

**(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 2016 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 2016, 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 2016, 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 2016 does not comply with the 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 the 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 2017

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CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

AUDITED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2016

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

		<i>Current Period</i>	<i>Restated (See Note 2.3) Prior Period</i>
	<i>Notes</i>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>ASSETS</u>			
Current Assets		141,261,951	93,273,356
Cash and cash equivalents	6	46,496,558	42,602,371
Trade receivables	10	87,117,433	44,671,213
-Trade receivables from related parties	34	4,796,684	2,818,290
-Trade receivables from third parties		82,320,749	41,852,923
Other receivables	11	7,629,566	5,851,274
-Other receivables from third parties		7,629,566	5,851,274
Prepaid expenses	22	18,394	47,082
-Prepaid expenses from third parties		18,394	47,082
Assets related to the current period tax	32	-	101,416
Non-Current Assets		965,714	1,026,619
Financial investments	7	159,711	159,711
Other receivables	11	6,286	5,801
-Other receivables from third parties		6,286	5,801
Property, plant and equipment	18	60,851	82,524
Intangible assets	19	738,866	646,211
Deferred tax assets	32	-	132,372
TOTAL ASSETS		<u>142,227,665</u>	<u>94,299,975</u>

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, 2016

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

	<i>Notes</i>	<i>Current Period</i> December 31, 2016	<i>Restated</i> <i>(See Note 2.3)</i> <i>Prior Period</i> December 31, 2015
<u>LIABILITIES</u>			
Current Liabilities		87,776,770	46,803,771
Trade payables	10	83,697,233	43,129,827
-Trade payables to related parties	34	82,617,717	42,096,873
-Trade payables to third parties		1,079,516	1,032,954
Payables related to employee benefits	24	124,455	120,301
Current tax liabilities	32	698,683	-
Short-term provisions	24	2,398,896	3,137,391
-Short-term provision for employee benefits		2,398,896	3,137,391
Other current liabilities	22	857,503	416,252
-Other current liabilities to third parties		857,503	416,252
Non-Current Liabilities		229,025	97,673
Long-term provisions		131,355	97,673
-Long-term provision for employee benefits	24	131,355	97,673
Deferred tax liabilities	32	97,670	-
<u>EQUITY</u>		54,221,870	47,398,531
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		61,496	61,853
- Accumulated gains on remeasurement of defined benefit plans	24	61,496	61,853
Retained earnings	26	44,936,678	38,669,652
Net profit for the year		6,823,696	6,267,026
TOTAL LIABILITIES AND EQUITY		142,227,665	94,299,975

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, 2016

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

<u>PROFIT/(LOSS)</u>	<i>Notes</i>	<i>Restated (See Note 2.3)</i>	
		<i>Current Period</i> January 1– December 31, 2016	<i>Prior Period</i> January 1– December 31, 2015
REVENUE			
Service Revenue (net)	27	17,737,148	14,417,341
GROSS PROFIT		17,737,148	14,417,341
Administrative expenses (-)	28-29	(10,126,139)	(10,343,870)
Marketing expenses (-)	28-29	(2,624,491)	(2,010,086)
Other income from operating activities	30	4,126,354	6,677,669
Other expenses from operating activities (-)	30	(268,197)	(1,231,524)
OPERATING PROFIT/(LOSS)		8,844,675	7,509,530
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		8,844,675	7,509,530
Continuing operations tax benefit/(charge)		(2,020,979)	(1,242,504)
- Current tax charge	32	(1,790,847)	(1,236,445)
- Deferred tax benefit / (charge)	32	(230,132)	(6,059)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		6,823,696	6,267,026
OTHER COMPREHENSIVE INCOME/(EXPENSES)		(357)	58,563
Items that will not be reclassified subsequently to profit or loss		(357)	58,563
-Gains/(losses) on re-measurement of defined benefit plans		(446)	73,204
-Deferred tax related to other comprehensive income		89	(14,641)
TOTAL COMPREHENSIVE INCOME		6,823,339	6,325,589

