,137,391	1,991,519
-Short-term provision for employee benefits		3,137,391	1,991,519
-Other short-term provisions		-	-
Other current liabilities	22	416,252	800,668
<b>Non-Current Liabilities</b>		<b>97,673</b>	<b>157,092</b>
Long-term provisions		97,673	157,092
-Long-term provision for employee benefits	24	97,673	157,092
<b><u>EQUITY</u></b>		<b>47,857,181</b>	<b>41,072,942</b>
Share capital	26	2,000,000	2,000,000
Restricted reserves appropriated from profit	26	400,000	400,000
Other comprehensive income that will not be reclassified subsequently to profit or loss		61,853	3,290
- Accumulated gains on remeasurement of defined benefit plans	24	61,853	3,290
Retained earnings	26	38,669,652	34,018,944
Net profit for the year		6,725,676	4,650,708
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>94,758,625</b>	<b>117,457,094</b>

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

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

**AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015**

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

<b><u>PROFIT/(LOSS)</u></b>	<i>Notes</i>	<b><i>Current Period</i></b> <b>January 1– December 31, 2015</b>	<b><i>Prior Period</i></b> <b>January 1 – December 31, 2014</b>
<b>REVENUE</b>			
Service Revenue (net)	27	14,417,341	15,943,879
<b>GROSS PROFIT</b>		<b>14,417,341</b>	<b>15,943,879</b>
Administrative expenses (-)	28-29	(10,343,870)	(11,228,419)
Marketing expenses (-)	28-29	(2,010,086)	(1,583,094)
Other income from operating activities	30	6,677,669	3,058,085
Other expenses from operating activities (-)	30	(1,231,524)	(355,039)
<b>OPERATING PROFIT/(LOSS)</b>		<b>7,509,530</b>	<b>5,835,412</b>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>7,509,530</b>	<b>5,835,412</b>
<b>Continuing operations tax benefit/(charge)</b>		<b>(783,854)</b>	<b>(1,184,704)</b>
- Current tax charge	32	(1,236,445)	(1,018,787)
- Deferred tax benefit / (charge)	32	452,591	(165,917)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>6,725,676</b>	<b>4,650,708</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		<b>58,563</b>	<b>(11,492)</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		<b>58,563</b>	<b>(11,492)</b>
-Gains/(losses) on re-measurement of defined benefit plans		73,204	(14,365)
-Deferred tax related to other comprehensive income		(14,641)	2,873
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,784,239</b>	<b>4,639,216</b>

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

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

**AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	Share Capital	Restricted Reserves Appropriated from Profit	Other Comprehensive Income/Expenses That Will Not Be Reclassified Subsequently to Profit or Loss	Retained Earnings	Net Profit /Loss for the Year	Total Equity
<b>As previously reported January 1, 2014</b>	2,000,000	400,000	14,782	30,004,119	4,661,225	37,080,126
Effect of restatement (Note 2.3)	-	-	-	-	(646,400)	(646,400)
<b>January 1, 2014</b> (Restated Note 2.3)	2,000,000	400,000	14,782	30,004,119	4,014,825	36,433,726
Transfers	-	-	-	4,014,825	(4,014,825)	-
Total comprehensive income/(loss)	-	-	(11,492)	-	4,650,708	4,639,216
<b>Balances as at December 31, 2014</b>	<b>2,000,000</b>	<b>400,000</b>	<b>3,290</b>	<b>34,018,944</b>	<b>4,650,708</b>	<b>41,072,942</b>
<b>Balances as at January 1, 2015</b>	2,000,000	400,000	3,290	34,018,944	4,650,708	41,072,942
Transfers	-	-	-	4,650,708	(4,650,708)	-
Total comprehensive income	-	-	58,563	-	6,725,676	6,784,239
<b>Balances as at December 31, 2015</b>	<b>2,000,000</b>	<b>400,000</b>	<b>61,853</b>	<b>38,669,652</b>	<b>6,725,676</b>	<b>47,857,181</b>

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



**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

**AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015**

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

		<i>Current Period</i>	<i>Prior Period</i>
		<b>January 1 - December 31, 2015</b>	<b>January 1 - December 31, 2014</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the year		6,725,676	4,650,708
<b>Adjustments related to net profit/(loss) for the year:</b>			
Adjustments related to depreciation and amortization expenses	18-19	155,018	90,469
Adjustments related to provisions		106,000	3,351,738
Adjustments related to interest income/(expenses)	30	(2,951,795)	(2,512,567)
Adjustments related to tax charge	32	783,854	1,184,704
<b>Changes in working capital:</b>			
Change in trade receivables		32,555,031	(33,144,548)
Change in other receivables related to operations		(348,790)	(2,376,660)
Change in other current assets		585,609	-
Change in trade payables		(27,475,574)	27,994,983
Change in other payables related to operations		(374,873)	603,850
<b>Cash flows generated from /(used in) operating activities</b>			
Employee benefits paid	24	(22,869)	-
Unused vacations paid	24	(57,933)	(16,818)
Premium and bonuses paid	24	(1,584,254)	(1,265,191)
Taxes paid	32	(1,337,861)	(1,832,254)
		<b>6,757,239</b>	<b>(3,271,586)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash outflows for the acquisition of tangible and intangible assets	18-19	(469,799)	(353,059)
Interest received		2,949,102	2,509,271
		<b>2,479,303</b>	<b>2,156,212</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		-	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>9,236,542</b>	<b>(1,115,374)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	6	31,356,091	32,471,465
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<b>40,592,633</b>	<b>31,356,091</b>

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

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 1 ORGANIZATIONS AND OPERATIONS OF THE COMPANY

Citi Menkul Değerler Anonim Şirketi ("the Company"), was established with the name of Tezal Menkul Değerler Anonim Şirketi in 1990 and the registered address of the Company is Eski Büyükdere Cad. Tekfen Tower No:209 Levent Şişli/İstanbul. The Company's shares were bought by Citigroup in October 3, 2007. Name of the Company was changed from "Tezal Menkul Değerler A.Ş." to "Opus Mnekul Değerler A.Ş." with the permission letter of Capital Market Board ("CMB") dated January 3, 2005 and numbered 2005/5. With the permission letter of CMB dated January 30, 2008 and numbered B.02.1.SPK.0.16-136 the name of the Company was changed as "Citi Menkul Değerler Anonim Şirketi". The Company's trade name was registered on April 29, 2008. The Company has no branch.

