

**GSD Holding
Anonim Őirketi**

Consolidated Financial Statements
As at and For the Year Ended
31 December 2017
Together With Independent Auditors' Report on
Consolidated Financial Statements

12 March 2018

This report includes 5 pages of independent auditors' report and 96 pages of consolidated financial statements together with explanatory notes.

GSD Holding Anonim Şirketi

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Independent Auditors' Report

To the Board of Directors of GSD Holding Anonim Şirketi

Opinion

We have audited the consolidated financial statements of GSD Holding Anonim Şirketi and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, consolidated income statement, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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



Key Audit Matters

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

The key audit matter	How the matter was addressed in our audit
<p><i>Impairment of loans and advances and factoring receivables</i></p> <p>As at 31 December 2017, loans and advances and factoring receivables of the subsidiaries, GSD Bank A.Ş. and GSD Factoring A.Ş., respectively, comprise of 34% of the Group's total assets.</p> <p>The Group's assessment of impairment of loans and advances and factoring receivables is basically based on the objective criteria and subjective criteria which requires management judgment. There is a potential risk that impaired loans and advances and factoring receivables and provisions for impairment cannot be detected due to judgment.</p> <p>Accounting policies and accounting estimates related to impairment of loans and advances and factoring receivables are presented in Note 2 and Note 40.</p>	<p>We performed the following procedures in relation to the impairment of loans and advances and factoring receivables:</p> <ul style="list-style-type: none">• The controls over loan and factoring receivable allocation to customers, collateralizing and collections were tested. Audit procedures included testing the design and operating effectiveness of selected controls surrounding the credit and impairment process.• The audit was focused on impairment due to the materiality of the loan and advances and factoring receivable balances, appropriateness of provision of impairment, value of collaterals and collection of the Group.• Additionally, the adequacy of financial statement disclosures related to impairment provisions and related to loans and advances and factoring receivables has been evaluated.



The key audit matter	How the matter was addressed in our audit
<p data-bbox="290 398 799 465"><i>Impairment of property, plant and equipment</i></p> <p data-bbox="290 479 799 698">As at 31 December 2017, significant estimates and assumptions used in the impairment provision of ships of the subsidiary GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş, which are presented in the tangible assets of the Group.</p> <p data-bbox="290 719 799 972">The Management has taken the higher value of use determined through fair value whose sales expenses are deducted as amount recoverable and discounted cash flow methods in the impairment calculation made taking each of the dry cargo ships into account as basis for cash generating units.</p> <p data-bbox="290 992 799 1149">Ships valuation is assessed as a key audit matter since the ships comprise significant part of the Company's total assets and the valuation methods applied include significant estimates and assumptions.</p> <p data-bbox="290 1169 799 1285">The accounting policies and significant estimates and assumptions used in the determination of impairment of ships are presented in Note 2 and Note 14.</p>	<p data-bbox="821 398 1300 465">We performed the following procedures in relation to the impairment of ships:</p> <ul data-bbox="833 495 1300 904" style="list-style-type: none"><li data-bbox="833 495 1300 562">• Evaluation of the valuation model prepared by the management<li data-bbox="833 568 1300 658">• Evaluation of discount rate and income and expense expectations used in the valuation model<li data-bbox="833 665 1300 904">• Testing the consistency, appropriateness and mathematical accuracy of estimates and assumptions used in the discounted cash flow calculations used by management to determine recoverable amount.

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

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

Orhan Akova
Partner

12 March 2018
Istanbul, Turkey

GSD Holding Anonim Şirketi

Consolidated Statement of Financial Position

As at 31 December 2017

(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	31 December 2017	31 December 2016
Assets			
Cash and balances with the Central Bank	5	5,471	6,308
Deposits with other banks and financial institutions	5	111,848	82,838
Reserve deposits at the Central Bank	5	9,872	12,601
Available-for-sale investment securities	6	499,976	478,174
Unquoted equity instruments	7	377	663
Derivative assets held for trading	28	-	503
Loans and advances to customers, net	8	193,667	169,719
Factoring receivables, net	10	345,586	280,230
Finance lease receivables, net	9	21	168
Trade receivables, net	15	3,133	3,022
Other receivables, net	16	2,690	3,510
Inventories	17	970	926
Prepaid expenses	18	1,240	978
Assets held for sale from continuing operations	11	53,626	59,281
Property and equipment	13	370,206	352,112
Intangible assets	14	261	257
Prepaid income tax	27	20	-
Deferred tax assets	27	2,240	1,405
Other assets	19	1,393	1,008
Total assets		1,602,597	1,453,703
Liabilities			
Funds borrowed	21	515,620	490,575
Other money market deposits	20	60,754	20,011
Borrowers' funds	20	45,292	42,463
Factoring payables	10	1,812	983
Liabilities arising from finance leases	9	94	279
Derivative liabilities held for trading	28	1,569	132
Trade payables	23	795	565
Other payables	16	3,786	5,122
Current tax liability	27	1,797	6,879
Deferred income	24	892	989
Provisions	25	4,944	4,340
Deferred tax liabilities	27	13,750	7,700
Other liabilities	26	10	11
Total liabilities		651,115	580,049
Equity			
	30		
Share capital		535,986	535,986
Treasury shares		(91,018)	(90,420)
Share premium		4,945	4,945
Changes in non-controlling interests without loss of control		(765)	-
Remeasurements of the net defined benefit liability (asset)		(66)	(375)
Fair value reserve		22,361	9,769
Translation reserve		69,468	54,988
Retained earnings		333,029	242,353
Net profit for the period		56,776	91,051
Equity attributable to equity holders of the parent		930,716	848,297
Non-controlling interests		20,766	25,357
Total equity		951,482	873,654
Total liabilities and equity		1,602,597	1,453,703

The accompanying policies and explanatory notes on pages 6 through 96 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi

Consolidated Income Statement For the Year Ended 31 December 2017

(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	01.01.2017 31.12.2017	01.01.2016 31.12.2016
CONTINUING OPERATIONS			
Holding activities income	34	-	3
Holding activities expense (-)	34	-	-
Gross profit/(loss) from holding activities		-	3
Marine sector income	34	59,424	33,068
Marine sector expense (-)	34	(51,973)	(40,798)
Gross profit/(loss) from marine sector operations		7,451	(7,730)
Gross profit/(loss) from commercial sector operations		7,451	(7,727)
Interest income	34	96,054	78,610
Service income	34	9,580	7,777
Revenue from financial sector operations		105,634	86,387
Interest expense (-)	34	(35,427)	(29,912)
Service expense (-)	34	(934)	(404)
Cost of financial sector operations (-)		(36,361)	(30,316)
Provision income/(expense) arising from financial sector operations, net	34	1,194	722
Foreign exchange gain/(loss), net		(780)	(10,138)
Trading income, net		-	-
Other financial sector operations income/(expense), net	34	436	(17)
Gross profit/(loss) from financial sector operations		70,123	46,638
GROSS PROFIT/(LOSS)		77,574	38,911
Administrative expenses (-)	35	(31,732)	(35,727)
Other income from operating activities	36	17,928	59,821
Other expense from operating activities (-)	36	(10,487)	(24,636)
OPERATING PROFIT/(LOSS)		53,283	38,369
Income from investment activities	37	33,159	87,814
Expense from investment activities (-)	37	(386)	(623)
OPERATING PROFIT/(LOSS) BEFORE FINANCING EXPENSES		86,056	125,560
Financing income		-	-
Financing expenses (-)	38	(19,529)	(25,660)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		66,527	99,900
Tax income/(expense) from continuing operations		(11,487)	(14,248)
Current tax income/(expense)	27	(9,781)	(9,759)
Deferred tax income/(expense)	27	(1,706)	(4,489)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		55,040	85,652
Discontinued operations	11		
Profit/(loss) before tax from discontinued operations	11	-	-
Tax income/(expense) from discontinued operations	11	-	-
Current tax income/(expense)	11	-	-
Deferred tax income/(expense)	11	-	-
Gain or loss relating to the discontinuance, net	11	-	(409)
Gain or loss relating to the discontinuance	11	-	-
Cost to sell the discontinued operations	11	-	(430)
Tax expense relating to the discontinuance	11	-	21
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	11	-	(409)
NET PROFIT/(LOSS)		55,040	85,243
Net profit/(loss) (continuing and discontinued operations) attributable to:			
Non-controlling interest	30	(1,736)	(5,808)
Equity holders of the company	39	56,776	91,051
Net profit/(loss) (continuing operations) attributable to:			
Non-controlling interest	30	(1,736)	(5,808)
Equity holders of the company	39	56,776	91,460
Net profit/(loss) (discontinued operations) attributable to:			
Non-controlling interest		-	-
Equity holders of the company	39	-	(409)
Earnings per share (in full TL per share with a nominal value of full TL 1)			
Earnings per share from continuing operations	39	0.156	0.221
Earnings per share from discontinued operations	39	0.000	(0.001)

The accompanying policies and explanatory notes on pages 6 through 96 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi

Consolidated Statement Of Profit Or Loss and Other Comprehensive Income For the Year Ended 31 December 2017

(Currency: Thousands of Turkish Lira (“TL”) unless otherwise stated)

	<i>Notes</i>	01.01.2017	01.01.2016
		31.12.2017	31.12.2016
NET PERIOD PROFIT / (LOSS)		55,040	85,243
<u>Other comprehensive income which will be not reclassified in profit or loss</u>		(77)	(408)
Remeasurements of the net defined benefit liability (asset)	<i>31</i>	(77)	(408)
<u>Other comprehensive income which will be reclassified in profit or loss</u>		26,063	36,044
Change in currency translation differences	<i>31</i>	13,471	30,389
Profit/(loss) arising from remeasuring and/or reclassifying available for sale financial assets	<i>31</i>	12,592	5,655
OTHER COMPREHENSIVE INCOME (AFTER TAX)		25,986	35,636
TOTAL COMPREHENSIVE INCOME		81,026	120,879
Total comprehensive income attributable to:			
Non-controlling interest		265	412
Equity holders of the company	<i>31</i>	80,761	120,467

The accompanying policies and explanatory notes on pages 6 through 96 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2017
(Currency - Thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	Share capital	Inflation adjustment to share capital	Treasury shares	Share premium	Changes in non-controlling interest reserve	Other accumulated comprehensive income and expense which will be not reclassified in profit or loss		Other accumulated comprehensive income and expense which will be reclassified in profit or loss		Accumulated profits	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
							Revaluation and remeasurement gain/loss	Translation reserve	Remeasurement and reclassification gain/loss	Other gain/loss	Retained earnings			
At 1 January 2016	30	250,000	85,986	(27,868)	2,014	(34)	2	30,852	4,114	-	461,784	806,850	24,558	831,408
Transfers		-	-	(34,601)	-	34	(2)	-	-	-	34,569	-	-	-
Transfer to retained earnings		-	-	-	-	34	(2)	-	-	-	(32)	-	-	-
Transfer to legal reserves		-	-	(34,601)	-	-	-	-	-	-	34,601	-	-	-
Total comprehensive income		-	-	-	-	-	(375)	24,136	5,655	-	91,051	120,467	412	120,879
Net profit		-	-	-	-	-	-	-	-	-	91,051	91,051	(5,808)	85,243
Other comprehensive income		-	-	-	-	-	(375)	24,136	5,655	-	-	29,416	6,220	35,636
<i>Transactions with owners in their capacity as owners recognized in equity</i>		200,000	-	(27,951)	2,931	-	-	-	-	-	(254,000)	(79,020)	387	(78,633)
Share capital increase		200,000	-	-	-	-	-	-	-	-	(200,000)	-	-	-
Share capital increase by bonus issue		200,000	-	-	-	-	-	-	-	-	(200,000)	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	(54,000)	(54,000)	-	(54,000)
Cash dividend distributed		-	-	-	-	-	-	-	-	-	(54,000)	(54,000)	-	(54,000)
Increase/decrease arising from treasury share transactions		-	-	(27,951)	2,931	-	-	-	-	-	-	(25,020)	387	(24,633)
At 31 December 2016		450,000	85,986	(90,420)	4,945	-	(375)	54,988	9,769	-	333,404	848,297	25,357	873,654
At 1 January 2017	30	450,000	85,986	(90,420)	4,945	-	(375)	54,988	9,769	-	333,404	848,297	25,357	873,654
Transfers		-	-	2,601	-	-	375	-	-	-	(375)	2,601	-	2,601
Transfer to retained earnings		-	-	2,601	-	-	375	-	-	-	(375)	2,601	-	2,601
Total comprehensive income		-	-	-	-	-	(66)	11,459	12,592	-	56,776	80,761	265	81,026
Net profit		-	-	-	-	-	-	-	-	-	56,776	56,776	(1,736)	55,040
Other comprehensive income		-	-	-	-	-	(66)	11,459	12,592	-	-	23,985	2,001	25,986
<i>Transactions with owners in their capacity as owners recognized in equity</i>		-	-	(3,199)	-	(765)	-	3,021	-	-	-	(943)	(4,856)	(5,799)
Share Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital increase by bonus issue		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend distributed		-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease arising from treasury share transactions		-	-	(3,199)	-	-	-	-	-	-	-	(3,199)	-	(3,199)
Increase/decrease arising from changes without resulting loss of control in shareholding ratios of subsidiaries		-	-	-	-	(765)	-	3,021	-	-	-	2,256	(4,856)	(2,600)
Change in shareholding percentage arising from merger of subsidiaries		-	-	-	-	(765)	-	3,021	-	-	-	2,256	(4,856)	(2,600)
At 31 December 2017		450,000	85,986	(91,018)	4,945	(765)	(66)	69,468	22,361	-	389,805	930,716	20,766	951,482

The accompanying policies and explanatory notes on pages 6 through 96 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2017
(Currency - Thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Cash flows from operating activities of continuing operations			
Income from holding activities		-	3
Expenses from holding activities		-	-
Marine sector income		59,424	33,068
Marine sector expenses		(34,004)	(22,742)
Interest received from financial sector activities		93,702	77,607
Interest paid for financial sector activities		(35,626)	(33,116)
Service income from financial sector activities		9,580	7,777
Cost of service for financial sector activities		(934)	(404)
Cash receipts from contracts held for dealing or trading purposes		-	306
Cash payments for contracts held for dealing or trading purposes		-	-
Cash receipts from derivative contracts held for dealing or trading purposes		16,566	32,694
Cash payments for derivative contracts held for dealing or trading purposes		(16,046)	(23,953)
Cash payments to employees and other parties		(30,169)	(34,205)
Cash received from other operating activities		819	914
Cash paid for other operating activities		(198)	(2,184)
Interest received from operating activities apart from financial sector activities		2,907	2,779
Income taxes paid	27	(9,250)	(7,120)
Net cash provided by operating activities before changes in operating assets and liabilities from continuing operations		56,771	31,424
Net cash provided by operating activities before changes in operating assets and liabilities from discontinued operations		-	-
Changes in operating assets and liabilities of continuing operations			
Change in reserve deposits at Central Bank		2,758	(11,565)
Change in loans and advances to customers		(21,488)	76,406
Change in factoring receivables		(63,983)	(25,406)
Change in finance lease receivables		(125)	(273)
Change in other assets		177	68,763
Change in payables due to money market transactions		40,743	12,516
Change in borrowers' funds		2,895	32,920
Change in factoring payables		829	18
Change in liabilities arising from finance leases		(185)	(225)
Change in other liabilities		(8,098)	(178)
Net cash (used in) / provided by operating activities from continuing operations		10,294	184,400
Net cash (used in) / provided by operating activities from discontinued operations		-	-
Cash flows from investing activities of continuing operations			
Proceeds from disposal of shares of subsidiaries with loss of control	11	-	-
Proceeds from sale and redemption of available for sale securities	6	26,522	-
Purchases of available for sale securities	6	-	(6,709)
Proceeds from sale of property held for sale	11	5,685	645
Purchases of property held for sale	11	-	(58,985)
Proceeds from sale of property and equipment	13	11	53
Purchases of property and equipment	13	(12,180)	(37,269)
Purchases of intangible assets	14	(70)	(119)
Interest received from investing activities	37	802	1,060
Other cash receipts from/cash payments for investing activities	37	324	5,520
Net cash (used in) / provided by investing activities from continuing operations		21,094	(96,427)
Net cash (used in) / provided by investing activities from discontinued operations	20	-	-
Cash flows from financing activities of continuing operations			
Cash paid for purchases of treasury shares	30	(598)	(34,966)
Cash received from disposal of treasury shares held by subsidiaries	30	-	10,332
Cash paid for change in non-controlling interest reserve	30	(2,601)	-
Cash received from funds borrowed		317,438	315,600
Repayments of funds borrowed		(288,315)	(290,034)
Dividends paid to equity holders	30	-	(54,000)
Dividends paid to non-controlling interest by subsidiaries	30	-	-
Interest paid for financing activities apart from financial sector activities		(17,898)	(7,908)
Other cash receipts from/cash payments for financing activities		(109)	(267)
Net cash (used in) / provided by financing activities from continuing operations		7,917	(61,243)
Net cash (used in) / provided by financing activities from discontinued operations		-	-
Continuing Operations			
Effect of net foreign exchange difference on cash and cash equivalents		(11,201)	(28,785)
Effect of consolidation eliminations between continuing and discontinued operations on cash flows		-	-
Net (decrease) / increase in cash and cash equivalents		28,104	(2,055)
Cash and cash equivalents at 1 January		87,278	91,093
Cash and cash equivalents at 31 December	5	115,382	87,278
Discontinued Operations			
Effect of net foreign exchange difference on cash and cash equivalents		-	-
Effect of consolidation eliminations between continuing and discontinued operations on cash flows		-	-
Net (decrease) / increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December	5	-	-

The accompanying policies and explanatory notes on pages 6 through 96 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi
Notes to the Consolidated Financial Statements
As at 31 December 2017

(Currency - Thousands of Turkish Lira ("TL") unless otherwise stated)

1. REPORTING ENTITY

General

GSD Holding Anonim Şirketi (the "Company") was established in Istanbul in 1986. The Company is a holding entity; investing in companies in different sectors, realizing the establishment and participating in the management of these companies.

The registered office address of the Company is Aydınevler Mahallesi, Kaptan Rıfat Sokak, No: 3, 34854, Maltepe, Istanbul, Turkey.

The Company's shares are quoted on the Borsa Istanbul (Istanbul Stock Exchange) since 11 November 1999.

The consolidated financial statements of the Company were approved by the Board of Directors on 12 March 2018. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

As at 31 December 2017, the shares of a consolidated subsidiary, namely GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret AŞ. are quoted on the Borsa Istanbul (Istanbul Stock Exchange) with public ownership of 16.65% (As at 31 December 2016, the shares of consolidated subsidiary, namely GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret AŞ. are quoted on the Borsa Istanbul (Stock Exchange) with public ownership of 15.20%.)

As at 31 December 2017 and 31 December 2016, the composition of shareholders and their respective percentages of ownership can be summarized as follows:

31 December 2017						
(Full TL)	Class (A)	Class (B)	Class (C)	Class (D)	Total	Share (%)
Publicly owned	-	-	-	224,375,129	224,375,129	49.861
M. Turgut Yılmaz	707	441	707	114,748,150	114,750,005	25.500
GSD Holding A.Ş. ⁽¹⁾	-	-	-	90,000,000	90,000,000	20.000
MTY Delta Denizcilik İç ve Dış Ticaret A.Ş.	-	-	-	20,250,000	20,250,000	4.500
Adeo Turizm Otelcilik Ticaret Limited Şirketi	-	-	-	624,600	624,600	0.139
Other privileged shareholders	-	266	-	-	266	0.000
Share capital	707	707	707	449,997,879	450,000,000	100.000
Inflation adjustment on share capital					85,985,890	
Inflation adjusted share capital					535,985,890	

31 December 2016						
(Full TL)	Class (A)	Class (B)	Class (C)	Class (D)	Total	Share (%)
Publicly owned	-	-	-	229,075,129	229,075,129	50.906
M. Turgut Yılmaz	707	441	707	114,748,150	114,750,005	25.500
GSD Holding A.Ş. ⁽¹⁾	-	-	-	85,300,000	85,300,000	18.955
MTY Delta Denizcilik İç ve Dış Ticaret A.Ş.	-	-	-	20,250,000	20,250,000	4.500
Adeo Turizm Otelcilik Ticaret Limited Şirketi	-	-	-	624,600	624,600	0.139
Other privileged shareholders	-	266	-	-	266	0.000
Share capital	707	707	707	449,997,879	450,000,000	100.000
Inflation adjustment on share capital					85,985,890	
Inflation adjusted share capital					535,985,890	

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1. REPORTING ENTITY (continued)

General (continued)

GSD Holding A.Ş. re-purchased the Class D shares of GSD Holding A.Ş which have 20.00% share in capital with full TL 90,000,000 nominal value at BIST National Market for full TL 56,418,123.54 between 30 September 2015 and 31 December 2016 within the scope of the Share Repurchase Program approved by the Ordinary General Assembly dated 25 June 2015. GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. sold out all of the Class D shares of GSD Holding A.Ş. owned which have 4.662% share in capital with full TL 11,654,221.74 nominal value at BIST National Market for full TL 15,411,114.92 between 30 June 2015 and 31 December 2016. After all of these transactions, direct share of Mehmet Turgut Yılmaz in GSD Holding A.Ş. capital increased from full TL 63,750,003 to full TL 114,750,005 and direct share ratio of him increased to 25.50%, direct and indirect share ratio to 28.14% and reclaimed shares increased from 34.73% to 35.18% with calculation deducted from the capital. The total share of Mehmet Turgut Yılmaz and people acting together increased from 49.09% to 50.14% after these transactions and reclaimed shares with calculation deducted from capital increased from 37.19% to 37.67%. As at 31 December 2017, GSD Holding A.Ş. shares of Mehmet Turgut Yılmaz, MTY Delta Denizcilik İç ve Dış Ticaret A.Ş., GSD Holding A.Ş. and Adeo Turizm Otelcilik Ticaret Limited Şirketi act together with the rates 25.50%, 4.50%, 20.00%, 0.14%, respectively in total 50.14%.

Nature of Activities of the Company and the Consolidated Group Companies

For the purposes of the consolidated financial statements. the Company and its consolidated subsidiaries are referred to as "the Group". The subsidiaries included in consolidation and the effective ownership percentages of the Group as at 31 December 2017 and 31 December 2016 are as follows:

Subsidiaries ^{(1) (3)}	Country of Incorporation	BIST Code	Principal Activities	Effective	Shareholding(%)
				31 December 2017	31 December 2016
GSD Yatırım Bankası A.Ş.	Turkey		Investment Banking	100.00	100.00
GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş.	Turkey	GSDDE	Maritime	82.40	77.96
GSD Faktoring A.Ş.	Turkey		Factoring	89.64	89.55
Dodo Maritime Ltd. ⁽¹⁾	Malta		Maritime	82.40	77.96
Cano Maritime Ltd. ⁽¹⁾	Malta		Maritime	82.40	77.96
Hako Maritime Ltd. ⁽¹⁾	Malta		Maritime	82.40	77.96
Zeyno Maritime Ltd. ⁽¹⁾	Malta		Maritime	82.40	77.96
Neco Maritime Ltd. ⁽¹⁾	Malta		Maritime	82.40	77.96
GSD Shipping B.V. ^{(2) (3)}	Netherlands		Maritime	100.00	100.00
Mila Maritime Ltd. ⁽³⁾	Malta		Maritime	100.00	100.00

(1) The financial statements of Dodo, Cano, Hako, Zeyno ve Neco Maritime Ltd have been consolidated to GSD Denizcilik Gayrimenkul İnşaat ve Sanayi ve Ticaret AŞ..

(2) GSD Shipping B.V. was established in Netherlands on 19 October 2016 to operate in maritime sector. The financial statements of GSD Shipping B.V. have been consolidated to GSD Holding A.Ş..

(3) Mila Maritime Ltd. was established in Malta on 21 November 2016 to operate in maritime sector. The financial statements of Mila Maritime Ltd. have been consolidated to GSD Shipping B.V..

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1. REPORTING ENTITY (continued)

Nature of Activities of the Company and the Consolidated Group Companies (continued)

Unconsolidated Subsidiaries

The subsidiaries which are not included in consolidation and the ownership percentages of the Group in those subsidiaries as at 31 December 2017 and 31 December 2016 are as follows:

Subsidiaries	Country of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			31 December 2017	31 December 2016
GSD Eğitim Vakfı	Turkey	Education Foundation	100.00	100.00
In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. ⁽¹⁾	Turkey	Advertising and Public Relations	-	100.00
In liquidation GSD Plan Proje Etüd A.Ş. ⁽¹⁾	Turkey	Plan. Project. Survey	-	100.00
In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş. ⁽¹⁾	Turkey	Real Property Investment and Development	-	100.00

⁽¹⁾ In the General Assembly meeting decisions dated 03 March 2017 of the subsidiaries of GSD Holding A.Ş., In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., which is owned by 100% share with a share capital of TL 90 , In liquidation GSD Plan Proje Etüd A.Ş., which is owned by 100% share with a share capital of TL 90 and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş., which is owned by 100% share with a share capital of TL 50 were decided to be liquidated. In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş. was registered in the Trade Registry on 8 March 2017, In liquidation GSD Plan Proje Etüd A.Ş. and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. were registered in the Trade Registry on 17 March 2017. Liquidation end declaration of the In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., In liquidation GSD Plan Proje Etüd A.Ş. and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. have been registered by İstanbul Ticaret Sicil Müdürlüğü on 17-18 October 2017, liquidation process has been completed.

The Company owns more than 50% of the voting rights of the above mentioned subsidiaries. These subsidiaries are not consolidated and are carried at cost net of provision for impairment, if any, and are classified in the “ unquoted equity instruments” caption in the consolidated financial statements. since the volume of transactions of these companies are limited and the total assets and revenues of these subsidiaries are immaterial.

2. BASIS OF PREPARATION CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The Company and its subsidiaries which were incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law, Finance Leasing, Factoring and Financing Companies Law, Turkish Commercial Code, the regulations of the Public Oversight, Accounting and Auditing Standards Authority of Turkey and the Capital Markets Board of Turkey (CMB) and Tax Legislation. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their functional currencies and in accordance with the regulations of the countries in which they operate.

2.2 Basis of Measurement

The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRSs as issued by the IASB. They are prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary period lasted by 1 January 2005, except that the following assets and liabilities are stated at their fair value: derivative financial instruments, trading securities, available-for-sale financial assets and buildings. The methods used to measure fair value are further discussed in Note 40.

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2. BASIS OF PREPARATION CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 Functional and Presentation Currency

Functional currency of the Company and its subsidiaries incorporated in Turkey:

The Group's functional and presentation currency is TL and the consolidated financial statements including comparative figures for the prior periods are presented in thousands of TL.

Functional currencies of foreign subsidiaries

	Local Currency	Functional Currency
GSD Shipping B.V.	EUR	US Dollar
Mila Maritime Ltd.	EUR	US Dollar
Dodo Maritime Ltd.	EUR	US Dollar
Cano Maritime Ltd.	EUR	US Dollar
Hako Maritime Ltd.	EUR	US Dollar
Zeyno Maritime Ltd.	EUR	US Dollar
Neco Maritime Ltd.	EUR	US Dollar

2.4 Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 8 – Loans and advances to customers
- Note 13 & 14 – Measurement of property and equipment and intangible assets
- Note 21 – Funds borrowed
- Note 25 – Provisions
- Note 26 – Other liabilities
- Note 27 – Taxation
- Note 32 – Commitments and contingencies
- Note 40 – Financial risk management

2.5 Comparative Information and Restatement of Prior Period Financial Statements

Blocked cash amounting to TL 1,454 in the cash and cash equivalents at 1 January and blocked cash amounting to TL 1,760 in the cash and cash equivalents at 31 December has been netted off respectively. Cash and cash equivalents at 1 January amounting TL 13,223 and cash and cash equivalents at 31 December amounting TL 15,550 in the statement of cash flows as at 31 December 2016.

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

The consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the consolidated financial statements is changed, in order to maintain consistency, the consolidated financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed as necessary to align them with the policies adopted by the Group.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The equity and net income attributable to non-controlling interest are shown separately in the consolidated statement of financial position and consolidated income statement, respectively.

