HACI ÖMER SABANCI HOLDİNG A.Ş.

ANNUAL REPORT 2016

2016 at a Glance

BANKING

TL 173 BILLION

LOANS
(2015: TL 153 BILLION)

14.2%

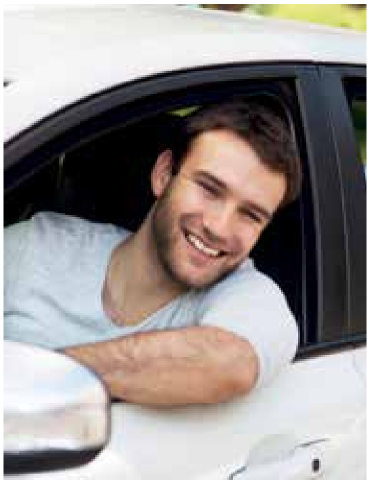
CAPITAL ADEQUACY RATIO

16%

RETURN ON EQUITY

Highlights
- Strong capital structure with 14.2% capital adequacy ratio
- Low ratio of non-performing loans at 2.3%
- High efficiency with 1.6% operational expenses /assets ratio
- First bank in Turkey to be named "The Most Valuable Brand of Turkey" by Brand Finance
- First Turkish bank to be named a"The Best Bank In Middle and East Europe" by Euromoney

INSURANCE



TL 2.2 BILLION

COMBINED NET SALES
(2015: TL 1.9 BILLION)

TL 189 MILLION

COMBINED EBITDA
(2015: TL 81 MILLION)

TL 60 MILLION

CONSOLIDATED NET PROFIT
(2015: TL 27 MILLION)

Highlights
- Strong channel management and balanced product portfolio

Aksigorta
- Profitability targeted growth in strategic segments
- Total premium prodution of TL 1.9 billion

Avivasa
- Sector leader with TL 11.8 billion in Private Pension System assets under management and 19.4% market share as of December 2016
- Avivasa shares have rallied 40% since the public offering to year-end 2016

ENERGY

TL 12.6 BILLION

COMBINED NET SALES
(2015: TL 11.8 BILLION)

TL 2.5 BILLION

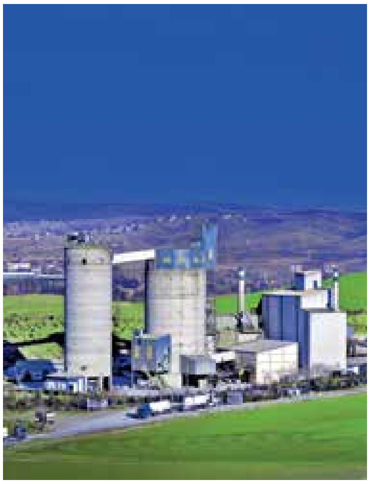
COMBINED EBITDA
(2015: TL 1.8 BILLION)

TL 147 MILLION

CONSOLIDATED NET PROFIT
(2015: TL 142 MILLION)

Highlights
- Robust portfolio comprising electricity generation, trading, distribution and sales operations
- 64% increase in operating profit in 2016
- Infrastructure provides access to electric service for one out of every four people in Turkey
- The first year of the 2016-2020 tariff period in distribution is now successfully behind us
- Turkey's largest private sector electricity producer with state-of-the-art technology, balanced and high-efficiency portfolio of 3,600 MW of generation capacity
- 55% share of domestic and renewable energy in installed capacity
- Customer and market focus as well as innovative products and solutions in trading and sales
- Pioneer in raising energy efficiency awareness with the "Save Your Energy" campaign launched in 2016.

CEMENT



TL 2.6 BILLION

COMBINED NET SALES
(2015: TL 2.6 BILLION)

TL 735 MILLION

COMBINED EBITDA
(2015: TL 776 MILLION)

TL 224 MILLION

CONSOLIDATED NET PROFIT
(2015: TL 226 MILLION)

Highlights
- Leadership in main regions where activities are carried out
- Important advantages both in the country and in exports, with strong logistics network and ports and terminals owned

Akçansa
- A record level of 6.3 mt of domestic cement and clinker sales
- International cement and clinker sales totaled 1.5 million tons for the year

Çimsa
- Target: strengthen the current position in grey and white cement with Afyon Cement Factory and Eskişehir White Clinker Production Line investments

RETAIL

TL 7.6 BILLION

COMBINED NET SALES
(2015: TL 7.1 BILLION)

TL -333 MILLION

COMBINED EBITDA
(2015: TL 33 MILLION)

686 THOUSAND M^2

SALES AREA
(2015: 814 THOUSAND M^2)

Highlights
- Net sales up 6%

Carrefoursa
- Store network includes 58 cities
- Structure focused on “efficiency” and “profitability” in 2016

Teknosa
- 13.1% growth in like-for-like
- TL 3.1 billion turnover

INDUSTRY

TL 5.2 BILLION

COMBINED NET SALES
(2015: TL 5.1 BILLION)

TL 951 MILLION

COMBINED EBITDA
(2015: TL 1.0 BILLION)

TL 450 MILLION

CONSOLIDATED NET PROFIT
(2015: TL 520 MILLION)

Highlights

Kordsa
- Composite Technologies Center of Excellence

Temsa İş Makinaları
- Authorized distributor of Volvo Truck

Temsa
- 100% domestic electric bus

Yünsa
- Turkey’s leading worsted wool fabric exporter

Hacı Ömer Sabancı Holding A.Ş. Agenda for the Ordinary General Assembly Meeting

HACI ÖMER SABANCI HOLDİNG A.Ş. Agenda for the 2016 Ordinary General Assembly Meeting to Be Held on March 30, 2017, at 2.00 p.m.

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2016 Annual Report of the Board of Directors,
3. Reading the 2016 Auditor's Reports,
4. Reading, discussion and approval of the 2016 financial statements,
5. Release of the members of the Board of Directors with regard to the 2016 activities,
6. Determination of the usage of the 2016 profit and rate of dividend to be distributed,
7. Election of the members of the Board of Directors, determination of their duty term,
8. Determination of monthly gross fees to be paid to the members of the Board of Directors,
9. Election of Auditor and Group Auditor,
10. Informing the General Assembly regarding the donations and grants made by the Company in 2016,
11. Determination of an upper limit for donations to be made in 2017,
12. Informing the General Assembly about the share-buyback process for the shares of our Company by our subsidiary EXSA Export Sanayi Mamulleri Satış ve Araştırma A.Ş.,
13. Granting permission to the Chairman and members of the Board of Directors for the activities under Articles 395 and 396 of the Turkish Commercial Code.

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"SABANCI GROUP CONTINUED TO CONTRIBUTE TO THE TURKISH ECONOMY SIGNIFICANTLY WHILE REMAINING AMONG THE MAJOR PLAYERS IN THE ECONOMY AND TURKEY'S MOST RESPECTED INSTITUTIONS IN 2016.

"SABANCI GROUP MANAGES THE COUNTRY'S LARGEST PORTFOLIO IN THE UTILITIES SECTOR AND CONTRIBUTES TO THE DEVELOPMENT OF THE TURKISH ECONOMY THROUGH ENERJISA.

"AS A RESULT OF SABANCI GROUP'S BROAD-BASED SHARING OF THE PROCEEDS FROM ITS INDUSTRIAL AND ECONOMIC PROWESS BY SUPPORTING SOCIAL PROJECTS AND ARTS VIA THE SABANCI FOUNDATION, IT HAS BECOME ONE OF THE LARGEST FOUNDATIONS ESTABLISHED BY A FAMILY IN TURKEY.

The Sabancı Group in Brief

Sabancı Group companies are market leaders in their respective sectors. Listed on the Borsa Istanbul (BIST), Sabancı Holding has controlling interests in 11 companies that are also listed on the BIST.

54

COMBINED SALES
TL BILLION

11

NUMBER OF SABANCI HOLDİNG SUBSIDIARIES LISTED ON BORSA ISTANBUL

Sabancı Holding is the parent company of Sabancı Group, one of Turkey's leading conglomerates. Sabancı Group companies are market leaders in their respective sectors that include financial services, energy, cement, retail and industrials. Listed on the Borsa Istanbul (BIST), Sabancı Holding has controlling interests in 11 companies that are also listed on the BIST.

Sabancı Group companies currently operate in 16 countries and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America. Having generated significant value and know-how in Turkey, Sabancı Holding has experienced remarkable growth in its core businesses thanks to its reputation, brand image and strong joint ventures.

Sabancı Holding's multinational business partners include such prominent companies as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris. In addition to coordination of finance, strategy, business development and human resource functions, Sabancı Holding determines the Group's vision and strategies.

In 2016, the combined revenue of Sabancı Holding was TL 54 billion (USD 17.8 billion) with operating profit of TL 7,452 million (USD 2.5 billion). The Sabancı Family is collectively Sabancı Holding's major shareholder with 56.44% of the share capital. Sabancı Holding shares are traded on the Borsa Istanbul with a free float of 40.2%, the largest float percentage among holding companies. Depository receipts are quoted on the SEAQ International and PORTAL.

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SABANCI GROUP POSTED TL 54 BILLION IN COMBINED SALES REVENUE WHILE EARNING CONSOLIDATED OPERATING INCOME OF TL 7,452 MILLION IN 2016.

Letter from the Chairman

We have been working with the goal of advancing our country further for more than 90 years with the responsibility of being Turkey's Sabancı.

SABANCI GROUP CONTINUED TO CONTRIBUTE TO THE TURKISH ECONOMY SIGNIFICANTLY WHILE REMAINING AMONG THE MAJOR PLAYERS IN THE ECONOMY AND TURKEY'S MOST RESPECTED INSTITUTIONS IN 2016.

Esteemed investors, business partners and valuable employees,

Sabancı Group continued to contribute to the Turkish economy significantly while remaining among the major players in the economy and Turkey's most respected institutions in 2016.

2016 was a year of challenges and change that witnessed historical turning points for the entire world. It was a year of major change and increasing uncertainty globally alongside the US elections, Brexit, refugee crisis, Syrian conflict, terrorist attacks, and other developments in our region.

The economic outlook was characterized by low commodity prices, low interest rates, weak trade volumes, and lackluster growth. This weak growth period is projected to go on for three more years.