Based on the decision taken on the CMB'S meeting numbered 32, dated November 27, 2015, in accordance with the III-37.1 numbered Communiqué on Principles of Investment Services and Activities and Ancillary (Communiqué on Principles of Investment Services) and III-39.1 numbered Communiqué on Principles of Establishment and Activities of Investment Firms (Communiqué on Principles of Establishment of Investment Firms), the Company's operating licenses have been renewed as "Limited Authorized Intermediary Institution" and the Company has been given permission to intermediary operations and the limited custody operations.

The shareholding structure of the Company is as follows:

	December 31, 2015		December 31, 2014	
	Share %	Amount	Share%	Amount
Citigroup Financial Products Inc.	100.00	2,000,000	100.00	2,000,000
<b>Total</b>	<b>100.00</b>	<b>2,000,000</b>	<b>100.00</b>	<b>2,000,000</b>

As of December 31, 2015 the Company has 13 employees (December 31, 2014: 15).

### Approval of Financial Statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 30 March 2016. General Assembly has the authority to modify the financial statements.

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

#### 2.1.1 Statement of Conformity

The accompanying financial statements are prepared in accordance with the Capital Markets Board's ("CMB") "Principles of Financial Reporting in Capital Markets" ("the Communiqué") Series II, No.14.1, dated 13 June 2013 and published in the Official Gazette numbered 28676 and according to the Article 5 of the Communiqué, Turkish Accounting Standards ("TAS") which are published by the Public Oversight of Accounting and Auditing Standards Board is applied.

The accompanying financial statements and notes are also presented in accordance with the format described by the CMB with the announcement dated 7 June 2013.

The financial statements have been prepared on the historical cost basis except the investment properties, shown with their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.1 Basis of Presentation (cont’d)

#### 2.1.2 Currency Used

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

#### 2.1.3 Amendments To Financial Statements In Hyperinflation Periods

With the decision taken on March 17, 2005 numbered 11/367, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, Turkish Accounting Standard (TAS) 29, “Financial Reporting in Hyperinflationary Economies”, has not been applied in the financial statements for the accounting year commencing January 1, 2005.

#### 2.1.4 Comparative Information and Reclassification of Prior Period Financial Statements

The financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, no reclassification has been made related to the prior year’s financial statements.

### 2.2 Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. In the current year, the Company did not make any changes in its accounting policies.

### 2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both in the current and following years prospectively.

The Company revised premiums and bonuses to staff costs and provision for support services costs and the comparative financial statements for the year ended December 31, 2013 (opening of January 1, 2014) were readjusted as below:

<u>December 31, 2013</u>	<u>As Previously Reported</u>	<u>Revised</u>	<u>Effect of Restatement</u>
Short-term Provisions	699,854	1,507,854	808,000
-Short-term provisions for employee benefits (Employee premiums and bonuses provision)	699,854	1,507,854	808,000
Deferred Tax Assets	154,516	316,116	161,600
Net Profit	4,661,225	4,014,825	(646,400)

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2.4 New and Revised Turkish Accounting Standards (TAS)

### a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

### b) New and revised TAS applied with no material effect on the financial statements

Amendments to TMS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>	
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 ve TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39</i> <sup>1</sup>	<i>TAS</i>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> <sup>1</sup>	

<sup>1</sup> Effective for annual periods beginning on or after 30 June 2014.

### **TAS 19 (Amendments) *Defined Benefit Plans: Employee Benefits***

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

#### **Annual Improvements to 2010-2012 Cycle**

**TFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

**TFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**TFRS 8:** Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**TFRS 13:** Clarify that issuing TFRS 13 and amending TFRS 9 and TMS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**TAS 16 ve TAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**TAS 24:** Clarify how payments to entities providing management services are to be disclosed.

Annual improvements to 2010-2012 cycle also led to amendments in related provisions of TFRS 9, TAS 37 and TAS 39.

#### **Annual Improvements to 2011-2013 Cycle**

**TFRS 3:** Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**TFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**TAS 40:** Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.4 New and Revised Turkish Accounting Standards (cont’d)

#### b) New and revised TAS in issue but not yet effective

The Company has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition</i>
Amendments to TMS 16 and TMS 38	<i>Disclosures Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture : Bearer Plants<sup>1</sup></i>
Amendments to TFRS 11 ve TFRS 1	<i>Accounting for Acquisition of Interests in Joint Operations<sup>1</sup></i>
2011-2013 Cycle Amendments to TAS 1	<i>TFRS 1<sup>2</sup></i>
Annual Improvements to 2012-2014 Cycle	<i>Disclosures Initiative<sup>2</sup></i>
Amendments to TAS 27	<i>TFRS 5, TFRS 7, TAS 34, TAS 19<sup>2</sup></i>
Amendments to TFRS 10 and TAS 28	<i>Equity Method in Separate Financial Statements<sup>2</sup></i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
TFRS 14	<i>Investment Entities: Applying the Consolidation Exception<sup>2</sup></i>
	<i>Regulatory Deferral Accounts<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

#### **TFRS 9 *Financial Instruments***

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

#### **Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures***

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after January 1, 2018.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.4 New and Revised Turkish Accounting Standards (cont’d)

#### c) New and revised TAS in issue but not yet effective (cont’d)

##### **Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

##### **Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants***

This amendment includes ‘bearer plants’ within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of ‘bearer plants’ as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