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, 2016

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

	Share Capital	Restricted Reserves Appropriated from Profit	Other Comprehensive Income/Expense That Will Not Be Reclassified Subsequently to Profit or Loss	Retained Earnings	Net Profit /Loss for the Year	Total Equity
Balances as of January 1, 2015	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
Effect of restatement (Note 2.3)	-	-	-	-	(458,650)	(458,650)
Balances as of December 31, 2015 (Restated, see note 2.3)	2,000,000	400,000	61,853	38,669,652	6,267,026	47,398,531
Balances as of January 1, 2016 (Restated, see Note 2.3)	2,000,000	400,000	61,853	38,669,652	6,267,026	47,398,531
Transfers	-	-	-	6,267,026	(6,267,026)	-
Total comprehensive income/(loss)	-	-	(357)	-	6,823,696	6,823,339
Balances as of December 31, 2016	2,000,000	400,000	61,496	44,936,678	6,823,696	54,221,870

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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, 2016

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

		<i>Current Period</i>	<i>Prior Period</i>
		January 1- December 31, 2016	January 1- December 31, 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year		6,823,696	6,267,026
- Profit/(loss) from continuing operations (loss)		6,823,696	6,267,026
Adjustments to reconcile profit/(loss) for the year:			
Adjustments related to depreciation and amortization expenses	18-19	222,413	155,018
Adjustments related to provisions		(1,054,417)	106,000
- Adjustments related to provision for/reversal of employee benefits		(1,054,417)	106,000
Adjustments related to interest income/(expenses)	30	(3,387,799)	(2,951,795)
- Adjustments related to interest income	30	(3,387,799)	(2,951,795)
Adjustments related to tax charge	32	2,020,979	1,242,504
Changes in working capital:			
Adjustments related to increase/decrease in trade receivables		(42,446,220)	32,555,031
- Increase/decrease in trade receivables from related parties		(1,978,394)	4,603,665
- Increase/decrease in trade receivables from third parties		(40,467,826)	27,951,366
Adjustments related to increase/decrease in other receivables related to operations		(2,347,357)	236,819
- Increase/decrease in other receivables from third parties related to operations		(2,347,357)	236,819
Adjustments related to increase/decrease in trade payables		43,229,324	(27,475,574)
- Increase/decrease in trade payables to related parties		43,182,762	(27,711,315)
- Increase/decrease in trade payables to third parties		46,562	235,741
Adjustments related to other increase/decrease in working capital		448,096	(374,874)
- Increase/decrease in other liabilities related to operations		448,096	(374,874)
Cash generated from operations			
Taxes paid		(393,481)	(1,337,861)
Other cash outflows		(2,312,758)	(1,665,056)
		802,476	6,757,239
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash outflows for acquisition of tangible and intangible assets		(293,395)	(469,799)
- Cash outflows for acquisition of tangible assets	18	(2,944)	(79,940)
- Cash outflows for acquisition of intangible assets	19	(290,451)	(389,859)
Interest received		3,376,073	2,949,102
		3,082,678	2,479,303
C. CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		3,885,154	9,236,542
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
	6	40,592,633	31,356,091
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	6	44,477,787	40,592,633

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, 2016

(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 Menkul 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 services (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 licences have been renewed as "Limited Authorized Intermediary Institution" and the Company has been given permission to intermediary operations and the limited custody operations.

The shareholders' structure of the Company is as follows:

	December 31, 2016		December 31, 2015	
	Share %	Amount	Share%	Amount
Citigroup Financial Products Inc.	100.00	2,000,000	100.00	2,000,000
Total	100.00	2,000,000	100.00	2,000,000

As of December 31, 2016 the Company has 13 employees (December 31, 2015: 13).

Approval of Financial Statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 30 March 2017. 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, 2016

(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 each 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, 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 Standards (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 on the current and following years prospectively.