While contracting in Q3, the Turkish economy performed well amid the stagnant global economy. The most striking development in 2016 for Turkey undoubtedly was the coup attempt on July 15. This historically unprecedented threat brought the entire country to the brink of disaster. Our people stood up for democracy in the face of this failed coup attempt that threatened our future. As a result, Turkey woke up to a new dawn.

This period once again reminded us of the importance of taking decisive steps in rule of law, human rights, and solidifying the culture of embracing our differences, which are indispensible elements of democracy. We will continue to support all actions that will foster improvement in these areas in the period ahead.

We have been working with the goal of advancing our country further for more than 90 years with the responsibility of being Turkey's Sabancı. Because we believe that our country and our people deserve the best in everything at all times. Despite the challenges, Sabancı Group had another successful year in 2016 owing to your dedicated efforts.

We took a number of major steps not just for Sabancı Group, but also for contributing to our country's development. The Tufanbeyli Plant, Turkey's largest coal-fired power plant built by the private sector with state-of-the-art and environmentally-friendly technology, commenced operation. We created a groundbreaking, much-needed model in university-industry partnerships in Turkey. We opened the Composite Technologies Center of Excellence, a joint venture of Kordsa and Sabancı University. We unveiled Turkey's first 100% domestic electric bus as part of a partnership between Temsa and Aselsan. In addition, Temsa Otobüs, which has been serving companies in Silicon Valley for years, continues to develop products geared specifically to Silicon Valley at full speed. We contributed to the concrete of Yavuz Sultan Selim Bridge with special ingredients that were produced by Akçansa exclusively for this project. Our companies received many awards in innovation and technology while distinguishing themselves in sustainability.

Our wishes for 2017 are that terrorism ends; rule of law, democracy and universal values prevail; reforms accelerate in every needed area led by education, further narrowing the gap with contemporary norms; and that we overcome all challenges as "us." As we have always done, Sabancı Group will continue to be constructive at all times to realize these wishes while we work hard to generate permanent value.

On behalf of Sabancı Group, I would like to thank all of our employees, business partners, customers and shareholders for their contributions to our successful results in 2016.

Güler Sabancı
Chairman and Executive Member

GÜLER SABANCI
CHAIRMAN AND EXECUTIVE MEMBER

Letter from the CEO

As Turkey's Sabancı, we continue to use technology effectively while contributing to the Turkish economy with innovative and high-value-added products and services. We intend to operate in accordance with this vision, grow profitably and efficiently, and expand into new markets in 2017.

"SABANCI HOLDİNG HAD A SUCCESSFUL YEAR DESPITE THE CHALLENGING ENVIRONMENT IN 2016 WHILE CONTINUING TO SUPPORT TURKEY'S GROWTH AND SOCIAL DEVELOPMENT. THE GROUP'S COMBINED NET SALES REACHED TL 54 BILLION, UP 12% ON THE PREVIOUS YEAR. SABANCI HOLDİNG POSTED TL 7.5 BILLION IN CONSOLIDATED OPERATING INCOME AND CONSOLIDATED NET PROFIT OF TL 2.7 BILLION. FOR THE SAME PERIOD, OUR NON-BANK CONSOLIDATED PROFIT STANDS AT TL 651 MILLION.

Esteemed Investors,

Dear Business Partners and Employees,

2016 witnessed geopolitical uncertainties as well as major social developments such as the refugee crisis and increasing terrorist attacks, in the world and in our region. The global economy was under the spell of the Fed's approach to normalizing interest rates, Britain's vote to leave the EU, and concerns regarding global growth.

2016 was also an eventful year in Turkey. The coup attempt on July 15 failed thanks to our people's standing up for democracy. The Turkish economy was more vulnerable to global developments as a result of the extraordinary period in the aftermath of the coup attempt, terrorism-induced pains, and a heavy political agenda.

Lackluster investment and consumption spending, the negative impact of net exports, and deteriorating consumer and producer confidence weakened growth, as the Turkish economy contracted in Q3 2016 for the first time in many years. We expect 2.4% growth in 2016 after stimulus measures and incentives. The Turkish lira shed 17% of its value against the USD in 2016. Due in part to depreciation, the inflation rate reached 8.5%.

SABANCI HOLDİNG'S PERFORMANCE IN 2016 AND OUTLOOK

Sabancı Holding had a successful year despite the challenging environment in 2016 while continuing to support Turkey's growth and social development. The Group's combined net sales reached TL 54 billion, up 12% on the previous year. Sabancı Holding posted TL 7.5 billion in consolidated operating income and consolidated net profit of TL 2.7 billion. For the same period, our non-bank consolidated profit stands at TL 651 million. We invested TL 4.1 billion in 2016. I thank all of our team for their contributions to these successful results.

Major developments in the Group's strategic business lines and our companies' operations in 2016 can be summarized as follows:

Akbank's total loans topped TL 175 billion while total assets reached TL 295 billion with a 17% increase on the previous year that outpaced the sector average. While continuing to grow strongly, the Bank kept its non-performing loans (NPL) ratio to a very low level of 2.3%. Total deposits rose 16% to TL 173 billion in 2016. Akbank raised its net profit by 50% on the previous year while remaining steadfast to asset quality and enhancing operational efficiency. Focused on integrating digitalization and mobilization trends in its business processes efficiently and effectively, Akbank outpaced the European average in terms of the share of customers using mobile banking. Some 40% of all general purpose loans made in 2016 reached customers through direct channels. Akbank became the best performing bank in terms of price/book value due in part to its high profitability and pioneering operations in the industry.

ZAFER KURTUL

BOARD MEMBER AND CEO

Letter from the CEO

As Sabancı Group, we continue to invest in our cement business to bolster our presence in overseas markets in this industry, and strive to become a regional power.

"

THE TUFANBEYLI PLANT, TURKEY'S LARGEST LOCAL COAL-FIRED POWER PLANT BUILT BY THE PRIVATE SECTOR, WAS PLACED INTO COMMERCIAL OPERATION BY ENERJISA IN 2016.

The Tufanbeyli Plant, Turkey's largest local coal-fired power plant built by the private sector, has commenced commercial operation in 2016. The Bandırma 2 high-efficiency natural gas-fired power plant and Yamanlı hydroelectric power plant also commenced full-capacity operation in 2016. The market leader among private sector producers with 3,600 MW of capacity, Enerjisa's installed capacity mix is comprised of 55% local and renewable energy resources. The Company delivers electricity to 20 million people in 14 provinces after its investments in the electricity distribution segment. Enerjisa increased its performance in generation, distribution and retail supply operations throughout the year. Raising its operating margins thanks to high volume and rising collections, the Company posted net profit of TL 294 million in 2016.

Turkey is the world's fourth largest cement producer as well as the largest in Europe. Sabancı Group's goal is to continue to grow profitably in the cement industry while increasing the value of its cement subsidiaries in the overall portfolio. To this end, we continue to invest in our cement business line, bolster our presence in overseas markets in this industry, and strive to become a regional power. Akçansa and Çimsa, our subsidiaries in the cement industry, continued to lead the Turkish market after successful performances in 2016. Akçansa developed a special product for the Yavuz Sultan Selim Bridge, one of Turkey's major investments in recent years, that has a lifetime of more than a century without any need for maintenance. In the five ready-mixed concrete plants that were designed exclusively for this project, concrete temperature was maintained regardless of weather conditions with the help of ice and heating units. This operation became a standard-setting application in the world. Çimsa, the world's second largest white cement manufacturer, sustained its leadership in the sector and continued to strengthen its presence in the global cement industry with the Afyon Cement Factory that is being built with a USD 165 million investment.

Since taking over Carrefoursa's management in 2014, we have been working diligently to build a more accessible, modern, sincere and profitable brand in the retail industry. 2015 was a year of expansion through a large number of store openings and acquisitions. After this rapid growth phase, we focused on Carrefoursa's integration as well as increased profitability and efficiency in 2016.

Operating under the "Technology for Everyone" philosophy since 2000, Teknosa continued to be Turkey's best known and most preferred technology provider despite increasing competition and challenging market dynamics. Striving to serve its customers in the best way, Teknosa focused on enhancing operational efficiency and service quality while improving customer financing organization and after-sales services in 2016.

The market leader in the private pension sector with 19.4% market share, Avivasa grew 28% on the previous year to reach TL 11.8 billion in assets under management (AUM) including the government contributions. Listed at the end of 2014, Avivasa delivered a 16% return to its shareholders after its second year of trading. Having completed its preparations for the "auto enrollment system" program that was developed to raise Turkey's savings levels, the Company aims to be the market leader in terms of assets under management in auto enrollment.

Achieving growth in the auto insurance and fire insurance segments, Aksigorta posted net profit of TL 71 million in 2016 thanks to its effective profitability and efficiency management. We launched a partnership between Aksigorta and Acıbadem Sigorta as a first in Turkey in 2016. Under this partnership, we share the insurance risk in the health segment while continuing to perform sales and marketing functions. In addition, the Company rolled out the Mining Individual Accident and Parametric Insurance products in 2016.

We opened the Composite Technologies Center of Excellence as a joint venture of Kordsa and Sabancı University in order to develop and manufacture composite, the material of the future.

OUR INDUSTRIAL GROUP INVESTED USD 480 MILLION IN 2016.

We opened the Composite Technologies Center of Excellence as a joint venture of Kordsa and Sabancı University with an investment of TL 100 million in order to develop and manufacture composites, the material of the future. The supplier of reinforcement materials for two out of every three aircraft tires in the world, Kordsa continued to develop products in partnership with companies and universities. The Company, which holds a 30% share of the global nylon cord fabric market, posted net profit of TL 178 million for the year.

The leader in the Turkish tire market with the Bridgestone, Lassa, Dayton, Firestone, Bandag and Energizer brands, Brisa continued its successful operations aimed at providing customized solutions to customers in an easily accessible and sustainability-friendly manner with its culture of innovation within the Company. One out of every three tires sold in Turkey bears the Brisa brand. Lassa, the flagship brand of Brisa, unveiled its first sales location in Portugal in 2016. The Company laid the foundation for a second production plant in Aksaray with an investment of USD 300 million in order to increase its production capacity by 30%.