3.2 Accounting in Hyperinflationary Economies

Turkey was a hyperinflationary economy until 31 December 2005. 2005 was a monitoring year for the inflation in Turkey. Due to the decreasing trend in inflation rate and the sustained positive trends in qualitative factors such as the economic growth for the last three years, financial and economic stabilization, and the decreasing interest rates, Turkey is considered non-hyperinflationary economy under International Accounting Standard ("IAS") No 29 starting from 1 January 2006. Therefore, the application of IAS 29 was ceased in 2006.

3.3 Foreign Currency Translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation of foreign currency transactions are recognised in the income statement. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign Currency Translation (continued)

(i) *Foreign currency transactions (continued)*

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of the available-for-sale equity instruments, which are recognised directly in equity.

Foreign currency translation rates used by the Group as of respective period-ends are as follows:

Date	TL/EURO (full)	TL/US DOLLAR (full)
31 December 2017	4.5155	3.7719
31 December 2016	3.7099	3.5192
31 December 2015	3.1776	2.9076

(ii) *Foreign operations*

The asset and liability items in the statements of financial position of Cano Maritime Limited, Dodo Maritime Limited, Hako Maritime Limited, Mila Maritime Limited, GSD Shipping B.V. and Zeyno Maritime Limited, the foreign consolidated subsidiaries of the Group, are translated at the relevant end of period exchange rates and the comprehensive income statement items translated at the average exchange rates to be included in the consolidated financial statements of the Group. The differences arising from the translation of the opening net assets of these foreign subsidiaries at a closing exchange rate different from the previous closing exchange rate. the translation of their comprehensive income statement items at the average exchange rates and the translation of the long term receivables of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. from Cano Maritime Limited, Dodo Maritime Limited, Hako Maritime Limited, Neco Maritime Limited, Mila Maritime Limited, GSD Shipping B.V. and Zeyno Maritime Limited, for which settlement is neither planned nor likely to occur in the foreseeable future and as such forming a part of its net investment in these foreign subsidiaries, with a closing exchange rate different from the previous closing exchange rate. are accounted for as "foreign currency translation differences" in other comprehensive income of the Group and accumulated in "the translation reserve" under the shareholders' equity in the consolidated statement of financial position of the Group. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

3.4 Property and Equipment

(i) *Recognition and measurement*

The cost of the property and equipment purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29. The property and equipment purchased after this date are recorded at their historical costs. Accordingly, property and equipment are carried at cost, less accumulated depreciation and impairment losses, except for buildings. Buildings are recorded at the fair value and the amounts over carrying value of the buildings are recorded as property revaluation reserve under equity.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains/losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income or other expenses in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property and Equipment (continued)

(ii) *Subsequent costs*

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

(iii) *Depreciation*

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The residual values of the ships of the Group are determined based on the actual sale prices published as of the report date for the ships having the same or similar qualifications which are of the age and condition expected at the end of their useful lives being equal to the depreciation period of 18 years. Depreciation methods, useful lives and residual values are reviewed at least annually unless there is a triggering event.

	Years
Buildings	50
Ships	18
Office and vehicle equipment	2- 15
Motor vehicles	5
Drydock	5
Leasehold improvements	Lease term, not less than 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of the fair value less costs to sell and value in use. Impairment losses are recognized in the consolidated income statement. The Group has started using accelerated depreciation method for tangible assets starting from October 2016.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalized and depreciated over the period to the next estimated drydocking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

Repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets, excluding development costs, created within the business, are not capitalized and expenditure is charged against profits in the year in which it is incurred. The cost of the intangible assets purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Group amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3-15 years. There are no intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

3.6 Assets Held for Sale

A property is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A property is not depreciated and is stated at the lower of its carrying amount and fair value less costs to sell while it is classified as held for sale or while it is a part of a disposal group classified as held for sale. A property that ceases to be classified as held for sale or ceases to be included in a disposal group classified as held for sale is measured at the lower of its carrying amount before the property or disposal group was classified as held for sale, adjusted for any depreciation or revaluations that would have been recognized had the property or disposal group not been classified as held for sale, and its recoverable amount at the date of subsequent decision not to sell.

3.7 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of Non-Financial Assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.8 Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its consolidated statement of financial position when and only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor retained control of the asset that is recognized to the extent of the Group's continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3.9 Investments and Other Financial Assets

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments, not at fair value through profit or loss, directly attributable transaction costs, except unquoted equity instruments which are carried at cost and unquoted borrowing securities which are carried at amortized cost. The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date that the asset is delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets, i.e. for assets carried at cost or amortized cost, change in value is not recognized; for assets classified as trading or as available for sale, the change in value is recognized through profit or loss and in equity, respectively.

The Group classifies its financial assets in the following categories:

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Investments and Other Financial Assets (continued)

i) Trading assets

Financial assets classified as held for trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. All trading securities are initially recognized at their fair values at the acquisition date. After initial recognition, trading securities are re-measured at fair value based on quoted bid prices. All related income and loss for fair value accounting is recognized in the consolidated income statement. Interest earned on trading securities is recorded as interest income. Dividends received are recorded as dividend income.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in the consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

iii) Held to maturity financial assets

Held-to-maturity securities are financial assets with fixed maturities that the Group has the intent and ability to hold until maturity. Investment securities held-to-maturity are initially recognized at cost. Investment securities held-to-maturity are accounted for by using a discounting method based on internal rate of return applied on the net investment amounts after the deduction of provision for impairments. Interest earned on held-to-maturity securities is recognized as interest income and reflected in the consolidated income statement.

iv) Available for sale financial assets

Available for sale financial assets are those which are not classified in any of the three categories mentioned above. All available for sale securities are initially recognized at cost at the acquisition date, being the fair value of the consideration given and including acquisition charges associated with the available for sale securities and subsequently they are measured at fair value. For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Gains or losses on re-measurement to fair value are recognized in equity until it is sold. Interest earned on available for sale investments is recorded as interest income. Dividends received and foreign exchange gains / (losses) are recorded as dividend income and foreign exchange gain/ (loss) in the consolidated income statement, respectively.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Repurchase and Resale Transactions

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in other money market placements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the consolidated statement of financial position and are measured in accordance with the accounting policy for either trading assets or financial assets available-for-sale, as appropriate. The proceeds from the sale of the investments are recognized in other money market deposits.

The difference between the purchase and resale considerations or the sale and repurchase considerations is recognized on an accrual basis using effective interest rate over the period of the transaction and is included in interest income or expense, respectively.

3.11 Impairment of Financial Assets

i) Assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- (c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or,
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated income statement. Impairment and uncollectibility are measured and recognized individually for receivables that are individually significant and on a portfolio basis for a group of similar receivables that are not individually identified as impaired.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principal amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of Financial Assets (continued)

i) Assets carried at amortized cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The amount of the reversal should not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

iii) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3.12 Leases

i) Finance leases (the Group as lessor)

The Group presents leased assets as receivables equal to the net investment in the leases. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

ii) Finance leases (the Group as lessee)

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

iii) Operating leases (the Group as lessee)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated income statement on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental expense over the lease term on a straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. The hiring of the dry bulk carrier ships of the Group companies under time charter agreements are accounted for as operating leases.

3.13 Income Taxes

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity, respectively, and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39 "Financial Instruments: Recognition and Measurement", they are treated as derivatives held for trading. Derivative financial instruments are initially recognized at fair value on the date at which a derivative contract is entered into and subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives are recognized in the consolidated income statement.

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

3.15 Custody Assets

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

3.16 Trade Receivables

Trade receivables are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when judicial decisions or insolvency documents regarding the default of the customer have been obtained.

3.17 Factoring Receivables

Factoring receivables are measured at amortised cost less specific allowances for uncollectibility and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately.

3.18 Interest-bearing Deposits and Funds Borrowed

All deposits and borrowings are initially recognized at fair value of consideration received less directly attributable transaction costs. After initial recognition, all interest bearing deposits and borrowings are subsequently measured at amortized cost using effective yield method. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the consolidated income statement when the liability is derecognized as well as through amortization process.

3.19 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs may include interest expense calculated using the effective interest method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Group begins capitalising borrowing costs as part of the cost of a qualifying asset when it incurs expenditures for the asset and borrowing costs and undertakes activities that are necessary to prepare the asset for its intended use or sale. The Group ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Treasury Shares

The Company's own equity instruments which are owned by the Company itself or its subsidiaries are deducted from equity under the heading "Treasury shares". No gain or loss is recognized in the consolidated income statement on the purchase, issue, sale or cancellation of the Company's own equity instruments. Considerations paid to reacquire the Company's own equity instruments are recognised directly in equity by debiting "Treasury shares". Considerations received as a result of the sale of the Company's own equity instruments reacquired and recognised directly in "Treasury shares" previously are recognised directly in equity by crediting "Treasury shares" for as much as their reacquisition cost and by crediting or debiting "Retained earnings" for as much as the gain or loss of the sale transaction, respectively, disclosing it as a "Change in retained earnings" in the consolidated statement of changes in equity.

3.21 Employee Benefits

The Group has both defined benefit and defined contribution plans as described below:

i) Defined benefit plans

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

In the accompanying consolidated financial statements, the Group has reflected a liability calculated using actuarial method and discounted by using the current market yield at the reporting date on government bonds, in accordance with IAS 19 "Employee Benefits".

The principal actuarial assumptions used at 31 December 2017 and 31 December 2016 are as follows;

	<u>2017</u>	<u>2016</u>
	<u>%</u>	<u>%</u>
Discount rate	12.76	10.80
Expected rate of salary/limit increase	6.00	6.00

The Group, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset, has recognized service cost and net interest on the net defined benefit liability (asset) in the consolidated income statement and remeasurements of the net defined benefit liability (asset) in the consolidated of other comprehensive income statement, which are the components of defined benefit cost.

Remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the entity may transfer those amounts recognised in other comprehensive income within equity. The Group, within the scope of that provision, adopted the accounting policy to transfer the prior-year-end balance of the Remeasurements of the Net Defined Benefit Liability (Asset) cumulatively recognised as other comprehensive income within equity to the Retained Earnings within equity as at each year-beginning.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 1 January 2017 is full TL 4,732 (31 December 2016: full TL 4,297). The liability is not funded, as there is no funding requirement.

In the accompanying consolidated financial statements, the Group has reflected a liability by recognising the expected cost of bonus payments when, and only when, it has a present constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. An obligation under profit-sharing and bonus plans results from employee service and not from a transaction with the Group's owners. Therefore, the Group recognises the cost of profit-sharing and bonus plans not as a distribution of profit but as an expense.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Employee Benefits (continued)

i) Defined benefit plans (continued)

The Group has recognized the expected cost of employee benefits in the form of accumulated vesting paid absences relating to the unused entitlement arising from the services rendered by the Group's employees, required to be paid when the employment of the personnel is terminated due to any reason in accordance with the existing social legislation in Turkey, as a long-term liability by measuring it on an undiscounted basis since its discounting does not have a significant impact on the consolidated financial position or performance of the Group.

ii) Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly administered social security funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

3.22 Provisions, Contingent Liabilities and Assets

i) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

ii) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements but disclosed in the notes if the possibility of any outflow is low. Contingent assets are not included in financial statements but explained in the notes if an inflow of economic benefits is probable.

3.23 Income and Expense Recognition

Interest income and expense are recognized in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income recognition on loans is suspended when loans are overdue by more than 90 days. Interest accrual does not start until such loans become performing.

Fee and commission income arising on financial services provided, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services is recognized when the corresponding service is provided. Certain commissions, such as those deriving from letters of guarantee and other banking services are also usually recognized as income when received.

Trading income, net includes gains and losses arising from disposals of trading assets and financial assets available-for-sale and changes in the fair value of trading securities.

Financial leases consist of leases of vehicles and various equipments, including industrial machinery and office equipment. The excess of aggregate lease rentals plus the residual value over the cost of the leased asset constitutes the unearned lease income to be taken into income over the term of the lease and produce a constant periodic rate of return on the net cash investment remaining in each lease. The Group restructures the payment terms on some of the lease contracts cancelled due to customers' inability to repay on a timely basis. Interest income from revision of lease contracts reflects the additional fees and charges arising from delayed payments of the customers.

Factoring commission income represents the upfront charge to the customer to cover the service given and the collection expenses incurred. Factoring commission is accounted for on accrual basis.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Income and Expense Recognition (continued)

Sales revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from rendering services is recognized by reference to the stage of completion when it can be measured reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

3.24 Earnings per Share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Increases in the number of shares due to share capital increases made from internal resources during the period or after the end of the period until the financial statements are authorized for issue are taken into consideration in the calculation of weighted average number of the shares from the beginning of the period.

3.25 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the reporting dates (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3.26 Related Parties

A party is related to an entity if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

3.27 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.28 Offsetting a financial asset and a financial liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group shall not offset the transferred asset and the associated liability.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 New standards and interpretations not yet adopted

The Group applied all of the relevant and required standards promulgated by the IASB and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) as of 31 December 2017.

Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 15 Revenue from Contracts with Customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement”. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed an initial assessment on these financial assets and liabilities and does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of IFRS 9.

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

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

The Group does not expect that application of these amendments to IFRS 2 will have significant impact on its consolidated financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 New standards and interpretations not yet adopted (continued)

Standards and interpretations issued but not yet effective (continued)

Annual Improvements to IFRSs 2014-2016 Cycle

Improvements to IFRSs

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

IFRS 1 is amended to the outdated short-term exemptions for first-time adopters are removed within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IAS 28 “Investments in Associates and Joint Ventures”

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

IAS 40 – Transfers of Investment Property

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

The Group does not expect that application of these amendments to IAS 40 will have significant impact on its consolidated financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

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

The Group does not expect that application of IFRIC 22 will have significant impact on its consolidated financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 New standards and interpretations not yet adopted (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 28-Long-term interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

IFRS 17 –Insurance Contracts

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

The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

3.30 Comparative information and restatement of prior periods' financial statements

The Company's consolidated financial statements as at 31 December 2017 are prepared comparatively with the prior period financial statements, in order to maintain consistency for the year ended as at 31 December 2016.

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4. SEGMENT INFORMATION

The Group conducts the majority of its business activities in four business segments as banking, marine, factoring and holding and in two geographical areas as Turkey, and Malta and Netherlands International.

Consolidated Income Statement (01.01.2017-31.12.2017)										
Country of Operation	Turkey	Turkey&Malta&Netherlands International	Turkey	Turkey			Segment Information Combined by Countries			
	(1) Banking	(1) (2) Marine	Factoring	Holding	Inter-segment eliminations	Group	Turkey	(3) Malta Netherlands International	Inter-country eliminations	Group
CONTINUING OPERATIONS										
Revenue	-	59,424	-	556	(556)	59,424	2,007	59,424	(2,007)	59,424
Cost of sales (-)	-	(51,973)	-	(539)	539	(51,973)	(1,079)	(51,973)	1,079	(51,973)
Gross profit/(loss) from financial activities	-	7,451	-	17	(17)	7,451	928	7,451	(928)	7,451
Revenue from finance activities	86,723	12	70,187	-	(17,302)	139,620	156,922	-	(17,302)	139,620
Fee, commission and other service income	9,248	-	337	-	(5)	9,580	9,585	-	(5)	9,580
Foreign exchange income	14,576	3	14,671	-	(14,660)	14,590	29,250	-	(14,660)	14,590
Interest income	44,361	7	53,944	-	(2,258)	96,054	98,312	-	(2,258)	96,054
Income from derivative financial instruments	16,063	-	-	-	-	16,063	16,063	-	-	16,063
Other financial sector operations income, net	2,475	2	1,235	-	(379)	3,333	3,712	-	(379)	3,333
Cost of finance activities (-)	(45,878)	(274)	(48,903)	-	25,558	(69,497)	(95,055)	-	25,558	(69,497)
Fee, commission and other service expense	(489)	-	(450)	-	5	(934)	(939)	-	5	(934)
Foreign exchange expense	(20,464)	-	(14,664)	-	21,178	(13,950)	(35,128)	-	21,178	(13,950)
Interest expense	(6,736)	-	(33,066)	-	4,375	(35,427)	(39,802)	-	4,375	(35,427)
Loss from derivative financial instruments	(17,483)	-	-	-	-	(17,483)	(17,483)	-	-	(17,483)
Other financial sector operations expense net	(706)	(274)	(723)	-	-	(1,703)	(1,703)	-	-	(1,703)
Gross profit/(loss) from financial sector operations	40,845	(262)	21,284	-	8,256	70,123	61,867	-	8,256	70,123
GROSS PROFIT/(LOSS)	40,845	7,189	21,284	17	8,239	77,574	62,795	7,451	7,328	77,574
General administrative expenses (-)	(9,348)	(4,555)	(9,017)	(9,208)	396	(31,732)	(31,928)	(1,651)	1,847	(31,732)
Other income from operating activities	84	2,419	73	39,561	(24,209)	17,928	41,645	492	(24,209)	17,928
Other expense from operating activities (-)	-	(837)	-	(23,244)	13,594	(10,487)	(24,081)	-	13,594	(10,487)
OPERATING PROFIT/(LOSS)	31,581	4,216	12,340	7,126	(1,980)	53,283	48,431	6,292	(1,440)	53,283
Income from investment activities	30	-	-	33,129	-	33,159	37,180	-	(4,021)	33,159
Expense from investment activities (-)	-	-	-	(386)	-	(386)	(386)	-	-	(386)
OPERATING PROFIT/(LOSS) BEFORE FINANCING EXPENSES	31,611	4,216	12,340	39,869	(1,980)	86,056	85,225	6,292	(5,461)	86,056
Financing income	-	-	-	-	-	-	-	-	-	-
Financing expenses (-)	(24)	(21,372)	(35)	(78)	1,980	(19,529)	(11,420)	(14,110)	6,001	(19,529)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	31,587	(17,156)	12,305	39,791	-	66,527	73,805	(7,818)	540	66,527
Tax income/(expense) from continuing operations	(6,310)	1,708	(2,669)	(4,216)	-	(11,487)	(11,308)	(179)	-	(11,487)
Current tax income/(expense)	(6,467)	1,061	(2,692)	(1,683)	-	(9,781)	(9,602)	(179)	-	(9,781)
Deferred tax income/(expense)	157	647	23	(2,533)	-	(1,706)	(1,706)	-	-	(1,706)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	25,277	(15,448)	9,636	35,575	-	55,040	62,497	(7,997)	540	55,040

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4. SEGMENT INFORMATION (continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued) (01.01.2017-31.12.2017)										
Country of Operation	Turkey	Turkey&Malta&Netherlands International	Turkey	Turkey			Segment Information Combined by Countries			
	(1) Banking	(1) (2) Marine	Factoring	Holding	Inter-segment eliminations	Group	Turkey	(3) Malta Netherlands International	Inter-country eliminations	Group
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	-	-	-	-	-	-	-
NET PROFIT/(LOSS)	25,277	(15,448)	9,636	35,575	-	55,040	62,497	(7,997)	540	55,040
Net profit/(loss) (continuing and discontinuing operations) attributable to:										
Non-controlling interest	-	(2,734)	998	-	-	(1,736)	(1,736)	-	-	(1,736)
Equity holders of the company	25,277	(12,714)	8,638	35,575	-	56,776	64,233	(7,997)	540	56,776
OTHER COMPREHENSIVE INCOME										
Which will be not classified in profit or loss	30	(25)	(47)	(35)	-	(77)	(77)	-	-	(77)
Defined benefit plans re-measurement gains / losses	30	(25)	(47)	(35)	-	(77)	(77)	-	-	(77)
Which will be classified in profit or loss	-	13,471	-	12,592	-	26,063	24,018	2,045	-	26,063
Change in currency translation differences	-	13,471	-	-	-	13,471	11,426	2,045	-	13,471
Profit/(loss) arising from remeasuring and/or reclassifying available for sale financial assets	-	-	-	12,592	-	12,592	12,592	-	-	12,592
OTHER COMPREHENSIVE INCOME (AFTER TAX)	30	13,446	(47)	12,557	-	25,986	23,941	2,045	-	25,986
TOTAL COMPREHENSIVE INCOME	25,307	(2,002)	9,589	48,132	-	81,026	86,438	(5,952)	540	81,026
Total comprehensive income attributable to:										
Non-controlling interest	-	(727)	992	-	-	265	265	-	-	265
Equity holders of the company	25,307	(1,275)	8,597	48,132	-	80,761	86,173	(5,952)	540	80,761
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (31 December 2017)										
TOTAL ASSETS	159,110	456,253	346,509	617,542	(114,129)	1,602,597	1,342,210	442,734	(182,347)	1,602,597
TOTAL LIABILITIES	296,422	289,565	301,192	15,377	(114,129)	651,115	466,169	367,293	(182,347)	651,115
Other segment information (continued and discontinued operations)										
(Advances given)/Transfer of advances given for capital expenditures	-	20,983	-	-	20,983	-	-	(20,983)	(20,983)	-
Capital expenditures	64	2,162	25	955	9,044	12,250	3,206	-	9,044	12,250
Depreciation expense	(44)	(18,000)	(39)	(697)	-	(18,780)	(921)	(17,859)	-	(18,780)
Amortization expense	(34)	-	3	(29)	-	(66)	(66)	-	-	(66)
Impairment (losses)/reversal income recognized in income statement	1,342	(272)	124	-	-	1,194	1,194	-	-	1,194

(1) The marine segment consists of the relevant amounts of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. and GSD Shipping B.V., the banking segment consists of the relevant amounts of GSD Bank.

(2) The main line of business of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. is shipping starting from 2013 and its income and expenses and its finance lease assets in the financial statements arising from the diminishing finance lease activities are disclosed in the marine segment under Gross Profit/(Loss) From Financial Sector Operations and Total Assets, respectively, without being allocated to a separate segment in the above table due to immateriality.

(3) The vessels of the subsidiaries established in Malta of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. are registered in Malta International Ship Register and operating in international freight forwarding.

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4. SEGMENT INFORMATION (continued)

Consolidated Income Statement (01.01.2016-31.12.2016)										
Country of Operation	Turkey	Turkey&Malta&Netherlands International	Turkey	Turkey			Segment Information Combined by Countries			
	(1) Banking	(1) (2) Marine	Factoring	Holding	Inter-segment eliminations	Group	Turkey	(3) Malta Netherlands International	Inter-country eliminations	Group
CONTINUING OPERATIONS										
Revenue	-	33,068	-	598	(595)	33,071	1,333	33,068	(1,330)	33,071
Cost of sales (-)	-	(40,798)	-	(581)	581	(40,798)	(1,207)	(40,798)	1,207	(40,798)
Gross profit/(loss) from financial activities	-	(7,730)	-	17	(14)	(7,727)	126	(7,730)	(123)	(7,727)
Revenue from finance activities	93,533	174	56,753	-	(2,876)	147,584	150,460	-	(2,876)	147,584
Fee, commission and other service income	7,444	-	337	-	(4)	7,777	7,781	-	(4)	7,777
Foreign exchange income	14,817	4	9,012	-	-	23,833	23,833	-	-	23,833
Interest income	32,853	132	46,998	-	(1,373)	78,610	79,983	-	(1,373)	78,610
Income from derivative financial instruments	34,336	-	-	-	(1,139)	33,197	34,336	-	(1,139)	33,197
Other financial sector operations income, net	4,083	38	406	-	(360)	4,167	4,527	-	(360)	4,167
Cost of finance activities (-)	(66,146)	(497)	(38,634)	-	4,331	(100,946)	(105,273)	(4)	4,331	(100,946)
Fee, commission and other service expense	(148)	(4)	(256)	-	4	(404)	(404)	(4)	4	(404)
Foreign exchange expense	(35,538)	-	(8,921)	-	-	(44,459)	(44,459)	-	-	(44,459)
Interest expense	(5,690)	-	(28,316)	-	4,094	(29,912)	(34,006)	-	4,094	(29,912)
Loss from derivative financial instruments	(22,942)	-	-	-	233	(22,709)	(22,942)	-	233	(22,709)
Other financial sector operations expense net	(1,828)	(493)	(1,141)	-	-	(3,462)	(3,462)	-	-	(3,462)
Gross profit/(loss) from financial sector operations	27,387	(323)	18,119	-	1,455	46,638	45,187	(4)	1,455	46,638
GROSS PROFIT/(LOSS)	27,387	(8,053)	18,119	17	1,441	38,911	45,313	(7,734)	1,332	38,911
General administrative expenses (-)	(8,888)	(3,504)	(8,373)	(15,327)	365	(35,727)	(36,016)	(811)	1,100	(35,727)
Other income from operating activities	419	3,221	460	58,867	(3,146)	59,821	62,924	43	(3,146)	59,821
Other expense from operating activities (-)	-	(1,035)	-	(24,740)	1,139	(24,636)	(25,775)	-	1,139	(24,636)
OPERATING PROFIT/(LOSS)	18,918	(9,371)	10,206	18,817	(201)	38,369	46,446	(8,502)	425	38,369
Income from investment activities	60	24	9	87,721	-	87,814	91,591	9	(3,786)	87,814
Expense from investment activities (-)	-	-	-	(623)	-	(623)	(623)	-	-	(623)
OPERATING PROFIT/(LOSS) BEFORE FINANCING EXPENSES	18,978	(9,347)	10,215	105,915	(201)	125,560	137,414	(8,493)	(3,361)	125,560
Financing income	-	-	-	-	-	-	-	-	-	-
Financing expenses (-)	(32)	(23,427)	(19)	(2,383)	201	(25,660)	(18,733)	(10,914)	3,987	(25,660)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	18,946	(32,774)	10,196	103,532	-	99,900	118,681	(19,407)	626	99,900
Tax income/(expense) from continuing operations	(3,795)	2,601	(2,288)	(10,766)	-	(14,248)	(14,248)	-	-	(14,248)
Current tax income/(expense)	(3,196)	2,534	(2,228)	(6,869)	-	(9,759)	(9,759)	-	-	(9,759)
Deferred tax income/(expense)	(599)	67	(60)	(3,897)	-	(4,489)	(4,489)	-	-	(4,489)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	15,151	(30,173)	7,908	92,766	-	85,652	104,433	(19,407)	626	85,652

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4. SEGMENT INFORMATION (continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued) (01.01.2016-31.12.2016)										
Country of Operation	Turkey	Turkey&Malta&Netherlands International	Turkey	Turkey			Segment Information Combined by Countries			
	(1) Banking	(1) (2) Marine	Factoring	Holding	Inter-segment eliminations	Group	Turkey	(3) Malta Netherlands International	Inter-country eliminations	Group
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	(409)	-	(409)	(409)	-	-	(409)
NET PROFIT/(LOSS)	15,151	(30,173)	7,908	92,357	-	85,243	104,024	(19,407)	626	85,243
Net profit/(loss) (continuing and discontinuing operations) attributable to:										
Non-controlling interest	-	(6,634)	826	-	-	(5,808)	(5,808)	-	-	(5,808)
Equity holders of the company	15,151	(23,539)	7,082	92,357	-	91,051	109,832	(19,407)	626	91,051
OTHER COMPREHENSIVE INCOME										
Which will be not classified in profit or loss	(74)	(31)	(256)	(47)	-	(408)	(408)	-	-	(408)
Defined benefit plans re-measurement gains / losses	(74)	(31)	(256)	(47)	-	(408)	(408)	-	-	(408)
Which will be classified in profit or loss	-	28,361	-	5,655	2,028	36,044	34,990	(974)	2,028	36,044
Change in currency translation differences	-	28,361	-	-	2,028	30,389	29,335	(974)	2,028	30,389
Profit/(loss) arising from remeasuring and/or reclassifying available for sale financial assets	-	-	-	5,655	-	5,655	5,655	-	-	5,655
OTHER COMPREHENSIVE INCOME (AFTER TAX)	(74)	28,330	(256)	5,608	2,028	35,636	34,582	(974)	2,028	35,636
TOTAL COMPREHENSIVE INCOME	15,077	(1,843)	7,652	97,965	2,028	120,879	138,606	(20,381)	2,654	120,879
Total comprehensive income attributable to:										
Non-controlling interest	-	(387)	799	-	-	412	412	-	-	412
Equity holders of the company	15,077	(1,456)	6,853	97,965	2,028	120,467	138,194	(20,381)	2,654	120,467
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (31 December 2016)										
TOTAL ASSETS	265,371	396,011	281,282	609,265	(98,226)	1,453,703	1,260,799	393,473	(200,569)	1,453,703
TOTAL LIABILITIES	153,366	265,527	245,554	13,828	(98,226)	580,049	495,945	284,673	(200,569)	580,049
Other segment information (continued and discontinued operations)										
(Advances given)/Transfer of advances given for capital expenditures	-	11,666	-	-	(11,666)	-	-	11,666	(11,666)	-
Capital expenditures	148	16	101	1,373	35,750	37,388	1,638	-	35,750	37,388
Depreciation expense	(17)	(18,071)	(27)	(519)	-	(18,634)	(578)	(18,056)	-	(18,634)
Amortization expense	(29)	(3)	(18)	(34)	-	(84)	(84)	-	-	(84)
Impairment (losses)/reversal income recognized in income statement	1,936	(219)	(995)	-	-	722	722	-	-	722

(1) The marine segment consists of the relevant amounts of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. and GSD Shipping B.V. and the banking segment consists of the relevant amounts of Tekstil Bankası A.Ş. for discontinued operations and GSD Bank for continuing operations..