##### **Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint Operations***

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TFRSs, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TFRSs for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.4 New and Revised Turkish Accounting Standards (TAS) (cont’d)

#### c) New and revised TAS in issue but not yet effective (cont’d)

##### **Annual Improvements 2011-2013 Cycle**

**TFRS 1:** Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

##### **Amendments to TAS 1 *Disclosure Initiative***

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

##### **Annual Improvements 2012-2014 Cycle**

**TFRS 5:** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**TFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

**TAS 34:** Clarify the meaning of ‘elsewhere in the interim report’ and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

##### **Amendments to TAS 27 *Equity Method in Separate Financial Statements***

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

##### **Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

##### **Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception***

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent’s investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.4 New and Revised Turkish Accounting Standards (cont’d)

#### c) New and revised TAS in issue but not yet effective (cont’d)

##### *TFRS 14 Regulatory Deferral Accounts*

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

### 2.5 Summary of Significant Accounting Policies

#### a. Income/Expense

*Brokerage services in capital markets:* The income obtained from the brokerage services is recognised in profit or loss at the transaction date. The brokerage services income are recorded daily to the profit or loss on an accrual basis until there is an estimate of the Company’s management occurs related to the uncertainty of the collection.

*Other commission income:* Other commission income is comprised of the commissions received from the financial services provided and recognized as income when the service is rendered.

Income on sale of marketable securities is recognized at the time of disposal and dividend and similar income is recognized when the rights to receive payment have been established.

Interest income and expenses are recognized in the income statement in the related period on an accrual basis. Interest income includes interest on time deposits and coupons earned on fixed income investment securities.

#### b. Property, plant and equipment:

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Cost amounts of tangible fixed assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives, residual values and depreciation method for the possible effects of changes in estimates are revised every year and if there is a change in estimate accounted for on a prospective basis.

The gain or loss from the disposal of a tangible asset is determined by the difference between the sales amount and the book value of the asset and the related amount is recorded in the statement of profit or loss.



# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### c. Intangible Assets:

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

##### *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.

#### d. Impairment of Assets:

Assets with indefinite economic lives are not subject to depreciation. For these assets, annual impairment test is made. For the assets that are subject to depreciation, in case the recoverability of the book value is not possible, impairment test is applied. In case the book value of the asset exceeds the recoverable amount, a provision for the impairment is recorded. The recoverable amount is the higher one of the fair value amount deducting the sales related costs or the amount that is currently in use. In order to assess the impairment, assets are grouped according to separate definable cash flows at the lowest level (cash generating units). Non-financial assets that are subject to impairment except goodwill are reviewed at each reporting date for the possible cancellation of the impairment.

#### e. Borrowing Costs:

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

#### f. Financial Instruments:

##### 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'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.5 Summary of Significant Accounting Policies (cont’d)

#### f. Financial Instruments: (cont’d)

##### 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 to the net carrying amount on initial recognition.

Except for the financial assets at fair value through profit and loss the income from financial assets are calculated using the effective interest rate method.

##### Financial assets at fair value through profit or loss

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. These financial assets are classified as short-term current assets.

##### Held-to-Maturity Investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company 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.

##### Available-for-Sale Financial Assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as “loans and receivables”, “held-to-maturity investments” or “financial assets at fair value through profit or loss”. Available for sale financial assets are recognized at fair value on initial recognition, including transaction costs. Debited subsequent valuation of financial assets available for sale after measured at fair value and in fact fair value between unrealized expressing the difference in profit or loss on equity with appropriate arising from changes in value, and securities of the amortized cost value "Securities Valuation Differences" under equity. Available for sale financial assets in equity securities if the disposal of the cumulative increase in value of the differences they observed in the valuation account / decrease are transferred to the income statement. Interest income related to interest and dividends of these financial assets and is recognized in dividend income.

##### 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 an amortized cost using the effective interest method less any impairment.

##### 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.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.5 Summary of Significant Accounting Policies (cont’d)

#### f. Financial Instruments (cont’d):

##### Financial Liabilities

Financial liabilities and equity instruments issued by the Company 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 Company 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 gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

##### Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, 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.

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, to the net carrying amount on initial recognition.

#### g. Business Combinations:

None.

#### h. Effects of Changes in Exchange Rates:

Transactions in foreign currencies are translated to TL at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to TL at the exchange rates ruling at 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.

#### i. Events after the Reporting Period:

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.5 Summary of Significant Accounting Policies (cont’d)

#### j. Provisions, Contingent Liabilities and Contingent Assets:

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

When 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.

#### k. Accounting Policies, Changes in Accounting Estimates and Errors:

Significant changes in accounting policies and significant accounting errors detected are applied retrospectively by restating prior period financial statements. Changes in accounting estimates are for only one period, the period of the change, if it relates to future periods, both in the period of change and future periods, prospectively applied.

#### l. Leasing:

There is no asset acquired under finance leases.

#### m. Government Grants and Incentives :

None.

#### n. Taxation on Income :

Income tax expense represents the changes of the current tax payable and deferred tax.

Estimated provision are made at the financial statements related to corporate tax caused by operating activities, income tax and liabilities related to funds. Current period tax is calculated considering non tax deductible expenses of operating income and exceptions.

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 are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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 deferred tax 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.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.5 Summary of Significant Accounting Policies (cont’d)

#### n. Taxation on Income (cont’d):

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. 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. If this asset cannot be utilized, then a provision is made.

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 Company intends to settle its current tax assets and liabilities on a net basis.

#### o. Provision for Employment Termination Benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. 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 consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

#### p. Retirement Plans:

None.

#### r. Agricultural Activities:

None.

#### s. Statement of Cash Flows:

In the cash flow statement, changes in cash and cash equivalents for the period; basis, it has reported classified according to the investment and financing activities. Cash and cash equivalents, cash, maturity from the date of demand deposits and the purchase of 3 months or less than 3 months, that are readily convertible into cash and have the risk of significant value change, transport highly liquid short-term investments.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 3 BUSINESS COMBINATIONS

None (December 31,2014: None).