The Company has restated its financial statements for the year 2015 in the current period due to the assumption error used in deferred tax assets calculations. The mentioned error has no effect on profit or loss and other comprehensive income for the period January 1 - December 31, 2016, it has effect on profit or loss and other comprehensive income for the period January 1 - December 1, 2015.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)**2.3 Changes in Accounting Estimates and Errors (cont'd)**

	December 31, 2015		
	<i>Previously reported</i>	<i>Effect of restatement</i>	<i>Restated</i>
STATEMENT OF FINANCIAL POSITION			
Non-Current Assets	1,485,269	(458,650)	1,026,619
- Deferred tax assets	591,022	(458,650)	132,372
TOTAL ASSETS	94,758,625	(458,650)	94,299,975
Equity	47,857,181	(458,650)	47,398,531
- Net profit for the year	6,725,676	(458,650)	6,267,026
TOTAL LIABILITIES	94,758,625	(458,650)	94,299,975
January 1 – December 31, 2015			
	<i>Previously reported</i>	<i>Effect of restatement</i>	<i>Restated</i>
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Continuing operations tax charge	(783,854)	(458,650)	(1,242,504)
- Deferred tax benefit / (charge)	452,591	(458,650)	(6,059)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	6,725,676	(458,650)	6,267,026
TOTAL COMPREHENSIVE INCOME	6,784,289	(458,650)	6,267,026

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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)

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 TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i> ¹
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</i> ¹
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹ <i>TFRS 1</i> ²
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>Disclosure Initiative</i> ² <i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
TFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

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

This amendment clarifies that 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 amortization 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.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

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 include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a 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 TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

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

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 TFRS 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.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

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.

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.

c) New and revised TAS in issue but not yet effective

The Company has not applied the following new and revised TAS 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 Disclosures</i>
TFRS 15	<i>Revenue from Contracts with Customers 1</i>

¹ Effective for annual periods beginning on or after 1 January 2018.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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)

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority (“POA”) in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

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

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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

a. Income/Expense

Brokerage services in capital markets: The income obtained from the brokerage services is recognized 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.

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.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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:

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.

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

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being AFS financial assets and are stated at fair value at the end of each reporting period. The Company also has investments in unquoted equity investments that are not traded in an active market but that are also classified as AFS financial assets and stated at cost at the end of each reporting period since their value can not be reliably measured. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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 Assets (cont'd):

Available-for-Sale Financial Assets (cont'd)

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive 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.

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.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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)

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. The translation difference is accounted under statement of profit or loss.

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.

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 have been applied retrospectively and prior period financial statements are restated. 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 on the current and following years prospectively.

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.

In the financial statements, estimated provision is accounted for the liabilities related to corporate tax, income tax and funds on the operating results of the Company. Current period tax is calculated by taking into consideration undeductible expenses and exemptions over the operating results.

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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 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.

Deferred tax assets or liabilities are recognized in the financial statements at their estimated effect of increase or decrease on taxes to the extent that they will reverse to settle future taxable income. Deferred tax asset is accounted for when the probability of tax advantages are highly likely in the future periods. If future taxable profits are not expected to be available to utilize deferred tax assets, carrying values of deferred tax assets are decreased to the extent necessary by providing an allowance.

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 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 statement of cash flows, cash flows in the current period are reported as from operating, investing and financing activities. 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, 2016

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

3 BUSINESS COMBINATIONS

None (December 31, 2015 : None).

4 JOINT VENTURES

None (December 31, 2015 : 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, 2016 and 2015 are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Banks	46,496,558	42,602,371
Total Cash and Cash Equivalents	46,496,558	42,602,371
Restricted Deposits at Bank	(2,000,000)	(2,000,000)
Net Cash and Cash Equivalents	44,496,558	40,602,371

As of December 31, 2016 and December 31, 2015, the details of cash at banks are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Time Deposit (TL)	45,500,000	41,700,000
Demand Deposit (TL) (*)	996,558	902,371
	46,496,558	42,602,371

(*) Demand deposits include TL 874,255 held in custody on behalf of customers included to demand deposits as of December 31, 2016 (December 31, 2015: TL 750,088). The corresponding amount is under the other current liabilities.

As of December 31, 2016, the interest rate and the range of maturity of the time deposits at banks are 5.25 % - 8.00% and the term ranging between 0-1 month (December 31, 2015: 6.00% - 8.50% and 0-1 month).