Temsa Otobüs, which exports buses to 66 countries across the globe, developed Avenue EV, Turkey's first 100% domestic electric bus, as part of a joint venture with Aselsan. A high-performance, efficient and environmentally-friendly electric bus, Avenue EV charges in eight minutes and is capable of covering long distances. Raising eyebrows both in Turkey and in the world with its innovative vehicle designs, Temsa was presented with the first place prize in the "Innovation Sources" category at the Inovalig Awards as part of the 5th Innovation Week organized by the Turkish Exporters Assembly.

We expect the volatility in 2016 to continue in 2017. Political uncertainty in Europe, the rising trend of the US Dollar, rising oil prices, geopolitical risks, the Fed's tightening cycle, and the volatility in capital inflows to emerging markets will continue to weigh on the global economy in 2017. In Turkey, we project that economic growth will mostly come from public sector investments and private sector consumption spending; rising oil and commodity prices will have delayed effects on the current account deficit; and recovery in investments may remain subdued.

In this challenging economic environment, it is essential for the Turkish economy that structural reforms are enacted expeditiously. We believe that a domestic economy that focuses on producing high-value-added products, has expanded its export capabilities, and that is able to compete with other countries at a higher level in the world markets will permanently reach the desired sustainable growth rates and increase social welfare.

As Turkey's Sabancı, we continue to use technology effectively while contributing to the Turkish economy with innovative and high-value-added products and services. We intend to operate in accordance with this vision, grow profitably and efficiently, and expand into new markets in 2017.

I would like to thank all our valued employees, customers, business partners and shareholders for their contributions to our results.

Zafer Kurtul
Board Member and CEO

"

WHILE CONTINUING TO GROW STRONGLY, THE BANK KEPT ITS NON-PERFORMING LOANS (NPL) RATIO TO A VERY LOW LEVEL OF 2.3%. TOTAL DEPOSITS ROSE 16% TO TL 173 BILLION IN 2016.

Board of Directors
(Elected for the Period March 2016-March 2017)

Güler Sabancı
Chairman and Executive Member

Erol Sabancı
Vice Chairman

Sevil Sabancı Sabancı
Board Member

Serra Sabancı
Board Member

Suzan Sabancı Dinçer
Board Member

Zafer Kurtul
Board Member and CEO

Işın Çelebi
Board Member

Zekeriya Yıldırım
Board Member

Nafiz Can Peker
Board Member

Güler SABANCI
Chairman and Executive Member
Güler Sabancı was born in Adana and graduated from the Business Administration Department of Bosphorus University. She worked in various executive positions in the Tire and Tire Reinforcement Materials Group. She currently serves as the Chairman and Managing Director of Sabancı Holding and also the President of the Board of Trustees of Sabancı University, Sabancı Foundation and the Board of Sakıp Sabancı Museum.

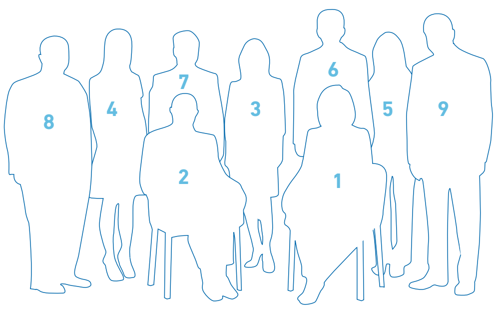
Erol SABANCI
Vice Chairman
Erol Sabancı was born in Kayseri in 1938 and graduated from Manchester College of Commerce in the UK. In addition to his position as the Vice Chairman of Sabancı Holding, he is also the Honorary Chairman and Consultant to the Board and a Board Member of Akbank where he has been serving since 1967. He is married and has two children.

Sevil Sabancı SABANCI
Board Member
Sevil Sabancı was born in 1973 in Istanbul and graduated from the Business Administration Department of Marmara University. She worked in different managerial positions within the Group and served as a Member of the Board from 1997 to 2001. Ms. Sabancı, in addition to her Sabancı Holding Board Membership, is a Member of the Board of Trustees of Sabancı University and the Board of Sakıp Sabancı Museum. She is also a Member of TÜSİAD.

Serra SABANCI
Board Member
Serra Sabancı was born in 1975 in Adana and graduated from the University of Portsmouth. She also graduated from the Department of Economics, Istanbul Bilgi University with honors. She started her career at Temsa. After becoming a Board Member of Sabancı Holding, she participated in the Institute of Directors (IOD) seminars and courses on board membership, mergers and acquisitions in London. In addition to her Sabancı Holding Board Membership, she is a Member of the Board of the Sabancı Foundation and various Sabancı Group companies.

Suzan SABANCI DİNÇER
Board Member
Suzan Sabancı Dinçer is the Chairman and Executive Board Member of Akbank. She holds a BA in Finance from Richmond College in the UK and an MBA from Boston University in the USA. Mrs. Sabancı Dinçer is a Member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board, Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, and the Harvard Business School's Middle East, North Africa, and Central Asia Advisory Board (MCAB). Mrs. Sabancı Dinçer also serves as a Member of Sabancı University's Board of Trustees; Founding Member and Member of the Board of Directors of Endeavor Turkey; Member of Chatham House's Board of Trustees; Patron of Contemporary Istanbul; and Advisory Board Member of Akbank Sanat (Akbank Art Center).

Board of Directors



Güler Sabancı (1)
Chairman and Executive Member

Erol Sabancı (2)
Vice Chairman

Sevil Sabancı Sabancı (3)
Board Member

Serra Sabancı (4)
Board Member

Suzan Sabancı Dinçer (5)
Board Member

Zafer Kurtul (6)
Board Member and CEO

Nafiz Can Paker (7)
Board Member

Doç. Dr. Işın Çelebi (8)
Board Member

Zekeriya Yıldırım (9)
Board Member

Sabancı Holding Management

AUDIT COMMITTEE

Işın Çelebi
Zekeriya Yıldırım

CORPORATE GOVERNANCE COMMITTEE

Nafiz Can Peker
Sevil Sabancı Sabancı
Serra Sabancı
Mevlüt Aydemir
Levent Demirağ

RISK COMMITTEE

Zekeriya Yıldırım
Sevil Sabancı Sabancı
Mevlüt Aydemir

CEO, STRATEGIC BUSINESS UNIT PRESIDENTS

Zafer Kurtul (1)
Board Member and CEO

Ata Köseoğlu (2)
Strategy & Business Development

Barış Oran (3)
Chief Financial Officer

Haluk Dinçer (4)
Insurance

Hayri Çulhacı (5)
Bank

Mehmet Göçmen (6)
Energy

Mehmet Hacıkamiloğlu (7)
Industrials

Meral Eredenk Kurdaş (8)*
Human Resources

CORPORATE MANAGEMENT

Faruk Bilen
Consultant

Mevlüt Aydemir
Consultant

Ömer Bozer
CEO Consultant

Nedim Bozfakıoğlu (9)
Secretary General

Bülent Bozdoğan
Head of Internal Audit and Compliance Management

Levent Demirağ
Head of Tax, Accounting, Legal and Investor Relations

Ahmet Güzeltuna
Chief Advisor, Labor Relations

Eren Mantaş
Director - Financial Planning, Analysis and Investor Relations

Fezal Okur
Director - Strategy and Business Development

Filiz Karagül Tüzün (10)
Director - Corporate Communication

Gökhan Eyigün
Director - Strategy and Business Development

Güven Oktay
Director - Compliance

İlker Yıldırım
Director - Accounting

Olcay Gürdal
Security Coordinator

Ömer Faruk Gönener
Director - Center Management

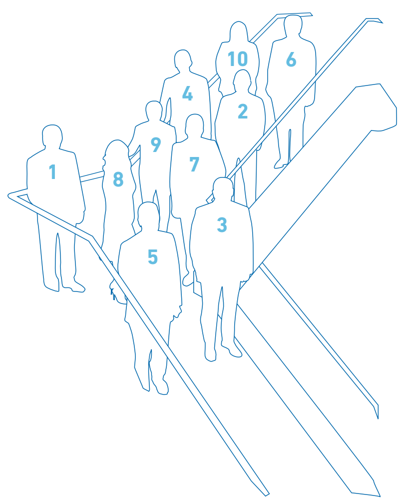
Özlen Sanıbelli
Director - CEO Office

Ruba Unkan
Director - Legal Affairs

Şerafettin Karakış
Director - Tax Management

Taner Aytan
Director - Audit and Ethical Review

Tevfik Eren
Director - Industrials



* *Neriman Ülsever was the Human Resources Group President until January 1,2017.*

Zafer KURTUL
Board Member and CEO
Zafer Kurtul joined Akbank in 1998 as Executive Vice President and served as CEO between November 2000 and June 2009. In June 2009, Mr. Kurtul was appointed Vice Chairman. Prior, he served in executive positions at Citibank, BNP-Ak-Dresdner Bank and Societe Generale. Mr. Kurtul has a bachelor's degree from Istanbul University, Faculty of Business Administration and an MBA in Finance from the University of Wisconsin-Madison. Accredited as a Chartered Financial Analyst (CFA), Mr. Kurtul was appointed CEO and Board Member of Sabancı Group as of July 19, 2010.

Assoc. Prof. Dr. Işın ÇELEBİ
Board Member
Assoc. Prof. Işın Çelebi has a metallurgical engineering degree from Middle East Technical University, a postgraduate degree in the same field from İTÜ and a master's degree in Economics from AÜSBF. After working at the State Planning Organization (DPT) and various companies, he was elected as a Member of the Turkish Parliament and appointed as a Minister. He currently works as a consultant for various major companies. Assoc. Prof. Çelebi has been a Board Member of Sabancı Holding since May 2012.

Zekeriya YILDIRIM
Board Member
Zekeriya Yıldırım was born in 1944. He has a bachelor's degree from Istanbul University in Economics and a master's degree from Vanderbilt University (Nashville, Tennessee, USA). He is the Chairman of Yıldırım Consulting. Previously, he worked for the Turkish Central Bank and the Ministry of Finance and served as a Board Member at Doğan Holding between 2008 and 2010. He is a Member of the TÜSİAD High Advisory Council's Board of Governors. Mr. Yıldırım has been a Board Member at Sabancı Holding since May 2012.