(2) The main line of business of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. is shipping starting from 2013 and its income and expenses and its finance lease assets in the financial statements arising from the diminishing finance lease activities are disclosed in the marine segment under Gross Profit/(Loss) From Financial Sector Operations and Total Assets, respectively, without being allocated to a separate segment in the above table due to immateriality.

(3) The vessels of the subsidiaries established in Malta of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. are registered in Malta International Ship Register and operating in international freight forwarding.

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position:

	31 December 2017	31 December 2016
Cash on hand	2	4
Balances with the Central Bank	5,469	6,304
Cash and balances with the Central Bank	5,471	6,308
Deposits with other banks and financial institutions	111,848	82,838
Required Reserves	9,872	12,601
Cash and cash equivalents in the statement of financial position	127,191	101,747

Cash and cash equivalents in the statement of cash flows:

31 December 2017	31 December 2017	31 December 2016
Cash on hand and Balances with the Central Bank	5,471	6,308
Deposits with other banks and financial institutions	111,848	82,838
Reserve deposits at the central bank	9,872	12,601
Cash and cash equivalents in the statement of financial position	127,191	101,747
Less: Reserve deposits at the central bank	(9,872)	(12,601)
Less: Income accruals	(50)	(108)
Less: Blocked amount	(1,887)	(1,760)
Cash and cash equivalents in the statement of cash flows	115,382	87,278

Cash and cash equivalents in the statement of cash flows include those parts of the items classified as "Cash and balances with the Central Bank", "Deposits with other banks and financial institutions", and "Other money market placements" in the statement of financial position which have original maturities of less than 3 months.

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5. CASH AND CASH EQUIVALENTS (continued)

As at 31 December 2017 and 31 December 2016, the amounts and interest range of deposits and placements are as follows:

	31 December 2017				31 December 2016			
	Amount		Effective Interest rate (%)		Amount		Effective Interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Cash on hand	2	-	-	-	4	-	-	-
Balances with the Central Bank	740	4,729	-	-	720	5,584	-	-
Deposits with other banks and financial institutions	503	111,345	10,00-13,00	1,00-4,75	753	82,085	5.00-8.00	1.00-3.90
Cash and cash equivalents	1,245	116,074			1,477	87,669		
Reserve deposits	-	9,872	-	-	-	12,601	-	-

Main balances in deposits with other banks and financial institutions are demand or overnight deposits. The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

Reserves required to be deposited with the Central Bank

Reserve deposits represent the minimum cash reserve maintained with the Central Bank of Turkey (the "Central Bank"), as required by the Turkish Banking Law, calculated on the basis of the domestic liabilities after deducting certain liabilities taken at the rates determined by the Central Bank.

The banks operating in Turkey, in accordance with the regulations of the Central Bank of Turkey regarding the reserves required to be deposited with the Central Bank by banks, are required to maintain deposits with the Central Bank in Turkish Liras (or in USD Dollars and/or EURO with a maximum of 60%, at least 50% being in USD Dollars, or standard gold with a maximum of 30% in blocked accounts to be multiplied by the factors indicated in the related Communiqué) for liabilities in Turkish Lira; and in USD Dollars and/or EURO (or standard gold with a maximum of 0% in blocked accounts) for liabilities in foreign currencies except those in precious metal deposit accounts, USD Dollars being obligatory for USD Dollar-denominated liabilities; and in USD Dollars and/or EURO (or standard gold in blocked accounts) for liabilities in foreign currencies in precious metal deposit accounts, for the period of 14 days beginning on Fridays two weeks after the relevant calculation made once every two weeks applying the ratios stated below to the domestic liabilities with the exception of certain liabilities. The banks are allowed to maintain the required reserve deposits with the Central Bank as an average for all liabilities in Turkish Lira and for the part of 3% for liabilities in foreign currencies during the two weeks period. The required reserve deposits maintained with the Central Bank as an average is classified as "Balances with the Central Bank" in the consolidated statement of financial position of the Group. The Central Bank of the Republic of Turkey started to pay interest on the required reserves held in Turkish Liras and Foreign Currency in order of November 2014 and May 2015, respectively.

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5. CASH AND CASH EQUIVALENTS (continued)

Required reserve ratios applied to certain liabilities of banks in Turkey

	Turkish Lira (TL)		Foreign Currency	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Liabilities subject to reserve deposits	Required Reserve Ratios (%)			
Demand deposits, notice deposits, private current accounts	10.50	10.50	12.00	12.00
Deposits/participation accounts up to 1 month maturity	10.50	10.50	12.00	12.00
Deposits/participation accounts up to 3 months maturity	10.50	10.50	12.00	12.00
Deposits/participation accounts up to 6 months maturity	7.50	7.50	12.00	12.00
Deposits/participation accounts up to 1 year maturity	5.50	5.50	12.00	12.00
Deposits/participation accounts with 1 year or longer maturity, cumulative deposits/participation accounts	4.00	4.00	8.00	8.00
Special fund pools	Rate	Rate	Rate	Rate
	corresponding to maturity	corresponding to maturity	corresponding to maturity	corresponding to maturity
Other liabilities up to 1 year maturity	10.50	10.50	24.00	24.00
Other liabilities up to 2 years maturity	10.50	10.50	19.00	19.00
Other liabilities up to 3 years maturity	7.00	7.00	14.00	14.00
Other liabilities between 3 and 5 years maturity	4.00	4.00	6.00	6.00
Other liabilities longer than 5 years maturity	4.00	4.00	4.00	4.00

Required reserves based on the banks' leverage ratio

The banks whose leverage ratios calculated in accordance with the procedures and principles determined by the Central Bank of the Republic of Turkey based on the accounting standards and the uniform chart of accounts applied by the banks are in the below mentioned ranges are required to maintain reserves with the Central Bank in addition to those mentioned above, to be determined according to the basic arithmetic average of the monthly leverage ratios for the quarterly calculation periods and to be implemented for the liabilities in Turkish Lira and foreign currencies subject to the reserve requirement in all maturities separately, during the 6 required reserve periods starting from the first required reserve period of the 4th calendar month following the calculation period. The leverage ratio is calculated by dividing the primary equity by the total of total liabilities, non-cash loans and liabilities, revocable commitments multiplied with a coefficient of 0.1, commitments arising from derivative financial instruments multiplied with their own loan conversion ratios and irrevocable commitments.

	Leverage ratio ranges (%)				
	Below 3	3.0-3.25	3.25-3.5	3.5-4.0	4.0-5.0
Calculation period of required reserve based on leverage ratio	Required reserve ratios based on leverage ratio (%)				
4th quarter of 2013 and 1st, 2nd, 3rd quarters of 2014	2.0	1.5	1.0	0.0	0.0
4th quarter of 2014 and 1st, 2nd, 3rd quarters of 2015	2.0	1.5	1.5	1.0	0.0
4th quarter of 2015 and subsequent periods	2.0	1.5	1.5	1.5	1.0

6. MARKETABLE SECURITIES

a) Trading Securities

As at 31 December 2017 and 31 December 2016, the Group has no trading securities.

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6. MARKETABLE SECURITIES (continued)

a) Trading Securities (continued)

The movement in trading securities (including loaned securities) is summarized as follows:

	31 December 2017	31 December 2016
At 1 January	-	311
Additions	-	-
Disposals (sales and redemptions)	-	(306)
Interest received due to redemptions	-	(10)
Profit / (loss)	-	5
Closing balance at the end of period	-	-

As at 31 December 2017 and 31 December 2016, the Group has no trading securities pledged under repurchase agreements and related liabilities.

b) Available For Sale Securities

	31 December 2017		31 December 2016	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
Debt instruments				
Eurobonds issued by the Republic of Turkey	-	-	23,888	5.50-6.64
Bonds	-	-	992	11.25
Equity instruments				
Common stocks	499,976	-	453,294	
Total	499,976	-	478,174	

31 December 2017 Shareholdings in available for sale securities	Carrying Value	Paid Capital	GSD Holding A.Ş.'s Shareholding		
			Direct (%)	Indirect (%)	Total (%)
Silopi Elektrik Üretim A.Ş.	499,816	202,050	15.00	0.00	15.00
Borsa İstanbul A.Ş.	160	423,234	-	0.04	0.04
Total	499,976				

31 December 2016 Shareholdings in available for sale securities	Carrying Value	Paid Capital	GSD Holding A.Ş.'s Shareholding		
			Direct (%)	Indirect (%)	Total (%)
Silopi Elektrik Üretim A.Ş.	453,134	202,050	15.00	0.00	15.00
Borsa İstanbul A.Ş.	160	423,234	-	0.04	0.04
Total	453,294				

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6 MARKETABLE SECURITIES (continued)

b) Available For Sale Securities (continued)

The movement in available for sale securities (including loaned securities) is summarized as follows:

	31 December 2017	31 December 2016
At 1 January	478,174	383,486
Additions	-	6,709
Disposals (sales and redemptions)	(26,522)	-
Interest received due to redemptions	(1,079)	(922)
Foreign exchange difference	31,614	80,780
Change in fair value and other gains/losses, net	17,789	8,121
Closing balance at the end of period	499,976	478,174

c) Held to maturity securities

As at 31 December 2017, the Group has no held to maturity investment security.

d) Marketable securities given as a guarantee

As at 31 December 2017 and 31 December 2016, the Group has no marketable securities given as a guarantee.

7. UNQUOTED EQUITY INSTRUMENTS

The unconsolidated subsidiaries and other unquoted equity instruments which are classified in the "unquoted equity instruments" caption in the consolidated financial statements as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
GSD Eğitim Vakfı	377	377
GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. ⁽¹⁾	-	106
GSD Gayrimenkul Yatırım ve Geliştirme A.Ş. ⁽¹⁾	-	90
GSD Plan Proje Etüd A.Ş. ⁽¹⁾	-	90
Total	377	663

(1) In the General Assembly meeting decisions dated 03 March 2017 of the subsidiaries of GSD Holding A.Ş., In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., which is owned by 100% share with a share capital of TL 90 , In liquidation GSD Plan Proje Etüd A.Ş., which is owned by 100% share with a share capital of TL 90 and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş., which is owned by 100% share with a share capital of TL 50 were decided to be liquidated. In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş. was registered in the Trade Registry on 8 March 2017, In liquidation GSD Plan Proje Etüd A.Ş. and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. were registered in the Trade Registry on 17 March 2017. Liquidation end declaration of the In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., In liquidation GSD Plan Proje Etüd A.Ş. and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. have been registered by İstanbul Ticaret Sicil Müdürlüğü on 17-18 October 2017, liquidation process has been completed.

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8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2017					
	Amount			Effective interest rate (%)		
	Turkish lira	Foreign currency	Foreign currency indexed	Turkish lira	Foreign currency	Foreign currency indexed
Corporate loans	186,957	-	8,335	12.48-21.75	-	6.00-6.25
Total	186,957	-	8,335			
Loans in arrears	3,936	-	-	-	-	-
Less: Allowance for impairment on loans and advances to customers	(5,561)	-	-	-	-	-
Total, net	185,332		8,335			

	31 December 2016					
	Amount			Effective interest rate (%)		
	Turkish lira	Foreign currency	Foreign currency indexed	Turkish lira	Foreign currency	Foreign currency indexed
Corporate loans	154,640	-	18,054	12.00-19.25	-	5.40-6.50
Total	154,640	-	18,054			
Loans in arrears	3,928	-	-	-	-	-
Less: Allowance for impairment on loans and advances to customers	(6,903)	-	-	-	-	-
Total, net	151,665		18,054			

As at 31 December 2017, non-performing loans and advances to customers on which interest are is being accrued, or where interest is suspended amount to TL 3,936 (31 December 2016: TL 3,928).

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

Movements in the allowance for impairment:

	Continuing Operations	
	31 December 2017	31 December 2016
Allowance at the beginning of the year	6,903	14,504
Recoveries	(1,988)	(3,698)
Allowance for impairment	646	1,761
Allowance net of recoveries	1,342	1,937
Loans written off during the period	-	(5,664)
Transfer from continuing operations to discontinued operations	-	-
Allowance at the end of the period	5,561	6,903

As at 31 December 2017 and 31 December 2016 all of the loans and advances to customers have fixed rates.

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9. FINANCE LEASE RECEIVABLES, NET AND LIABILITIES ARISING FROM FINANCE LEASES

Finance lease receivables, net

	31 December 2017	31 December 2016
Invoiced lease receivables	24	172
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Doubtful finance lease receivables	3,142	2,870
Finance lease receivables, gross	3,166	3,042
Less: Unearned interest income	(3)	(4)
Less: Allowance for doubtful finance lease receivables	(3,142)	(2,870)
Finance lease receivables, net	21	168

The aging of net finance lease receivables is as follows:

	31 December 2017	31 December 2016
Not later than 1 year	21	168
Later than 1 year but not later than 5 years	-	-
Finance lease receivables, net	21	168

Movement in the allowance for doubtful finance lease receivables is as follows:

	31 December 2017	31 December 2016
Allowance at the beginning of year	2,870	2,651
Allowance for doubtful lease receivables	274	257
Recoveries	(2)	(38)
Allowance net of recoveries	272	219
Finance lease receivables written off during the period	-	-
Allowance at the end of period	3,142	2,870

Liabilities arising from finance leases

	31 December 2017	31 December 2016
Advances taken due to finance leases	40	249
Payables related to leased assets	54	30
Total	94	279

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

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10. FACTORING RECEIVABLES AND PAYABLES

	31 December 2017					
	Amount			Effective interest rate (%)		
	Turkish Lira	Foreign Currency Indexed	Foreign Currency	Turkish Lira	Foreign Currency Indexed	Foreign Currency
Factoring receivables	344,199	-	1,367	14.00-48.00	-	7.51-8.31
Doubtful factoring receivables	3,231	-	-	-	-	-
Total factoring receivables	347,430	-	1,367			
Less: Provision for doubtful factoring receivables	(3,211)	-	-	-	-	-
Factoring receivables, net	344,219	-	1,367			
Factoring payables	1,762	-	50			

	31 December 2016					
	Amount			Effective interest rate (%)		
	Turkish Lira	Foreign Currency Indexed	Foreign Currency	Turkish Lira	Foreign Currency Indexed	Foreign Currency
Factoring receivables	279,441	-	363	11.00-32.00	-	7.01-7.81
Doubtful factoring receivables	3,761	-	-	-	-	-
Total factoring receivables	283,202	-	363			
Less: Provision for doubtful factoring receivables	(3,335)	-	-	-	-	-
Factoring receivables, net	279,867	-	363			
Factoring payables	941	-	42			

Movement in the allowance for doubtful factoring receivables:

	31 December 2017	31 December 2016
Allowance at the beginning of year	3,335	5,501
Recoveries	(808)	(117)
Allowance for doubtful factoring receivables	684	1,112
Allowance net of recoveries	(124)	995
Factoring receivables written off during the period	-	(3,161)
Allowance at the end of period	3,211	3,335

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

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11. ASSETS HELD FOR SALE

	31 December 2017	31 December 2016
Assets held for sale from continuing operations	53,626	59,281
Total	53,626	59,281

Assets held for sale from continuing operations:

	31 December 2017	31 December 2016
Cost	53,626	59,281
Total	53,626	59,281

Valuation report may be obtained for properties held for sale if necessary. Properties held for sale are carried at the lower of their carrying amounts and their fair values less costs to sell based on valuation report. As at 31 December 2017, it has not been deemed necessary to obtain a valuation report.

Continuing Operations	31 December 2017	31 December 2016
Opening balance at 1 January	59,281	941
Additions (*)	-	58,985
Disposals	(5,655)	(645)
Closing balance at the end of period	53,626	59,281

(*)The property which is mortgaged property in the proceeding of execution of GSD Bank A.Ş acquired on 12 August 2016, and transferred to held for sale assets after offsetting the loan receivable. The bank won the tender which was initiated for the mortgaged property in execution proceeding on 11 August 2015 with the amount of TL 48,010, and reduced TL 10,000 part of it from the mortgaged amount referring to loan. The legal process ended up and the property had been acquired on 12 August 2016 and after the offsetting of loan receivable, the total amount of TL 10,975 for the property provision is transferred to held for sale having including the paid VAT and expenses.

There are no liabilities related to asset groups classified as held for sale from continuing operations.

The sale of 75.50 % shares of Tekstil Bankası A.Ş. held by GSD Holding A.Ş. to ICBC

Pursuant to the 29 April 2014 dated share purchase and sale contract, 75.50% of the TL 282 –TL 213 amount of tax paid in 2016 to ICBC Turkey Bank A.Ş. through retrospective reconciliation, which has a contract currency provision of USD 72,018.27 and 50% of TL 435 – TL 217 – private credit provision calculated on 22 May 2016 regarding to some credits opened prior to transaction closure, which has a contract currency provision of USD 75,653.62 was paid to the ICBC from the money held on Deposit Account on 30 March 2016 and 23 May 2016, respectively, TL 430 total share sale expense abided on 2016 and TL 21 corporate tax income calculated related to this expense are recognized in “Period Profit/(Loss) of Discontinuing Operations” on consolidated IFRS Income Statement for the period of 1 January 2016-31 December 2016 of GSD Holding A.Ş.

It was decided by GSD Holding A.Ş. Board of Directors that due to the fact that the amount that should be transferred on 8 April 2016 and onwards has changed, on 24 May 2016, 75% which has a worth of TL 204,109 of the profit calculated with the related tax regulation about the sale to ICBC on 22 May 2015 of the shares of Tekstil Bankası A.Ş. which had a percentage of 75.50% on Company’s capital, by subtraction of 75% of TL 4,922 abided in 2015 and TL 322 abided in 2016 from the expenses regarding this profit, to be held at hand until the end of fifth year following the sales without being transferred to another account and without being pulled from operation so that it can benefit from the Corporate Tax Exemption specified by the 5/1-e article of 5520 Numbered Corporate Tax Law, so that it could be transferred from the net profit of year 2015 of TL 303,135 on legal records of the Company and from consolidated IFRS net profit for the year 2015 to the Special Funds Account in the capital and on the legal records of the Company and to the Reserves on Retained Earnings Account on the capital on consolidated IFRS statement of financial position with a net worth of TL 198,865.

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11. ASSETS HELD FOR SALE (continued)

The sale of 75.50 % shares of Tekstil Bankası A.Ş. held by GSD Holding A.Ş. to ICBC (continued)

By the Ordinary General Assembly Meeting for the year 2015 of GSD Holding A.Ş held on 26 May 2016, it was decided that a total of TL 200,000 premium to be distributed to the shareholders of the Company by with a capital increase through bonus issues that would be counterbalanced wholly from the premium as follows; TL 198,865 amount from the net profit of 2015 on the legal records of the Company which corresponds to TL 303,135 and TL 220,606 from consolidated IFRS net profit for year 2015, from the amount that has been transferred to the Special Funds Account on capital on legal records and consolidated IFRS statement of financial position and TL 1,135 amount from the rest of the net profit from year 2015.

DISCONTINUED OPERATIONS CONSOLIDATED INCOME STATEMENT (01.01.2016-31.12.2016)	Before Consolidation Eliminations	Consolidation Eliminations	After Consolidation Eliminations
Profit/(loss) before tax from discontinued operations	-	-	-
Tax income/(expense) from discontinued operations	-	-	-
Current tax income/(expense)	-	-	-
Deferred tax income/(expense)	-	-	-
Gain or loss relating to the discontinuance, net	(409)	-	(409)
Gain or loss relating to the discontinuance	-	-	-
The cost to sell the discontinued operations	(430)	-	(430)
Tax expense relating to the discontinuance	21	-	21
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	(409)	-	(409)
DISCONTINUED OPERATIONS CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (01.01.2016-31.12.2016)	Before Consolidation Eliminations	Consolidation Eliminations	After Consolidation Eliminations
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	(409)	-	(409)
OTHER COMPREHENSIVE INCOME			
Profit/(loss) arising from remeasuring and/or reclassifying available for sale financial assets	-	-	-
OTHER COMPREHENSIVE INCOME (NET OF TAX)	-	-	-
TOTAL COMPREHENSIVE INCOME			
Net profit/(loss) from discontinued operations	(409)	-	(409)
Non-controlling interest	-	-	-
Equity holders of the company	(409)	-	(409)

As at 31 December 2017, the Group has no discontinued operations.

12. BORROWING COSTS

As at 31 December 2017, there is no capitalized borrowing costs. In the consolidated financial statements of the Group as at 31 December 2016, the borrowing costs totaling TL 194 incurred within the scope of the acquisition of ship are capitalised as part of the cost of the ships classified in "Ships" under "Property and Equipment" after the delivery dates of the ships and "Advances Given for the Purchase Orders of Tangible Assets" under "Prepaid Expenses" until the delivery dates of the ships in accordance with "IAS 23 Borrowing Costs".

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13. PROPERTY AND EQUIPMENT

Continuing Operations	Land and Buildings	Office and Vehicle Equipment	Leasehold Improvements	Ships	Dry Docking^(***)	Motor Vehicles	Fixed Assets Under Construction^(**)	Total
At 1 January 2017, net of accumulated depreciation and impairment	2	1,409	1,132	337,469	-	434	11,666	352,112
Additions	-	829	147	199	1,657	503	8,845	12,180
Disposals, net	-	(8)	-	-	-	-	-	(8)
Foreign currency translation differences	-	-	-	24,230	-	-	472	24,702
Depreciation charge for the period	-	(389)	(285)	(17,859)	(110)	(137)	-	(18,780)
At 31 December 2017, net of accumulated depreciation and impairment	2	1,841	994	344,039	1,547	800	20,983	370,206
At 31 December 2017								
Cost	2	6,048	1,730	229,217	1,657	1,076	20,983	260,713
Foreign currency translation differences	-	-	-	187,502	-	-	-	187,502
Accumulated depreciation ^(*)	-	(4,207)	(736)	(72,680)	(110)	(276)	-	(78,009)
Net carrying amount at 31.12.2017	2	1,841	994	344,039	1,547	800	20,983	370,206

(*) Accumulated depreciation contains the foreign currency translation differences relating to the accumulated depreciation.

(**) Amount consists of advances given by GSD Shipping B.V. for the purchase of the 63,000 DWT type bulk dry cargo vessel constructed on behalf of Mila Maritime Ltd.

(***) Information on the dry docking is disclosed in the note titled "Summary of Significant Accounting Policies and Estimates" under the heading Tangible Assets.

Continuing Operations	Land and Buildings	Office and Vehicle Equipment	Leasehold Improvements	Ships	Motor Vehicles	Fixed Assets Under Construction^(**)	Total
At 1 January 2016, net of accumulated depreciation and impairment	2	712	901	270,546	450	-	272,611
Additions	-	964	460	24,084	95	11,666	37,269
Disposals, net	-	(20)	-	-	(9)	-	(29)
Foreign currency translation differences	-	-	-	60,895	-	-	60,895
Depreciation charge for the period	-	(247)	(229)	(18,056)	(102)	-	(18,634)
At 31 December 2016, net of accumulated depreciation and impairment	2	1,409	1,132	337,469	434	11,666	352,112
At 31 December 2016							
Cost	2	5,891	1,583	230,874	573	11,666	250,851
Foreign currency translation differences	-	-	-	157,742	-	-	157,742
Accumulated depreciation ^(*)	-	(4,482)	(451)	(51,147)	(139)	-	(56,481)
Net carrying amount at 31.12.2016	2	1,409	1,132	337,469	434	11,666	352,112

(*) Accumulated depreciation contains the foreign currency translation differences relating to the accumulated depreciation.

(**) Amount consists of advances given by GSD Shipping B.V. for the purchase of the 63,000 DWT type bulk dry cargo vessel constructed on behalf of Mila Maritime Ltd.

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13. PROPERTY AND EQUIPMENT (continued)

The Group has taken the higher value of use determined through fair value whose sales expenses are deducted as amount recoverable and discounted cash flow methods in the impairment calculation made taking each of the dry cargo ships, owned by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. its five maritime affiliates located in Malta, into account as cash generating units as basis as at 31 December 2017 in accordance with IAS 36 and has not made a provision for impairment as at 31 December 2017 since the value of use are higher than carrying amounts for each of the five ships. Discounted cash flow calculations, used to determine amount recoverable, have been started based on final budgeting of technical management company made for leasing contracts which are considered to be concluded in near future in the framework of current market conditions through examining current ship leasing agreements and realisations in previous periods for income. Cash flows which can occur in depreciation period have been tried to be anticipated using expectations and assumptions generated by the Group management on direction, level and timing of market based on recent condition of freight market and impacts related to its development and it is deducted to reporting date with a discount rate appropriate to structure of company and market. Amounts deducted from cost while determining amount subject to depreciation have been used as cash inflow in value of use calculation. Selection of periods in which fixed or variable based leasing is applied or locations of ships on the expiration of leasing period are main factors which can cause different realizations from those which have been anticipated under assumptions in calculations. On the other hand, the realization of assumptions are bounded to variable factors directing global dry cargo ship transportation market. The Group management believes that any changes reasonably occurring in any of aforementioned main assumptions shall not cause total carrying amounts of aforementioned cash generation units being higher than the total recoverable amounts.

14. INTANGIBLE ASSETS

Continuing Operations	Patents and Licenses
At 1 January 2017 net of accumulated amortization	257
Additions	70
Disposals, net	-
Amortization charge for the period	(66)
At 31 December 2017 net of accumulated amortization	261
At 31 December 2017	
Cost	2.414
Accumulated amortization	(2.153)
Net carrying amount	261

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14. INTANGIBLE ASSETS (continued)

Continuing Operations	Patents and Licenses
At 1 January 2016 net of accumulated amortization	222
Additions	119
Disposals, net	-
Amortization charge for the period	(84)
At 31 December 2016 net of accumulated amortization	257
At 31 December 2016	
Cost	2,340
Accumulated amortization	(2,083)
Net carrying amount	257

15. TRADE RECEIVABLES, NET

	31 December 2017	31 December 2016
Customers	11	5
Trade receivables from maritime activities	3,122	3,017
Export goods receivables	1,981	1,981
Less: Provision for doubtful trade receivables	(1,981)	(1,981)
Total, net	3,133	3,022

Movement in the provision for doubtful trade receivables:

	31 December 2017	31 December 2016
Allowance at the beginning of year	1,981	1,981
Provision for doubtful receivables	-	-
Recoveries	-	-
Provision net of recoveries	-	-
Allowance at the end of period	1,981	1,981

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

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16. OTHER RECEIVABLES AND PAYABLES

Other Receivables

	31 December 2017	31 December 2016
Transitory receivables (*)	1,291	3,142
Deposits and guarantees given	10	9
Other	1,389	359
Total	2,690	3,510

(*) The credit balance counterpart of "Transitory receivables in Other Receivables" is "Transfer orders in Other Payables".