As of December 31, 2016 and 31 December 2015, the details of restricted accounts at banks are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Time Deposit (TL)	2,000,000	2,000,000
	2,000,000	2,000,000

As of December 31, 2016, blockage on bank deposits amounting to TL 2,000,000 are maintained against the letters of guarantee taken from Citibank AŞ (December 31, 2015: TL 2,000,000).

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

6 CASH AND CASH EQUIVALENTS (cont'd)

In the cash flows statements of the Company as of December 31, 2016 and December 31, 2015 restricted deposits and interest accruals are excluded from cash and cash equivalents.

	December 31 2016	December 31 2015
Cash and cash equivalents	46,496,558	42,602,371
Restricted bank deposits	(2,000,000)	(2,000,000)
Interest accruals	(18,771)	(9,738)
Cash and cash equivalents in statement of cash flows	44,477,787	40,592,633

7 FINANCIAL INVESTMENTS

Long term financial investments

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<i>Available for Sale Financial Assets:</i>		
Borsa İstanbul A.Ş. ("BİAŞ")	159,711	159,711
Total	159,711	159,711

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

8 FINANCIAL LIABILITIES

None (December 31, 2015: None).

9 OTHER FINANCIAL LIABILITIES

None (December 31, 2015: None).

10 TRADE RECEIVABLES AND PAYABLES

The Company's short term receivables as of December 31, 2016 and 2015 are as below:

	December 31, 2016	December 31, 2015
Receivables from Turkish Derivatives Exchange Market (TDE)	82,320,749	41,852,923
Trade receivables from related parties (Note 34)	4,796,684	2,818,290
	87,117,433	44,671,213

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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, 2016 and 2015 are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Trade payables to related parties	82,617,717	42,096,873
<i>Payables to TDE Market (*) (Note 34)</i>	82,320,749	41,883,320
<i>Provision of support and service rendered by related parties (Note 34)</i>	296,968	213,553
Payables to customers (**)	874,862	750,088
Accrued expenses and accrued charges	204,654	282,866
	<u>83,697,233</u>	<u>43,129,827</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 874,255 of payables to customers is held at the bank as demand deposit on behalf of the customers (Note 6) (December 31, 2015: TL 750,088).

11 OTHER RECEIVABLES

The Company's other short-term receivables as of December 31, 2016 and 2015 are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Collaterals given to Turkish Derivatives Exchange Market	7,629,566	5,851,274
	<u>7,629,566</u>	<u>5,851,274</u>

As at December 31, 2016, the Company's other long-term receivables comprise of the deposits and collaterals given amounting TL 6,286 (December 31, 2015: TL 5,801).

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, 2015: None).

14 BIOLOGICAL ASSETS

None (December 31, 2015: None).

15 ASSETS CONCERNING ONGOING CONSTRUCTION CONTRACTS

None (December 31, 2015: None).

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

16 INVESTMENTS VALUED FOR AT EQUITY METHOD

None (December 31, 2015: None).

17 INVESTMENT PROPERTIES

None (December 31, 2015: None).

18 PROPERTY, PLANT AND EQUIPMENT

Movement of tangible assets for the years ended December 31, 2016 and December 31, 2015 are as follows:

	Office Equipment and Fixtures	Total Amount
<u>Cost Value</u>		
Opening balance at January 1, 2015	1,074,941	1,074,941
Additions	79,940	79,940
Closing balance at December 31, 2015	1,154,881	1,154,881
Additions	2,944	2,944
Closing balance at December 31, 2016	1,157,825	1,157,825
<u>Accumulated Depreciation</u>		
Opening balance at January 1, 2015	1,055,455	1,055,455
Current period charge	16,902	16,902
Closing balance at December 31, 2015	1,072,357	1,072,357
Current period charge	24,617	24,617
Closing balance at December 31, 2016	1,096,974	1,096,974
<u>Net Book Value</u>		
December 31, 2015	82,524	82,524
December 31, 2016	60,851	60,851

As of December 31, 2016 and 2015 there is no mortgage or pledge on Company's tangible assets.