Nafiz Can PAKER
Board Member
Mr. Paker was born in 1942 in Istanbul and received his undergraduate degree from the Technical University of Berlin, MBA from Columbia University and his Ph.D. in Mechanical Engineering from Yıldız Technical University. Beginning in 1971, he assumed top management positions at Türk Henkel A.Ş., working as General Manager from 1984 to 2004. Currently, Mr. Paker still heads B.O.Y. Consulting which he established in 2004. He has served as member of the Sabancı Holding Board of Trustees, Sabancı University Board of Trustees, Dedeman Holding Board of Directors, Golden Horn Ventures Board of Directors, TÜSİAD Board of Directors, TÜSİAD Court of Honor, Istanbul Culture and Arts Foundation Board of Directors, Robert College Board of Trustees, as well as the Chairman of the Board of Directors of the Turkish Economic and Social Studies Foundation between 1997 and 2015. Mr. Paker is currently a member of Inovent Intellectual Property Rights Management, Trade and Investment Co. in addition to serving as the Chairman of the Board of Directors, member of Akbank Board of Directors, and Founding Member of the PODEM Public Policy and Democratic Studies Association.

Vision, Mission Statement and Management Approach

VISION

CREATING SUSTAINABLE ADVANTAGE THROUGH DIFFERENTIATION

MISSION

MANAGING A COMPETITIVE STRATEGIC PORTFOLIO WITH SUSTAINABLE GROWTH POTENTIAL TO CREATE VALUE FOR ALL OUR STAKEHOLDERS

MANAGEMENT APPROACH

RESPONSIBILITY AND TRANSPARENCY

Upholding our core values of modesty, respect and proximity to people, being socially responsible and managing according to the principles of corporate governance

INNOVATION

Creating long-lasting advantages such as brand, technology, design, network and IP

PARTICIPATION

Generating a management approach that promotes participation and collective thinking in the decision-making process

STRATEGIC APPROACH

Managing the present with excellence and shaping our future to ensure long-term advantages

Investor Relations and Dividend Policy

Throughout the year, our Investor Relations Department held a total of 316 face to face meetings at our headquarters in Istanbul, as well as in major international financial centers, including London, New York, Washington, Boston, San Francisco, Los Angeles, Atlanta, Austin, Zurich, Geneva, Frankfurt, Stockholm, Paris, Prague, Warsaw, Copenhagen, Singapore, Dubai and Abu Dhabi.

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SABANCI HOLDİNG MANAGEMENT HAS OPEN AND FREQUENT COMMUNICATIONS WITH ITS SHAREHOLDERS. THE MAIN OBJECTIVES OF INVESTOR RELATIONS ACTIVITIES ARE TO INCREASE SABANCI HOLDİNG'S VALUE FOR CURRENT SHAREHOLDERS AND ATTRACT NEW POTENTIAL INVESTORS.

INVESTOR RELATIONS

Sabancı Holding management has open and frequent communications with its shareholders. The main objectives of Investor Relations activities are to increase Sabancı Holding's value for current shareholders and attract new potential investors. Therefore, Holding management has adopted the principle to share their strategic plans and results in a timely and transparent manner. This is a fundamental principle embodied in Sabancı Holding's corporate structure, with three independent members serving on the Board of Directors.

The investor relations agenda is managed by the Investor Relations Unit within the Finance Division, which handles the daily information flow to the investment community. In 2016, our investor relations team responded to numerous investor and equity research analyst requests by phone, e-mail and postal mail as well as proactively and regularly contacted a comprehensive list of financial institutions with news updates. Throughout the year, our Investor Relations Department held a total of 316 face to face meetings at our headquarters in Istanbul, as well as in major international financial centers, including London, New York, Washington, Boston, San Francisco, Los Angeles, Atlanta, Austin, Zurich, Geneva, Frankfurt, Stockholm, Paris, Prague, Warsaw, Copenhagen, Singapore, Dubai and Abu Dhabi. Consequently, we have achieved extensive coverage locally and internationally. Furthermore, “Sabancı at the City” investor meetings were held in London in March 2016 for the fourth time. Publicly listed Sabancı and Enerjisa companies attended the meeting. Forty-three meetings were held among participating companies, excluding Sabancı Holding. For the first time, high market value Sabancı companies and investor meetings have taken place in New York under the “Sabancı Meets Wall Street” effort. Companies excluding Sabancı Holding conducted a total of 38 meetings.

The Investor Relations Unit aims to pursue close dialogue and relationships with existing and potential shareholders by continuing to deliver the strategic agenda and implementation plans to investors in 2017.

Two industry days (Energy and Insurance and Private Pension Days) were organized in 2016. Respective Group Heads and Company General Managers made presentations to analysts on industry developments and strategies of the companies.

We encourage all investors to contact us at investor.relations@sabanci.com for any questions or requests for information.

DIVIDEND POLICY

Sabancı Holding's current dividend policy, in accordance with Capital Markets Board principles, is to pay out a minimum of 20% of the distributable income on an annual basis. Based on pending projects and the availability of funds, the Board of Sabancı Holding reserves the right to reevaluate its dividend policy each year.

Sabancı Holding Shareholder Structure

Shareholder Name	Nominal Value (TL)	Share in Capital (%)	Voting Right Share (%)
Sakıp Sabancı Holding Anonim Şirketi	287,100,000.56	14.07	14.07
Serra Sabancı	147,160,295.80	7.21	7.21
Suzan Sabancı Dinçer	141,566,960.87	6.94	6.94
Çiğdem Sabancı Bilen	141,566,960.87	6.94	6.94
Others	1,323,009,712.90	64.84	64.84
Total	**2,040,403,931.00**	**100.00**	**100.00**

Percentage of Free Float

In order to reach a more balanced portfolio, investments, primarily in energy as well as in cement and industrials, are under way.

Banking
Akbank **51%**

Insurance
Aksigorta **28%**
Avivasa **20%**

Cement
Akçansa **21%**
Çimsa **41%**

Retail
Teknosa **12%**
Carrefoursa **2%**

Industrials
Kordsa **29%**
Brisa **10%**
Yünsa **36%**

Listed **64%**

Non-listed **36%**

SHARE OF NET ASSET VALUE ACCOUNTED FOR LISTED COMPANIES

The investor relations agenda, in accordance with the Capital Markets Board (CMB)'s Corporate Governance Principles, is managed by the Investor Relations Unit. In 2016, 316 one-on-one meetings were held with investors and analysts; telephone conversations took place with about 350 institutional investors and analysts to answer their questions. In addition, over 100 emails from shareholders were responded to during the year.

LISTED, TRANSPARENT AND ACCOUNTABLE CORPORATE STRUCTURE

Risk Management

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IN ORDER TO MAXIMIZE THE VALUE CREATED FOR SHAREHOLDERS AND TO ENSURE THE SUSTAINABILITY OF THE GROUP, SABANCI GROUP COMPANIES MANAGE POTENTIAL DEVIATIONS IN STRATEGIC AND FINANCIAL TARGETS IN LINE WITH THE GROUP'S RISK TAKING APPROACH BY USING CORPORATE RISK MANAGEMENT PRINCIPLES.

In order to maximize the value created for shareholders and to ensure the sustainability of the Group, Sabancı Group companies manage potential deviations in strategic and financial targets in line with the Group's risk taking approach by using corporate risk management principles.

In the Group subsidiary Akbank, risk management is carried out in conformity with Banking Regulation and Supervision Agency legislation, under the responsibility and supervision of the Bank's Board of Directors. The Board fulfills its oversight responsibility via various committees, such as the Audit Committee, Executive Risk Committee, and Credit Committee. The Bank's risk taking levels are determined by the risk limits that are approved by the Board of Directors. The Bank's executive management is responsible to the Board of Directors to carry out daily activities related to the prescribed risk management processes and risk limits. The Audit Board, Internal Control and Compliance Division and Risk Management Department, which report directly to the Board of Directors, carry out their respective activities in coordination with the execution units. Nationally and internationally accepted risk models and parameters are used to detect, measure, and monitor risks at the Bank. Internal methods and models are continuously developed and enhanced to ensure effective risk management. Under extraordinary circumstances, different scenario assessments are made in order to analyze potential risks the Bank might be exposed to, and emergency plans are prepared. Various techniques to minimize risk are used to limit and to safeguard against the risks Bank is exposed to during the course of its operations.

At the non-financial services companies of Sabancı Group, risks are managed by designated risk management officers under the supervision of company Risk Committees that report to the Board of Directors. Group companies determine potential risks, and list them in order of probability and the size of the loss they might cause. Prioritized risks are monitored by each company's management, Risk Committee and Board of Directors with periodic reporting. Risk management processes that include the measures to be taken are determined, and their implementation and results are monitored.

At the Holding level, subsidiary financial, strategic, operational and compliance risks are also overseen and supervised by the relevant Strategic Business Unit and Finance department as well as the Compliance Management division.

Sabancı Group categorizes risks under these major headings:

Compliance Risks: Risks from legal penalties, and reputation loss and material damage that may arise in case of not complying with specified rules such as applicable laws, other legal regulations, code of ethics, The Company's internal policies and directives, and the like. In order to support the Group subsidiaries to efficiently manage compliance risks within the determined framework, instructional activities are carried out by the Holding's Compliance Management Department.

Financial Risks: Risks that may arise as a result of the Company's financial position and preference. Financial risks include those caused by loans, interest rates, FX rates, cash management, and commodity prices.

Within Sabancı Group, futures contracts are used against foreign currency exchange risk if necessary. Furthermore, in order to prevent any short term volatility that will be caused by FX risk in cash management, using loans in foreign currency for long term investment projects and sectors where it is possible to make foreign currency revenue, or revenue indexed to foreign exchange is preferred. Moreover, our investments are divided into phases and extended over a period of time.

In order to efficiently manage the interest risk of the subsidiaries, interest rates of financial institutions are tracked and Group companies are directed to those institutions that provide the more reasonable rates. Besides bank lending, support is given at the Holding level to make use of corporate bond issuance.

To hedge against commodity price risks, Group companies either develop operational capabilities like dynamic pricing, or take other measures such as using operational or financial derivative instruments.

Strategic Risks: Structural risks may prevent a company from reaching its short, medium or long term goals. Risks arising from planning, business model, business portfolio, corporate governance and market analysis are considered to be strategic risks.

At the Holding level, strategic risks are efficiently managed with a long term dynamic portfolio management approach. The main principle of Sabancı Holding's portfolio management strategy is to focus on sectors where it is possible to create competitive advantage and to use equities in fast growing, highly profitable and sustainable businesses. Activities are carried out at the Holding level to diversify the portfolio according to such criteria as sectors, regions, customer profiles, technology, export, and the like.