Collaterals given in other receivables

	31 December 2017	31 December 2016
Other collaterals given	10	9
Total	10	9

Other Payables

	31 December 2017	31 December 2016
Transfer orders	1,361	3,588
Taxes and funds payable other than on income	1,579	1,371
Other	846	163
Total	3,786	5,122

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

17. INVENTORIES

	31 December 2017	31 December 2016
Ship oil	825	926
Ship fuel	145	-
Total	970	926

18. PREPAID EXPENSES

	31 December 2017	31 December 2016
Other prepaid expenses	1,240	978
Total	1,240	978

19. OTHER ASSETS

	31 December 2017	31 December 2016
Deferred VAT	1,392	1,008
Other	1	-
Total	1,393	1,008

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

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20. DEPOSITS AND BORROWERS' FUNDS

a) Other money market deposits

	31 December 2017				31 December 2016			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Liabilities from money market transactions	60,754	-	13.40-14.85	-	20,011	-	10.20-10.60	-
Total	60,754				20,011			

b) Borrowers' funds

	31 December 2017				31 December 2016			
	Amount		Effective Interest rate (%)		Amount		Effective Interest rate (%)	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	501	2	-	-	929	13	-	-
Time	10,610	34,179	14.10-14.35	4.00-4.40	3,444	38,077	10.00-13.50	1.25-2.50
Total	11,111	34,181	-	-	4,373	38,090	-	-

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

21. FUNDS BORROWED

	31 December 2017				31 December 2016			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency
Short term	-	8,146	-	-	1	6,548	-	-
Fixed interest	-	8,146	-	5.25-5.60	1	6,548	-	5.80
Floating interest	-	-	-	-	-	-	-	-
Medium/long Term	-	250,385	-	-	-	246,536	-	-
Fixed interest	-	90,578	-	4.50-5.80	-	89,934	-	4.25-5.50
Floating interest	-	159,807	-	4.18-4.82	-	156,602	-	3.68-6.01
Total	-	258,531	-	-	1	253,084	-	-

Repayment schedule of borrowings initially recognized as medium/long term borrowings is as follows:

	31 December 2017		31 December 2016	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Less than 1 year	4,955	18,125	89,934	15,094
Up to 2 year	85,623	17,482	-	14,465
Up to 3 year	-	35,946	-	14,464
Up to 4 year	-	76,278	-	31,690
More than 5 year	-	11,976	-	80,889
Total	90,578	159,807	89,934	156,602

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

22. ISSUED SECURITIES

There is no issued security as at 31 December 2017 and 31 December 2016.

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23. TRADE PAYABLES

	31 December 2017	31 December 2016
Payables to suppliers	597	184
Payables to marine sector suppliers	121	161
Export trade payables	77	220
Total	795	565

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

24. DEFERRED INCOME

	31 December 2017	31 December 2016
Provisions		
Deferred income on vessel time charters	834	961
Deferred income on factoring commissions	46	21
Other	12	7
Total	892	989

25. PROVISIONS

	31 December 2017	31 December 2016
Provisions		
Employee bonus provision	2,176	1,803
Provision for employee termination benefits obligation	1,671	1,579
Provision for vacation pay liability	1,074	945
Provision for unindemnified non-cash loans	13	13
Other	10	-
Total	4,944	4,340

Employee Termination Benefits Obligation

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 4,732.48 (full) and TL 4,297.21 (full) as at 31 December 2017 and 31 December 2016, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

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

	31 December 2017	31 December 2016
Discount rate	12.76	10.80
Expected rates of salary/limit increases	6.00	6.00

Employee Termination Benefits Obligation (continued)

The Group, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset, has recognized service cost and net interest on the net defined benefit liability (asset) in the consolidated income statement and remeasurements of the net defined benefit liability (asset) in the consolidated comprehensive income statement, which are the components of defined benefit cost.

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25. PROVISIONS (continued)

Employee Termination Benefits Obligation (continued)

The movement in provision for employee termination benefits obligation is as follows:

	Continuing Operations	
	31 December 2017	31 December 2016
At 1 January	1,579	1,641
Actuarial losses/(gains)	95	511
Interest cost on the provision	91	83
Provision reversed due to being paid	(276)	(894)
Provision reversed without being paid	(2)	(3)
Service cost	184	241
Closing balance at the end of period	1,671	1,579

Vacation pay liability

The Group has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with IAS 19 in the accompanying consolidated financial statements.

The movement in provision for vacation pay liability is as follows:

	Continuing Operations	
	31 December 2017	31 December 2016
At 1 January	945	1,214
Provision reversed during the period	-	(304)
Provision set during the period	129	35
Closing balance at the end of period	1,074	945

Short term provisions

	31 December 2017	31 December 2016
Unindemnified non-cash loans	13	13
Other	10	-
Total	23	13

Unindemnified non-cash loans

The movement in provision for unindemnified non-cash loans is as follows:

	Continuing Operations	
	31 December 2017	31 December 2016
At 1 January	13	12
Provision set/(reversed) during the period	-	1
Closing balance at the end of period	13	13

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

There is no provision for litigations that is required to be set or disclosed for continuing operations as at 31 December 2017 and 31 December 2016.

The movement in employee bonus provision is as follows:

	31 December 2017	31 December 2016
At 1 January	1,803	1,219
Provision set during the period	373	584
Closing balance at the end of period	2,176	1,803

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26. OTHER LIABILITIES

	31 December 2017	31 December 2016
Other	10	11
Total	10	11

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

27. TAXATION

Corporate income was subject to corporate tax at 20% in Turkey to be effective from 1 January 2006. However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

Tax losses carried forward

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect the tax returns and the related accounting records for a retrospective maximum period of five years.

The Group's tax losses carried forward as at 31 December 2017 is TL 2,607 (31 December 2016: None).

Withholding tax on dividend distributions

The 15% withholding tax applies to dividends distributed by resident corporations to resident or non-resident real persons, those who are not liable to or exempt from income and corporation tax, non-resident corporations (excluding those that acquire dividend through a registered office or permanent representative in Turkey). Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Investment allowance

Effective from 24 April 2003, investment allowances provided a deduction from the corporate tax base of 40% of the cost of the purchases or production of the new fixed assets subject to depreciation and exceeding TL 10 (31 December 2014: TL 10) and directly related with the production of goods and services. Investment allowance that arose prior to 24 April 2003 was subject to 19.8% withholding tax unless they were converted to the new application at the will of companies. All investment allowances were carried forward with indexed amounts. With respect to the new legislation effective from 1 January 2006, these unused investment allowances could be used until 31 December 2008 and investment allowances ceased to apply to the new investments to be made beginning from 1 January 2006, but continued to apply to the investments started before 1 January 2006. Afterwards, a decision rendered by the Constitutional Court of Turkey cancelling the clause of this legislation limiting the deduction period of the unused investment allowances has again made effective the deductibility of the unused investment allowances after 31 December 2008. According to the decision mentioned above, investment allowances transferred to 2006 due to lack of profit and investment allowances gained by the investments that are commenced before 1 January 2006 and continued after that date constituting economic and technical integrity will not be only used in 2006, 2007 and 2008, but also in the following years. An amendment to the Income Tax Law promulgated in Official Gazette no 6009 dated 1 August 2010 limited the amount of investment allowance to be utilised to 25% of earnings for the year, but the Constitutional Court of Turkey has cancelled this amendment providing 25% utilization of investment allowance and has again made effective utilization of investment allowance up to 100% of tax base by means of a decision dated 9 February 2012, being effective starting from the tax returns to be filed for the fiscal period as at 31 December 2011.

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27. TAXATION (continued)

Investment allowance

Therefore, the consolidated financial statements of the Group as at 31 December 2013 are prepared based on 100% utilization of investment allowance by GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş., the only Group company benefiting from investment allowance. GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş., has sued for the utilization of the investment allowance relating to 75% of the earnings which could not be utilised in the corporate tax return filed for the year 2010 reserving the right to sue and has been entitled to utilise it by adjusting the corporate tax return for the year 2010 via offsetting the investment allowance not utilized previously against the corporate tax of TL 641 paid during the year 2014 and to take back the paid amount by the decision of the tax court notified on 27 March 2014. The amounts that have been taken back in cash and by offsetting until 31 December 2014 amounted to TL 396 and TL 245, respectively, totalling TL 641.

As at 31 December 2017 and 31 December 2016, the Group has the following unused investment allowances:

Unused investment allowances				
Group company	31 December 2017		31 December 2016	
	Subject to 19.8% withholding tax	Subject to 0% withholding tax	Subject to 19.8% withholding tax	Subject to 0% withholding tax
GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş.	109,332	-	95,516	-
Total	109,332	-	95,516	-

Transfer pricing

According to the article 13 titled “the disguised profit distribution by way of transfer pricing” of the Corporate Tax Law, if prices or considerations imposed for purchase or sale of goods or services between the company and its related parties are not consistent with the arm’s length principle, the profit hence from is regarded as fully or partially distributed in a disguised way by way of transfer pricing. The arm’s length principle implies that transfer prices or considerations applied in purchase or sale of goods or services between related parties should be in accordance with prices which would have been agreed between unrelated parties. Corporations are required to determine the price or consideration applied in the transactions with related parties by choosing the method most appropriate to the nature of the transaction among the comparable uncontrolled price method, the cost plus method, the resale minus method or the other methods determined by them. The income fully or partially distributed in a disguised way through transfer pricing is considered as dividend distributed by the resident corporations and the amount transferred back to the head office by the non-resident corporations as of the last day of the fiscal period in which the conditions stipulated in this article are realized, with respect to the application of Corporate and Income Tax Laws. The former assessments of tax are adjusted accordingly for the tax-payers being a party to these transactions provided that the tax to be charged to the corporation making the disguised profit distribution is finalized and paid before this adjustment is made.

Consolidated Tax Calculation

Turkish tax legislation, a parent company does not permit its consolidated subsidiaries and affiliates have the financial statements on a consolidated basis over corporate tax declaration and payment arrangements. Therefore, corporate tax provisions that is reflected on the consolidated financial statements and the companies that is in the scope of consolidation is calculated seperately.

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27. TAXATION (continued)

Deferred tax assets and liabilities

Deferred tax assets or liabilities of the consolidated assets and liabilities with the values shown in the financial statements of the temporary differences arising between the tax base and amounts considered in the calculation is determined by calculating the tax effects of the balance sheet method.

The company takes into account developments in the sector in which it operates, taxable profit estimates in future periods, the overall economic and political situation of the country of Turkey and its affiliates and/or the general international economic factors such as the political situation may affect the Company in the financial statements of the deferred tax assets.

As at 31 December 2017 and 31 December 2016, the Company's unconsolidated allocated over tax losses and unused in the financial statements and the separation of deferred tax assets, are given in the table above as titled 'Unused Tax losses and Expiry Years' under the group company separation issue. Calculated deferred tax assets and deferred tax liabilities are shown net in the financial statements of different companies subject to consolidation. However, consolidated net deferred tax assets and liabilities in the consolidated financial statements without offsetting assets and liabilities are shown separately in the financial statements arising from different companies that are subject to consolidation in the financial statements.

Deferred tax assets and liabilities as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Deferred tax liabilities		
Valuation differences of securities	13,885	8,024
Valuation and depreciation differences of fixed assets	120	96
Derivative financial instruments	-	101
Other	12	2
Gross deferred tax liabilities	14,017	8,223
Deferred tax assets		
Provisions arising from financial sector operations	774	990
Tax losses	574	-
Provision for employee termination benefits obligation	334	315
Derivative financial instruments	345	26
Provision for employee unused paid vacation obligation	218	189
Provision for employee bonus	243	186
Valuation differences on securities	-	204
Other	19	18
Gross deferred tax assets	2,507	1,928
Deferred tax assets/(liabilities), net	(11,510)	(6,295)

Movement of net deferred tax assets can be presented as follows:

	Continuing Operations		Discontinued Operations	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred tax assets, net at 1 January	(6,295)	(496)	-	-
Deferred income tax recognized in consolidated income statement	(1,706)	(4,489)	-	-
Deferred income tax recognized in consolidated other comprehensive income	(3,509)	(1,310)	-	-
Deferred tax assets, net at the end of period	(11,510)	(6,295)	-	-

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27. TAXATION (continued)

Income tax benefit / (expense)

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis. Major components of income tax benefit / (expense) for the periods ended 31 December 2017 and 31 December 2016 are as follows:

Consolidated income tax benefit /(expense)						
	31 December 2017			31 December 2016		
	Consolidated income statement	Consolidated other comprehensive income	Consolidated statement of comprehensive income	Consolidated income statement	Consolidated other comprehensive income	Consolidated statement of comprehensive income
Continuing Operations						
Current income tax benefit/(expense)	(9,781)	(1,246)	(11,027)	(9,759)	(3,388)	(13,147)
Deferred income tax benefit /(expense)	(1,706)	(3,509)	(5,215)	(4,489)	(1,310)	(5,799)
Total	(11,487)	(4,755)	(16,242)	(14,248)	(4,698)	(18,946)

Consolidated income tax benefit /(expense)						
	31 December 2017			31 December 2016		
	Consolidated income statement	Consolidated other comprehensive income	Consolidated statement of comprehensive income	Consolidated income statement	Consolidated other comprehensive income	Consolidated statement of comprehensive income
Discontinued Operations						
Current income tax benefit/(expense)	-	-	-	21	-	(21)
Deferred income tax benefit /(expense)	-	-	-	-	-	-
Total	-	-	-	21	-	(21)

Prepaid Income Tax

Continuing Operations	31 December	Recognised	(Taken Back) /	31 December
Prepaid Income Tax	2016	in Period	Paid	2017
			in Period	
Taken back from 2016's overpaid corporate tax	-	-	-	-
Taken back current year's overpaid corporate tax	-	20	-	20
Prepaid Income Tax	-	20	-	20

Continuing Operations	31 December	Recognised	(Taken Back) /	31 December
Prepaid Income Tax	2015	in Period	Paid	2016
			in Period	
Taken back from 2015's overpaid corporate tax	2,834	(65)	(2,769)	-
Taken back current year's overpaid corporate tax	-	-	-	-
Prepaid Income Tax	2,834	(65)	(2,769)	-

The prepaid income taxes are netted off against the corporate income taxes payable as follows:

Continuing Operations	31 December 2017	31 December 2016
Corporate income taxes payable	11,027	13,126
Prepaid income taxes	(9,230)	(6,247)
Income taxes payable, net	1,797	6,879

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27. TAXATION (continued)

Reconciliation

	Continuing Operations		Discontinued Operations	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Profit before income tax and non-controlling interest		66,527	99,900	105
Corporate tax at applicable rate of 20%	(20%)	(13,305)	(20%)	(19,980)
Effect of unrecognized tax losses	0%	(121)	-	-
Effect of recognizing deferred tax asset of the prior periods	0%	(204)	0%	(71)
Effect of tax-exempt income	0%	169	0%	(82)
Effect of different corporate tax rates	2%	(1,586)	(4%)	(3,870)
Effect of recognizing deferred tax asset on investment allowance	7%	4,738	0%	-
Effect of non-deductible expenses	(1%)	(387)	0%	(243)
Effect of corporate tax exemption on gain on sale of subsidiary shares	-	-	0%	263
Effect of corporate tax exemption on profit from valuation of securities	7%	4,738	11%	11,468
Effect of advance expense of board of directors recognized in income statement	-	-	(1%)	(1,376)
Other (Major non-allocated deferred tax asset/liability effect)	(1%)	791	(0%)	(357)
	-	-	-	-
Income tax benefit /(expense) in the consolidated income statement	(17%)	(11,487)	(14%)	(14,248)
				21

Corporate tax liability regarding foreign subsidiaries of the Group

The net profits of Cano Maritime Limited, established on 26 March 2013, Dodo Maritime Limited, established on 26 March 2013, Hako Maritime Limited, established on 1 April 2013, Zeyno Maritime Limited, established on 22 April 2013, Neco Maritime Limited, established on 5 May 2016 and Mila Maritime Limited, established on 21 November 2016 all domiciled in Malta, are subject to 0% corporate tax in Malta. GSD Shipping B.V, established on 19 October 2016 domiciled in the Netherlands, is subject to flexible rate corporate tax in the Netherlands. The current or prior period profits of Cano Maritime Limited, Dodo Maritime Limited, Hako Maritime Limited and Zeyno Maritime Limited are subject to 20% corporate tax in Turkey to be taxed in the current period profit of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş., in the period when they are recognized as profit by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş., 100% shareholder of these companies, having been received through dividend distribution in cash or by bonus issue or through share capital increase by bonus issue. Corporate income was subject to corporate tax at 20% in Turkey to be effective from 1 January 2006. However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%

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28. DERIVATIVES

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

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the contractual cash inflows and outflows which are notional amounts for the purchase and sale contracts for derivatives held for trading for currency purchase and sale, analyzed on the basis of the remaining period at the reporting date to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period-end and are neither indicative of the market risk nor credit risk.

31 December 2017								
	Carrying value of derivative assets (Fair value)	Carrying value of derivative liabilities (Fair value)	Total contractual cash inflows and (outflows) (*)	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Derivatives held for trading								
Derivatives held for trading for currency and precious metal purchase and sale								
Currency swap purchase	-	-	73,554	45,264	28,290	-	-	-
Currency swap sale	-	1,569	(75,540)	(46,462)	(29,078)	-	-	-
Cash inflows of derivatives	-	-	73,554	45,264	28,290	-	-	-
Cash outflows of derivatives	-	(1,569)	(75,540)	(46,462)	(29,078)	-	-	-
Total	-	(1,569)	(1,986)	(1,198)	(788)	-	-	-

31 December 2016								
	Carrying value of derivative assets (Fair value)	Carrying value of derivative liabilities (Fair value)	Total contractual cash inflows and (outflows) (*)	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Derivatives held for trading								
Derivatives held for trading for currency and precious metal purchase and sale								
Currency swap purchase	503	-	88,861	66,866	21,995	-	-	-
Currency swap sale	-	132	(88,733)	(66,865)	(21,878)	-	-	-
Cash inflows of derivatives	503	-	88,861	66,866	21,995	-	-	-
Cash outflows of derivatives	-	(132)	(88,733)	(66,855)	(21,878)	-	-	-
Total	503	(132)	128	11	117	-	-	-

(*) Contractual cash inflows and outflows are the net total of the notional amounts of the purchase and sale contracts for derivatives held for trading for currency and precious metal purchase and sale.

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

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29. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these consolidated financial statements, unconsolidated subsidiaries and other companies of the shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Board of Directors and their families.

In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates:

	31 December 2017				31 December 2016			
	GSD Group	Delta Group	Share-holders	Key Executives	GSD Group	Delta Group	Share-holders	Key Executives
	Continuing Operations				Continuing Operations			
Cash loans	-	-	1,303	-	-	-	368	-
Deposits-Borrowers' funds	-	2,045	5,114	-	-	-	-	-

	31 December 2017				31 December 2016			
	GSD Group	Delta Group	Share-Holders	Key Executives	GSD Group	Delta Group	Share-holders	Key Executives
	Continuing Operations				Continuing Operations			
Interest income	-	-	111	-	7	-	96	-
Interest expense	-	-	142	-	-	-	-	-
Rent expense	-	-	3,394	-	-	-	2,076	-
Commission income	2	-	-	-	-	-	-	-
Donation expense	-	-	-	-	46	-	-	-
Other expense	-	-	23	-	-	-	-	-

In the above table, the balances related with the shareholders belong to the Chairman of the Board of Directors of the Company, Mehmet Turgut Yılmaz and Delta Group is under the control of Mehmet Turgut Yılmaz. The balances related with GSD Group belong to unconsolidated group companies and its foundation.

In the above table containing related party balances, the rent expense under the shareholders column comprise the amounts paid to Mehmet Turgut Yılmaz for office building rent by group companies; donation expense comprise the donations made to GSD Education Foundation by group companies; the balances of related party transactions under the headings of cash loans, non-cash loans, deposits, borrowers' funds, derivative financial instruments, interest income, interest expense and commission income arise from the banking transactions made between the Group banks and the related parties on market terms. The comparable price method is used in the determination of rent expense arising from related party transactions.

The executive and non-executive members of the Board of Directors and the management received remuneration and fees totalling TL 8,388 for continuing operations for the annual period ended 31 December 2017 and none for discontinued operations (31 December 2016: TL 13,249 for continuing operations, none for discontinued operations).

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30. SHARE CAPITAL / TREASURY SHARES

Share Capital

As at 31 December 2017 and 31 December 2016, the nominal values and number of shares of the issued capital of the Company are as follows in terms of share groups:

Share group	31 December 2017			31 December 2016		
	Total number of shares	Nominal value per share (full TL)	Total nominal value (full TL)	Total number of shares	Nominal value per share (full TL)	Total nominal value (full TL)
A (bearer shares)	70,704	0.01	707.04	70,704	0.01	707.04
B (bearer shares)	70,704	0.01	707.04	70,704	0.01	707.04
C (bearer shares)	70,704	0.01	707.04	70,704	0.01	707.04
D (bearer shares)	44,999,787,888	0.01	449,997,878.88	44,999,787,888	0.01	449,997,878.88
Total	45,000,000,000		450,000,000.00	45,000,000,000		450,000,000.00

Privileges

The Company's Board of Directors consists of 9 members which are selected by the general assembly according to Turkish Commercial Code. 5 members of the board of directors, 2 of whom are required to meet the criteria stipulated by the Corporate Governance Principles for independent board members, are selected from the candidates nominated by Class (A) shareholders, 2 members of the board of directors are selected from the candidates nominated by Class (B) shareholders and 2 members of the board of directors are selected from the candidates nominated by Class (C) shareholders by the general assembly.

The cancellation of privileges given to Class (A) shareholders is possible only with a quorum for meeting and decision of 60% of the Class (A) shareholders, the quorum for decision being independent from the numbers of shareholders who attend the assembly. The cancellation of privileges given to Class (B) shareholders is possible only with a quorum for meeting and decision of 60% of the Class (B) shareholders, the quorum for decision being independent of the numbers of shareholders who attend the assembly. The cancellation of privileges given to Class (C) shareholders is possible only with a quorum for meeting and decision of 60% of the Class (C) shareholders, the quorum for decision being independent of the numbers of shareholders who attend the assembly.

Authorised Share Capital

The Company, being in the authorised share capital system, can increase its share capital until it reaches the authorised share capital by means of a resolution of the board of directors without a resolution of general assembly being also required. The authorised share capital can be exceeded by means of a share capital increase through bonus issue one time only, but can not be exceeded by means of a share capital increase in cash. The authorised share capital of the Company is TL 1,000,000, being effective until 31 December 2021.

Treasury Shares

As at 31 December 2017 and 31 December 2016, the carrying and nominal values and ownership percentages of the treasury shares, which consist of the shares of the GSD Holding A.Ş. are as follows:

The owner of the treasury shares	31 December 2017			31 December 2016		
	Carrying value	Nominal value	Ownership percentage	Carrying value	Nominal Value	Ownership percentage
GSD Holding A.Ş.	91,018	90,000	20.000%	53,218	85,300	18.956%
Buyback shares	91,018	90,000	20.000%	53,218	85,300	18.956%
Total	91,018	90,000	20.000%	53,218	85,300	18.956%

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30. SHARE CAPITAL / TREASURY SHARES (continued)

Changes in Non-Controlling Interests Without Loss of Control

According to "IFRS 10 –Consolidated Financial Statements", "Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners)." In order to meet the requirement of this standard, the difference between the change in the Group's share in its subsidiaries' equity items except reserves resulting from the accumulation of other comprehensive income items in equity arising from the change in the Group's ownership interest in that subsidiary that do not result in a loss of control and the fair value of the consideration paid or received to effect such a change are not recognised in the consolidated income statement and other comprehensive income, but directly reclassified to "Changes in non-controlling interests without loss of control" balance of the previous year-end, to "Retained Earnings".

In the financial statements as at 31 December 2016, repurchased shares of the GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. recognized amounting to TL 90,420 and repurchased shares amounting to TL 2,601 has not eliminated inadvertently. The elimination entires for the repurchased shares amounting to TL 2,601 has recognized in the statement of changes in equity as at 31 December 2017.

The Cumulative Changes in Non-Controlling Interests Without Loss of Control:

	31 December 2017	31 December 2016
Effect of acquisition of GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. shares by GSD Holding A.Ş. from other GSD group companies in July 2015.	-	(31)
Effect of the share buy-back by GSD Denizcilik Gayrimenkul İnş.San. ve Tic. A.Ş. as a result of the utilisation of the rights to leave in 2015 arising from the merger with GSD Dış Tic.A.Ş. registered in trade registry on 31 December 2014	-	(3)
Change in the shares of GSD Holding as a result of repurchased shares of GSD Denizcilik	(765)	-
The Changes in Non-Controlling Interests Without Loss of Control	(765)	(34)

The Movement in Changes in Non-Controlling Interests Without Loss of Control:

	31 December 2017	31 December 2016
Opening Balance	-	(34)
Beginning balance of the fund transferred to retained earnings	-	34
Change in the shares of GSD Holding as a result of repurchased shares of GSD Denizcilik	(765)	-
The Changes in Non-Controlling Interests Without Loss of Control	(765)	-

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30. SHARE CAPITAL / TREASURY SHARES (continued)

Non-controlling interests

The movement in non-controlling interests classified into the subsidiaries that has non-controlling interests

	GSD Denizcilik Gayrimenkul İnş. San.ve Tic.A.Ş.	GSD Faktoring A.Ş	Consolidated
1 January 2017	21,622	3,735	25,357
Non-controlling interest in net profit/(loss) in the income statement	(2,734)	998	(1,736)
Non-controlling interest in profit/(loss) from foreign currency translation in other comprehensive income	2,012	-	2,012
Non-controlling interest in profit/(loss) from remeasurements of the net defined benefit liability (asset) in other comprehensive income	(5)	(6)	(11)
Non-controlling interest in profit/(loss) from treasury share	-	-	-
Change in the Non-controlling interest share	(4,820)	(36)	(4,856)
31 December 2017	16,075	4,691	20,766

The movement in non-controlling interests classified into the subsidiaries that has non-controlling interests

	GSD Denizcilik Gayrimenkul İnş. San.ve Tic.A.Ş.	GSD Faktoring A.Ş	Consolidated
1 January 2016	21,622	2,936	24,558
Non-controlling interest in net profit/(loss) in the income statement	(6,634)	826	(5,808)
Non-controlling interest in profit/(loss) from foreign currency translation in other comprehensive income	6,254	-	6,254
Non-controlling interest in profit/(loss) from remeasurements of the net defined benefit liability (asset) in other comprehensive income	(7)	(27)	(34)
Non-controlling interest in profit/(loss) from treasury share	387	-	387
31 December 2016	21,622	3,735	25,357

Summarised financial information for the subsidiaries that has non-controlling interests ^(*)

	GSD Denizcilik Gayrimenkul İnş. San.ve Tic.A.Ş.	GSD Faktoring A.Ş.
31 December 2017		
Current Assets	33,329	346,151
Non- Current Assets	348,244	358
Total Asset	381,573	346,509
Short term liabilities	33,140	300,537
Long term liabilities	256,224	655
Total liabilities	289,364	301,192
Equity	92,209	45,317
Total Liability	381,573	349,509
31 December 2017		
Net period profit/(loss)	(15,539)	9,636
Other comprehensive income	11,408	(47)
Total comprehensive income	(4,131)	9,589

Summarised financial information for the subsidiaries that has non-controlling interests ^(*)

	GSD Denizcilik Gayrimenkul İnş. San.ve Tic.A.Ş.	GSD Faktoring A.Ş.
31 December 2016		
Current Assets	22,822	280,940
Non- Current Assets	339,000	342
Total Asset	361,822	281,282
Short term liabilities	123,434	244,995
Long term liabilities	142,048	559
Total liabilities	265,482	245,554
Equity	96,340	35,728
Total Liability	361,822	281,282
31 December 2016		
Net period profit/(loss)	(28,345)	7,908
Other comprehensive income	28,629	(256)
Total comprehensive income	284	7,652

^(*)Intragroup eliminations are not included in the table and the data comprised from consolidated IFRS financial statements which are adjusted for consolidation procedures.

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31. OTHER COMPREHENSIVE INCOME

Fair value reserve:

Available for sale securities are initially recognised at cost at the acquisition date, being the fair value of the consideration given and other transaction costs incurred to acquire them and subsequently measured at fair value. Gains or losses on re-measurement to fair value of available for sale securities are recognized in equity until they are sold. Interest earned, dividends received and foreign exchange gains/(losses) on available for sale investments are recognised under interest income, dividend income and foreign exchange gain/ (loss) in the consolidated income statement, respectively.

When available for sale securities or a subsidiary owning available for sale securities are/is disposed of, the related part of the fair value reserve is transferred to the relevant income/expense item in the consolidated income statement.