The amortization period for tangible assets is as follows:

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

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

19 INTANGIBLE ASSETS

Movement of intangible assets for the years ended December 31, 2016 and December 31, 2015 are as follows:

	Rights	Other Intangible Assets	Total Amount
<u>Cost Value</u>			
Opening balance at January 1, 2015	1,032,208	5,900	1,038,108
Additions	389,859	-	389,859
Closing balance at December 31,2015	1,422,067	5,900	1,427,967
Additions	290,451	-	290,451
Disposals	-	(5,900)	-
Closing balance at December 31,2016	1,712,518	-	1,712,518
<u>Accumulated Amortization</u>			
Opening balance at January 1, 2015	637,740	5,900	781,756
Current period charge	138,116	-	138,116
Closing balance at December 31,2015	775,856	5,900	781,756
Current period charge	197,796	-	197,796
Disposals	-	(5,900)	(5,900)
Closing balance at December 31, 2016	973,652	-	973,652
<u>Net Book Value</u>			
December 31, 2015	646,211	-	646,211
December 31, 2016	738,886	-	738,886

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

20 GOODWILL

None (December 31, 2015: None).

21 GOVERNMENT INCENTIVES AND GRANTS

None (December 31, 2015: None).

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

22 OTHER ASSETS AND LIABILITIES

	December 31, 2016	December 31, 2015
<i>Prepaid Expenses</i>		
Expenses related to next months	18,394	47,082
	18,394	47,082
<i>Other Short Term Liabilities</i>		
VAT Payable	729,887	300,603
Banking and Insurance Transaction Taxes	36,665	42,161
Withholding tax and other taxes and charges	90,951	73,488
	857,503	416,252

23 COMMITMENTS

None (December 31, 2015: None).

24 EMPLOYEE BENEFITS

	December 31, 2016	December 31, 2015
<i>Payables to employee benefits</i>		
Unused vacation accruals	85,758	89,541
Premiums payable	38,697	30,760
	124,455	120,301

Short-term provisions for employment benefits

As of December 31, 2016 and 2015 short-term provisions for employee benefits are as follows:

	December 31, 2016	December 31, 2015
Unused vacation accruals	372,944	277,273
Premium and bonus accruals	2,025,952	2,860,118
	2,398,896	3,137,391

Movements of the unused vacation accruals in the current period are as follows:

	January 1- December 31, 2016	January 1- December 31, 2015
Opening balance January 1	277,273	289,719
Provision during the period	104,562	45,487
Amount paid in the period	(8,891)	(57,933)
As of the end of the period – December 31	372,944	277,273

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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 premium and bonus accruals in current period are as follows:

	January 1- December 31, 2016	January 1- December 31, 2015
Opening balance January 1	2,860,118	1,701,800
Provision for the period	1,459,083	2,742,572
Amount paid during the period	(2,293,249)	(1,584,254)
As of the end of the period – December 31	2,025,952	2,860,118

Long-term provisions for employee benefits

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

The amount payable consists of one month’s salary limited to a maximum of TL 4,297.21 for each period of service at December 31, 2016 (December 31, 2015: TL 3,828.37).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

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, 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 with the assumption of 4.23 % real discount rate (December 31, 2015: 4.25%) calculated by using 6.50% annual inflation rate and 11.00% discount rate. Ceiling amount of TL 4,426.16 which is in effect since January 1, 2017 is used in the calculation of Company’s provision for retirement pay liability (January 1, 2016: TL 4,092.53).

Movements of the retirement pay liability are as follows:

	January 1- December 31, 2016	January 1- December 31, 2015
Opening balance January 1	97,673	157,092
Interest cost	4,139	4,488
Service cost	39,716	32,166
Employment termination benefits paid	(10,619)	(22,869)
Actuarial gain/(loss)	446	(73,204)
As of the end of the period – December 31	131,355	97,673

CITI MENKUL DEĞERLER ANONİM ŞİRKETİ

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

24 EMPLOYEE BENEFITS (cont'd)

Retirement Plans

None (December 31, 2015: None).