Operational Risks: Risks that may arise due to the possibility of loss as a result of Company activities and/or possibility of losses stemming from: (i) fault and negligence caused as a result of failures in a company's control systems; (ii) company management and personnel not acting properly in terms of time and circumstances; (iii) managerial faults; (iv) faults and failures in information technology systems.

With the activities of the Audit Group, Company processes and systems are controlled in order to determine and eliminate these risks.

Brand/Reputation Management Risks: These include: (i) Company losing value as a result of not managing its name and commercial brands efficiently; (ii) decreasing demand in a Company's products and services because of damaged reputation caused by various incidents; (iii) Company losing customers, profit and competitive strength. With a multi-discipline monitoring and management system, risks in the Group's main assets, namely its brands and reputation, are monitored and managed by taking necessary actions.

Reporting Risks: These include: (i) false statements that do not comply with legislative requirements and reporting standards; (ii) not sharing sufficient information in the management reporting; (iii) not measuring and sharing key indicators effectively; (iv) deficiencies in the quality of the reports in terms of timing and detail. Reporting quality is monitored in the audits performed by the Audit Group and independent firms.

External Environment Risks: Risks based on external factors the Company cannot control through its operations and management processes, such as natural disasters; political and economic developments in and outside the country; new decisions made by regulatory authorities in sectors where business activities are subject to public regulation; changes made in competition rules. While maximum measures are taken to eliminate risks, insurance coverage is also secured to cover risks under appropriate circumstances. In 2016, the Holding Risk Committee closely monitored legislative changes that may potentially shape the energy business, which has significant weighting in Sabancı Holding's consolidated financials. One issue monitored in particular is that related to the Third Tariff period, spanning from 2016 to 2020, in the area of retail electric sales and distribution.

Hacı Ömer Sabancı Holding A.Ş. Board of Directors established the Early Risk Detection Committee with a resolution made on April 25, 2013 in order to implement the precautionary risk management in publicly traded companies approach stipulated by the Turkish Commercial Code and the Capital Markets Board. The Committee Chairman is the Independent Member of the Board of Directors Mr. Zekeriya Yıldırım; Committee members are Member of the Board of Directors Ms. Sevil Sabancı Sabancı and Consultant Mr. Mevlut Aydemir. The purpose of the Committee is: (i) to evaluate the early detection, determination of necessary measures, and management processes regarding strategic risks, operational risks, financial risks, compliance risks, reputation risks, reporting risks, external environment risks and all other types of risks that can jeopardize H.Ö. Sabancı Holding A.Ş.'s existence, development and continuity; and (ii) to inform the Board of Directors about these issues in order to make decisions accordingly. In line with its purpose, the Committee identifies and evaluates the risks Hacı Ömer Sabancı Holding A.Ş. is exposed to, monitors them via a reporting system and follows up the measures taken to counteract the risks. Furthermore, risks in subsidiaries' business activities that can have impacts on the Holding's consolidated financial statements and strategic targets are also monitored by the Holding's Risk Committee. The Committee convened six times in 2016 and presented its evaluations for the information of the Board of Directors.

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THE MAIN PRINCIPLE OF SABANCI HOLDİNG'S PORTFOLIO MANAGEMENT STRATEGY IS TO FOCUS ON SECTORS WHERE IT IS POSSIBLE TO CREATE COMPETITIVE ADVANTAGE AND TO USE EQUITIES IN FAST GROWING, HIGHLY PROFITABLE AND SUSTAINABLE BUSINESSES.

SABANCI

Human Resources

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THE AIM OF SABANCI GROUP IN HUMAN RESOURCES MANAGEMENT IS TO DEVELOP AND EXECUTE HUMAN RESOURCES STRATEGIES THAT CREATE VALUE CONSISTENT WITH THE SABANCI VISION AND BUSINESS OBJECTIVES.

The aim of Sabancı Group in human resources management is to develop and execute human resources strategies that create value consistent with the Sabancı vision and business objectives.

The human resources policy and practices in Sabancı Group companies are defined and managed in tandem with creating organizational competencies and skill sets that will support implementation of their business strategies as well as sustainable growth. In addition to reflecting Sabancı values, the Group's human resources management approach primarily aims to add value and foster motivated, innovative employees and teams with high corporate loyalty while proactively responding to the special needs of different business sectors.

The human resources vision and policy are a common denominator across Sabancı Group, among all the various types of companies operating in different sectors. However, the human resources practices are designed to provide flexibility to the specific conditions and needs of each individual company.

TALENT MANAGEMENT

The leaders of Sabancı Group are expected to be individuals that embody Sabancı values, focus on growth, are adaptable to a high-performing culture, who are innovative, team-driven and can integrate with different cultures. They are also required to be in constant search for challenging, resilient and flexible opportunities, embracing a proactive approach to pioneering their best practices and who are can work effectively in ambiguity and within complex structures. These are individuals who can view crisis situations opportunistically, believe in innovation, produce value together, mobilize and inspire their teams, monitor the global economy and wonder about the impact of their business outcomes.

THE YOUNG TALENTS OF SABANCI

In 2016, 39 young employees within the Group companies who had demonstrated high-potential graduated from the Young Talents of Sabancı program after participating in networking opportunities and being exposed to company management via simulation.

SA LAB

During the year, 16 managers graduated from the SA LAB program, which launched in 2016 for mid-level executives. The program will enable them to focus on business intelligence issues that will raise awareness of value-driven management and to see their contribution in the bigger picture.

SA EXE

A total of 11 managers consisting of Executive Managers and Directors participated in the fourth edition of SA-EXE. This program helps executives make effective leadership choices in uncertain and complex situations thereby improving strategic decision-making skills, all supported by simulation.

SALT

The Sabancı Leadership Team (SALT) training program is a significant threshold training for all business leaders who have excelled to the top management levels. This successful program includes participation by managers of the general headquarters and higher positions. During the program, managers confront and face themselves and their leadership qualities which are expected to be shaped by the expectations of Sabancı.

FUTURE FORUMS

The Future Forums program, launched 10 years ago, aims to support a mental transformation that will enable the Sabancı Group to think beyond the sector and market boundaries by adopting a market and customer-focused approach that will support the sustainable growth objective of each activity. The Future Forums, in which the Group companies actively participate, celebrated their sixth term graduation year in 2016.

COMMUNITY MENTORSHIP PROGRAM

The Community Mentorship Program, launched nine years prior, was re-initiated once more in 2016. This type of activity in particular is believed to contribute to the individual development of experienced managers and employees as well as to the formation of the "coaching culture" that helps form the "community that contributes to each other's success."

28TH FLOOR CONVERSATIONS

During the year, the high-potential staff of the Group companies convened with the Holding's top management during specified lunch breaks. Both their talents were introduced while senior management answered their questions and received employee feedback. This was the 14th session of the widely popular luncheons in which 116 talented personnel were hosted.

THE SABANCI GOLDEN COLLAR AWARDS

Sabancı Holding and the Group companies play an important role in many domestic and international projects with regards to incorporating women into the economy and fostering equality in the workplace. The Sabancı Golden Collar Award program, held for the seventh time, addresses the communication of issues that are critical to the community. These issues ranged from equality at work and human capital investment to digitalization and innovation, enterprise and corporate entrepreneurship to market focus and productivity—value-creating categories that should be granted to all employees. Best practices are emphasized and appreciated and awarded as priority targets.

DEVELOPING AND REINFORCING THE ORGANIZATION

The organization, human resources, systems and processes are constantly reviewed and restructured based on evolving needs in order to maintain the Group's success. The performance of high potential employees is monitored and evaluated in line with the Group's current and future needs. Importance is placed on assignment, transfer and rotation applications for the development of personnel and the organization.

TOTAL REWARD MANAGEMENT

By using competitive reward management applications to attract a quality workforce to the Group and increase employee loyalty, personnel are encouraged to take responsibility for the results of their own work. The contribution, success and high performance of staff members are recognized with employees rewarded for the responsibility they bear and the value they add to the organization.

BOOSTING EMPLOYEE MOTIVATION AND LOYALTY

Retaining personnel at the Company, fostering loyalty and, most importantly, creating a passion and excitement for the work increases our competitive edge. One of the most important elements of motivation is employee understanding of the added value they have created and seeing the big picture. The goal is to take note of the suggestions and expectations of the staff and constantly develop loyalty boosting approaches while providing a safe, healthy work setting where ethical values are practiced and the balance between professional life and private life is taken into consideration.

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A TOTAL OF 11 EXECUTIVES CONSISTING OF EXECUTIVE MANAGERS AND DIRECTORS PARTICIPATED IN THE FOURTH EDITION OF SA-EXE. THIS PROGRAM HELPS EXECUTIVES MAKE EFFECTIVE LEADERSHIP CHOICES IN UNCERTAIN AND COMPLEX SITUATIONS THEREBY IMPROVING STRATEGIC DECISION-MAKING SKILLS, ALL SUPPORTED BY SIMULATION.

Banking

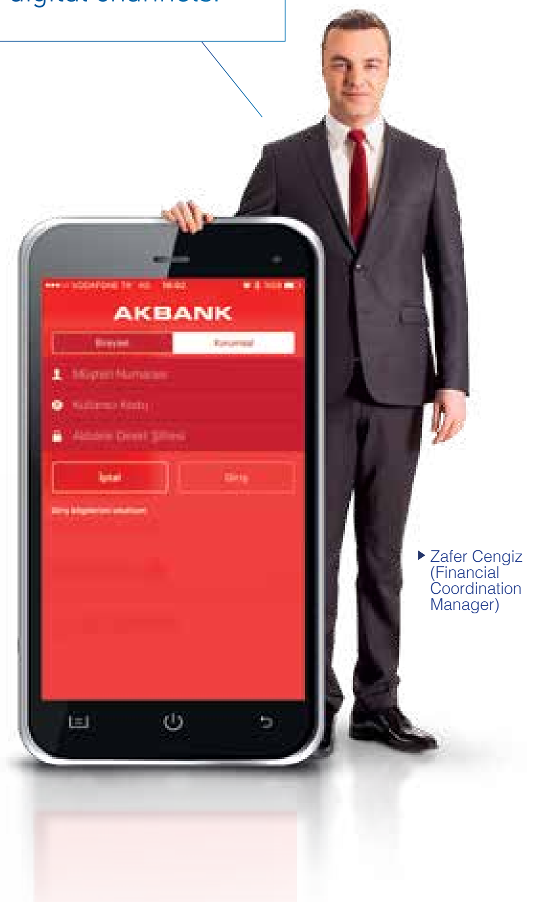
Dynamic, reliable and innovative since day one

Turkey's most valuable banking brand Akbank was voted the Best Bank in Central and Eastern Europe in 2016. Akbank has been striving to render the best service to customers since 1948 as one of Turkey's largest institutions with its robust capital structure, state-of-the-art technology, innovative vision and reliability.