The movement in the fair value reserve :

	31 December 2017		
	Continuing Operations	Discontinued Operations	Total
At 1 January	9,769	-	9,769
Increase/(decrease) in the reserve	16,116	-	16,116
Effect of deferred tax recognized in equity	(3,524)	-	(3,524)
Closing Balance^(*)	22,361	-	22,361

The movement in the fair value reserve :

	31 December 2016		
	Continuing Operations	Discontinued Operations	Total
At 1 January	4,114	-	4,114
Increase/(decrease) in the reserve	7,070	-	7,070
Effect of deferred tax recognized in equity	(1,415)	-	(1,415)
Closing Balance^(*)	9,769	-	9,769

^(*) The difference between 22,361 and 9,769 is shown in other comprehensive income.

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31. OTHER COMPREHENSIVE INCOME (continued)

Translation Reserve:

The Group's translation reserve, between 1 January 2017 and 31 December 2017, belongs to GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. and GSD Shipping B.V. which are classified as continuing operations in the Group's consolidated IFRS financial statements.

The movement in the translation reserve based on the accumulated balances of the factors leading to the exchange differences:

	31 December 2016	Movement	31 December 2017
Exchange differences arising on the opening net assets	13,121	8,511	21,632
Exchange differences arising on income and expenses	(1,793)	10	(1,783)
Exchange differences arising on long-term receivables	73,297	6,196	79,493
Current tax income/(expense) effect of FX translation difference	(5,059)	(1,246)	(6,305)
Deferred tax income/(expense) effect of FX translation difference	(9,601)	-	(9,601)
Increase/(decrease) in share of non-controlling interest (change at the beginning of period)	211	3,021	3,232
Increase/(decrease) in share of non-controlling interest (change at the end of period)	2,718	-	2,718
Increase/(decrease) in the reserve, net of tax, attributable to non-controlling interests	(17,906)	(2,012)	(19,918)
Increase/(decrease) in share of non-controlling interest (total)	(14,977)	1,009	(13,968)
Total translation reserve, net^(*)	54,988	14,480	69,468

^(*)The difference between 69,468 and 54,988 is shown in other comprehensive income after non-controlling interest is deducted.

The movement in the translation reserve:

	31 December 2016	31 December 2015
At 1 January	54,988	30,852
Increase/(decrease) in the reserve	14,717	33,778
Effect of current tax expense recognized in comprehensive income	(1,246)	(3,388)
Change in opening balance of the reserve attributable to non-controlling interests arising from change in ownership percentage	3,021	-
Increase/(decrease) in the reserve, net of tax, attributable to non-controlling interests	(2,012)	(6,254)
Closing Balance	69,468	54,988

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31. OTHER COMPREHENSIVE INCOME (continued)

Remeasurements of the Net Defined Benefit Liability (Asset):

The Group, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset, has recognized service cost and net interest on the net defined benefit liability (asset) in the consolidated income statement and remeasurements of the net defined benefit liability (asset) in the consolidated comprehensive income statement, which are the components of defined benefit cost.

Remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the entity may transfer those amounts recognised in other comprehensive income within equity. The Group, within the scope of that provision, adopted the accounting policy to transfer the prior-year-end balance of the Remeasurements of the Net Defined Benefit Liability (Asset) cumulatively recognised as other comprehensive income within equity to the Retained Earnings within equity as at each year-beginning.

The Group transferred the balance of TL 375 of the Remeasurements of the Net Defined Benefit Liability (Asset) cumulatively recognised as other comprehensive income within equity as at 31 December 2016 to the Retained Earnings within equity as at 1 January 2017.

Remeasurements of the Net Defined Benefit Liability (Asset): (continued)

The movement in remeasurements of the net defined benefit liability (asset):

31 December 2017	Continuing Operations	Discontinued Operations	Total
At 1 January	(375)	-	(375)
Remeasurement gains/losses	(95)	-	(95)
Effect of deferred tax recognized in equity	18	-	18
Funds transferred to retained earnings	471	-	471
The effect of deferred tax expense transferred to retained earnings	(95)	-	(95)
The change in the reserve, net of tax, attributable to non-controlling interests	1	-	1
Increase/(decrease) in the reserve, net of tax, attributable to non-controlling interests	9	-	9
Closing Balance^(*)	(66)	-	(66)

31 December 2016	Continuing Operations	Discontinued Operations	Total
At 1 January	2	-	2
Remeasurement gains/losses	(511)	-	(511)
Effect of deferred tax recognized in equity	103	-	103
Funds transferred to retained earnings	(4)	-	(4)
The effect of deferred tax expense transferred to retained earnings	2	-	2
Increase/(decrease) in the reserve, net of tax, attributable to non-controlling interests	33	-	33
Closing Balance^(*)	(375)	-	(375)

(*) The difference between (66) and (375) is shown in other comprehensive income after non-controlling interest is deducted.

32. LEGAL AND OTHER RESERVES AND RETAINED EARNINGS

Profit Appropriation and Dividend Distribution

The Company's statutory retained earnings consist of the extra-ordinary reserves and the first and second legal reserves. Publicly held companies make their profit appropriation in accordance with CMB regulations and the Turkish Commercial Code as follows:

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

According to the regulations of Capital Markets Board (CMB) of Turkey, there is no minimum required profit distribution for the exchange-traded companies and the net distributable profit of an exchange-traded company preparing consolidated financial statements is calculated by taking into regard its net profit arising from its financial statements in accordance with International Financial Reporting Standards as much as the total of the items that may be distributed as dividend arising from its statutory financial statements based on its books of account. Dividend to be distributed by an exchange-traded company from its net distributable profits arising from its financial statements in accordance with International Financial Reporting Standards is required to be met by the total of its net distributable profit after offsetting its prior year losses, if any, and other items that may be distributed as dividend arising from its statutory financial statements based on its books of account.

The exchange-traded companies in Turkey distribute their profits by the resolution of their general assemblies in accordance with the relevant legislations and within the guidelines stated in their profit distribution policies determined by their general assemblies. The profit distribution policies of the exchange-traded companies must contain at least whether any profit will be distributed or not and if it will be distributed, the profit distribution rate determined for shareholders and other profit-sharing persons; method of payment of the dividend; time of payment of the dividend providing that the dividend distribution process will start latest by the end of the accounting period during which the general assembly meeting was held; whether advance dividend will be distributed or not and, if it will be distributed, the related principles in respect of this. The Company adopted a policy of not distributing cash or bonus dividend and distributing retained earnings by way of share capital increases through bonus issue by capitalization of internal resources within the regulatory framework of CMB and re-evaluating this policy every year, pursuant to its profit distribution policy explained below:

Dividends are distributed to all outstanding shares as of the distribution date equally in proportion to their ownership percentage in share capital regardless of the issue and acquisition dates of these shares, The rights arising from the dividend privilege are reserved. In the capital increases of public companies, bonus shares are distributed to outstanding shares as of the date of share capital increase.

Profit Distribution Policy

According to 2016 Ordinary General Assembly of the Company has resolved on 25 May 2017 that the profit distribution policy of Company for the year 2016 and the subsequent years pursuant to the Corporate Governance Principles is the distribution of profits as bonus shares by means of share capital increases from internal resources through the capitalisation of profits, to the extent that the criteria stipulated by the regulatory framework of CMB in relation to share capital increases through bonus issue are met, in order to finance the growth by way of retention of earnings in equity through the accumulation of profits in extraordinary reserves by considering the growth plans, investing activities and existing financial structures of the associated companies and subsidiaries and this policy is to be re-evaluated every year by taking into account the regulations of the Capital Markets Board regarding profit distribution and the liquidity position of the Company.

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32. LEGAL AND OTHER RESERVES AND RETAINED EARNINGS (continued)

Profit Distribution Policy (continued)

Pursuant to the article 16/8, of the Communiqué on Shares (VII-128,1) promulgated by the Capital Markets Board of Turkey (the CMB), without prejudice to statutory obligations with respect to share capital increase, the applications of publicly traded companies to the CMB for share capital increases by capitalisation of internal resources excluding period profit which will result in the adjusted share price dropping below full TL 2, the share price being calculated as the average of the weighted average trading prices in stock exchange within 30 days prior to the disclosure of share capital increase to the public, are not put into process by the CMB.

Profit Distribution of Group Companies

In the Ordinary General Assembly Meeting for the year 2016 of GSD Holding A.Ş. held on 25 May 2017, it was decided for the the Company's Board of Directors to be authorized regarding the separation of thousand TL138,958 of net profit of year 2016 on the legal records of the Company by allocating TL thousand 6,948 first legal reserve, from the remainder TL thousand 132,010 amount and by allocating TL thousand 6,948 first legal reserve from the TL thousand 91,051 from the consolidated IFRS net profit of year 2016 and to allocate the remainder TL thousand 84,103 amount as excess reserve.

In the Ordinary General Assembly Meeting for the year 2016 dated 27 March 2017 of GSD Faktoring A.Ş. it was decided TL 1,000 amount of gross profit that is retained to be allocated as first premium to shareholders, to be separated TL 427 as first legal reserve, TL 879 dividend distribution to Board of Director members, to be separated TL 2,228 as corporate tax, to transfer the remainder from profit for the period TL 6,225 TL amount as excess reserve.

The Ordinary General Assembly Meeting of GSD Yatırım Bankası A.Ş. was held on 22 March 2017. In the Ordinary General Assembly Meeting, it was decided to distribute the net profit amounting to TL 15,342 provided from the activities of the year 2016, as TL 767 first legal reserve, TL 2,500 first premium to shareholders in accordance with 24/C articles of association of the Bank, and the remaining of TL 12,075 as extraordinary reserves.

In the Ordinary General Assembly Meeting for the year 2016 dated 25 May 2017 of GSD Denizcilik Gayrimenkul İnşaat San. Ve Tic. A.Ş. it was decided to transfer the net loss of TL thousand 28,345 in the IFRS financial statements of the Company to the previous year's losses and to allocate TL thousand 228 type first legal reserve all to be covered by past year losses in the IFRS financial statements of the Company.

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32. LEGAL AND OTHER RESERVES AND RETAINED EARNINGS (continued)
Profit Distribution of Group Companies (continued)

Retained earnings

	31 December 2017	31 December 2016
Extraordinary reserves (historical)	141,063	12,253
Extraordinary reserves (retained earnings arising from the first application of inflation accounting)	68,925	68,925
Inflation adjustment on extraordinary reserves	23,082	23,082
Reserves related to withdrawal of shares	6,304	6,304
Inflation adjustment on legal reserves	5,868	5,868
Transaction costs of equity transactions	(901)	(901)
IFRS adjustments	(22,054)	11,548
Retained earnings	222,287	127,079

The items that may be distributed as dividend to shareholders of the Company arising from its statutory financial statements based on its books of account

	31 December 2017	31 December 2016
Net profit/loss for the period	35,575	138,958
Extraordinary reserves (historical)	141,063	12,253
Extraordinary reserves (retained earnings arising from the first application of inflation accounting)	68,925	68,925
Inflation adjustment on extraordinary reserves	23,082	23,082
The items that may be distributed as dividend in statutory financial statements	268,645	243,218

The restatement effects of the inflation adjustment on the credit balance accounts which are transferred to another account or withdrawn from the company as dividend shall be subject to corporate tax without being included in the current net income for the year during which the transfer or withdrawal is made, but the restatement effects of the inflation adjustment on the equity accounts can be capitalised or transferred to the accumulated deficit account to set off the prior year losses arising from the first application of inflation accounting without being subject to corporate tax, according to the Temporary Clause 25 and the Repeated Clause 298 of the Tax Procedural Law of Turkey. The Tax Procedural Law Communiqué numbered 328 excepts the transfers or withdrawals made from the restatement effects of the inflation adjustment on the nonmonetary credit balance accounts which are profit reserves, special funds (such as fixed asset replacement fund), advances and deposits and progress payments arising from construction contracts, from corporate tax in this regard.

Pursuant to the section under the heading of 19. Profit Distribution belonging to the Circular numbered 17 relating to the Tax Procedural Law of Turkey, prior year income not existing before the first inflation adjustment and arising from the first inflation adjustment, which are transferred to another account or withdrawn from the company as dividend shall be subject to corporate tax without being included in the current net income for the year during which the transfer or withdrawal is made.

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33. COMMITMENTS AND CONTINGENCIES

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

	31 December 2017	31 December 2016
Letters of guarantee	1,009,160	747,740
Total non-cash loans	1,009,160	747,740
Other commitments	29	27
Total non-cash loans and off-balance sheet commitments	1,009,189	747,767

The analysis related to the Group's exposure to credit, liquidity and market risks based on the types of financial assets and liabilities is disclosed in Note 40.

34. OPERATING INCOME

Gross profit/(loss) from marine sector operations

	31 December 2017	31 December 2016
Rental income on ship time charters	57,617	32,095
Marine sector insurance indemnity income	719	395
Other income	1,088	581
Marine and holding sector income	59,424	33,071
Ship depreciation expense	(17,969)	(18,056)
Ship personnel expenses	(17,389)	(13,516)
Various materials, oil and fuel expenses of ships	(9,721)	(2,266)
Ship insurance expenses	(2,337)	(1,767)
Technical management fees	(1,801)	(1,487)
Fuel purchase and sale prices difference expense at the beginning and end of the rental	-	(950)
Maintenance and repair expenses	(1,484)	(459)
Loss of hire	(630)	-
Other expenses	(642)	(2,297)
Marine sector expense	(51,973)	(40,798)
Gross profit/(loss) from commercial sector operations	7,451	(7,727)

Gross profit/(loss) from financial sector operations

a) Service income and cost of service

	31 December 2017	31 December 2016
Fees and commission income	9,580	7,777
Service income	9,580	7,777
Fees and commission expense	(934)	(404)
Cost of service	(934)	(404)
Service income less cost of service	8,646	7,373

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34. OPERATING INCOME (continued)

Gross profit/(loss) from financial sector operations (continued)

b) Interest income / (expense)

	31 December 2017	31 December 2016
Interest income		
Interest income on factoring receivables	53,944	46,993
Interest income on loans and advances	41,914	31,357
Interest income on finance lease contracts	7	132
Other interest income	121	83
Interest income on securities	7	24
Interest received from banks	61	21
Interest income	96,054	78,610
Interest expense		
Interest expense on funds borrowed	(29,848)	(27,681)
Interest expense on other money market deposits	(4,573)	(1,412)
Other interest expense	(1,006)	(819)
Interest expense	(35,427)	(29,912)
Net interest income	60,627	48,698

Provision expense arising from financial sector operations

	31 December 2017	31 December 2016
(Provision)/reversal of provision for loans and advances to customers	1,342	1,937
(Provision)/reversal of provision for factoring receivables	124	(995)
(Provision)/reversal of provision for finance lease receivables	(272)	(219)
(Provision)/reversal of provision for unindemnified non-cash loans	-	(1)
Total	1,194	722

Other financial sector operations income/(expense), net

	31 December 2017	31 December 2016
Banking Regulation and Supervision Agency contribution expense	(79)	(75)
Banking Association contribution expense	(20)	(21)
Loss on sale of leased assets	-	(236)
Other income/(expense)	535	315
Total	436	(17)

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35. ADMINISTRATIVE EXPENSES

Administrative expenses

	31 December 2017	31 December 2016
Personnel expenses	(21,350)	(25,452)
Rent expenses	(4,021)	(3,508)
Vehicle, transportation and travel expenses	(1,052)	(796)
Amortization and depreciation expenses	(877)	(662)
External audit expenses	(811)	(767)
Taxes paid other than on income	(718)	(522)
Communication expenses	(646)	(519)
Building and fixed-asset expenses	(556)	(377)
Legal expenses	(101)	(366)
Office and printed material expenses	(118)	(109)
Insurance expense	(47)	(42)
Advertising expenses	(19)	(18)
Donation, aid and social responsibility expenses	(2)	(96)
Other expenses	(1,414)	(2,493)
Total	(31,732)	(35,727)

Personnel expenses

	31 December 2017	31 December 2016
Wages and salaries	(15,276)	(13,692)
Cost of defined contribution plan	(1,727)	(1,410)
Other fringe benefits	(1,225)	(1,084)
Dividend for Board of Directors and personnel	(1,150)	(6,000)
Paid bonus expense	(897)	(1,264)
Provision expense for employee bonus	(373)	(584)
Paid expense for employee termination benefits obligation	(336)	(601)
Provision expense for employee termination benefits obligation	(184)	(241)
Provision expense for unused paid vacation obligation	(129)	(35)
Paid expense for unused paid vacation obligation	(53)	(368)
Other	-	(173)
Total	(21,350)	(25,452)

36. OTHER INCOME / (EXPENSE) FROM OPERATING ACTIVITIES

Other income from operating activities

	31 December 2017	31 December 2016
Other foreign exchange gains	14,874	55,450
Interest income on deposits with banks and financial institutions	2,591	2,902
Reversal of provision for employee termination benefits obligation	278	897
Reversal of provision for unused paid vacation obligation	-	304
Other income	185	268
Total	17,928	59,821

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36. OTHER INCOME / (EXPENSE) FROM OPERATING ACTIVITIES (continued)

Other expense from operating activities

	31 December 2017	31 December 2016
Other foreign exchange losses	(10,487)	(23,051)
Other expense	-	(1,585)
Total	(10,487)	(24,636)

37. INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

Income from investment activities

	31 December 2017	31 December 2016
Foreign exchange gains on the non-current assets and the current assets not included in cash equivalents	31,825	80,780
Interest income of long term assets and investments not included in cash equivalents	802	1,060
Gain on sale of available for sale securities	497	-
Gain on disposal of property and equipment and assets held for sale	28	24
Other income	7	5,950
Total	33,159	87,814

Expense from investment activities (-)

	31 December 2017	31 December 2016
Long-term assets and investments not included in cash equivalents	(211)	-
Loss on available for sale securities	(71)	-
Loss on disposal of property and equipment and assets held for sale	(3)	-
Losses from derivative transactions	-	(623)
Other expenses	(101)	-
Total	(386)	(623)

38. FINANCING EXPENSES

Financing expenses:

	31 December 2017	31 December 2016
Interest expense on borrowings	(13,954)	(11,870)
Foreign exchange loss on borrowings	(5,376)	(13,439)
Interest expense on the provision for employee benefits	(91)	(83)
Other financing expenses	(108)	(268)
Total	(19,529)	(25,660)

39. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period adjusted, for “Bonus Shares” when they are issued to shareholders without any consideration as explained below, subsequent to the date of financial statements, but before their authorization.

In Turkey, companies can increase their share capital by making a prorata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and restatement differences. For the purpose of the EPS calculation such Bonus Shares are regarded as stock dividends. Dividend payments made in the form of free shares are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares.

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39. EARNINGS PER SHARE (continued)

The following reflects the data used in the basic earnings per share computations:

Continuing Operations	31 December 2017	31 December 2016
Net profit/(loss)	56,776	91,460
The weighted average number of shares with a nominal value of full TL 1	364,468,219	414,078,669
Basic earnings per share with a nominal value of full TL 1	0.156	0.221
Diluted earnings per share with a nominal value of full TL 1	0.156	0.221
Discontinued Operations	31 December 2017	31 December 2016
Net profit/(loss)	-	(409)
The weighted average number of shares with a nominal value of full TL 1	364,468,219	414,078,669
Basic earnings per share with a nominal value of full TL 1	-	(0.001)
Diluted earnings per share with a nominal value of full TL 1	-	(0.001)

40. FINANCIAL RISK MANAGEMENT

THE REGULATIONS REGARDING THE RISK MANAGEMENT IN THE GROUP COMPANIES

The Regulations Regarding the Liquidity Risks of the Group's Bank

In the Group bank, in accordance with banking regulations, total liquidity adequacy ratio and foreign currency liquidity adequacy ratio related to the first maturity bracket are calculated as of each working day for the following seven day period; total liquidity adequacy ratio and foreign currency liquidity adequacy ratio related to the second maturity bracket are calculated as of the last working day of the week for the following thirty one day period. Short-term asset and liability items and non-cash loans and commitments which are required to be paid on their maturities are taken into this calculation on their amounts weighted in the proportions stated in the relevant communiqué and foreign currency indexed assets and liabilities are taken into this calculation as TL items (foreign currency indexed assets and liabilities are to be regarded as foreign currency items only for the calculation of foreign currency liquidity adequacy ratio until 31 December 2015). The weekly simple arithmetic average of the total liquidity adequacy ratios related to the first maturity bracket and the total liquidity adequacy ratio related to the second maturity bracket can not be lower than 100%; the weekly simple arithmetic average of the foreign currency liquidity adequacy ratios related to the first maturity bracket and the foreign currency liquidity adequacy ratio related to the second maturity bracket can not be lower than 80%.

The Regulations Regarding the Liquidity Coverage Ratios of the Group's Bank

In the Group bank, in accordance with banking regulations, the liquidity position is measured by the calculation of the total liquidity coverage ratio in terms of the total of the Turkish Liras and and foreign currencies and the foreign currency liquidity coverage ratio in terms of the foreign currencies, both ratios being both on consolidated and separate-entity bases. The liquidity coverage ratio is calculated based on the division of high quality liquid asset stock by net cash outflows. The separate-entity total and foreign currency liquidity coverage ratios are to be found by taking the weekly simple arithmetic average of the liquidity coverage ratios to be calculated in terms of the total of the Turkish Liras and and foreign currencies and the foreign currencies, respectively, as of each working day on separate-entity basis. The consolidated total and foreign currency liquidity coverage ratios are to be found by taking the monthly simple arithmetic average of the liquidity coverage ratios to be calculated in terms of the total of the Turkish Liras and and foreign currencies and the foreign currencies, respectively, as of each working day on consolidated basis. The consolidated total and foreign currency liquidity coverage ratios are calculated as of the end of each month until 1 January 2017. The separate-entity and consolidated total liquidity coverage ratios can not be lower than 100 %; The separate-entity and consolidated foreign currency liquidity coverage ratios can not be lower than 80 %; the requirement to meet the minimum liquidity coverage ratios comes into force on 1 January 2015; the minimum liquidity coverage ratios to be applied until 1 January 2019 are to be determined by BRSA by taking the assent of the Central Bank of Turkey.

40. FINANCIAL RISK MANAGEMENT (continued)

The Regulations Regarding the Foreign Exchange Risks of the Group’s Bank

In the Group bank, in accordance with banking regulations, the standard ratio of foreign currency net overall position/shareholders’ equity, is calculated as of each working day on a separate basis and as of the period ends as of which the consolidated shareholders’ equity is calculated on a consolidated basis.

The weekly simple arithmetic average of the absolute values of the standard ratios of foreign currency net overall position/shareholders’ equity calculated as of each working day and the absolute value of the standard ratio of foreign currency net overall position/shareholders’ equity calculated on the consolidated financials can not exceed 20%. The foreign currency net overall position indicates the difference between the TL equivalents of the total of all foreign currency assets including all foreign currency asset accounts, foreign currency indexed assets, forward foreign currency purchase commitments and the total of all foreign currency liabilities including all foreign currency liability accounts, foreign currency indexed liabilities, forward foreign currency selling commitments. The shareholders’ equity as of the last period end calculated according to the Communiqué on the Shareholders’ Equities of Banks is taken into the calculation of the standard ratio of foreign currency net overall position/shareholders’ equity.

The Regulations Regarding the Capital Adequacy Requirements of the Group’s Bank

In the Group bank, in accordance with banking regulations, the capital adequacy ratio and, beginning from 1 January 2014, the main capital adequacy ratio and the core capital adequacy ratio are required to be calculated on separate and consolidated bases and meet the minimum 8%, 6% and 4.5% respectively and held at these levels. The capital adequacy standard ratio, the main capital adequacy ratio and the core capital adequacy ratio are calculated by dividing the shareholders’ equity, the main equity capital and the core equity capital respectively by the sum of “the amount taken as the basis to the credit risk+the amount taken as the basis to the market risk+the amount taken as the basis to the operational risk”.

The shareholders’ equity, the main equity capital and the core equity capital are calculated according to the rules and principles stated in the Communiqué on the Shareholders’ Equities of Banks.

The amount taken as the basis to the credit risk is calculated for the credit risk arising from the on-balance sheet asset items, non-cash loans, commitments and derivative financial instruments. The amount taken as the basis to the credit risk is calculated by means of the standard approach or the approaches based upon internal rating.

The amount taken as the basis to the market risk is the sum of the amounts taken as the basis to the market risk arising from the general market risk and specific risk composed of the interest rate risk, the equity instrument risk, the position risk held on the collective investment institutions and the credit derivative risk, the currency risk, the clearing risk, the commodity risk, the counterparty credit risk. The amount taken as the basis to the market risk is calculated for the market risk comprising the general market risk and specific risk related to the positions on the financial instruments with interest rate-linked returns, equity instruments, the positions on the collective investment institutions (mutual funds and investment trusts); the foreign exchange risk arising from the positions on all the on-balance sheet foreign currency asset and liability items, the foreign currency irrevocable non-cash loans and derivative financial instruments; the clearing risk for the loss to be incurred by the banks due to the price changes of the underlying securities, foreign currency items or commodities in the case of a clearing transaction default for the transactions on the delivery of a security, foreign currency item or commodity at the price and maturity specified in the agreement requiring the both parties to meet their obligations at the maturity; the commodity risk for the commodity-based derivative financial instruments and precious metals; the market risk for over-the-counter derivative financial instruments and the credit derivatives, the securities included in purchase and sell portfolio or the commodity-based securities or the commodity borrowing or lending transactions and the repurchase agreements and reverse repo agreements, the margin trading in securities and the counterparty credit risk that the counterparty to the transactions with long-term clearing defaults before the final payment in the cash-flow of the transaction. The amount taken as the basis to the market risk is calculated by means of the standard method or the risk measurement methods with the permission of BRSA.

40. FINANCIAL RISK MANAGEMENT (continued)

The Regulations Regarding the Capital Adequacy Requirements of the Group's Bank

The amount taken as the basis to the operational risk is calculated for the losses arising from missing out mistakes and misapplications due to the shortcomings of the bank's internal controls, not being able to behave according to the time and conditions by the bank management and personnel, the errors in managing the bank, the errors and shortcomings in the management information systems and disasters such as earthquake, fire and flood or terror attacks. The amount taken as the basis to the operational risk is calculated by means of the basic indicator approach and the standard approach or the advanced measurement approaches with the permission of BRSA.

The Regulations Regarding the Capital Protection and Cyclic Capital Buffers of the Group's Bank

The additional core equity capital is the excess of the banks' core equity capital over the core equity capital utilized by them to meet the capital adequacy standard ratio, the main capital adequacy ratio and the core capital adequacy ratio as required by the relevant directive, on separate and consolidated bases. The banks' additional core capital requirement is the amount calculated by multiplying the sum of the bank-specific cyclic capital buffer ratio (BCCB) and the capital protection buffer ratio (CPB) with risk-weighted assets (RWA). The CPB ratio is 2.5% on separate and consolidated bases (0% for 2014, 0% for 2015, 0.625% for 2016, 1.25% for 2017, 1.875% for 2018, 2.5% for 2019 and the subsequent years). The BCCB ratio is calculated by banks based on the country distribution of the loan portfolios on separate and consolidated bases in line with the principles and procedures to be determined by the Banking Regulation and Supervision Agency (BRSA). The cyclic capital buffer ratio which will be used by the banks for their risks in Turkey in the calculation of the BCCP ratio is determined by the BRSA. The risk-weighted assets (RWA) are calculated by dividing the shareholders' equity of the banks by their capital adequacy standard ratio calculated in accordance with the relevant directive. The profit distribution is limited to the maximum profit distribution rate stated in the relevant communiqué in the event that the additional core equity capital which will be calculated by banks on separate and consolidated bases is lower than the additional core equity capital requirement. The banks which are subject to the profit distribution limitation pursuant to the mentioned provisions are required to submit a capital restoration plan approved by the board of directors of the bank and intended to satisfy the additional core capital requirement to the BRSA within one month after the notification of the maximum profit distribution rate.