## 4 JOINT VENTURES

None (December 31, 2014: None).

## 5 SEGMENT REPORTING

There are no different geographical or operational reportable segments.

## 6 CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents of the Company as of December 31, 2015 and 2014 are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Banks	42,602,371	33,363,136
<b>Total Cash and Cash Equivalents</b>	<b>42,602,371</b>	<b>33,363,136</b>
Restricted Deposits at Banks	(2,000,000)	(2,000,000)
<b>Net Cash and Cash Equivalents</b>	<b>40,602,371</b>	<b>31,363,136</b>

As of December 31, 2015 and December 31, 2014, the details of cash at banks are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Time Deposit (TL)	41,700,000	32,500,000
Demand Deposit (TL) (*)	902,371	863,136
	<b>42,602,371</b>	<b>33,363,136</b>

(\*)The amount of TL 750,088 held in custody on behalf of customers included to demand deposits as of December 31, 2015 (December 31, 2014: TL 682,939). The corresponding amount is under the other current liabilities.

As of December 31, 2015, the interest rate and the range of maturity of the time deposits at banks are 6.00 % - 8.50% and the maturity range is between 0-1 month (December 31, 2014: 5.00% - 7.50% and 0-1 month).

As at December 31, 2015 and 31 December 2014, the details of restricted accounts at banks are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Time Deposit (TL)	2,000,000	2,000,000
	<b>2,000,000</b>	<b>2,000,000</b>

As of December 31, 2015, blockage on bank deposits amounting TL 2,000,000 are maintained against the letter of guarantee taken from Citibank AŞ (December 31, 2014: TL 2,000,000).

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 6 CASH AND CASH EQUIVALENTS (cont’d)

Cash and cash equivalents, restricted deposits of cash and cash equivalents and interest accruals are excluded from cash flows of the Company as of December 31, 2015 and December 31, 2014.

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash and cash equivalents	42,602,371	33,363,136
Restricted bank deposits	(2,000,000)	(2,000,000)
Interest accruals	(9,738)	(7,045)
<b>Cash and cash equivalents in statement of cash flows</b>	<b>40,592,633</b>	<b>31,356,091</b>

## 7 FINANCIAL INVESTMENTS

### *Long term financial investments*

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<i>Available for Sale Financial Assets:</i>		
Borsa İstanbul A.Ş. (“BİAŞ”)	159,711	159,711
<b>Total</b>	<b>159,711</b>	<b>159,711</b>

Shares of group (C), amounting to TL 159,711, which is classified to available for sale portfolio is given to the Company free of charge by Borsa İstanbul A.Ş.

## 8 FINANCIAL LIABILITIES

None (December 31, 2014: None).

## 9 OTHER FINANCIAL LIABILITIES

None (December 31, 2014: None).

## 10 TRADE RECEIVABLES AND PAYABLES

The Company’s short term receivables as of December 31, 2015 and 2014 are as below:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Receivables from Turkish Derivatives Exchange Market (TDE)	41,852,923	69,804,264
Trade receivables from related parties (Note 34)	2,818,290	7,421,955
Common stock, brokerage commission receivables	-	25
	<b>44,671,213</b>	<b>77,226,244</b>

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**10 TRADE RECEIVABLES AND PAYABLES (cont’d)**

The Company’s short-term payables as of December 31, 2015 and 2014 are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Trade payables to related parties	42,096,873	72,526,902
<i>Payables to TDE Market (*) (Note 34)</i>	41,883,320	69,804,264
<i>Payables on support and services rendered by related parties (Note 34)</i>	213,553	2,722,638
Payables to customers (**)	750,088	683,512
Accrued expenses and accrued charges	282,866	113,701
	<u>43,129,827</u>	<u>73,324,115</u>

(\*)The amounts presented in trade receivables and trade payables are the cash collaterals held in Turkish Derivative Exchange Market on behalf of customers. Trade receivables represent TDE settlement receivables and trade payables represent payables to customers.

(\*\*) An amount of TL 750,088 of payables to customers is held at the bank as demand deposit on behalf of the customers (Note 6) (December 31, 2014: TL 682,939)

**11 OTHER RECEIVABLES**

The Company’s other short-term receivables as of December 31, 2015 and 2014 are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Collaterals given to Turkish Derivatives Exchange Market	5,851,274	5,519,175
	<u>5,851,274</u>	<u>5,519,175</u>

As at December 31, 2015, the Company’s other long-term receivables comprises of the deposits and collaterals given amounting to TL 5,801 (December 31, 2014: TL 5,754).

**12 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS**

Since the Company operates in the financial sector, this account has not been used.

**13 INVENTORIES**

None (December 31, 2014: None).

**14 BIOLOGICAL ASSETS**

None (December 31, 2014: None).

**15 ASSETS CONCERNING ONGOING CONSTRUCTION CONTRACTS**

None (December 31, 2014: None).



**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**16 INVESTMENTS ACCOUNTED FOR AT EQUITY METHOD**

None (December 31, 2014: None).

**17 INVESTMENT PROPERTIES**

None (December 31, 2014: None).

**18 PROPERTY, PLANT AND EQUIPMENT**

Movement of tangible assets for the years ended December 31, 2015 and December 31, 2014 are as follows:

	<b>Office Equipment and Fixtures</b>	<b>Total Amount</b>
<b><u>Cost Value</u></b>		
Opening balance at January 1, 2014	1,073,159	1,073,159
Additions	1,782	1,782
Disposals	-	-
Closing balance at December 31,2014	1,074,941	1,074,941
Additions	79,940	79,940
Disposals	-	-
Closing balance at December 31,2015	1,154,881	1,154,881
<b><u>Accumulated Depreciation</u></b>		
Opening balance at January 1, 2014	1,049,031	1,049,031
Current period charge	6,424	6,424
Disposals	-	-
Closing balance at December 31, 2014	1,055,455	1,055,455
Current period charge	16,902	16,902
Disposals	-	-
Closing balance at December 31,2015	1,072,357	1,072,357
<b><u>Net Book Value</u></b>		
December 31, 2014	19,486	19,486
December 31, 2015	82,524	82,524

As of December 31, 2015 and 2014 there is no mortgage or pledge on Company's tangible assets.