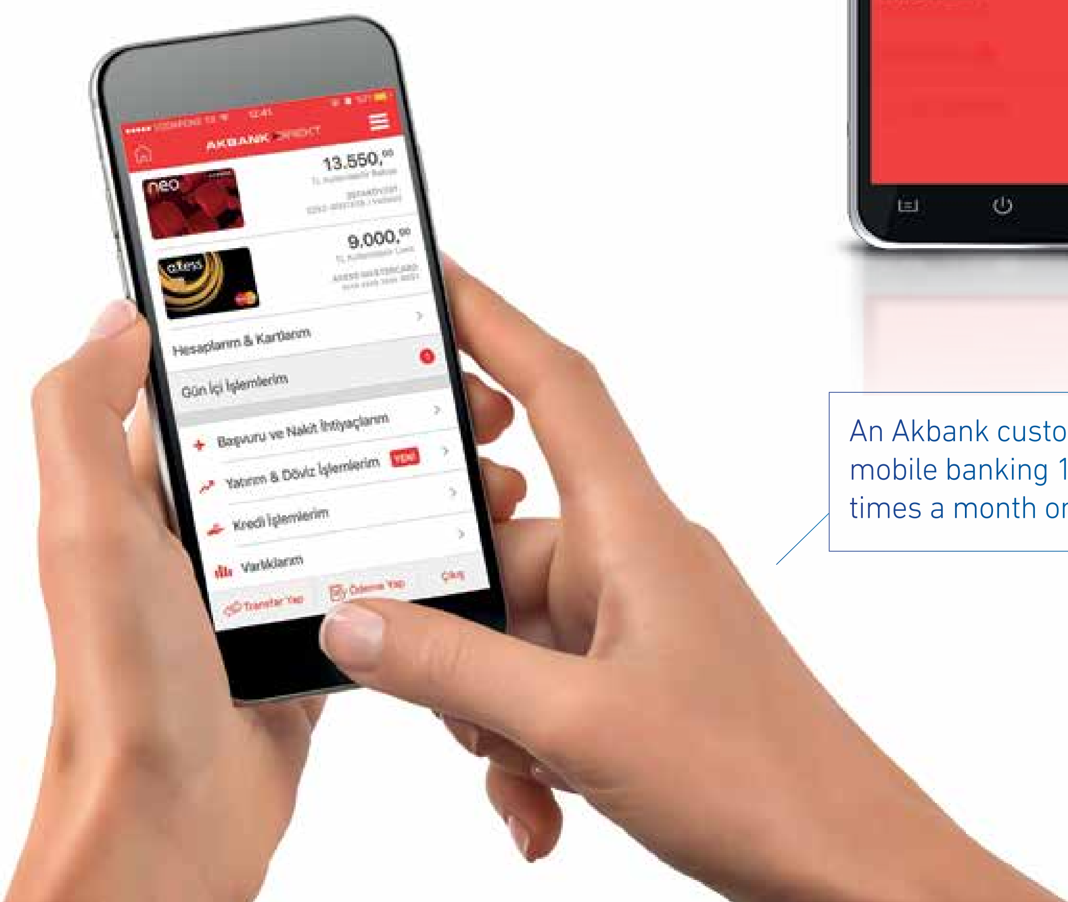
With more than 3 million customers preferring Akbank Direkt, Akbank is one of the world leaders in the market share of customers using only mobile banking.

Evrim Ummak
(Commercial Banking Manager)

Enriching the banking functions we offer on digital channels to our SMEs day by day, we embrace a banking concept allowing them to meet all their needs through digital channels.



Zafer Cengiz (Financial Coordination Manager)



An Akbank customer uses mobile banking 15 to 20 times a month on average.

Banking

AKBANK'S EXTENSIVE BRANCH NETWORK 250 50 10 1 0

STRONG FOUNDATIONS

- √ ROBUST DOMESTIC CONTROLLING OWNERSHIP STRUCTURE
- √ HIGHLY-QUALIFIED HUMAN CAPITAL
- √ TURKEY'S MOST VALUABLE BANK BRAND
- √ LONG-TERM STRATEGIC MANAGEMENT WITH SUCCESSFUL IMPLEMENTATIONS
- √ 841 BRANCHES ACROSS TURKEY AND STATE-OF-THE-ART TECHNOLOGY DISTRIBUTION CHANNELS
- √ THE INNOVATIVE POWER OF TURKEY WITH COUNTLESS FIRSTS IN THE SECTOR
- √ A STABLE AND EXTENSIVE BROAD FUNDING BASE
- √ HIGH RETURN ON EQUITY AND ASSET QUALITY WITH A SUSTAINABILITY-FOCUSED STRATEGY
- √ A ROBUST CAPITAL STRUCTURE WITH A CAPITAL ADEQUACY RATIO OF 14.2%
- √ SUPERIOR ASSET QUALITY AND LOW NON-PERFORMING LOANS RATIO OF 2.3%
- √ HIGH LEVEL OF EFFICIENCY WITH AN OPERATIONAL COSTS/ASSETS RATIO OF 1.6%

EFFECTIVE RISK MANAGEMENT

Since trust is such a fundamental issue in business, especially today, Akbank continues its efforts to calculate and report risk in the most efficient manner, using effective risk measurement methods and techniques. Akbank closely monitors economic and financial developments globally, Basel principles and other international regulatory standards as well as developments in the risk management field; in doing so, the Bank continuously works to improve upon its current practices.

ROBUST CAPITAL STRUCTURE

At USD 8.9 billion, Akbank's free capital is the highest in the Turkish banking industry. Akbank's capital adequacy ratio, at 14.2%, is much higher than the Turkish banking sector's recommended ratio of 12%.

SUPERIOR ASSET QUALITY

The primary requisite for effective risk management is maintaining asset quality. From this perspective, Akbank has always pursued a healthy lending strategy favoring growth with a high-quality portfolio over simply rapid growth. While the ratio of non-performing loans in the Turkish banking sector currently hovers around 3.2%, this ratio stands at 2.3% for Akbank. Furthermore, Akbank currently sets aside 165% provisioning against non-performing loans when general loan loss provisions are taken into consideration.

HIGH GROWTH POTENTIAL

A high level of liquidity and low leverage ratio (9.1x) are Akbank's primary strengths that also support the Company's sustainable, profitable growth.

INTERNATIONAL REPUTATION

Thanks to the high-quality services it provides clients as well as an innovative and dynamic structure that operates effectively in the international banking arena, Akbank continued to figure among the leading business partners of correspondent banks in Turkey in 2016. Breaking more new ground with overseas bond market transactions in 2016, Akbank continued to pave the way for the sector in foreign borrowing. As part of its ARTS DPR Program, Akbank secured USD 1.6 billion in funding in 11 tranches at maturities ranging between 5 and 12 years during 2016. These issuances as a whole became the largest securitization deal ever done in the Turkish banking industry.

In 2016, Akbank's International Banking Department continued to provide clients fast, effective services in foreign trade, payments and investment projects, thanks to a robust correspondent network located across 160 countries. With its large scale credit agreements and long-standing business relationships with export credit agencies, the Bank continued to provide long-term project and investment financing to its importer clients at more competitive prices.

14.2%

Akbank's capital adequacy ratio, at 14.2%, is much higher than the Turkish banking sector's recommended ratio of 12%.

2.3%

The non-performing loans ratio stood at 3.2% across the banking sector as a whole in 2016, versus 2.3% at Akbank.

AKBANK

294.5
TOTAL ASSETS
TL BILLION

4,854
NET PROFIT
TL MILLION

Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective to provide funding to local cotton growers, the Bank opened its first branch in the Sirkeci district of Istanbul on July 14, 1950. In 1954, after relocating its Head Office to Istanbul, the Bank rapidly expanded its branch network and had automated all banking operations by 1963.

Floated to the public in 1990, Akbank shares began trading on international markets and as an American Depository Receipt (ADR) after its secondary public offering in 1998.

Akbank's main operations are corporate – investment and private banking, commercial banking, SME banking, retail banking, payment systems and treasury transactions and international banking services. In addition to traditional banking activities, the Bank's branches provide insurance brokerage services on behalf of Aksigorta A.Ş. and Avivasa Emeklilik ve Hayat A.Ş.

Conducting its activities via the Head Office in Istanbul and 22 regional offices across the country, Akbank has a strong, extensive distribution network composed of 840 branches and approximately 14 thousand employees in Turkey. Aside from the conventional distribution branch channel, Akbank delivers services to over 15 million clients via Akbank Direkt Internet, Akbank Direkt Mobile, Call Center, about 4,200 ATMs, over 460 thousand POS terminals and other high-tech channels.

As a pioneering leader in the field of digital banking in Turkey, Akbank Direkt serves the needs of customers at the most convenient points of contact with the best customer experience. While today's technology goes ahead at full throttle and the needs of customers increase rapidly, Akbank Direkt serves customer needs without the limitation of time and location. Akbank Direkt is also a pioneer in introducing cutting edge technologies to the industry and Turkey.

For more information,
www.akbank.com

AKBANK WAS NAMED "TURKEY'S MOST VALUABLE BANK BRAND" IN THE WORLD'S MOST VALUABLE 500 BANK BRANDS – 2015 RANKING BY BRAND FINANCE FOR THE FIFTH YEAR IN A ROW. IN ADDITION, AKBANK WON BRAND FINANCE'S "TURKEY'S MOST VALUABLE BRAND" DESIGNATION IN 2016, BECOMING THE FIRST BANK IN TURKEY TO WIN THIS TITLE.