Internal Capital Adequacy Assessment Process (ICAAP), Capital Planning Buffer, Internal Capital Buffer and Internal Capital Adequacy Requirement

The banks are required to internally calculate the capital that is adequate to meet the risks they are exposed to and can be exposed to, on separate and consolidated bases and maintain their activities by means of a capital over this level. The ICAAP is the set of processes to allow the top management to identify, measure, consolidate and monitor the risks in an accurate and adequate level; to calculate and maintain the adequate internal capital determined based on the bank's risk profile, strategies and activity plan; establish, implement and develop continuously strong risk management systems. The banks are required to establish, implement and develop the ICAAP in their own structures. ICAAP incorporates the qualitative characteristics of the capital planning, corporate governance and risk management capabilities not reflected in the financial figures and takes into consideration the sensitivity to the economic cycle and the other external risk factors. The best practice guides of the BRSA are taken into consideration in the establishment and implementation of the ICAAP, within the limits of the relevant provisions of the regulations, the other relevant legislation and the principle of measuredness. The ICAAP must be integrated into the organizational structure, the risk appetite structure and the operating processes of the bank and must form the basis of them.

40. FINANCIAL RISK MANAGEMENT (continued)

Internal Capital Adequacy Assessment Process (ICAAP), Capital Planning Buffer, Internal Capital Buffer and Internal Capital Adequacy Requirement

Banks are required to calculate and maintain a capital planning buffer so as to prevent capital adequacy from dropping below the internal and legal minimum capital adequacy level in the presence of possible adverse situations and losses that can be encountered in the next three year period; considering the stress testing and the scenario analysis, the risk appetite, the capital plan, the strategic plan and budget, the action plans against urgent and unforeseen circumstances and other matters they require; the internal capital adequacy requirement is calculated by adding cyclical capital buffer stated in "the Regulation on the Capital Protection and the Cyclic Capital Buffers", published in the Official Gazette dated 5 November 2013 and numbered 28812, and the bigger of the capital protection buffer and the capital planning buffer stated in the same regulation to the internal minimum capital adequacy level. The part of the internal capital adequacy requirement of the bank which exceeds the legal capital adequacy level is named as the internal capital buffer. The internal capital buffer is maintained as the core capital.

When the current capital adequacy level falls below the internal capital adequacy requirement, the bank submits urgently an action plan to the BRSA so as to enable the current capital adequacy level to exceed the internal capital adequacy requirement level. The mentioned plan is implemented after the approval of the BRSA.

The Regulations Regarding the Leverage Ratios of the Group Bank

Starting from 1 January 2014, the leverage ratio is calculated by dividing the main equity capital by the total risk amount; the consolidated leverage ratio is calculated by dividing the consolidated main equity capital by the consolidated total risk amount. Starting from 1 January 2015, the quarterly simple arithmetic average as of the periods ended March, June, September and December of the leverage ratios which are calculated monthly on separate and consolidated bases are required to be attained and maintained at a minimum of 3%.

The Regulations Regarding the Equity Standard Ratio of the Group's Financial Leasing and Factoring Companies

The ratio of the shareholders' equity to the total assets of the financial leasing and factoring companies are required to be attained and maintained at a minimum of 3% in accordance with the relevant directive.

The Regulations Regarding the Provisions To Be Set Against the Receivables of the Group's Bank, Financial Leasing And Factoring Companies

The Group's bank and financial leasing and factoring companies are required to set a provision against the losses with uncertain amount arising or expected to be arising from their loan, finance lease and factoring and other receivables in accordance with the methods and principles specified in the relevant communiqué and directive.

The Group's bank carries its loans and other receivables classifying them into five groups and setting a general provision against those classified into the first group as standard loans and other receivables and the second group as close watch loans and other receivables and setting a specific provision against those classified into the third, fourth and fifth groups as non-performing loans and other receivables in line with the rules and principles specified in the relevant directive.

40. FINANCIAL RISK MANAGEMENT (continued)

The Regulations Regarding the Provisions To Be Set Against the Receivables of the Group's Bank, Financial Leasing And Factoring Companies (continued)

The Group's bank and financial leasing and factoring companies are required to set a specific provision

- a) in the ratio of at least 20% of their receivables whose principal or interest or both of them are more than 90 days but less than 180 days due (more than 150 days but less than 240 days due for the Group's financial leasing company and, being effective from, 24 December 2013, more than 180 days but less than 270 days due for the factoring transactions with guarantee of the Group's factoring company) from the maturity date or the date of payment,
- b) in the ratio of at least 50% of their receivables whose principal or interest or both of them are more than 180 days but less than a year due (more than 240 days but less than a year due for the Group's financial leasing company and, being effective from 24 December 2013, more than 270 days but less than a year due for the factoring transactions with guarantee of the Group's factoring company) from the maturity date or the date of payment,
- c) in the ratio of at least 100% of their receivables whose principal or interest or both of them are more than a year due from the maturity date or the date of payment.

The Group's bank and financial leasing and factoring companies can set a specific provision at their will (banks, in the above-mentioned ratios; financial leasing and factoring companies, in the ratios to be determined by themselves) against their loan, finance lease and factoring and other receivables, even if the length of non-payment did not exceed the above-mentioned terms, taking into account the credibility of the debtor and the other criteria specified in the relevant communiqué and directive.

The Group's bank and financial leasing and factoring companies are required to classify the collaterals held as security against their loan, finance lease and factoring and other receivables into four groups specified in the relevant communiqué and directive and follow them in this way. The amount of the collateral is only taken into account in the determination of the amount of the specific provision as a deduction from the amount of the receivable in the below-mentioned ratios:

The ratio in which the first group of collaterals is to be taken into account: 100%

The ratio in which the second group of collaterals is to be taken into account: 75%

The ratio in which the third group of collaterals is to be taken into account: 50%

The ratio in which the fourth group of collaterals is to be taken into account: 25%

The Group's bank is required to set a general provision in the ratio of 1% and 0.2% against the cash and non-cash loans, respectively, (in the ratio of %0 for the cash and non-cash export loans, in the ratio of 0.5% and 0.1% against the cash and non-cash loans, respectively, provided to the small and medium sized enterprises) classified into the first group as standard loans, against which a specific provision are not set and in the ratio of 5 times those mentioned above against the loans of the same group whose original repayment plans are lengthened by means of alterations to the terms of the contract.

The Group's bank is required to set a general provision in the ratio of 2% and 0.4% against the cash and non-cash loans, respectively, classified into the second group as close watch loans, against which a specific provision are not set and in the ratio of 2.5 times those mentioned above against the loans of the same group whose original repayment plans are lengthened by means of alterations to the terms of the contract.

40. FINANCIAL RISK MANAGEMENT (continued)

The Regulations Regarding the Provisions To Be Set Against the Receivables of the Group’s Bank, Financial Leasing And Factoring Companies (continued)

In the event that the ratio of the consumer loans to the total loans exceeds 25% or the ratio of the consumer loans apart from the mortgage loans against which a specific provision are set (regarded as non-performing loans) to the total of these type of loans exceeds 8%; the Group’s bank are required to set a general provision in the ratio of 4% and 8% against the consumer loans apart from the mortgage loans classified into the first group as standard loans and the second group as close watch loans, respectively, and in the ratio of 2.5 and 1.25 times those mentioned above against the loans of the first and second group, respectively, whose original repayment plans are lengthened by means of alterations to the terms of the contract.

The Group’s financial leasing and factoring companies can set a general provision at their will against the losses with uncertain amount expected to be arising from their finance lease and factoring receivables even if their principal or interest or both of them are not past due or less than 90 days due.

MARKET RISK

Market risk is the risk of loss from the Group's on-off balance sheet items, caused by the volatility in interest rates, stock prices and foreign currency exchange rates.

The top management closely monitors the amount of market risk, to which the Group has been exposed or can be exposed with regards to its position. Therefore, Market Risk Committee is constituted in the Group’s bank and the market risks are measured by employing the measurement models in accordance with the “Regulation on Measurement and Assessment of Capital Adequacy of Banks “ and reported to the top management.

Furthermore, the market risk is mitigated by determining the scope of buy/sell transactions, the instruments used in buy/sell transactions, the markets that buy/sell transactions are realized and the limits regarding the buy/sell transactions that can generate market risk in the Group’s bank.

SENSITIVITY ANALYSIS FOR MARKET RISK

According to IFRS, there are three types of market risk: interest rate risk, currency risk and other price risk. Other price risk may include risks such as equity price risk, commodity price risk, prepayment risk (i.e. the risk that one party to a financial asset will incur a financial loss because the other party repays earlier or later than expected) and residual value risk. As at 31 December 2017 and 31 December 2016, since the Group’s consolidated exposure to other price risk is not material, the Group’s consolidated sensitivity analyses are given below in relevant sections only for interest rate risk and currency risk.

CREDIT RISK

Financial instruments contain an element of risk that the counter parties of the Group may be unable to meet the terms of the agreements, totally or partially.

The Credit Evaluation and Monitoring Department in the Group’s bank is responsible to manage the credit risk. The leasing company of the Group has a department which follows up the risk of the leasing receivables besides the credit risk monitoring department.

In the Group’s bank, a rating system related with the follow-up of the credit risk on company and group basis has been initiated, and the top management is informed regularly about the company and group risks.

The credibility of the debtors of the Group’s bank is assessed periodically in accordance with the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”.

There are control limits on forward transaction agreements and for those instruments the credit risk is assessed together with the other potential risks derived from the market fluctuations.

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

In forward transactions, the fulfillment of rights and obligations are realized at maturity. However, in order to minimize the risk, the risk is closed by purchasing the reverse position from the market if necessary.

For credit transactions carried out abroad, a structure considering the country risk and market conditions of the related countries exists; nevertheless, such risks do not exist in the portfolio.

	31 December 2017		31 December 2016	
	Cash	Non-Cash	Cash	Non-Cash
Finance	151,759	228,470	52,890	52,890
Construction	12,532	148,313	24,347	12,999
Production	-	8	1,452	16,282
Agriculture	840	-	-	-
Tourism	-	-	-	-
Food and Beverage	-	1,757	-	-
Main metal products and processed materials	-	-	-	356,932
Energy	-	-	-	71,106
Service	-	-	70,617	148,430
Automotive	-	-	-	-
Textile	25	-	-	-
Iron and Steel	-	-	-	-
Chemicals	985	-	-	-
Foreign trade	-	-	-	-
Electronics	-	-	-	-
Paper production and publishing	-	-	-	-
Other	28,998	630,612	23,388	89,101
Corporate loans	195,139	1,009,160	172,694	747,740
Consumer loans	153	-	-	-
Interest accruals	-	-	-	-
Loans in arrears	3,936	-	3,928	-
Provision for possible loan losses	(5,561)	-	(6,903)	-
Total	193,667	1,009,160	169,719	747,740

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK ANALYSIS OF FINANCIAL INSTRUMENTS

	Receivables										
	Trade receivables		Other receivables		Balances with banks and other financial institutions (*)	Marketable securities (**)	Derivative financial instruments	Loans and advances to customers	Factoring receivables	Finance lease receivables, net	Other
	Related party	Other party	Related party	Other party							
31 December 2017											
The maximum exposure to credit risk at the end of the reporting period (A+B+C+D+E) (***)	-	3,133	-	2,690	127,189	-	-	1,202,843	345,586	21	-
- The part of the maximum exposure to credit risk mitigated by a collateral held as security and other credit enhancements	-	-	-	2,422	-	-	-	1,202,843	345,586	21	-
A. The net carrying amount of the financial assets that are neither past due nor impaired	-	3,133	-	2,690	127,189	-	-	193,667	344,775	-	-
B. The net carrying amount of the financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	-	-	-	-	-	-	-	-	-	-
C. The net carrying amount of the financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	791	21	-
- The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	-	-	791	21	-
D. The net carrying amount of the financial assets that are individually or collectively determined to be impaired	-	-	-	-	-	-	-	(13)	20	-	-
- Past due (gross carrying amount)	-	1,981	-	-	-	-	-	3,936	3,231	3,142	-
- Impairment provision (-)	-	(1,981)	-	-	-	-	-	(3,936)	(3,211)	(3,142)	-
- The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	1,625	-	-	-
- Impairment provision (-)	-	-	-	-	-	-	-	(1,638)	-	-	-
- The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	-	-	-	-	-
E. Off-balance sheet credit risk	-	-	-	-	-	-	-	1,009,189	-	-	-
31 December 2016											
The maximum exposure to credit risk at the end of the reporting period (A+B+C+D+E) (***)	-	3,022	-	3,510	101,743	24,880	503	917,473	280,230	168	-
- The part of the maximum exposure to credit risk mitigated by a collateral held as security and other credit enhancements	-	-	-	3,143	-	-	-	868,613	280,230	168	-
A. The net carrying amount of the financial assets that are neither past due nor impaired	-	3,022	-	3,510	101,743	24,880	-	169,719	279,541	-	-
B. The net carrying amount of the financial assets that would otherwise be past due or impaired whose terms have been renegotiated	-	-	-	-	-	-	-	-	-	-	-
C. The net carrying amount of the financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	263	168	-
- The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	-	-	263	168	-
D. The net carrying amount of the financial assets that are individually or collectively determined to be impaired	-	-	-	-	-	-	-	(13)	426	-	-
- Past due (gross carrying amount)	-	1,981	-	-	-	-	-	3,928	3,761	2,870	-
- Impairment provision (-)	-	(1,981)	-	-	-	-	-	(3,928)	(3,335)	(2,870)	-
- The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	2,975	-	-	-
- Impairment provision (-)	-	-	-	-	-	-	-	(2,988)	-	-	-
- The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	-	-	-	-	-
E. Off-balance sheet credit risk	-	-	-	-	-	-	503	747,767	-	-	-

(*) This item includes Cash and Balances with the Central Bank except cash on hand, Deposits with other banks and financial institutions, Other money market placements and Reserve deposits at the Central Bank in the consolidated statement of financial position.

(**) Shares, due to not having credit risk, are not included in marketable securities.

(***) In the determination of this amount, factors that enhance the credibility, such as guarantees, are not taken into consideration.

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40. FINANCIAL RISK MANAGEMENT (continued)

Ageing of the financial assets that are past due but not impaired

	Receivables		Balances with banks and other financial institutions	Marketable securities	Derivative financial institutions	Loans and advances to customers	Factoring receivables	Finance lease receivables, net
	Trade receivables	Other receivables						
31 December 2017								
0-30 days past due	-	-	-	-	-	-	500	21
1-3 months past due	-	-	-	-	-	-	141	-
3-12 months past due	-	-	-	-	-	-	150	-
1-5 years past due	-	-	-	-	-	-	-	-
Over 5 years past due	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	791	21
The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	791	21

Ageing of the financial assets that are past due but not impaired

	Receivables		Balances with banks and other financial institutions	Marketable securities	Derivative financial institutions	Loans and advances to customers	Factoring receivables	Finance lease receivables, net
	Trade receivables	Other receivables						
31 December 2016								
0-30 days past due	-	-	-	-	-	-	-	168
1-3 months past due	-	-	-	-	-	-	58	-
3-12 months past due	-	-	-	-	-	-	205	-
1-5 years past due	-	-	-	-	-	-	-	-
Over 5 years past due	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	263	168
The part mitigated by a collateral held as security and other credit enhancements	-	-	-	-	-	-	263	168

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40. FINANCIAL RISK MANAGEMENT (continued)

Collateral obtained against loans and advances to customers that are not impaired:	31 December 2017	31 December 2016
Real estate mortgage	23,938	37,732
Other collaterals (mortgage over movable properties, institutional and personal guarantees, guarantee notes)	196,426	158,895
Total	220,364	196,627

Collateral obtained against non-cash loans that are not impaired:	31 December 2017	31 December 2016
Real estate mortgage	355	9,586
Cash collateral	37,557	33,473
Other collaterals (mortgage over movable properties, institutional and personal guarantees, guarantee notes)	971,674	628,927
Total	1,009,586	671,986

Collateral obtained against loans and advances to customers that are impaired:

The Group does not have collateral obtained against loans and advances to customers that are impaired.

The collaterals obtained against finance lease receivables in relation to the outstanding lease contracts:	31 December 2017	31 December 2016
Guarantee notes	21	168
Mortgages	-	-
Total	21	168

Collateral obtained against factoring receivables:	31 December 2017	31 December 2016
Collateral bill	333,923	271,197
Cheque collateral	10,296	8,670
Guarantees issued by financial institutions	1,367	363
Total	345,586	280,230

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40. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk occurs when there is an insufficient amount of cash or cash inflows to meet the cash outflows in full and on time, resulting from the unstable cash inflows.

Liquidity risk may occur when positions cannot be closed on a timely basis with an appropriate price and sufficient amount due to unfavourable market conditions. In factoring companies, in order to mitigate the liquidity risk from the checks received, the Group attaches importance to the collectability of checks. In the Group's banks, the liquidity position is evaluated on a daily basis. In weekly meetings of the Asset-Liability Committee, three month-period cash flow projections are reviewed and the extent of positions to be taken is decided accordingly. Alternative strategies that will be taken in case of lack of liquidity are assessed. The existing limits and limit gaps of the Group within Interbank, Istanbul Stock Exchange, Money Market and secondary markets are followed instantly. The maximum limits in the statement of financial position of the Group related with the maturity risk are determined by the Board of Directors.

Liquidity risk analysis of the contractual undiscounted cash flows from the financial liabilities based on the remaining period at reporting date to the contractual maturity date

The table below analyses the contractual undiscounted cash flows from the financial liabilities of the Group into the maturity groupings based on the remaining period at reporting date to the contractual maturity date. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. The contractual maturity analysis based on undiscounted cash flows from the derivative financial instruments of the Group is given in Note 28 Derivatives, where the notional amounts of the derivative financial instruments are classified into the time bands with respect to the remaining contractual maturities.

	Carrying value	Total contractual undiscounted cash flows	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
As at 31 December 2017								
Financial liabilities								
Liabilities from money market transactions	60,754	60,898	46,149	14,749	-	-	-	-
Funds borrowed	515,620	549,209	142,787	48,571	75,217	30,302	250,058	2,274
Borrowers' funds	45,292	45,368	-	7,979	37,389	-	-	-
Factoring payables	1,812	1,812	-	1,812	-	-	-	-
Liabilities arising from finance leases	94	94	94	-	-	-	-	-
Total	623,572	657,381	189,030	73,111	112,606	30,302	250,058	2,274

	Carrying value	Total contractual undiscounted cash flows	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
As at 31 December 2016								
Financial liabilities								
Liabilities from money market transactions	20,011	20,011	20,111	-	-	-	-	-
Funds borrowed	490,575	525,854	187,569	58,729	22,963	98,238	146,202	12,153
Borrowers' funds	42,463	41,875	87	2,644	39,144	-	-	-
Factoring payables	983	983	-	983	-	-	-	-
Liabilities arising from finance leases	279	279	279	-	-	-	-	-
Total	554,311	589,002	208,046	62,356	62,107	98,238	146,202	12,153

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40. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

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

Liquidity risk analysis of the statement of financial position amounts based on the remaining period at reporting date to the contractual maturity date

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Un- assigned	Total
As at 31 December 2017								
Assets from continuing operations								
Cash and balances with the Central Bank (*)	5,471	-	-	-	-	-	-	5,471
Deposits with banks and other financial institutions (*)	48,692	62,435	-	-	-	-	721	111,848
Reserve deposits at the Central Bank (*)	9,872	-	-	-	-	-	-	9,872
Securities held for trading	-	-	-	-	-	-	-	-
Available for sale securities	-	-	-	-	-	-	499,976	499,976
Loans and advances	56,331	88,560	38,349	8,869	1,422	136	-	193,667
Factoring receivables, net	157,735	131,710	53,400	2,741	-	-	-	345,586
Finance lease receivable, net	21	-	-	-	-	-	-	21
Unquoted equity instruments	-	-	-	-	-	-	377	377
Assets held for sale	-	-	-	-	-	-	53,626	53,626
Property and equipment, net	-	-	-	-	-	-	370,206	370,206
Intangible assets, net	-	-	-	-	-	-	261	261
Prepaid expenses	-	-	-	-	-	-	1,240	1,240
Prepaid income tax	-	-	-	15	-	-	5	20
Deferred tax assets	-	-	-	-	-	-	2,240	2,240
Trade and other receivables and other assets	6,418	-	-	794	4	-	970	8,186
Total assets	284,540	282,705	91,749	12,419	1,426	136	929,622	1,602,597
Liabilities from continuing operations								
Derivative financial liabilities	1,569	-	-	-	-	-	-	1,569
Liabilities from money market transactions	56,698	4,056	-	-	-	-	-	60,754
Funds borrowed	142,635	53,356	68,787	23,537	225,082	2,223	-	515,620
Borrowers' funds	26,903	18,266	123	-	-	-	-	45,292
Factoring payables	-	1,812	-	-	-	-	-	1,812
Liabilities arising from finance leases	94	-	-	-	-	-	-	94
Deferred income	-	-	-	-	-	-	892	892
Income taxes payable	-	1,612	-	-	185	-	-	1,797
Provisions	-	-	1,553	623	2,745	-	-	4,921
Debt provisions	10	-	-	13	-	-	-	23
Deferred tax liability	-	-	-	-	-	-	13,750	13,750
Trade and other payables and other liabilities	4,591	-	-	-	-	-	-	4,591
Total liabilities	232,500	79,102	70,463	24,173	228,012	2,223	14,642	651,115
Net liquidity gap	52,040	203,603	21,286	(11,754)	(226,586)	(2,087)	914,980	951,482
As at 31 December 2016								
Total assets	299,865	171,930	70,313	18,588	20,207	3,616	869,184	1,453,703
Total liabilities	237,985	77,418	12,646	93,603	132,463	11,569	14,365	580,049
Net liquidity gap	61,880	94,512	57,667	(75,015)	(112,256)	(7,953)	854,819	873,654

(*) Cash and cash equivalents.

CURRENCY RISK

Foreign currency risk, which indicates the possibility that the Group will incur losses due to adverse movements between currencies, is managed by close monitoring of the top management and taking positions in accordance with approved limits.

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40. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

Currency risk is followed on foreign currency/TL and foreign currency/ foreign currency basis and different risk techniques, methods and instruments are used for each of them. The Group hedges the risk in foreign currency/ foreign currency position with spot/forward arbitrage and future transactions. In the Group's banks, the capital adequacy requirement arising from foreign currency risk is calculated by considering all foreign currency assets and liabilities and derivative financial instruments of the Group's bank. The net short and long positions in terms of TL of each foreign currency are computed. The position with the greater absolute value is determined as the basis for the computation of capital adequacy requirement.

Sensitivity Analysis for Currency Risk

At 31 December 2017 and 31 December 2016, if all foreign currencies had strengthened or weakened 10 per cent against TL with all other variables held constant, the changes in the consolidated post-tax profit of the Group for the periods ended 31 December 2017 and 31 December 2016 and other components of equity of the Group as at those dates, which are the changes in net profit or other comprehensive income, net of tax, attributable to equity holders of the parent for the periods 31 December 2017 and 31 December 2016, respectively, would have been as follows:

	31 December 2017			
	Net Profit/(Loss) (*)		Other Components of Equity (*)	
	Foreign currencies' strengthening	Foreign currencies' weakening	Foreign currencies' strengthening	Foreign currencies' weakening
The 10% change in TL/USD:				
1- The change in USD denominated assets/liabilities except derivatives	36,470	(36,470)	20,937	(20,937)
2- Hedging effect arising from the derivatives	5,884	(5,884)	-	-
3- Net effect due to the change in TL/USD (1+2)	42,354	(42,354)	20,937	(20,937)
The 10% change in TL/EUR:				
4- The change in EUR denominated assets/liabilities except derivatives	40	(40)	-	-
5- Hedging effect arising from the derivatives	-	-	-	-
6- Net effect due to the change in TL/EUR (4+5)	40	(40)	-	-
The 10% change in TL/Other foreign currencies:				
7- The change in other foreign currencies denominated assets/liabilities except derivatives	(1)	1	-	-
8- Hedging effect arising from the derivatives	-	-	-	-
9- Net effect due to the change in TL/Other foreign currencies (7+8)	(1)	1	-	-
TOTAL (3+6+9)	42,393	(42,393)	20,937	(20,937)

	31 December 2016			
	Net Profit/(Loss) (*)		Other Components of Equity (*)	
	Foreign currencies' strengthening	Foreign currencies' weakening	Foreign currencies' strengthening	Foreign currencies' weakening
The 10% change in TL/USD:				
1- The change in USD denominated assets/liabilities except derivatives	40,552	(40,552)	9,278	(9,278)
2- Hedging effect arising from the derivatives	8,297	(8,297)	-	-
3- Net effect due to the change in TL/USD (1+2)	48,849	(48,849)	9,278	(9,278)
The 10% change in TL/EUR:				
4- The change in EUR denominated assets/liabilities except derivatives	(49)	49	-	-
5- Hedging effect arising from the derivatives	-	-	-	-
6- Net effect due to the change in TL/EUR (4+5)	(49)	49	-	-
The 10% change in TL/Other foreign currencies:				
7- The change in other foreign currencies denominated assets/liabilities except derivatives	(5)	5	-	-
8- Hedging effect arising from the derivatives	-	-	-	-
9- Net effect due to the change in TL/Other foreign currencies (7+8)	(5)	5	-	-
TOTAL (3+6+9)	48,795	(48,795)	9,278	(9,278)

(*) The amounts included in the foreign currency sensitivity analysis under the heading "Profit / Loss" are presented for the net profit for the period of the parent company shares and the other comprehensive income for the shares of the parent company given under "Equity"

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40. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency position table ^(**) (Unless indicated, original currency)	31 December 2017				31 December 2016			
	TL	Thousand USD	Thousand Euro	Other (TL)	TL	Thousand USD	Thousand Euro	Other (TL)
1. Trade Receivables	3,123	828	-	-	3,017	857	-	-
2a. Monetary Financial Assets (Cash and Bank)	135,663	33,540	1,841	841	142,697	37,606	2,737	200
2b. Non-Monetary Financial Assets	499,816	132,510	-	-	453,134	128,761	-	-
3. Other	1,875	488	7	-	1,583	441	9	-
4. Current Asset (1+2+3)	640,477	167,366	1,848	841	600,431	167,665	2,746	200
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets (Cash and Bank)	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	366,569	97,183	-	-	349,135	99,209	-	-
8. Non Current Assets (5+6+7)	366,569	97,183	-	-	349,135	99,209	-	-
9. Total Assets (4+8)	1,007,046	264,549	1,848	841	949,566	266,874	2,746	200
10. Trade Payables	613	163	-	-	184	52	-	-
11. Financial Liabilities	74,095	17,345	1,730	856	160,846	42,545	2,927	263
12a. Monetary Other Financial Liabilities	188	48	-	1	66	11	7	-
12b. Non Monetary Other Financial Liabilities	847	221	2	3	967	273	2	-
13. Short Term Liability (10+11+12)	75,743	17,777	1,732	860	162,063	42,881	2,936	263
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	227,305	60,263	-	-	141,508	40,210	-	-
16 a. Monetary Other Financial Liabilities	-	-	-	-	-	-	-	-
16 b. Non Monetary Other Financial Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liability (14+15+16)	227,305	60,263	-	-	141,508	40,210	-	-
18. Total Liability (13+17)	303,048	78,040	1,732	860	303,571	83,091	2,936	263
19. Net Asset/(Liability) Position of Off Balance Sheet Foreign Currency Derivative Instruments(19a-19b)	73,554	19,501	-	-	88,861	25,250	-	-
19a. Amount of Liability Characteristic Off Balance Sheet Derivative Instruments	73,554	19,501	-	-	88,861	25,250	-	-
19b. Amount of Liability Characteristic Off Balance Sheet Derivative Instruments	-	-	-	-	-	-	-	-
20. Net financial position (9-18+19)	777,552	206,010	116	(19)	734,856	209,033	(190)	(63)
21. Position of Net Monetary Units of Foreign Currency Assets / (Liabilities) (=1+2a+5+6a-10-11-12a-14-15-16a)	(163,415)	(43,451)	111	(16)	(156,890)	(44,355)	(197)	(63)
22. Total Fair value of Financial Instruments used for Currency Hedge	(1,569)	-	-	(1,569)	371	-	-	370
23. Amount of hedged Foreign Currency Assets ^(*)	-	-	-	-	-	-	-	-
24. Amount of hedged Foreign Currency Liabilities ^(*)	73,554	19,501	-	-	88,861	25,250	-	-
25. Export	-	-	-	-	-	-	-	-
26. Import	-	-	-	-	-	-	-	-

^(*) Hedge accounting has not been applied in accordance with IFRS

^(**) Continuing and discontinued operations are explained together the foreign currency position table

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40. FINANCIAL RISK MANAGEMENT (continued)

The concentrations of assets, liabilities and off-balance sheet items in terms of currencies

	TL	US Dollars	Euro	Others	Total
At 31 December 2017					
Assets from continuing operations					
Cash and balances with the Central Bank (*)	742	3,374	1,355	-	5,471
Deposits with banks and other financial institutions (*)	503	111,039	297	9	111,848
Reserve deposits at the Central Bank (*)	-	9,872	-	-	9,872
Financial assets at fair value through profit or loss	-	-	-	-	-
Available for sale securities	160	499,816	-	-	499,976
Loans and advances, net	185,332	2,219	6,116	-	193,667
Factoring receivables, net	344,219	-	535	832	345,586
Finance lease receivables, net	6	5	10	-	21
Unquoted equity instruments	377	-	-	-	377
Assets held for sale	53,626	-	-	-	53,626
Property and equipment, net	3,637	366,569	-	-	370,206
Intangible assets, net	261	-	-	-	261
Prepaid expenses	335	871	34	-	1,240
Prepaid income tax	20	-	-	-	20
Deferred tax asset	2,240	-	-	-	2,240
Trade and other receivables and other assets	4,093	4,093	-	-	8,186
Total assets	595,551	997,858	8,347	841	1,602,597
Liabilities from continuing operations					
Derivative financial liabilities	1,569	-	-	-	1,569
Liabilities from money market transactions	60,754	-	-	-	60,754
Funds borrowed	248,482	258,531	7,782	825	515,620
Borrowers' funds	11,111	34,181	-	-	45,292
Factoring payables	1,762	-	19	31	1,812
Liabilities arising from finance leases	63	16	15	-	94
Deferred income	45	834	10	3	892
Income taxes payable	1,612	185	-	-	1,797
Provisions	4,921	-	-	-	4,921
Debt provisions	23	-	-	-	23
Deferred tax liability	13,750	-	-	-	13,750
Trade and other payables and other liabilities	3,975	613	2	1	4,591
Total liability	348,067	294,360	7,828	860	651,115
Net balance sheet position	247,484	703,498	519	(19)	951,482
Net off-balance sheet position	(75,540)	73,554	-	-	(1,986)
Net notional amount of derivatives from continuing operations	(75,540)	73,554	-	-	(1,986)
At 31 December 2016					
Total assets	504,137	939,183	10,183	200	1,453,703
Total liabilities	276,478	292,414	10,894	263	580,049
Net balance sheet position	227,659	646,769	(711)	(63)	873,654
Net off-balance sheet position	(88,733)	88,861	-	-	128

(*) Cash and cash equivalents.