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As of December 31, 2016 and 2015 off-balance sheet liabilities are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<i>At custody (nominal)</i>		
Stocks	16,392,339	16,386,310
Total	16,392,339	16,386,310
<i>Letters of Guarantee Given</i>		
Borsa İstanbul	8,750,000	8,750,000
Capital Markets Board	1,380	521,380
Total Letters of Guarantee Given	8,751,380	9,271,380

As of December 31, 2016 and 2015 the amount of open positions belonging to the customers in derivatives exchange is as follows:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Number of</u> <u>Agreements</u>	<u>Monetary</u> <u>Amount</u>	<u>Number of</u> <u>Agreements</u>	<u>Monetary</u> <u>Amount</u>
Total transaction amount of open positions	48,666	40,636,110	27,071	24,228,545

26 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Share Capital

As of December 31, 2016, the total amount of ordinary capital authorized is TL 2,000,000 TL (December 31, 2015: 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 shares.

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, 2016 the amount of restricted reserves appropriated from profit is TL 400,000 (December 31, 2015: TL 400,000).

Retained Earnings

As of December 31, 2016, the Company's retained earnings' amount is TL 44,936,678 (December 31, 2015: TL 38,669,652).

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27 REVENUE

	January 1- December 31, 2016	January 1- December 31, 2015
Service Income		
Commission income from brokerage services	13,696,354	15,834,774
- Common stock brokerage commissions	11,927,071	13,844,778
- TDE brokerage commissions	1,769,283	1,989,996
Income from corporate finance services	4,040,619	3,688,554
Income from investment advisory services	-	1,660,089
Other commissions	175	85
	<u>17,737,148</u>	<u>21,183,502</u>
Discounts		
Customer commission returns	-	(6,766,161)
	-	(6,766,161)
Service Income, net	<u>17,737,148</u>	<u>14,417,341</u>

28 ADMINISTRATIVE EXPENSES / MARKETING EXPENSES

	January 1- December 31, 2016	January 1- December 31, 2015
General administrative expenses (-)	10,126,139	10,343,870
Marketing expenses (-)	2,624,491	2,010,086
Total	<u>12,750,630</u>	<u>12,353,956</u>

29 EXPENSES BY NATURE

	January 1- December 31, 2016	January 1- December 31, 2015
<i>General Administrative Expenses</i>		
Personnel salaries and expenses	6,520,270	6,433,084
Citigroup contributions and support services	1,008,059	1,638,468
Information technology distribution and service expenses	752,994	517,348
Rent expenses	513,837	492,797
Transportation and accommodation expenses	521,733	443,119
Consultancy and lawyer expenses	81,868	86,435
Taxes and duties	108,938	276,167
Social security employer share	79,836	52,390
Rental car expenses	258,273	153,937
Communication expenses	26,375	28,474
Depreciation and amortization expenses	222,413	155,018
Other	31,543	66,633
Total	<u>10,126,139</u>	<u>10,343,870</u>

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29 EXPENSES BY NATURE (Cont'd)

Marketing Expenses

	<u>January 1- December 31, 2016</u>	<u>January 1- December 31, 2015</u>
Stock exchange charges	1,303,883	897,910
Derivative exchange market share	330,331	371,463
Data expenses	714,093	571,168
Takasbank custody commissions	209,383	130,609
Stock lending market commissions	3,493	7,054
Other	63,308	31,882
Total	<u>2,624,491</u>	<u>2,010,086</u>

30 OTHER OPERATING INCOME/EXPENSES

	<u>January 1- December 31, 2016</u>	<u>January 1- December 31, 2015</u>
Interest income from deposits	3,387,799	2,951,795
Foreign exchange gains	121,148	1,484,029
Previous period income and profits	39,007	2,122,599
Provisions reversed	578,400	-
Other	-	119,246
Other income from operating activities	<u>4,126,354</u>	<u>6,677,669</u>
Commissions on letter of guarantees	(241,710)	(237,892)
Foreign exchange losses	-	(489,553)
Other	(26,487)	(504,079)
Other expenses from operating activities	<u>(268,197)</u>	<u>1,231,524</u>

31 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

None.