To this end, by foreseeing the changes in trends and customer dynamics, Akbank develops new products and channels customized to meet clients' financial needs, rolling out groundbreaking innovations to the Turkish banking sector. While the bank launched such pioneering offerings as Büyük Kırmızı Ev (Big Red House) and iPad Banking Branch in Turkey, it also introduced products and services that are global breakthroughs, including Kredi Makinesi (Loan Machine) and Cep Kredi (Mobile Loan), which allows customers to obtain a loan without having to visit a branch.

The recently-launched Akbank One-Stop Shop Corporate Investment Banking enabled the Bank to begin generating much more effective solutions for investment financing in Turkey. This platform allows Akbank corporate banking clients to receive corporate and investment banking services while easily accessing the experience and expertise of Akbank's subsidiaries, all in one step.

The Akbank Banking Center, which is the highest transaction capacity operations center in Turkey, commenced service in 2010. Equipped with state-of-the-art technology, this complex is positively contributing to Akbank's productivity.

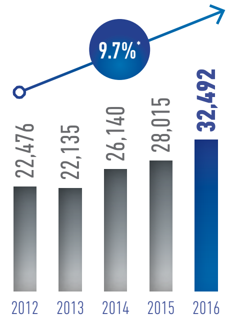
Akbank conducts overseas operations through subsidiaries in Germany (Akbank AG) and Dubai (Akbank Dubai Limited) as well as a branch in Malta. The Bank's other subsidiaries, AkInvestment, AK Asset Management and Aklease, provide non-banking financial services alongside capital markets and investment services.

Equipped with state-of-the-art IT systems and a staff of experienced professionals, Akbank provides top quality services to an extensive portfolio of consumer and corporate banking customers.

Harvard University Kennedy School of Government (Harvard KSG) documented Akbank's highly successful turnaround story and growth strategy in the aftermath of the 2001 crisis in the form of a case study. "The New Horizons Restructuring Program" was implemented after the 2001 Turkish economic crisis, at a time when the Turkish economy and banking industry were desperately searching for ways to leave the crisis behind. The management, changes and growth strategy made Akbank a lecture topic and a reference case on how to manage and grow through times of economic crisis.

SHAREHOLDERS' EQUITY

TL MILLION



* 2012-2016 CAGR

AKBANK

With a robust capital base, reliable deposit structure, ability to raise foreign financing on favorable terms coupled with superior asset quality, Akbank has maintained its leading position in the Turkish banking industry.

OPERATING WITH THE RESPONSIBILITY OF CREATING SUSTAINABLE VALUE FOR THE TURKISH ECONOMY, AKBANK RAISED ITS TOTAL LOANS BY 16.6% TO TL 179 BILLION IN 2016.

In 2016, Harvard University carried out a research study focusing on Akbank's digital banking achievements. The study underlined that digital banking will gain in importance in the future, and that the young Turkish population, with their access to smartphones and the Internet, will shift from using branches to mobile banking. The Harvard research study pointed out the cost related benefits of Akbank Direkt and suggested that automation of transactions would minimize human errors, ushering in a whole new era in banking.

With a robust capital base, reliable deposit structure, ability to raise foreign financing on favorable terms coupled with superior asset quality, Akbank has maintained its leading position in the Turkish banking industry. As of the end of 2016, Akbank reported consolidated net profit of TL 4,854 million (approximately USD 1,387 million) and total consolidated assets of approximately TL 295 billion (USD 84 billion). According to the Bank's Basel III standards, the consolidated capital adequacy ratio of Akbank, standing at 14.2%, is among the highest in the sector.

Operating with the responsibility of creating sustainable value for the Turkish economy, Akbank raised its total loans by 16.6% to TL 179 billion in 2016. Thanks to Akbank's effective risk management policies, the Bank's non-performing loans ratio of 2.3% remains well below the industry average of 3.2%.

Akbank continued to win prestigious awards in 2016, a year where the global business cycle weighed heavily on the banks. Akbank was voted "Bank of the Year in Turkey" by The Banker, winning the sector's most important international award. Akbank also registered major accomplishments for the Turkish banking industry by being deemed the "Best Bank in Turkey" by Global Finance and the "Best Bank in Central and Eastern Europe" by Euromoney. Akbank continues to work with a high level of motivation in an attempt to raise the bar even higher in banking and to create more value.

In addition to these accomplishments, Akbank was reaffirmed as the most valuable banking brand in Turkey for the fifth consecutive year in the international brand valuation company Brand Finance's survey.

For more information,
www.akbank.com

Akbank registered major accomplishments for the Turkish banking industry by being deemed the "Best Bank in Turkey" by Global Finance and the "Best Bank in Central and Eastern Europe" by Euromoney.

Founded in 1996 in accordance with the Capital Markets Law and other applicable legislation to engage in capital markets operations, Ak Yatırım Menkul Değerler A.Ş. (AkInvestment) is a wholly-owned subsidiary of Akbank. On October 15, 2015, AkInvestment was licensed by CMB as a "Brokerage Firm with Broad Authority."

Ak Investment serves retail and corporate clients with its well-experienced sales team, content-rich research reports and customer-oriented service approach. Ak Investment delivers its domestic and overseas capital markets products via central sales teams and branch locations across 11 Turkish provinces, with an innovative and broad-based perspective. Ak Investment offers trading services in Turkish capital markets instruments to domestic retail and corporate clients via the Domestic Sales Department, and to domestic and foreign corporate clients via the Corporate Sales and Trading Department.

AkInvestment increased its stock trading market share by 2.3% and ranked fifth with 5.20% market share in 2016, while the Company's market share on the Derivatives Market (VIOP) soared 94.2% to reach a 6.88% share of the market for fourth place in the sector. In line with its strategies and goals, AkInvestment increased the number of accounts by 14% in 2016 through its branches as well as head office sales staff.

The Research Department regularly issues reports and bulletins in English and Turkish, and delivers these to domestic and foreign investors, playing a key role in customer decision-making.

AkInvestment is the leading market-maker in VIOP in terms of the number of contracts it is a market-maker. The Company is the market leader in equity index options contracts as well as the trading volume leader among market-maker companies in other contracts.

A wholly-owned subsidiary of Akbank, Ak Asset Management was established in 2000 in order to provide capital markets asset management services to institutional and individual investors. The Company's activities include the management of pension funds, private assets and investment funds. Ak Portföy is the sector leader in retirement funds and in terms of total assets managed other than liquid investment funds.

The well-established pioneer of the Turkish leasing sector, Aklease is a 99.99%-owned subsidiary of Akbank, and has conducted business operations since 1988.

Over the last decade, Aklease outgrew the sector by 55% in an uninterrupted expansion drive. Today it supports manufacturing and service companies of varying sizes with 12 branch locations, robust capital base, specialized human resources, vast funding network and transparent management philosophy. Aklease both finances new equipment and machinery investments, and refinances ongoing investments, through high quality, fast, innovative leasing solutions.

The Company has commenced work to revamp its technological platform and software to be compatible with current technology—fast, easy, mobile and open to customer access—facilitating the execution of financial leasing transactions.

Akbank shares are listed on Borsa Istanbul with a free float ratio of 51.1%. The Bank's Level 1 ADRs are traded on the OTC market in the United States. As of December 31, 2016 Akbank's market capitalization stood at USD 9.2 billion.

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AK INVESTMENT SERVES RETAIL AND CORPORATE CLIENTS WITH ITS WELL-EXPERIENCED SALES TEAM, CONTENT-RICH RESEARCH REPORTS AND CUSTOMER-ORIENTED SERVICE APPROACH.

Continuing to make digital breakthroughs, Avivasa offers easier access to insurance.

Merve Öktem
(Specialist / Life Product Manager)

Yıldıray Yıldız
(Broker Sales Manager)

Aksigorta makes a difference with its easy, lean and accessible insurance concept.

Insurance

A concept reshaping the future

Our brand names continue to develop with high brand awareness, and a multiple & strong channel structure. Innovations and special products, particularly in the digital field, move our Group forward to a productive future.

Auto Enrollment system launches. Avivasa boosts targets.

Serdar Öztuna
(Senior Specialist /
Corporate Portfolio Manager)

Insurance

AKBANK'S EXTENSIVE BRANCH NETWORK 250 50 10 1 0

IN TURKEY, ANNUAL NON-LIFE INSURANCE SPENDING AMOUNTS TO USD 124 PER CAPITA.

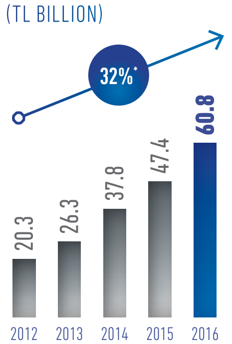
In European countries, total underwritten insurance premiums to GDP amounts to 2.7%, while this ratio is 1.4% in Turkey.

According to Swiss Re, annual non-life insurance premiums per capita in European countries is USD 647, while this figure is about USD 124 in Turkey.

Turkey's insurance industry has posted average annual growth of 19% in the non-life segment and 32% in the pension segment over the last five years.

PENSION FUND SIZE IN TURKEY

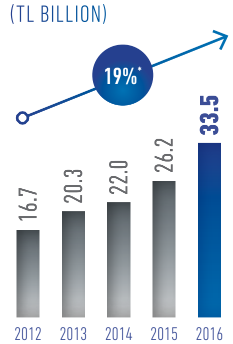
(TL BILLION)



* 2012-2016 CAGR

NON-LIFE PREMIUMS WRITTEN IN TURKEY

(TL BILLION)



* 2012-2016 CAGR

Avivasa is the leader in the pension sector in terms of fund size and net contribution margin. Aksigorta is one of the biggest players among non-life insurance providers in the Turkish market.

MARKET LEADERSHIP

Aksigorta ranked 52nd in the "Turkey's Most Valuable 100 Brands" survey conducted by Brand Finance UK for Capital magazine in 2016, demonstrating that the Company leads the sector with one of the highest brand perceptions.

HIGH BRAND AWARENESS

With Aksigorta's 2,300+ agents and 85 brokers; Avivasa's over 800 financial consultants and branch insurance managers; extensive corporate sales, agencies, and telesales channels, Sabancı Group insurance companies are consistently improving their service levels.

MULTIPLE AND STRONG SALES CHANNELS

Of all insurance premiums underwritten in 2016, a total of 25% were written through the bancassurance channel. Aksigorta and Avivasa have exclusivity arrangements with Akbank, thus providing a sharp competitive edge to these market leaders.