INTEREST RATE RISK

Interest rate risk is the probability of loss due to changes in interest rates depending on the Group's position regarding the interest bearing financial instruments. Interest rate risk arises as a result of maturity mismatch on re-pricing of assets and liabilities, changes in the correlation between interest rates of different financial instruments and unexpected changes in the shape and slope of yield curves. Exposure to interest rate risk arises when there is a mismatch between rate sensitive assets and liabilities. The Group handles the interest rate risk within the context of market risk and asset-liability management. The Group monitors the interest rates in the market on a daily basis and updates its interest rates when necessary. The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the reporting date to the re-pricing date.

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40. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2017								
Assets from continuing operations								
Cash and balances with the Central Bank (*)	-	-	-	-	-	-	5,471	5,471
Deposits with banks and other financial institutions (*)	32,537	62,435	-	-	-	-	16,876	111,848
Reserve deposits at the Central Bank	9,872	-	-	-	-	-	-	9,872
Unquoted equity instruments	-	-	-	-	-	-	377	377
Available for sale securities	-	-	-	-	-	-	499,976	499,976
Assets held for sale	-	-	-	-	-	-	53,626	53,626
Property and equipment, net	-	-	-	-	-	-	370,206	370,206
Loans and advances, net	56,331	88,560	38,349	8,869	1,422	136	-	193,667
Factoring receivables, net	157,735	131,710	53,400	2,741	-	-	-	345,586
Finance lease receivables, net	21	-	-	-	-	-	-	21
Intangible assets, net	-	-	-	-	-	-	261	261
Prepaid expenses	-	-	-	-	-	-	1,240	1,240
Prepaid income tax	-	-	-	-	-	-	20	20
Deferred tax asset	-	-	-	-	-	-	2,240	2,240
Trade and other receivables and other assets	-	-	-	-	-	-	8,186	8,186
Total assets	256,496	282,705	91,749	11,610	1,422	136	958,479	1,602,597
Liabilities from continuing operations								
Derivative financial liabilities	-	-	-	-	-	-	1,569	1,569
Liabilities from money market transactions	56,698	4,056	-	-	-	-	-	60,754
Funds borrowed	142,635	53,356	68,787	23,537	225,082	2,223	-	515,620
Borrowers' funds	26,400	18,266	123	-	-	-	503	45,292
Factoring payables	-	1,812	-	-	-	-	-	1,812
Liabilities arising from finance leases	-	-	-	-	-	-	94	94
Deferred income	-	-	-	-	-	-	892	892
Income taxes payable	-	-	-	-	-	-	1,797	1,797
Provisions	-	-	-	-	-	-	4,921	4,921
Debt provisions	-	-	-	-	-	-	23	23
Deferred tax liability	-	-	-	-	-	-	13,750	13,750
Trade and other payables and other liabilities	-	-	-	-	-	-	4,591	4,591
Total liability	225,733	77,490	68,910	23,537	225,082	2,223	28,140	651,115
Total interest sensitivity gap	30,763	205,215	22,839	(11,927)	(223,660)	(2,087)	930,339	951,482
At 31 December 2016								
Total assets	264,889	172,114	70,313	18,070	20,204	3,616	904,497	1,453,703
Total liabilities	232,007	76,032	11,847	91,787	129,939	11,569	26,868	580,049
Total interest sensitivity gap	32,882	96,082	58,466	(73,717)	(109,735)	(7,953)	877,629	873,654

(*) Cash and cash equivalents.

Interest Rate Sensitivity Analysis

Interest Risk Position Table		31 December 2017	31 December 2016
Financial instruments carried at fair value			
Financial Assets	Financial assets held for trading	-	-
	Financial assets available for sale	-	24,880
Financial Liabilities		-	-
Financial instruments carried at other than fair value			
Flexible interest financial instruments			
Financial Assets			-
Financial Liabilities		159,807	156,602
Fixed interest rate financial instruments			
Financial Assets		644,118	524,326
Financial Liabilities		463,168	396,579

40. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity Analysis for Interest Rate Risk for the Financial Instruments Carried at Fair Value

At 31 December 2017 and 31 December 2016, if interest rates at that date had been 1 per cent higher with all other variables held constant, the consolidated post-tax profit of the Group for the years ended 31 December 2017 and 31 December 2016 would have been TL 0 and TL 0 lower, respectively, and the consolidated other comprehensive income, net of tax of the Group would have been TL 0 and TL 739 lower as at those dates, respectively.

At 31 December 2017 and 31 December 2016, if interest rates at that date had been 1 per cent lower with all other variables held constant, the consolidated post-tax profit of the Group for the years ended 31 December 2017 and 31 December 2016 would have been TL 0 and TL 0 higher, respectively and the consolidated other comprehensive income, net of tax of the Group would have been TL 0 and TL 778 higher as at those dates, respectively.

Sensitivity Analysis for Interest Rate Risk for the Financial Instruments Carried at Other Than Fair Value

If interest rates at 31 December 2017 had been 1 per cent higher at that date and had been constant at this level for the following three months period with all other variables held constant, the consolidated interest income and the consolidated interest expense of the Group for the three months period from 1 January 2018 to 31 March 2018 would have been TL 771 and TL 535 higher, respectively; the consolidated net interest income/(expense) of the Group before and after non-controlling interest would have been TL 236 and TL 235 higher, respectively.

If interest rates at 31 December 2017 had been 1 per cent lower at that date and had been constant at this level for the following three months period with all other variables held constant, the consolidated interest income and the consolidated interest expense of the Group for the three months period from 1 January 2017 to 31 March 2017 would have been TL 771 and TL 535 lower, respectively; the consolidated net interest income/(expense) of the Group before and after non-controlling interest would have been TL 236 and TL 235 lower, respectively.

If interest rates at 31 December 2016 had been 1 per cent higher at that date and had been constant at this level for the following three months period with all other variables held constant, the consolidated interest income and the consolidated interest expense of the Group for the three months period from 1 January 2017 to 31 March 2017 would have been TL 695 and TL 548 higher, respectively; the consolidated net interest income/(expense) of the Group before and after non-controlling interest would have been TL 147 and TL 166 higher, respectively.

If interest rates at 31 December 2016 had been 1 per cent lower at that date and had been constant at this level for the following three months period with all other variables held constant, the consolidated interest income and the consolidated interest expense of the Group for the three months period from 1 January 2017 to 31 March 2017 would have been TL 695 and TL 548 lower, respectively; the consolidated net interest income/(expense) of the Group before and after non-controlling interest would have been TL 147 and TL 166 lower, respectively.

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40. FINANCIAL RISK MANAGEMENT (continued)

Collaterals, pledges, mortgages and guarantees given by the Group

According to a regulation of the Capital Markets Board of Turkey dated 9 September 2009, the exchange-traded companies except financial institutions and investment trusts can give a collateral, pledge, mortgage and guarantee only in favor of their own judicial entities and their consolidated subsidiaries and other third parties can be a beneficiary of a collateral, pledge, mortgage and guarantee given by exchange-traded companies only if it is provided with the sole aim of conducting ordinary business activities.

Continuing Operations					
Collaterals, pledges, mortgages and guarantees given by the Group	31 December 2017				
	TL	US Dollars	Euro	Others	Total
A. Collaterals, pledges, mortgages and guarantees given by the Group Companies in favor of their own judicial entities	10	85,627	-	-	85,637
1. Letters of guarantee given by the Group Company	-	-	-	-	-
2. Letters of guarantee given by the Non-Group Banks as collateral against cash loans	-	-	-	-	-
3. Other letters of guarantee given by the Non-Group Banks	-	158	-	-	158
4. Marketable Securities	-	-	-	-	-
5. Cash	10	6,007	-	-	6,017
6. Mortgage given as collateral against cash loans(***)	-	51,354	-	-	51,354
7. Subsidiary share pledge given as collateral against cash loans(***)	-	28,108	-	-	28,108
8. Other	-	-	-	-	-
B. Collaterals, pledges, mortgages and guarantees given by the Group in favor of consolidated Group Companies	264,041	681,675	523	827	947,066
1. Guarantees given as collateral against cash loans (*)	263,616	566,025	523	827	830,991
2. Guarantees given as collateral against derivative contracts (*)	-	-	-	-	-
3. Letters of guarantee given as collateral against cash loans	-	-	-	-	-
4. Other non-cash loans	425	-	-	-	425
5. Mortgage given as collateral against cash loans(***)	-	108,455	-	-	108,455
6. Subsidiary share pledge given as collateral against cash loans	-	-	-	-	-
7. Bank deposit given as collateral against cash loans	-	7,195	-	-	7,195
8. Other	-	-	-	-	-
C. Collaterals, pledges, mortgages and guarantees given by the Group while conducting ordinary business activities in favor of non-Group entities	756,650	250,252	2,258	-	1,009,160
1. Non-cash loans given by the Group Bank	756,650	250,252	2,258	-	1,009,160
2. Other	-	-	-	-	-
D. Collaterals, pledges, mortgages and guarantees given by the Group in favor of the associates and joint ventures with direct shareholdings pursuant to the Article 12/2. of the Communiqué on the Corporate Governance	-	-	-	-	-
E. Other collaterals, pledges, mortgages and guarantees given by the Group	-	-	-	-	-
1. Collaterals, pledges, mortgages and guarantees given by the Group in favor of the main shareholder (**)	-	-	-	-	-
2. Collaterals, pledges, mortgages and guarantees given by the Group in favor of Group Companies other than those covered under the classes B and C	-	-	-	-	-
3. Collaterals, pledges, mortgages and guarantees given by the Group in favor of non-Group entities other than those covered under the class C	-	-	-	-	-
Total	1,020,701	1,017,554	2,781	827	2,041,863

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40. FINANCIAL RISK MANAGEMENT (continued)

Collaterals, pledges, mortgages and guarantees given by the Group (continued)

Continuing Operations		31 December 2016				
Collaterals, pledges, mortgages and guarantees given by the Group		TL	US Dollars	Euro	Others	Total
A. Collaterals, pledges, mortgages and guarantees given by the Group						
Companies in favor of their own judicial entities						
		9	91,566	-	-	91,575
1. Letters of guarantee given by the Group Company		-	-	-	-	-
2. Letters of guarantee given by the Non-Group Banks as collateral against cash loans		-	-	-	-	-
3. Other letters of guarantee given by the Non-Group Banks		-	148	-	-	148
4. Marketable Securities		-	-	-	-	-
5. Cash		9	14,000	-	-	14,009
6. Mortgage given as collateral against cash loans(***)		-	48,241	-	-	48,241
7. Subsidiary share pledge given as collateral against cash loans(***)		-	29,177	-	-	29,177
8. Other		-	-	-	-	-
B. Collaterals, pledges, mortgages and guarantees given by the Group in favor of consolidated Group Companies						
		187,090	602,370	-	193	789,653
1. Guarantees given as collateral against cash loans (*)		186,789	487,296	-	193	674,278
2. Guarantees given as collateral against derivative contracts (*)		-	-	-	-	-
3. Letters of guarantee given as collateral against cash loans		-	-	-	-	-
4. Other non-cash loans		301	-	-	-	301
5. Mortgage given as collateral against cash loans(***)		-	108,361	-	-	108,361
6. Subsidiary share pledge given as collateral against cash loans		-	-	-	-	-
7. Bank deposit given as collateral against cash loans		-	6,713	-	-	6,713
8. Other		-	-	-	-	-
C. Collaterals, pledges, mortgages and guarantees given by the Group while conducting ordinary business activities in favor of non-Group entities						
		510,136	235,749	1,855	-	747,740
1. Non-cash loans given by the Group Bank		510,136	235,749	1,855	-	747,740
2. Other		-	-	-	-	-
D. Collaterals, pledges, mortgages and guarantees given by the Group in favor of the associates and joint ventures with direct shareholdings pursuant to the Article 12/2. of the Communiqué on the Corporate Governance						
		-	-	-	-	-
E. Other collaterals, pledges, mortgages and guarantees given by the Group						
		-	-	-	-	-
1. Collaterals, pledges, mortgages and guarantees given by the Group in favor of the main shareholder (**)		-	-	-	-	-
2. Collaterals, pledges, mortgages and guarantees given by the Group in favor of Group Companies other than those covered under the classes B and C		-	-	-	-	-
3. Collaterals, pledges, mortgages and guarantees given by the Group in favor of non-Group entities other than those covered under the class C		-	-	-	-	-
Total		697,235	929,685	1,855	193	1,628,968

(*) Guarantees given as collateral against cash loans and derivative contracts indicate the total risk exposure arising from guarantees given by the Company as collateral against outstanding cash loans and derivative contracts of its consolidated subsidiaries. The Company has no income or consideration arising from such guarantees it has given in favor of its consolidated subsidiaries.

(**) Collaterals, pledges, mortgages and guarantees given by the Group in favor of the main shareholder indicate the total risk exposure arising from the non-cash loans given by the Group Banks in favor of Mehmet Turgut Yılmaz, the chairman of the Board of Directors of the Company, and Delta Group Companies which are under his control.

(***) The dry bulk cargo ships named M/V Cano, M/V Dodo, M/V Hako, M/V Zeyno, M/V Neco and M/V Olivia owned by Cano Maritime Limited, Dodo Maritime Limited, Hako Maritime Limited, Zeyno Maritime Limited and Neco Maritime Limited, respectively, and the 100% shares of Cano Maritime Limited owned by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. are mortgaged and pledged, respectively, against the bank loans obtained to finance the ship purchase in favour of the creditor banks.

As at 31 December 2017, the rate of the other collaterals, pledges, mortgages and guarantees given by the Group to shareholders' equity is 0% (31 December 2016: 0%).

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41. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The table below gives a comparison of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair values in the consolidated financial statements.

	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	193,667	193,667	169,719	169,719
Finance lease receivables	21	21	168	168
Factoring receivables	345,586	345,586	280,230	280,230
Total	539,274	539,274	450,117	450,117
Financial liabilities				
Funds borrowed	515,620	515,620	490,575	490,575
Factoring payables	1,812	1,812	983	983
Total	517,432	517,432	491,558	491,558

The following methods and assumptions were used to estimate the fair values of the financial instruments:

- Fair values of certain financial assets and liabilities carried at cost or amortized cost, including cash and cash equivalents, balances with the Central Bank, deposits with banks and other financial institutions, other money market placements, factoring receivables and payables, demand deposits and reserve deposits at the central bank are considered to approximate their respective carrying values due to their short-term nature.

Fair values of other financial instruments are determined by using estimation techniques that include taking reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed debt instruments.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the OTC derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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41. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

The fair value hierarchy of the financial assets and liabilities of the Group carried at fair value according to the foregoing principles as at 31 December 2017 and 31 December 2016 is given in the table below:

<u>31 December 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Trading securities	-	-	-	-
Available-for-sale investment securities	-	499,816	160	499,976
Derivative assets held for trading	-	-	-	-
Total	-	499,816	160	499,976
Liabilities				
Derivative liabilities held for trading	-	1,569	-	1,569
Total	-	1,569	-	1,569
<u>31 December 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Trading securities	-	-	-	-
Available-for-sale investment securities	-	477,022	1,152	478,174
Derivative assets held for trading	-	503	-	503
Total	-	477,525	1,152	478,677
Liabilities				
Derivative liabilities held for trading	-	132	-	132
Total	-	132	-	132

42. EVENTS AFTER THE REPORTING PERIOD

None.

43. OTHER ISSUES

The purchase of the 15 % shares of Silopi Elektrik Üretim A.Ş. by GSD Holding A.Ş. from Park Holding A.Ş.

The Board of Directors of GSD Holding A.Ş. resolved to appoint Akgün Türer, Board Member and General Manager of the Company to determine and evaluate the opportunities of possible partnership, participation, investment and cooperation in the maritime, energy and real estate sectors on 1 June 2015. As a result of the negotiations carried out by Akgün Türer within the scope of the mentioned appointment; The Board of Directors of GSD Holding A.Ş., on 8 June 2015, resolved on,

a) the purchase of the 15 % shares in the share capital of Silopi Elektrik Üretim A.Ş. (Silopi Electricity Production Inc.) operating in the energy sector by GSD Holding A.Ş. from Park Holding A.Ş.,

b) the determination of a total price of US\$ 125,000,000 for the purchase of the Class (B) shares with a nominal value of full TL 30,307,500 representing a ratio of 15 % in the share capital of full TL 202,050,000 of Silopi Elektrik Üretim A.Ş. held by Park Holding A.Ş.

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43. OTHER ISSUES (continued)

The purchase of the 15 % shares of Silopi Elektrik Üretim A.Ş. by GSD Holding A.Ş. from Park Holding A.Ş. (continued)

c) The authorisation of Murat Atım and Cezmi Öztürk, Board Members of the Company to jointly sign on behalf of GSD Holding A.Ş. an agreement for purchase and sale of shares and of shareholders comprising representations and warranties, pre-completion undertakings and other clauses as are customary for an agreement for purchase and sale of shares and of shareholders; completion of the transaction being conditional upon obtaining the necessary regulatory approvals from the relevant regulatory authorities including the Energy Market Regulatory Agency of Turkey and the Competition Authority of Turkey, and the above mentioned agreement has been signed within the scope of the authority granted as explained and the signed agreement has been approved by the Board of Directors of GSD Holding A.Ş. on the same date. The approval required to be obtained from the Energy Market Regulatory Agency of Turkey in connection with the mentioned agreement for purchase and sale of shares and of shareholders has been notified to the Company by a letter dated 24 June 2015. The parties to the agreement judged that there was no need to obtain the approval of the Competition Authority of Turkey with respect to the agreement.

The closing of the transaction in connection with the agreement for purchase and sale of shares and of shareholders comprising the purchase of the Class (B) shares with a nominal value of full TL 30,307,500 representing a ratio of 15 % in the share capital of full TL 202,050,000 of Silopi Elektrik Üretim A.Ş. by GSD Holding A.Ş. from Park Holding A.Ş. signed on 8 June 2015, being conditional upon obtaining the necessary regulatory approvals from the relevant regulatory authorities in Turkey, has been executed between GSD Holding A.Ş. and Park Holding A.Ş. on 29 June 2015, the total price of US\$ 125,000,000 having been paid by GSD Holding A.Ş. to Park Holding A.Ş. and the assignment by Park Holding A.Ş. to GSD Holding A.Ş. of the shares constituting the subject of the agreement having been made and entered to the share ledger of Silopi Elektrik Üretim A.Ş. as of this date.

Pursuant to the Articles of Association of Silopi Elektrik Üretim A.Ş., being in the authorised share capital system, the authorised and issued share capitals of Silopi Elektrik Üretim A.Ş. are full TL 400,000,000 and full TL 202,050,000, respectively, the issued share capital of the Company being made up of Class (A) registered shares with a nominal value of full TL 41,025,000 and Class (B) registered shares with a nominal value of full TL 161,025,000. The Board of Directors of Silopi Elektrik Üretim A.Ş. consists of 8 members selected by the general assembly, 4 members from the candidates nominated by Class (A) shareholders by majority vote and the other 4 members from the candidates nominated by Class (B) shareholders by majority vote.

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43. OTHER ISSUES (continued)

The purchase of the 15 % shares of Silopi Elektrik Üretim A.Ş. by GSD Holding A.Ş. from Park Holding A.Ş. (continued)

The business activity of Silopi Elektrik Üretim A.Ş. is the electricity generation and selling and the purchase of its shares has been an equity investment made in the energy sector with a view to obtain dividend income regularly and diversify the lines of business by GSD Holding A.Ş.. Within the framework of the agreement for purchase and sale of shares and of shareholders signed between GSD Holding A.Ş. and Park Holding A.Ş. on 8 June 2015 and closed on 29 June 2015; GSD Holding A.Ş. shall have the right to nominate 1 member of the Board Of Directors; Park Holding A.Ş. guarantees that the minimum yearly dividend yield to be paid by Silopi Elektrik Üretim A.Ş. to GSD Holding A.Ş., being in proportion to the number of days from 29 June 2015, the transaction closing date, to the year-end for the year 2015, shall be no less than gross US\$ 3.750.000 and pay the difference to GSD Holding A.Ş. otherwise and that it will ensure the maximum 15% shares of Silopi Elektrik Üretim A.Ş. shall be offered to the public and listed and traded in Borsa İstanbul (BIST) by means of share capital increase within 5 years from 8 June 2015, the agreement signing date; GSD Holding A.Ş. shall have the option to put back all or part of the shares of Silopi Elektrik Üretim A.Ş. it owns, whenever it wants, to Park Holding A.Ş., for the final option price, that is the arithmetic average of the option prices to be calculated by each of the two independent audit firms to be selected by each party to the transaction from those specified in the agreement, provided that the share sale price shall be no less than US\$ 125,000,000, the share purchase price, in any case; GSD Holding A.Ş. shall be able to transfer the shares of Silopi Elektrik Üretim A.Ş. it owns to the acquirers other than Park Holding A.Ş. by the written permission of Park Holding A.Ş. (without any permission for transfers to the affiliated parties with control over or under the control of GSD Holding A.Ş.) and provided that the new acquirer shall be a party to the agreement under the same terms and conditions, but the restrictions on the transferability of the shares shall be removed concurrently with and following the initial public offering or in the event of the nonfulfillment of the commitment in relation to the initial public offering within the time frame stated in the agreement.

In relation to the accounting for the shareholding of 15% in Silopi Elektrik Üretim A.Ş., the management of GSD Holding A.Ş. has taken the view that GSD Holding A.Ş. has no significant influence over Silopi Elektrik Üretim A.Ş. taking into account the definition of significant influence which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies as stated in "IAS 28 Investments in Associates and Joint Ventures" and the purchase of 15% shares of Silopi Elektrik Üretim A.Ş. from Park Holding A.Ş. on 29 June 2015 is an acquisition of an equity instrument that can not be considered an investment in an associate in terms of IFRS and has classified the mentioned shares under the heading "Available-for-Sale Investment Securities" in the consolidated IFRS statement of financial position of the Group as at 30 June 2015. In line with that classification, starting from the consolidated IFRS financial statements of the Group as at 30 June 2015, the 15% shares of Silopi Elektrik Üretim A.Ş. have been measured at the share purchase price of US\$ 125,000,000 translated using the closing foreign exchange rate taking into account the put option held at the fair value to be determined as specified in the agreement to be no less than the share purchase price of US\$ 125,000,000, the positive foreign exchange difference of TL 31,588 calculated as at 31 December 2017 having been recognised as income in the consolidated IFRS income statement and plus the income accrual of TL 15,095 calculated in proportion to the number of days to the end of period as at 31 December 2017 based on the minimum yearly dividend guarantee of US\$ 3,750,000 stated in the agreement which has been classified under "Fair Value Reserve" recognised cumulatively in the equity in the consolidated IFRS statement of financial position of the Group as at 31 December 2017 and recognised as remeasurement gain under "Other Comprehensive Income" in the consolidated IFRS statement of comprehensive income of the Group for the period ended 31 December 2017.

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43. OTHER ISSUES (continued)

Capital increase by conversion of receivables from subsidiaries founded in Malta on 27 February 2017

On 27 February 2017, GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. has decided to convert portions of receivables from subsidiaries amounting to USD 2,000,000 from Dodo Maritime Ltd, USD 1,500,000 from Cano Maritime Ltd., USD 800,000 from Hako Maritime Ltd. and USD 1,500,000 from Zeyno Maritime Ltd. to capital shares and to conclude contribution agreements in order use aforementioned receivables as capital in capital increases and to carry out required other business and transactions.

As a result of capital increases made on 27 February 2017, the capitals of subsidiaries of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. have been increased as follows: Dodo Maritime Ltd; from USD 12,000,000 to USD 14,000,000; Cano Maritime Ltd; from USD 11,000,000 to USD 12,500,000; Hako Maritime Ltd; from USD 9,000,000 to USD 9,800,000 and Zeyno Maritime from USD 8,000,000 to USD 9,500,000.

GSD Holding A.Ş. Capital Increase by stock

GSD Holding A.Ş.'s application to the CMB on 23 June 2016 for capital increase amounting to TL 200,000,000 which are TL 198,865 Thousand in legal reserves under the account of the Special Funds in equity and amounting to TL 1,135 Thousand to be cover from 2015 profit. Application confirmed by CMB according to i-CMB 128.14 (3 November 2016 dated ve 30/1046 n.d.) numbered decision on 3 November 2016. Paid in capital has reached amounting to TL 450,000,000, subsequent to approval of Ministry of Customs and Trade and registration of İstanbul Chamber of Commerce on 30 November 2016.

The Share Buy-Back Program of GSD Holding A.Ş.

The Annual General Assembly of GSD Holding A.Ş. held on 25 June 2015 in connection with the year 2014 resolved to approve the Three-Year Share Buy-Back Program of GSD Holding A.Ş. prepared by the Board of Directors of GSD Holding A.Ş. by means of the resolution dated 29 May 2015 and to authorise the Board of Directors of GSD Holding A.Ş. to make share buy-back within the framework of this program. The Board of Directors of GSD Holding A.Ş. resolved to transfer the authority granted to it by the General Assembly to Akgün Türer, the Vice-Chairman and General Manager of the Company, on 25 June 2015 pursuant to the Article 5/1 of the Communiqué on Bought Back Shares (II-22.1) of the Capital Markets Board of Turkey.