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

Income tax asset or liability as at December 31, 2016 and 2015 is the net of corporate tax provision and advance taxes.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Corporate tax provision	1,790,847	1,236,445
Advance tax	(653,292)	(948,550)
Prepaid withholding taxes	(438,872)	(389,311)
(Advance Taxes)/Tax Liabilities	<u>698,683</u>	<u>(101,416)</u>

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32 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES (Cont'd))

As of December 31, 2016 and 2015 tax expenses in the statement of profit/(loss) are as follows:

	<u>January 1- December 31, 2016</u>	<u>January 1- December 31, 2015</u>
Current tax charge	(1,790,847)	(1,236,445)
Deferred tax benefit/(charge)	(230,132)	(6,059)
Tax Expense	<u>(2,020,979)</u>	<u>(1,242,504)</u>

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 2016 is 20% (2015: 20%) for the Company.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2016 is 20% (2015: 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.

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.

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

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 asset and liabilities, the rate of 20% (December 31, 2015: 20%) is used. The detail of deferred tax assets and liabilities is as below:

	December 31, 2016	December 31, 2015
Deferred Tax Assets:		
Unused vacation accruals	74,589	55,455
Provision for employment termination benefits	26,271	19,535
Premium and bonus accruals	-	113,374
	100,860	188,364
Deferred Tax Liabilities:		
Depreciation/amortization differences of property, plant and equipment and other intangible assets	(85,156)	(55,992)
Premium and bonus accruals	(113,374)	-
	(198,530)	(55,992)
Deferred Tax Liabilities, net	(97,670)	132,372
	January 1- December 31, 2016	January 1- December 31, 2015
<u>The movement of deferred tax assets/(liabilities)</u>		
Opening balance at January 1	132,372	153,072
Deferred tax benefit/(charge) accounted for in equity	89	(14,641)
Deferred tax benefit/(charge) accounted for in statement of profit/(loss)	(230,132)	(6,059)
Closing balance at December 31, 2016	(97,670)	132,372

As of December 31, 2016 and 2015 the reconciliation between the current period tax charge and current period profit is as follows:

	January 1- December 31, 2016	January 1- December 31, 2015
Income/(loss) before tax	8,844,675	7,509,530
Statutory tax rate (%20)		
Corporate Tax	(1,768,935)	(1,501,906)
Prior period expenses	(5,297)	(100,816)
Discounts	22,005	579,087
Non-deductible expenses	(212,150)	(247,246)
Other	(56,602)	28,376
Tax Charge	(2,020,979)	(1,242,504)

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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, 2016 and 2015 the detail of trade payables and receivables from related parties is below:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<i>Bank Deposits</i>		
Citibank A.Ş.-time deposit	30,500,000	26,700,000
Citibank A.Ş.-demand deposit	64,064	71,650
	<u>30,564,064</u>	<u>26,771,650</u>
<i>Trade Receivables from Related Parties</i>		
Receivables on commission and investment consultancy from Citigroup Global Markets Limited	4,796,684	984,093
Receivables on corporate finance service from Citigroup Global Markets Inc.	-	1,834,197
	<u>4,796,684</u>	<u>2,818,290</u>
<i>Trade Payables to Related Parties</i>		
Payables on derivatives exchange guarantees to Citigroup Global Markets Limited	82,320,749	41,883,320
Current account balance of Citigroup	296,968	213,553
	<u>82,617,717</u>	<u>42,096,873</u>

Transactions with Related Parties

As of December 31, 2016 and 2015 the transactions with related parties are as follow:

	<u>January 1- December 31, 2016</u>	<u>January 1- December 31, 2015</u>
Brokerage commission fees received from related parties Citigroup Global Markets Ltd.(corporate finance service income)	13,696,355	8,998,415
Citibank A.Ş. (interest income)	-	3,688,554
Citigroup Global Markets Ltd. (investment consultancy service income)	1,689,279	1,439,342
Citigroup Inc.(contribution expenses)	-	1,660,089
Citibank A.Ş.(commission for letter of guarantee)	-	-
Citibank A.Ş.(support service)	(189,840)	(189,840)
Citibank A.Ş. (rental expenses)	(430,606)	(401,356)
	(490,180)	(474,253)

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34 RELATED PARTY DISCLOSURES (cont'd)

Transactions with Related Parties (cont'd)

Total salaries and other benefits paid to the Board of Members and Top Management as at December 31, 2016 is TL 1,095,246 (December 31, 2015: TL 979,431). These benefits include salaries, premiums, dining expenses, health and life insurances, employee benefits, unused vacation accruals and fuel expenses.