The amortization period for tangible assets is as follows:

	<b>Useful lives of tangible assets</b>
Office Equipment and Fixtures	4-5 years

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**19 INTANGIBLE ASSETS**

Movement of intangible assets for the years ended December 31, 2015 and December 31, 2014 are as follows:

	<b>Rights</b>	<b>Other Intangible Assets</b>	<b>Total Amount</b>
<b><u>Cost Value</u></b>			
Opening balance at January 1, 2014	680,931	5,900	686,831
Additions	351,277	-	351,277
Disposals	-	-	-
Closing balance at December 31, 2014	1,032,208	5,900	1,038,108
Additions	389,859	-	389,859
Disposals	-	-	-
Closing balance at December 31, 2015	1,422,067	5,900	1,422,967
<b><u>Accumulated Amortization</u></b>			
Opening balance at January 1, 2014	553,695	5,900	559,595
Current period charge	84,045	-	84,045
Disposals	-	-	-
Closing balance at December 31, 2014	637,740	5,900	643,640
Current period charge	138,116	-	138,116
Disposals	-	-	-
Closing balance at December 31, 2015	775,856	5,900	781,756
<b><u>Net Book Value</u></b>			
December 31, 2014	394,468	-	394,468
December 31, 2015	646,211	-	646,211

Useful lives of intangible assets vary between 3 and 5 years.

**20 GOODWILL**

None (December 31, 2014: None).

**21 GOVERNMENT INCENTIVES AND GRANTS**

None (December 31, 2014: None ).

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**22 OTHER ASSETS AND LIABILITIES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b><i>Prepaid Expenses</i></b>		
Expenses related to next months	47,082	30,439
	<b>47,082</b>	<b>30,439</b>
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b><i>Other Short Term Liabilities</i></b>		
VAT Payable	300,603	686,396
BITT Payable	42,161	33,640
Withholding tax and other taxes and charges	73,488	80,632
	<b>416,252</b>	<b>800,668</b>

**23 COMMITMENTS**

None (December 31, 2014: None).

**24 EMPLOYEE BENEFITS**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b><i>Payables to employee benefits</i></b>		
Personnel taxes and withholding taxes	89,541	80,769
Social security premiums payable	30,760	29,989
	<b>120,301</b>	<b>110,758</b>
<b><i>Short-term provisions for employment benefits</i></b>		

As of December 31, 2015 and 2014 short-term provisions for employee benefits are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Unused vacation accruals	277,273	289,719
Premium and bonus accruals	2,860,118	1,701,800
	<b>3,137,391</b>	<b>1,991,519</b>

Movement of the unused vacation accruals in the current period is as follows:

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Opening balance January 1	289,719	242,663
Provision for the period	45,487	63,874
Amount paid in the period	(57,933)	(16,818)
<b>As of the end of the period – December 31</b>	<b>277,273</b>	<b>289,719</b>

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**24 EMPLOYEE BENEFITS (cont’d)**

*Short-term provisions for employment benefits (cont’d)*

Movements of the provision for premium and bonus accruals in current period is as follows:

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Opening balance January 1	1,701,800	1,265,191
Provision for the period	2,742,572	1,701,800
Amount paid during the period	(1,584,254)	(1,265,191)
<b>As of the end of the period – December 31</b>	<b>2,860,118</b>	<b>1,701,800</b>

*Long-term provisions for employee benefits*

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law’s Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws.

The amount payable consists of one month’s salary limited to a maximum of TL 3,828.37 for each period of service at December 31, 2015 (December 31, 2014: TL 3,438.22).

The liability is not funded, as there is no funding requirement. Provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Revised TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the Company’s obligation under the defined benefit plans. Accordingly, the following actuarial assumptions are 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 December 31, 2015, 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 with the assumption of 4.25 % real discount rate calculated by using 6.00% annual inflation rate and 10.50% discount rate (December 31, 2014: 2.83% real discount rate, 6.00% inflation and 9.00% discount rate). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 4,092.53 which is in effect since January 1, 2016 is used in the calculation of Company’s provision for retirement pay liability (January 1, 2015: TL 3,541.37).

Movement of the retirement pay liability is as follows:

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Opening balance January 1	157,092	128,958
Interest cost	4,488	4,617
Service cost	32,166	9,152
Employment termination benefits paid	(22,869)	-
Actuarial gain/(loss)	(73,204)	14,365
<b>As of the end of the period – December 31</b>	<b>97,673</b>	<b>157,092</b>

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 24 EMPLOYEE BENEFITS (cont'd)

### Retirement Plans

None (December 31, 2014: None).

## 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As of December 31, 2015 and 2014 off- balance sheet liabilities are as follows:

	December 31, 2015	December 31, 2014
<i>At custody (nominal)</i>		
Stocks	16,386,310	18,787,517
<b>Total</b>	<b>16,386,310</b>	<b>18,787,517</b>
<i>Letters of Guarantee Given</i>		
Borsa İstanbul	8,750,000	7,250,000
Derivatives Exchange	-	1,000,000
Capital Markets Board	521,380	521,380
<b>Total Letters of Guarantee Given</b>	<b>9,271,380</b>	<b>8,771,380</b>

As of December 31, 2015 and 2014 the amount of open positions belonging to the customers in derivatives exchange are as follows:

	December 31, 2015		December 31, 2014	
	Agreement Number	Monetary Amount	Agreement Number	Monetary Amount
Total transaction amount of open positions	27,071	24,228,545	1,215	1,202,850

## 26 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

### Share Capital

As of December 31, 2015, the total amount of ordinary capital authorized is TL 2,000,000 TL (December 31, 2014: TL 2,000,000).