The aim of the share buy-backs to be made within the framework of the Share Buy-Back Program of GSD Holding A.Ş. is to support the stock exchange price of the shares of GSD Holding A.Ş. trading in Borsa İstanbul (BIST) below its book value and to make use of the liquidity of the Company to this aim, the maximum duration of implementation being three years. The maximum number of the shares to be bought back within the framework of the Share Buy-Back Program is up to the 10 % of the share capital of the Company including prior share repurchases pursuant to the Article 9 of the Communiqué on Bought Back Shares (II-22.1) of the Capital Markets Board of Turkey, but is up to the 5.338 % of the share capital of the Company in the event that the shares of GSD Holding A.Ş. owned by GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. with a percentage in share capital of 4.662 % are held without being sold for the duration of the program. The program is to be terminated when the amount of the share buy-backs reaches the maximum number of the shares to be bought back within the framework of the Share Buy-Back Program. The fixed upper and lower price limits for the the shares to be bought back within the framework of the Share Buy-Back Program are full TL 1.00 and full TL 2.25. In the event that the transactions requiring an adjustment to the share price are carried out, the specified lower and upper price limits are subject to adjustment within the framework of the regulations of Borsa İstanbul (BIST) and have been adjusted to be full TL 0.76 and full TL 2.01 due to the gross dividend distribution in cash of TL 0.24 per share with a nominal value of TL 1 on 29 July 2015 for the first time in this context. The principles for the disposal of the shares to be bought back within the framework of the Share Buy-Back Program are not determined. The total amount of the fund reserved for the share buy-back to be made within the framework of the Share Buy-Back Program is full TL 60,000,000 and to be provided through equity sources.

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43. OTHER ISSUES (continued)

The Share Buy-Back Program of GSD Holding A.Ş. (continued)

This Share Buy-back Programme is the first share buy-back programme to be implemented by GSD Holding A.Ş.. The shares of GSD Holding A.Ş. bought back and not disposed of until the beginning of the program consist of the shares of GSD Holding A.Ş. with a nominal value of TL 11,654,221.744 and with a percentage in share capital of 4.662% owned by GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş., a subsidiary of GSD Holding A.Ş., having been acquired prior to the coming into force of the Communiqué on Bought Back Shares (II-22.1) of CMB. In the event share buy-backs are made as much as the total amount of the fund of full TL 60,000,000 reserved for the share buy-back to be made within the framework of the Share Buy-Back Program, the liquidity of the Company will decrease as much as that amount and the bought-back shares will be recognised under the heading "Treasury Shares", as a deficit account, within the equity in the consolidated IFRS financial statements of the Company in the amount of repurchase. Pursuant to the Article 20 of the Communiqué on Bought Back Shares (II-22.1) of CMB, reserve funds are to be set aside up to the acquisition value of the bought back shares, and classified as restricted reserves under the shareholders' equity; the bought back shares and the said reserve funds are to be shown in the financial statements in line with the formats announced by the CMB; the reserves set aside as per this article are to be released up to an amount sufficient to meet the acquisition value, if the bought back shares are disposed of or redeemed. No gain or loss is recognized in the consolidated income statement and other comprehensive income on the purchase, issue, sale or cancellation of the Company's own equity instruments pursuant to IAS 32. There is no subsidiary to be able to make share buy-back within the framework of the Share Buy-Back Program.

The purchase of shares of GSD Holding A.Ş. by GSD Holding A.Ş. in Borsa İstanbul (BIST) and the sale of shares of GSD Holding A.Ş. by GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. in Borsa İstanbul (BIST) between 30 June 2015 and 25 May 2016

GSD Holding A.Ş. bought back the Class (D) shares of GSD Holding A.Ş. with a nominal value of full TL 25,000,000 and a percentage in share capital of 10 % for full TL 31,312,088.73 for unadjusted prices of full TL 1.10-1.55 per share with a nominal value of full TL 1 on the National Market of Borsa İstanbul between 30 June 2015 and 25 May 2016 to be settled 2 business day later within the framework of the Share Buy-Back Program of GSD Holding A.Ş. prepared by the Board of Directors of GSD Holding A.Ş. by means of the resolution dated 29 May 2015 and approved by the Annual General Assembly of GSD Holding A.Ş. held on 25 June 2015 in connection with the year 2014. GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. sold the Class (D) of GSD Holding A.Ş. with a nominal value of full TL 11,654,221.74 and a percentage in share capital of 4.662 % for full TL 15,411,114.92 for unadjusted prices of full TL 1.24-1.55 per share with a nominal value of full TL 1 on the National Market of Borsa İstanbul between 30 June 2015 and 25 May 2016 to be settled 2 business day later within the framework of the Resolution of the Board of Directors of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. dated 25 June 2015 in relation to the sale of the Class (D) shares of GSD Holding A.Ş. owned by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. with a nominal value of full TL 11,654,221.74 and a percentage in share capital of 4.662% on the National Market of Borsa İstanbul (BIST) pursuant to the Article 19/6 of the Communiqué on Bought Back Shares (II-22.1) of the Capital Markets Board of Turkey.

As a result of these transactions between 30 June 2015 and 25 May 2016, the buy-backed shares in relation to the shares of GSD Holding A.Ş. including those held by subsidiaries increased from a nominal value of full TL 11,654,221.74 and a percentage in share capital of 4.662% to a nominal value of full TL 25,000,000.00 and a percentage in share capital of 10% and the percentages in share capital of those held by GSD Holding A.Ş. and GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. increased from zero to a 10% and decreased from 4.662% to zero, respectively.

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43. OTHER ISSUES (continued)

Additon to The Share Buy-Back Program of GSD Holding A.Ş.

On 21 July 2016 and 25 July 2016, the Capital Markets Board announced that the publicly listed companies may recapture their shares in the stock market without any limit, by taking the decision of the board of directors and making a special case announcement. In return for the announcement of the CMB, in addition to the previously completed share repurchase program in line with the decision of the board of directors dated 26 July 2016. The Board of Directors of GSD Holding A.Ş. resolved to transfer the authority granted to it by the General Assembly to Akgün Türer, the Vice-Chairman and General Manager of the Company, the Company decided to acquire additional 10% (25,000,000) It has been decided to allocate amounting to TL 40,000,000 for the repurchase of new shares to be made within this scope.

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43. OTHER ISSUES (continued)

The purchase of shares of GSD Holding A.Ş. by GSD Holding A.Ş. in Borsa İstanbul (BIST) and the sale of shares of GSD Holding A.Ş. by GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. in Borsa İstanbul (BIST) between 30 June 2015 and 12 March 2018

The company holds GSD Holding A.Ş. share	Buy/(Sales) Transactions				Accumulated Situation			Transaction Explanations			
	Transaction Cost	Carried Value	Nominal Value	Nominal %	Carried Value	Nominal Value	Nominal %	Type of Transaction	Transaction Market	Transaction Date	Effective Date
Treasury shares											
GSD Holding A.Ş.	1,938	1,938	1,250	%0.500	1,938	1,250	%0.500	Buying	ISE	30.06.2015	02.07.2015
GSD Holding A.Ş.	552	552	477	%0.191	2,490	1,727	%0.691	Buying	ISE	02.10.2015	06.10.2015
GSD Holding A.Ş.	568	568	473	%0.189	3,058	2,200	%0.880	Buying	ISE	27.10.2015	02.11.2015
GSD Holding A.Ş.	1,019	1,019	800	%0.320	4,077	3,000	%1.200	Buying	ISE	10.11.2015	12.11.2015
GSD Holding A.Ş.	1,135	1,135	900	%0.360	5,212	3,900	%1.560	Buying	ISE	11.11.2015	13.11.2015
GSD Holding A.Ş.	1,241	1,241	1,000	%0.400	6,453	4,900	%1.960	Buying	ISE	12.11.2015	16.11.2015
GSD Holding A.Ş.	1,261	1,261	1,000	%0.400	7,714	5,900	%2.360	Buying	ISE	13.11.2015	17.11.2015
GSD Holding A.Ş.	1,267	1,267	1,000	%0.400	8,981	6,900	%2.760	Buying	ISE	16.11.2015	18.11.2015
GSD Holding A.Ş.	1,280	1,280	1,000	%0.400	10,261	7,900	%3.160	Buying	ISE	17.11.2015	19.11.2015
GSD Holding A.Ş.	1,547	1,547	1,300	%0.520	11,808	9,200	%3.680	Buying	ISE	18.11.2015	20.11.2015
GSD Holding A.Ş.	1,547	1,547	1,300	%0.520	13,355	10,500	%4.200	Buying	ISE	19.11.2015	23.11.2015
GSD Holding A.Ş.	1,560	1,560	1,300	%0.520	14,915	11,800	%4.720	Buying	ISE	20.11.2015	24.11.2015
GSD Holding A.Ş.	826	826	700	%0.280	15,741	12,500	%5.000	Buying	ISE	23.11.2015	25.11.2015
GSD Holding A.Ş.	1,118	1,118	1,000	%0.400	16,859	13,500	%5.400	Buying	ISE	24.11.2015	26.11.2015
GSD Holding A.Ş.	1,305	1,305	1,150	%0.460	18,164	14,650	%6.860	Buying	ISE	25.11.2015	27.11.2015
GSD Holding A.Ş.	1,150	1,150	1,000	%0.400	19,314	15,650	%6.260	Buying	ISE	26.11.2015	30.11.2015
GSD Holding A.Ş.	855	855	750	%0.300	20,169	16,400	%6.560	Buying	ISE	27.11.2015	01.12.2015
GSD Holding A.Ş.	684	684	600	%0.240	20,853	17,000	%6.800	Buying	ISE	03.12.2015	07.12.2015
GSD Holding A.Ş.	1,937	1,937	1,450	%0.580	22,790	18,450	%7.380	Buying	ISE	19.04.2016	21.04.2016
GSD Holding A.Ş.	1,244	1,244	950	%0.380	24,035	19,400	%7.760	Buying	ISE	21.04.2016	25.04.2016
GSD Holding A.Ş.	1,452	1,452	1,100	%0.440	25,487	20,500	%8.200	Buying	ISE	11.05.2016	13.05.2016
GSD Holding A.Ş.	1,848	1,848	1,400	%0.560	27,335	21,900	%8.760	Buying	ISE	12.05.2016	16.05.2016
GSD Holding A.Ş.	1,344	1,344	1,050	%0.420	28,679	22,950	%9.180	Buying	ISE	23.05.2016	25.05.2016
GSD Holding A.Ş.	1,334	1,334	1,050	%0.420	30,012	24,000	%9.600	Buying	ISE	24.05.2016	26.05.2016
GSD Holding A.Ş.	1,300	1,300	1,000	%0.400	31,312	25,000	%10.000	Buying	ISE	25.05.2016	27.05.2016
GSD Holding A.Ş.	7,396	7,396	7,500	%3.000	38,708	32,500	%13.000	Buying	ISE	26.07.2016	28.07.2016
GSD Holding A.Ş.	2,097	2,097	2,100	%0.840	40,805	34,600	%13.840	Buying	ISE	27.07.2016	29.07.2016
GSD Holding A.Ş.	400	400	400	%0.160	41,205	35,000	%14.000	Buying	ISE	28.07.2016	01.08.2016
GSD Holding A.Ş.	982	982	1,000	%0.400	42,187	36,000	%14.400	Buying	ISE	29.07.2016	02.08.2016
GSD Holding A.Ş.	599	599	600	%0.240	42,786	36,600	%14.640	Buying	ISE	01.08.2016	03.08.2016
GSD Holding A.Ş.	99	99	100	%0.040	42,885	36,700	%14.680	Buying	ISE	02.08.2016	04.08.2016
GSD Holding A.Ş.	198	198	200	%0.080	43,083	36,900	%14.760	Buying	ISE	04.08.2016	08.08.2016
GSD Holding A.Ş.	980	980	1,000	%0.400	44,063	37,900	%15.160	Buying	ISE	17.08.2016	19.08.2016
GSD Holding A.Ş.	833	833	850	%0.340	44,896	38,750	%15.500	Buying	ISE	18.08.2016	22.08.2016
GSD Holding A.Ş.	727	727	750	%0.300	45,623	39,500	%15.800	Buying	ISE	22.08.2016	24.08.2016
GSD Holding A.Ş.	485	485	500	%0.200	46,108	40,000	%16.000	Buying	ISE	24.08.2016	26.08.2016
GSD Holding A.Ş.	734	734	750	%0.300	46,842	40,750	%16.300	Buying	ISE	25.08.2016	29.08.2016
GSD Holding A.Ş.	392	392	400	%0.160	47,234	41,150	%16.460	Buying	ISE	26.08.2016	30.08.2016
GSD Holding A.Ş.	82	82	89	%0.036	47,316	41,239	%16.496	Buying	ISE	26.09.2016	28.09.2016
GSD Holding A.Ş.	246	246	261	%0.104	47,562	41,500	%16.600	Buying	ISE	27.09.2016	29.09.2016
GSD Holding A.Ş.	474	474	500	%0.200	48,036	42,000	%16.800	Buying	ISE	29.09.2016	03.10.2016
GSD Holding A.Ş.	470	470	500	%0.200	48,506	42,500	%17.000	Buying	ISE	30.09.2016	04.10.2016
GSD Holding A.Ş.	477	477	500	%0.200	48,983	43,000	%17.200	Buying	ISE	04.10.2016	06.10.2016
GSD Holding A.Ş.	245	245	250	%0.100	49,228	43,250	%17.300	Buying	ISE	10.10.2016	12.10.2016
GSD Holding A.Ş.	-	-	34,600	-	-	77,850	-	Free	-	-	-
GSD Holding A.Ş.	2,241	2,241	4,150	%0.922	51,469	82,000	%18.222	Buying	ISE	29.11.2016	01.12.2016
GSD Holding A.Ş.	1,060	1,060	2,000	%0.445	52,529	84,000	%18.667	Buying	ISE	01.12.2016	05.12.2016
GSD Holding A.Ş.	530	530	1,000	%0.222	53,059	85,000	%18.889	Buying	ISE	06.12.2016	08.12.2016
GSD Holding A.Ş.	160	160	300	%0.066	53,219	85,300	%18.956	Buying	ISE	07.12.2016	09.12.2016
GSD Holding A.Ş.	3,199	3,199	4,700	%1.044	56,418	90,000	%20.000	Buying	ISE	14.12.2017	18.12.2017
Total	56,418	56,418	90,000	%20.000	56,418	90,000	%20.000				
Share capital-investment eliminations					10,737	11,654	%4.662				
GSD Denizcilik	(1,938)	(1,132)	(1,250)	(%0.500)	9,605	10,404	%4.162	Sales	ISE	30.06.2015	02.07.2015
GSD Denizcilik	(638)	(500)	(500)	(%0.200)	9,105	9,904	%3.962	Sales	ISE	10.11.2015	12.11.2015
GSD Denizcilik	(756)	(622)	(600)	(%0.240)	8,483	9,304	%3.722	Sales	ISE	11.11.2015	13.11.2015
GSD Denizcilik	(992)	(874)	(800)	(%0.320)	7,609	8,504	%3.402	Sales	ISE	12.11.2015	16.11.2015
GSD Denizcilik	(756)	(594)	(600)	(%0.240)	7,015	7,904	%3.162	Sales	ISE	13.11.2015	17.11.2015
GSD Denizcilik	(1,937)	(1,578)	(1,454)	(%0.582)	5,437	6,450	%2.580	Sales	ISE	19.04.2016	21.04.2016
GSD Denizcilik	(1,244)	(1,031)	(950)	(%0.380)	4,406	5,500	%2.200	Sales	ISE	21.04.2016	25.04.2016
GSD Denizcilik	(1,452)	(1,194)	(1,100)	(%0.440)	3,212	4,400	%1.760	Sales	ISE	11.05.2016	13.05.2016
GSD Denizcilik	(1,848)	(1,519)	(1,400)	(%0.560)	1,693	3,000	%1.200	Sales	ISE	12.05.2016	16.05.2016
GSD Denizcilik	(1,344)	(1,140)	(1,050)	(%0.420)	553	1,950	%0.780	Sales	ISE	23.05.2016	25.05.2016
GSD Denizcilik	(1,206)	(1,031)	(950)	(%0.380)	(478)	1,000	%0.400	Sales	ISE	24.05.2016	26.05.2016
GSD Denizcilik	(1,300)	(1,085)	(1,000)	(%0.400)	(1,563)	-	-	Sales	ISE	25.05.2016	27.05.2016
GSD Denizcilik	-	1,563	-	-	1,563	-	-	Cons. Adj.	-	-	-
Total	(15,411)	(10,737)	(11,654)	(%4.662)	-	-	-				
Total	41,007	45,681	78,346	%17.410	56,418	90,000	%20.000				

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43. OTHER ISSUES (continued)

The movement of additional buy-back programme between the dates 28.07.2016-12.03.2018

In the repurchase of shares process which is started on 26 June 2016 and still continuous, the proportion of repurchase share until report date of 12 March 2018 and the Company's share capital registered on 30 November 2016 amounting TL 450,000,000 is 20%. There is none nominal value of shares can be repurchase.

The company holds GSD Holding A.Ş. share	Buy/(Sales) Transactions				Accumulated Situation			Transaction Explanations			
	Transaction Cost	Carried Value	Nominal Value	Nominal %	Carried Value	Nominal Value	Nominal %	Type of Transaction	Transaction Market	Transaction Date	Effective Date
Recalled shares					31,312	25,000	10.000%	-	-		-
GSD Holding A.Ş.	7,396	7,396	7,500	3,000%	38,708	32,500	13.000%	Buying	ISE	26.07.16	28.07.16
GSD Holding A.Ş.	2,097	2,097	2,100	0,840%	40,805	34,600	13.840%	Buying	ISE	27.07.16	29.07.16
GSD Holding A.Ş.	400	400	400	0,160%	41,205	35,000	14.000%	Buying	ISE	28.07.16	01.08.16
GSD Holding A.Ş.	982	982	1,000	0,400%	42,187	36,000	14.400%	Buying	ISE	29.07.16	02.08.16
GSD Holding A.Ş.	599	599	600	0,240%	42,786	36,600	14.640%	Buying	ISE	01.08.16	03.08.16
GSD Holding A.Ş.	99	99	100	0,040%	42,885	36,700	14.680%	Buying	ISE	02.08.16	04.08.16
GSD Holding A.Ş.	198	198	200	0,080%	43,083	36,900	14.760%	Buying	ISE	04.08.16	08.08.16
GSD Holding A.Ş.	980	980	1000	0,400%	44,063	37,900	15.160%	Buying	ISE	17.08.16	19.08.16
GSD Holding A.Ş.	833	833	850	0,340%	44,896	38,750	15.500%	Buying	ISE	18.08.16	22.08.16
GSD Holding A.Ş.	727	727	750	0,300%	45,623	39,500	15.800%	Buying	ISE	22.08.16	24.08.16
GSD Holding A.Ş.	485	485	500	0,200%	46,108	40,000	16.000%	Buying	ISE	24.08.16	26.08.16
GSD Holding A.Ş.	734	734	750	0,300%	46,842	40,750	16.300%	Buying	ISE	25.08.16	29.08.16
GSD Holding A.Ş.	392	392	400	0,160%	47,234	41,150	16.460%	Buying	ISE	26.08.16	30.08.16
GSD Holding A.Ş.	82	82	89	0,036%	47,316	41,2390	16.496%	Buying	ISE	26.09.16	28.09.16
GSD Holding A.Ş.	246	246	261	0,104%	47,562	41,500	16.600%	Buying	ISE	27.09.16	29.09.16
GSD Holding A.Ş.	474	474	500	0,200%	48,036	42,000	16.800%	Buying	ISE	29.09.16	03.10.16
GSD Holding A.Ş.	470	470	500	0,200%	48,506	42,500	17.000%	Buying	ISE	30.09.16	04.10.16
GSD Holding A.Ş.	477	477	500	0,200%	48,983	43,000	17.200%	Buying	ISE	04.10.16	06.10.16
GSD Holding A.Ş.	245	245	250	0,100%	49,228	43,250	17.300%	Buying	ISE	10.10.16	12.10.16
GSD Holding A.Ş.	-	-	34,600			77,850		Free			
GSD Holding A.Ş.	2,241	2,241	4,150	0,922%	51,469	82,000	18.222%	Buying	ISE	29.11.16	01.12.16
GSD Holding A.Ş.	1,06	1,06	2,000	0,445%	52,529	84,000	18.667%	Buying	ISE	01.12.16	05.12.16
GSD Holding A.Ş.	530	530	1,000	0,222%	53,059	85,000	18.889%	Buying	ISE	06.12.16	08.12.16
GSD Holding A.Ş.	160	160	300	0,066%	53,219	85,300	18.956%	Buying	ISE	07.12.16	09.12.16
GSD Holding A.Ş.	3,199	3,199	4,700	1,044%	56,418	90,000	20.000%	Buying	ISE	14.12.17	18.12.17
Total	56,418	56,418	90,000	20,00%	56,418	90,000	20,000%				

Mehmet Turgut Yılmaz and Shareholders taking joint actions with Mehmet Turgut Yılmaz

Direct share ratio total of Mehmet Turgut Yılmaz on GSD Holding A.Ş. is 25.50%, total ratio of direct and indirect shares is 28.14%, which with the calculation of the capital with the deduction of repurchased shares 35.18%, regarding the shares of GSD Holding A.Ş., 25.50% of Mehmet Turgut Yılmaz, 4.50% of MTY Delta Denizcilik İç ve Dış Ticaret A.Ş., 20.00% of GSD Holding A.Ş. and 0.14% Adeo Turizm Otelcilik Limited Şirketi, which in total adds up to 50.14%, act in unison.

As at 31 December 2017, according to the Communique on Prospectus and Issue Document (II-15.1), the total share of Mehmet Turgut Yılmaz and people acting together is 50,14% and the total share is 37.67% with calculation deducted from capital.

The Share Buy-Back Program of GSD Holding A.Ş. approved by the Annual General Assembly of GSD Holding A.Ş. held on 25 June 2015

The Annual General Assembly of GSD Holding A.Ş. held on 25 June 2015 in connection with the year 2014 resolved to approve the Three-Year Share Buy-Back Program of GSD Holding A.Ş. prepared by the Board of Directors of GSD Holding A.Ş. by means of the resolution dated 29 May 2015 and to authorise the Board of Directors of GSD Holding A.Ş. to make share buy-back within the framework of this program. The Board of Directors of GSD Holding A.Ş. resolved to transfer the authority granted to it by the General Assembly to Akgün Türer, the Vice-Chairman and General Manager of the Company, on 25 June 2015 pursuant to the Article 5/1 of the Communiqué on Bought Back Shares (II-22.1) of the Capital Markets Board of Turkey.

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43. OTHER ISSUES (continued)

The Share Buy-Back Program of GSD Holding A.Ş. approved by the Annual General Assembly of GSD Holding A.Ş. held on 25 June 2015 (continued)

The aim of the share buy-backs to be made within the framework of the Share Buy-Back Program of GSD Holding A.Ş. is to support the stock exchange price of the shares of GSD Holding A.Ş. trading in Borsa İstanbul (BIST) below its book value and to make use of the liquidity of the Company to this aim, the maximum duration of implementation being three years. The maximum number of the shares to be bought back within the framework of the Share Buy-Back Program is up to the 10 % of the share capital of the Company including prior share repurchases pursuant to the Article 9 of the Communiqué on Bought Back Shares (II-22.1) of the Capital Markets Board of Turkey, but is up to the 5.338 % of the share capital of the Company in the event that the shares of GSD Holding A.Ş. owned by GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. with a percentage in share capital of 4.662 % are held without being sold for the duration of the program. The program is to be terminated when the amount of the share buy-backs reaches the maximum number of the shares to be bought back within the framework of the Share Buy-Back Program. The fixed upper and lower price limits for the the shares to be bought back within the framework of the Share Buy-Back Program are full TL 1.00 and full TL 2.25. In the event that the transactions requiring an adjustment to the share price are carried out, the specified lower and upper price limits are subject to adjustment within the framework of the regulations of Borsa İstanbul (BIST) and have been adjusted to be full TL 0.76 and full TL 2.01 due to the gross dividend distribution in cash of TL 0.24 per share with a nominal value of TL 1 on 29 July 2015 for the first time in this context. The principles for the disposal of the shares to be bought back within the framework of the Share Buy-Back Program are not determined. The total amount of the fund reserved for the share buy-back to be made within the framework of the Share Buy-Back Program is full TL 60,000,000 and to be provided through equity sources.

As a result of increase of paid in capital without charge from amounting full TL 250,000,000 to amounting full TL 450,000,000, GSD Holding has increased its shares 80% nominally. The Company requested opinion from CMB within the scope of the article 520 of the Turkish Commercial Code No: 6102 to separate excess reserve those shares aforementioned.

According to CMB’s 36231672-045.01-E.1473 numbered opinion, for the purpose of traceability of repurchased shares related with free shares are classified under shareholder’s equity on the account “buy-backed shares(-)” and recorded as counterpart with “reserves on retained earnings”. With this presentation there is no change or effect on retained earnings and total shareholder’s equity in consolidated financial statements.

Establishment of GSD Shipping B.V and Mila Maritime Limited Companies

GSD Holding A.Ş has established a 100% subsidiary, GSD Shipping B.V., in the Netherlands on 19 October 2016 with a share capital of USD 5 million. The company’s total establishment capital is paid in cash on 31 October 2016. GSD Holding A.Ş decided that the existing capital amount to be increased by USD 5 million to USD 10 million on 19 December 2016.

By the Board of Directors meeting decision dated 25 October 2017, share capital of GSD Shipping B.V. has increased from USD 10 million to USD 20 million, USD 10 million is paid in cash.

The establishment of company titled Mila Maritime Limited with a share capital of USD 5,000 in Malta is completed by GSD Shipping B.V. for the purpose of operating in marine sector on the date of 21 November 2016. Between Mila Maritime Limited and Itachu Corporation located in Japan a contract has been signed on 28 November 2016 about constructing one dry cargo vessel being able to carry 63,000 DWT so as to commit delivery in the midst of 2018.

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43. OTHER ISSUES (continued)

Subsidiaries in liquidation

In the General Assembly meeting decisions dated 03 March 2017 of the subsidiaries of GSD Holding A.Ş., In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., which is owned by 100% share with a share capital of TL 90 , In liquidation GSD Plan Proje Etüd A.Ş., which is owned by 100% share with a share capital of TL 90 and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş., which is owned by 100% share with a share capital of TL 50 were decided to be liquidated. In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş. was registered in the Trade Registry on 8 March 2017, In liquidation GSD Plan Proje Etüd A.Ş. and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. were registered in the Trade Registry on 17 March 2017. Liquidation end declaration of the In liquidation GSD Gayrimenkul Yatırım ve Geliştirme A.Ş., In liquidation GSD Plan Proje Etüd A.Ş. and In liquidation GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş. have been registered by İstanbul Ticaret Sicil Müdürlüğü on 17-18 October 2017, liquidation process has been completed.

44. CASH FLOWS

The Group's cash and cash equivalents at 31 December 2017 are classified under continuing operations at the consolidated statement of financial position at 31 December 2016.

Cash and cash equivalents in the statement of cash flows:

Continuing operations	31 December 2017	31 December 2016
Cash on hand and balances with the Central Bank	5,471	6,308
Banks and financial institutions	111,848	82,838
Reserve requirements	9,872	12,601
Cash and cash equivalents in the statement of financial position	127,191	101,747
Less: Required reserve	(9,872)	(12,601)
Less: Accrued interest	(50)	(108)
Less: Blocked amount ⁽¹⁾	(1,887)	(1,760)
Cash and cash equivalents in the statement of cash flows	115,382	87,278

⁽¹⁾ In accordance with the decision taken at the meeting dated 7 June 2013 and numbered 20/670 of the CMB, templates of financial statements and guidance on the use of financial statements issued since the interim period ended 31 March 2013 have been published for the capital market institutions which are included in the Communiqué on Principles of Financial Reporting in Capital Markets. Blocked cash amounting to TL 1,454 in the cash and cash equivalents at 1 January and blocked cash amounting to TL 1,760 in the cash and cash equivalents at 31 December has been netted off respectively. Cash and cash equivalents at 1 January amounting TL 13,223 and cash and cash equivalents at 31 December amounting TL 15,550 in the statement of cash flows as at 31 December 2016.

45. DISCLOSURES REGARDING STATEMENT OF CHANGES IN EQUITY

The Group has transferred "Remeasurement Profit / Loss of Defined Benefit Plans" amounting to TL 375 in shareholders' equity dated 31 December 2016 as at 1 January 2017 to "Retained Earnings" in shareholders' equity.

Comprehensive disclosures about the statement of changes in shareholders' equity are presented in Note 30 Share Capital / Treasury Shares.