Letters of guarantee received from related parties

As of December 31, 2016 and 2015, the Company's letters of guarantee received from related parties is as follows:

	December 31, 2016	December 31, 2015
Citibank A.Ş.	4,000,000	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 CMB. For every capital market operations, intermediaries are obliged to increase their capitals according to rates stated as follows:

- a) For intermediation in public offerings, 50% of the initial capital amount required for intermediation in trading,
- b) 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,
- c) For portfolio management activity, 40% of the initial capital amount shall be required for intermediation in secondary trading,
- d) For investment consultancy activity, 10% of the initial capital amount shall be required for intermediation in secondary trading

Within this scope, the minimum capital amount is TL 6,000,000 (December 31, 2015 TL 6,000,000).

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 December 31, 2016, the Company is in compliance with the capital adequacy requirements.

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

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 for Citi Group companies.

The table below shows credit risk exposure based on financial instruments as of December 31, 2016 and 2015:

December 31, 2016	Receivables				Bank Deposits	Financial Investments	
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	4,796,684	-	82,320,74	9	7,629,566	46,496,558	-
A. Net book value of the financial assets that are neither overdue nor impaired	4,796,684	-	82,320,74	9	7,629,566	46,496,558	-
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	-	-	-	-	-	-	-

December 31, 2015	Receivables				Bank Deposits	Financial Investments	
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	2,818,290	-	41,852,923	-	42,602,371	-	
A. Net book value of the financial assets that are neither overdue nor impaired	2,818,290	-	41,852,923	-	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	-	-	-	-	-	-	-

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

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, 2016, the Company's interest sensitive assets and liabilities are as below:

Interest Position		December 31, 2016	December 31, 2015
Fixed Rate Financial Instruments			
Financial Assets	Time Deposits in Banks	45,500,000	41,700,000

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 derivative instruments. As of December 31, 2016 and 2015 foreign currency assets and liabilities are as follows:

	Foreign Exchange Position Table			
	December 31, 2016		December 31, 2015	
	TL equivalent	USD	TL equivalent	USD
Trade Receivables	4,750,920	1,350,000	2,818,261	969,274
Total Assets	4,750,920	1,350,000	2,818,261	969,274
Trade Payables			-	-
Total Liabilities			-	-
Net position of foreign currency asset / (liabilities)	4,750,920	1,350,000	2,818,261	969,274

The following table presents the Group'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, 2016			
	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	475,092	(475,092)	475,092	(475,092)
The part that is protected from USD risk(-)	-	-	-	-
Net Effect	475,092	(475,092)	475,092	(475,092)

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

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

Foreign Currency Risk (cont'd)

**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(-)	-	-	-	-
Net Effect	281,826	(281,826)	281,826	(281,826)

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

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.

December 31, 2016		Total contractual cash outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Contractual Maturity Analysis	Book Value					
Non-Derivatives						
Financial liabilities	83,697,233	83,697,233	83,697,233	-	-	-
Trade Payables	83,697,233	83,697,233	83,697,233	-	-	-

December 31, 2016		Total contractual cash outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Contractual Maturity Analysis	Book Value					
Non-Derivatives						
Financial liabilities	43,129,827	43,129,827	43,129,827	-	-	-
Trade Payables	43,129,827	43,129,827	43,129,827	-	-	-

As of December 31, 2016 and 2015 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.

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36

FINANCIAL INSTRUMENTS

The fair value of financial instruments

<u>Financial Instrument Categories</u>	December 31, 2016	
	Book Value	Fair Value
Financial Assets		
Cash and cash equivalents	46,496,558	46,496,558
Trade receivables	87,117,433	87,117,433
Other receivables	7,629,566	7,629,566
Available for sale financial assets (*)	159,711	159,711
Financial liabilities		
Trade payables	83,697,233	83,697,233
<u>Financial Instrument Categories</u>	December 31, 2015	
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

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

The fair values of financial assets and liabilities are determined is 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.

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.

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37 EVENTS AFTER THE REPORTING PERIOD

None.