The total number of ordinary shares authorized is 4 million shares with a par value of TL 0,5 per share. The Company has no privileged share.

### Restricted Reserves Appropriated from Profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of %5 per annum until the total reserve reaches %20 of the Company's share capital. The second legal reserve is appropriated at the rate of %10 per annum of all cash distributions in excess of %5 of the share capital. Primary and secondary legal reserves cannot be distributed unless they exceed 50% of the total share capital and are only available for offsetting losses in the event that voluntary legal reserves are exhausted.

As of December 31, 2015 the amount of restricted reserves appropriated from profit is TL 400,000 (December 31, 2014: TL 400,000).

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**26 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)****Retained Earnings**

As of December 31, 2015, the Company’s retained earnings amount is TL 38,669,652 (December 31, 2014: TL 34,018,944).

**27 REVENUE**

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
<b>Service Income</b>		
Commission income from brokerage services	15,834,774	31,563,679
- Common stock brokerage commissions	13,844,778	29,339,315
- TDE brokerage commissions	1,989,996	2,224,364
Income from corporate finance services	3,688,554	3,719,487
Income from investment advisory services	1,660,089	1,166,780
Other Commissions	85	71
	<b>21,183,502</b>	<b>36,450,017</b>
<b>Discounts</b>		
Customer commission returns	(6,766,161)	(20,506,138)
	<b>(6,766,161)</b>	<b>(20,506,138)</b>
<b>Service Income, net</b>	<b>14,417,341</b>	<b>15,943,879</b>

**28 ADMINISTRATIVE EXPENSES / MARKETING EXPENSES**

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
General Administrative Expenses (-)	10,343,870	11,228,419
Marketing Expenses (-)	2,010,086	1,583,094
<b>Total</b>	<b>12,353,956</b>	<b>12,811,513</b>

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

29 EXPENSES BY NATURE

<i>General Administrative Expenses</i>	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Personnel salaries and expenses	6,433,084	5,150,438
Citigroup contribution expenses and support service costs	1,638,468	3,850,866
Information technology maintenance expenses	517,348	446,255
Rent expenses	492,797	349,753
Transportation expenses	443,119	317,484
Consultancy and lawyer expenses	86,435	261,550
Taxes and duties	276,167	234,421
Social security employer share	52,390	169,831
Rental car expenses	153,937	115,040
Communication expenses	28,474	113,654
Depreciation and amortization expenses	155,018	90,469
Other	66,633	128,558
<b>Total</b>	<b>10,343,870</b>	<b>11,228,419</b>

*Marketing Expenses*

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Stock exchange charges	897,910	599,086
Derivative exchange charges	371,463	415,262
Data expenses	571,168	403,599
Takasbank custody commissions	130,609	125,472
Stock lending market commissions	7,054	34,567
Other	31,882	5,108
<b>Total</b>	<b>2,010,086</b>	<b>1,583,094</b>

30 OTHER OPERATING INCOME/EXPENSES

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Interest income from deposits	2,951,795	2,512,567
Foreign exchange gains	1,484,029	442,552
Previous period income and profits	2,122,599	-
Other	119,246	102,966
<b>Other income from operating activities</b>	<b>6,677,669</b>	<b>3,058,085</b>
Commissions on letter of guarantees	(237,892)	(239,259)
Foreign exchange losses	(489,553)	(111,592)
Previous period expenses and losses	(504,079)	(4,188)
<b>Other expenses from operating activities</b>	<b>1,231,524</b>	<b>(355,039)</b>

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 31 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

None.

## 32 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Income tax asset or liability as at December 31, 2015 and 2014 is the net of corporate tax provision and advance taxes.

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Corporate tax provision	1,236,445	1,018,787
Advance tax	(948,550)	(1,283,114)
Prepaid withholding taxes	(389,311)	(321,282)
<b>Period Income Tax Liabilities</b>	<b>(101,416)</b>	<b>(585,609)</b>

As of December 31, 2015 and 2014 tax expenses in the statement of profit/(loss) are as follows:

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Current tax charge	(1,236,445)	(1,018,787)
Deferred tax benefit/(charge)	452,591	(165,917)
<b>Tax Expense</b>	<b>(783,854)</b>	<b>(1,184,704)</b>

### Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods.

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 tax rate in 2015 is 20% (2014: 20%) for the Company.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2015 is 20% (2014: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, 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.



CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

32 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

**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 Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Minister’s Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

**Deferred Tax**

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

For calculation of deferred tax assets and liabilities, the rate of 20% (31 December 2013: 20%) is used. The detail of deferred tax assets and liabilities is as below:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<i><b>Deferred Tax Assets:</b></i>		
Unused vacation accruals	55,455	57,944
Provision for employment termination benefits	19,535	31,418
Premium and bonus accruals	572,024	91,438
	<b>647,014</b>	<b>180,800</b>
<i><b>Deferred Tax Liabilities:</b></i>		
Depreciation/amortization differences of property, plant and equipment and other intangible assets	(55,992)	(27,728)
	<b>(55,992)</b>	<b>(27,728)</b>
<b>Deferred Tax Assets, net</b>	<b>591,022</b>	<b>153,072</b>
	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
<u>The movement of deferred tax assets/ (liabilities)</u>		
Opening balance at January 1	153,072	316,116
Deferred tax benefit/(charge) accounted for in equity	(14,641)	2,873
Deferred tax benefit/(charge) accounted for in statement of profit - loss	452,591	(165,917)
Closing balance at December 31,2015	<b>591,022</b>	<b>153,072</b>

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**32 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)**

**Deferred Tax (cont’d)**

As of December 31, 2015 and 2014 the reconciliation between the current period tax charge and current period profit is as follows:

	<b>January 1- December 31, 2015</b>	<b>January 1- December 31, 2014</b>
Income/(loss) before tax	7,509,530	5,835,412
Statutory tax rate (%20)		
Corporate Tax	(1,501,906)	(1,167,082)
Prior period expenses	(100,816)	-
Discounts	485,334	21,243
Non-deductible expenses	(2,804)	(38,865)
Other	336,337	-
<b>Tax Charge</b>	<b>(783,854)</b>	<b>(1,184,704)</b>

**33 EARNINGS PER SHARE**

In accordance with TAS 33 “Earnings per Share”, companies whose shares are not traded on the stock exchange are not obliged to disclose earnings per share. Therefore, an earnings per share is not presented in the accompanying financial statements.

**34 RELATED PARTY DISCLOSURES**

**Trade payables and receivables due from related parties**

As of December 31, 2015 and 2014 the detail of trade payables and receivables from related parties is below:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b><i>Bank Deposits</i></b>		
Citibank A.Ş.-time deposit	26,700,000	17,500,000
Citibank A.Ş.-demand deposit	71,650	94,717
	<b>26,771,650</b>	<b>17,564,717</b>
<b><i>Trade Receivables from Related Parties</i></b>		
Receivables on commission and investment consultancy from Citigroup Global Markets Limited	984,093	925,714
Receivables on corporate finance service from Citigroup Global Markets Inc.	1,834,197	6,496,241
	<b>2,818,290</b>	<b>7,421,955</b>
<b><i>Trade Payables to Related Parties</i></b>		
Payables on derivatives exchange guarantees to Citigroup Global Markets Limited	41,883,320	69,804,264
Accruals for support and services to Citigroup Inc.	213,553	2,722,638
	<b>42,096,873</b>	<b>72,526,902</b>

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

## NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

### 34 RELATED PARTY DISCLOSURES (cont'd)

#### Transactions with Related Parties

As of December 31, 2015 and 2014 the transactions with related parties are as follow:

	<u>January 1- December 31, 2015</u>	<u>January 1- December 31, 2014</u>
Brokerage commission fees received from related parties	8,998,415	10,998,346
Citigroup Global Markets Ltd. (corporate finance service income)	3,688,554	3,719,487
Citibank A.Ş. (interest income)	1,439,342	1,379,173
Citigroup Global Markets Ltd. (investment consultancy service income)	1,660,089	1,166,780
Citigroup Inc. (contribution expenses)	-	(3,073,874)
Citibank A.Ş. (commission for letter of guarantee)	(189,840)	(189,840)
Citibank A.Ş. (support services)	(401,356)	(331,208)
Citibank A.Ş. (rental expenses)	(474,253)	(298,564)

Total salaries and other benefits paid to the Board of Directors and top Management for the year ended December 31, 2015 is TL 979,431 (December 31, 2014: TL 1,780,571). These benefits include salaries, premiums, dining expenses, health and life insurances, employee benefits, unused vacation accruals and fuel expenses.

#### Letter of guarantees received from related parties

As of December 31, 2015 and 2014 The Company’s letter of guarantees received from related parties is as follow:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Citibank A.Ş.	4,520,000	4,520,000

### 35 THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### Capital management and capital adequacy requirements

The Company determines and manages its financial risk in accordance with the communiqué numbered, Serial: V, No: 34 “Communiqué on Capital and Capital Adequacy of Brokerage Companies” (“Serial: V, No: 34”) promulgated by the CMB. For every capital market operations, intermediaries are obliged to increase their capitals according to rates stated as follows:

- For intermediation in public offerings, 50% of the initial capital amount required for intermediation in trading,
- For the sale and purchase of securities through repurchase and reverse repurchase agreements, 50% of the initial capital amount shall be required for intermediation in secondary trading,
- For portfolio management activity, 40% of the initial capital amount shall be required for intermediation in secondary trading,
- For investment consultancy activity, 10% of the initial capital amount shall be required for intermediation in secondary trading

Within this scope, the minimum share capital amount is TL 6,000,000 (December 31, 2014: TL 1,797,000).

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

35 THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

**Capital management and capital adequacy requirements (cont’d)**

According to Article 8 of the Communiqué Serial: V, No: 34, capital adequacy base of brokerage companies shall not be less than any of the following items; minimum initial capital corresponding to the operational licenses they have, risk provision, operating expenses of the last three months prior to the balance sheet date.

As of 31 December 2015, the Company is in compliance with the capital adequacy requirements.

**Financial risk factors**

***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to meet the terms of their agreements as foreseen and cause the other party to incur a financial loss. The Company’s credit risk mainly consist of deposits in banks and trade receivables. The Company’s bank deposits are placed with a maturity of less than 3 months. The Company serves the corporate and institutional investors, and has a variety of consulting services on behalf of the brokerage activities. The Company is undertaking all corporate services to Citi Group companies.

The table below shows credit risk exposure based on financial instruments as of December 31, 2015 and 2014:

	Receivables					
	Trade Receivables		Other Receivables		Bank Deposits	Financial Investments
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>December 31, 2015</b>						
<b>Maximum exposure to credit risk as of reporting date (A+B+C+D+E)</b>	<b>2,818,290</b>	<b>41,852,923</b>	<b>-</b>	<b>5,851,274</b>	<b>42,602,371</b>	<b>-</b>
A. Net book value of the financial assets that are neither overdue nor impaired	2,818,290	41,852,923	-	5,851,274	42,602,371	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

35 THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Financial risk factors (cont’d)

*Credit Risk (cont’d)*

December 31, 2014	Receivables				Bank Deposits	Financial Investments
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
<b>Maximum exposure to credit risk as of reporting date (A+B+C+D+E)</b>	<b>7,421,955</b>	<b>69,804,289</b>	<b>-</b>	<b>5,519,175</b>	<b>33,363,136</b>	
A. Net book value of the financial assets that are neither overdue nor impaired	7,421,955	69,804,289	-	5,519,175	33,363,136	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

*Interest Rate Risk*

Interest rate risk is described as the decline of value upon the Company’s assets which are sensitive to interest rate due to fluctuation of interest rates. As of December 31, 2015 the Company’s interest sensitive assets and liabilities are as below:

Interest Position	December 31, 2015	December 31, 2014
<b>Fixed Rate Financial Instruments</b>		
Financial Assets	41,700,000	32,500,000
Time Deposits in Banks		

*Foreign Currency Risk*

Currency risk arises as a result of the mismatch in foreign currency denominated assets and liabilities together with exposures resulting from off-balance sheet foreign exchange instruments. As of December 31, 2015 and 2014 foreign currency assets and liabilities are as follows:

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

35 THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial risk factors (cont'd)

Foreign Currency Risk (cont'd)

	Foreign Exchange Position Table			
	December 31, 2015		December 31, 2014	
	TL equivalent	USD	TL equivalent	USD
Trade Receivables	2,818,261	969,274	7,420,134	3,199,851
Total Assets	2,818,261	969,274	7,420,134	3,199,851
Trade Payables	-	-	(2,604,978)	(1,123,368)
Total Liabilities	-	-	(2,604,978)	(1,123,368)
Net position of foreign currency asset / (liabilities)	<b>2,818,261</b>	<b>969,274</b>	<b>4,815,156</b>	<b>2,076,483</b>

The following table presents the Company's sensitivity to a 10% (+/-) change in the US Dollars. 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.

The below numbers indicate an impact of a 10% (+) increase in rate. The statement of profit or loss will be affected negatively by the same amounts in the case of a 10% (-) decrease in rate.

Foreign currency sensitivity analysis

Table of Foreign Currency Sensitivity Analysis

	December 31, 2015			
	Profit / (Loss)		Equity (*)	
	Increase in the value of foreign currency	Decrease in the value of foreign currency	Increase in the value of foreign currency	Decrease in the value of foreign currency
The 10% increase/decrease in the value of USD/TL:				
Net asset/liability in USD	281,826	(281,826)	281,826	(281,826)
The part that is protected from USD risk(-)	-	-	-	-
<b>Net Effect</b>	<b>281,826</b>	<b>(281,826)</b>	<b>281,826</b>	<b>(281,826)</b>

(\*)The effect in equity also includes profit and loss effect.

Table of Foreign Currency Sensitivity Analysis

	December 31, 2014			
	Profit / (Loss)		Equity (*)	
	Increase in the value of foreign currency	Decrease in the value of foreign currency	Increase in the value of foreign currency	Decrease in the value of foreign currency
The 10% increase/decrease in the value of USD/TL:				
Net asset/liability in USD	481,516	(481,516)	481,516	(481,516)
The part that is protected from USD risk(-)	-	-	-	-
<b>Net Effect</b>	<b>481,516</b>	<b>(481,516)</b>	<b>481,516</b>	<b>(481,516)</b>

(\*)The effect in equity also includes profit and loss effect.

**CITI MENKUL DEĞERLER ANONİM ŞİRKETİ**

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

**35 THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)****Financial risk factors (cont’d)****Liquidity Risk**

Liquidity risk is the possibility that the Company is unable to meet its net funding commitments. Liquidity risk stems from deterioration in markets or occurrence of events resulting in diminution of fund resource. The Company is not exposed to liquidity risk since its short term assets are more than its short term liabilities.

The following table presents the maturity distribution of the Company’s non-derivative financial liabilities. Non-derivative financial liabilities are prepared without discounting and are based on the earliest payment dates.

<b>December 31, 2015</b>						
<b>Contractual Maturity Analysis</b>	<b>Book Value</b>	<b>Total contractual cash outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Non-Derivatives						
Financial liabilities	43,129,827	43,129,827	43,129,827	-	-	-
Trade Payables	43,129,827	43,129,827	43,129,827	-	-	-
<b>December 31, 2014</b>						
<b>Contractual Maturity Analysis</b>	<b>Book Value</b>	<b>Total contractual cash outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Non-Derivatives						
Financial liabilities	73,324,115	73,324,115	73,324,115	-	-	-
Trade Payables	73,324,115	73,324,115	73,324,115	-	-	-

As of December 31, 2015 and 2014 the Company has no derivative financial assets and liabilities.

Since the cash flows resulting from non-derivative financial liabilities based on the expected maturity do not differ, they are not presented separately.

# CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

## 36 FINANCIAL INSTRUMENTS

### The fair value of financial instruments

<u>Financial Instrument Categories</u>	December 31, 2015	
	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets		
Cash and cash equivalents	42,602,371	42,602,371
Trade receivables	44,671,213	44,671,213
Other receivables	5,851,274	5,851,274
Available for sale financial assets (*)	159,711	159,711
Financial liabilities		
Trade payables	43,129,827	43,129,827
<u>Financial Instrument Categories</u>	December 31, 2014	
	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets		
Cash and cash equivalents	33,363,136	33,363,136
Trade receivables	77,226,244	77,226,244
Other receivables	5,519,175	5,519,175
Available for sale financial assets (*)	159,711	159,711
Financial liabilities		
Trade payables	73,324,115	73,324,115

(\*) Investments recognized as available for sale financial assets amounted to TL 159,711 in company’s financials is given by Borsa İstanbul A.Ş. as a non-paid shares.

The fair values of financial assets and liabilities are determined as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

As of the balance sheet date, no financial assets or liabilities in the financial statements are shown at fair value.



## CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

### 36 FINANCIAL INSTRUMENTS (cont’d)

The following methods and assumptions are used to estimate the fair values of the financial assets and financial liabilities not shown at fair value:

#### Financial Assets:

Taking into consideration that the fair values of cash and cash equivalents, trade receivables and other receivables are short term and the possible losses are insignificant, their fair values are presumed to approximate to their book values.

#### Financial Liabilities:

Since the carrying values of monetary liabilities are short-term, their fair values are presumed to approximate to their book values.

### 37 EVENTS AFTER THE REPORTING PERIOD

None.