AKBANK, A STRONG STRATEGIC PARTNER

European partners, Aviva and Ageas, support Avivasa and Aksigorta, respectively, in bancassurance, multi-channel management, actuarial and claims management. Additionally, partner support in the reinsurance market also provides competitive advantages.

KNOW-HOW TRANSFER FROM EUROPEAN PARTNERS

AKSigorta

427

SHAREHOLDERS' EQUITY
TL MILLION

1.9

PREMIUMS GENERATED
TL BILLION

SERVICES NETWORK

900+

AKBANK BRANCHES

2,300+

AGENCIES

611

WORKFORCE

For more information,
www.aksigorta.com

With sustainable steps, Aksigorta has worked towards a customer-oriented and innovative vision since its establishment in 1960. Continuing to build upon its strong brand recognition and value with the partnership of Ageas and Sabancı Holding in the Company, Aksigorta maintained profitable growth in the insurance business in 2016.

Serving thousands of individual and institutional clients across Turkey through 16 regional directorates, more than 2,300 independent agencies, 900+ Akbank branches, 85 brokers and 4,900 contracted institutions, Aksigorta has been offering customized value-added solutions to customers for 56 years in accordance with its corporate values. The Company responds proactively to the needs of the marketplace through a portfolio of differentiated products.

Determined to lead the sector with a contemporary and dynamic brand identity, Aksigorta develops innovative, customer-oriented products and services. It ranks as one of Turkey's leading non-life insurance companies with a robust capital structure of TL 427 million in equity capital; it is also a profitable enterprise with TL 1.9 billion in premium generation. Aksigorta serves individual and institutional clients across Turkey with a comprehensive lineup of products, from health, travel, auto and mandatory earthquake insurance to business insurance and liability insurance.

In business for 56 years thanks to an unwavering commitment to its values, Aksigorta got even stronger in 2011 with the partnership between Sabancı Holding and Ageas, a Belgium-based insurance company with more than 180 years of experience. Aksigorta's business strategy is focused on making an increasing contribution to the growth and development of the insurance industry, broadening public awareness about insurance, reaching all segments of society with its insurance products and services, and becoming the leading insurance company.

Possessing a major presence in the bancassurance segment, an increasingly important channel in the insurance industry, thanks to its affiliation with Akbank, another Group company, Aksigorta plans to use this channel more actively by also leveraging Ageas' vast global experience in this area. As part of this effort, the Company made strategic investments in information technology systems infrastructure in 2016.

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SERVING THOUSANDS OF INDIVIDUAL AND INSTITUTIONAL CLIENTS ACROSS TURKEY THROUGH 16 REGIONAL DIRECTORATES, MORE THAN 2,300 INDEPENDENT AGENCIES, 900+ AKBANK BRANCHES, 85 BROKERS AND 4,900 CONTRACTED INSTITUTIONS, AKSİGORTA HAS BEEN OFFERING CUSTOMIZED VALUE-ADDED SOLUTIONS TO CUSTOMERS FOR 56 YEARS IN ACCORDANCE WITH ITS CORPORATE VALUES.

Focusing on customer satisfaction in 2014, Aksigorta made changes in its business conduct and culture in an attempt to offer unprecedented customer experience. As part of culture transformation initiative, the Company updated its vision and mission statements in 2014. Aksigorta's new vision is “To make insurance easy, lean and accessible for everyone” whereas its new mission statement is “To create a unique insurance experience for our customers to support the continuity and ease of life while creating value for all stakeholders.”

Aksigorta, through its Service Center and website, provides 24/7 service in many areas of its business, from submitting and tracking an initial claim to other insurance services. Aksigorta Service Center supports clients with a continuous service approach, starting at the price quote stage and intensifying when there is a claim.

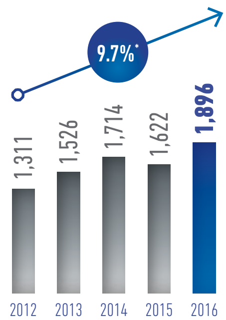
Aksigorta offers extensive assistance service for its auto insurance, home insurance, business insurance packages and health insurance products as part of the agreements it entered into with external suppliers in an attempt to maximize service quality and customer satisfaction. In the auto insurance and health insurance segments, the Company renders the highest quality service in the shortest period of time to customers in every corner of Turkey through an affiliate service network.

Aksigorta continues to be actively involved in social responsibility initiatives. In an effort to educate elementary and middle school children on ways to protect themselves and their loved ones from disasters such as earthquake and fire and to create insurance awareness among them, Aksigorta launched Turkey's first Fire and Earthquake Simulation Center (YADEM) in 1996 and then donated this asset to the Şişli Municipality Science Center Foundation in 2006. In 2015, YADEM was donated to Istanbul Technical University's Science Center. Acting out of its mission of raising insurance awareness in Turkey, Aksigorta teamed up with the Search and Rescue Association (AKUT) to develop a social responsibility project known as “Life Goes On, Turkey” that aims to educate the public at large regarding actions to be taken in preparation for and during natural disasters such as earthquakes and floods.

In 2016, Aksigorta invested in its IT systems and human resources infrastructure while focusing on profitable channels and segments to stand apart from the competition. In continuation of these strategies, the Company is committed to achieving sustainable profitability in 2017.

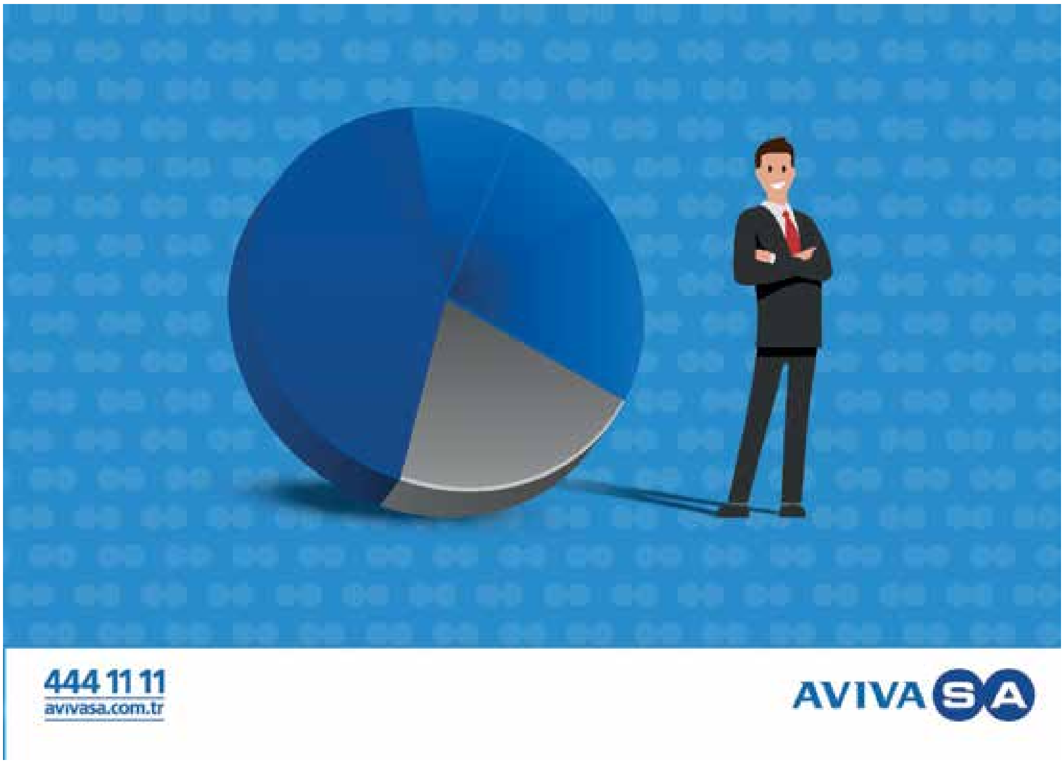
TOTAL PREMIUM GENERATION

TL MILLION



* 2012-2016 CAGR

AVIVASA
Emeklilik ve Hayat



428

SHAREHOLDERS EQUITY
TL MILLION

11.8

ASSETS UNDER MANAGEMENT
TL BILLION

811

FINANCIAL CONSULTANTS AND BRANCH INSURANCE MANAGERS

The Avivasa joint venture was formed in 2007 with the merger of AK Emeklilik, a subsidiary of Sabancı Holding, and Aviva Hayat ve Emeklilik, a subsidiary of UK insurance giant Aviva operating in Turkey. It became one of the leading private pension and life insurance companies in Turkey under the name of Avivasa Emeklilik ve Hayat (Avivasa Pension and Life Insurance).

Conducting its operations through the channels of direct sales, bancassurance, institutional projects, agencies, and telesales, Avivasa serves 2 million customers in the private pension and life insurance sectors. Avivasa's 1,508 strong workforce includes more than 800 financial advisors and branch insurance managers.

In the bancassurance channel, which has gained greater importance in the new dawn of the private pension sector that began as of January 1, 2013, Avivasa is further solidifying its already strong market position thanks to a growing strategic partnership and synergy with Akbank, another Group company. As part of the Company's operations in this channel, Avivasa private pension products are also made available at the branches of Odeabank and ABank, all of which are international players.

In the direct sales channel, Avivasa serves non-banking customers of varying socioeconomic standings through its financial advisors. The agencies channel is another rapidly-growing distribution channel for the Company. The institutional projects channel introduces private pension and life insurance products to Turkey's leading companies while also playing a pioneering role in transferring the trust funds to the Private Pension System. The telesales channel is an efficient way to reach diverse customer segments by offering more affordable products.

For more information,
www.avivasa.com

Avivasa Pension and Life Insurance shares were listed on Borsa Istanbul on November 13, 2014. Not only did Avivasa become the first pension and life insurance company to go public after the introduction of the Private Pension System in Turkey, but with a total TL 1.7 billion market capitalization, its IPO ranked as the largest in Turkey in 2014. Avivasa stock gained 40% following the IPO as of 2016 year-end.

According to Pension Monitoring Center statistics as of December 30, 2016, Avivasa is the leader with a 19.4% market share in pension investment funds and total assets under management (AUM) of TL 11.8 billion including state contributions. These funds are managed by Ak Asset Management, a Sabancı Group company which is one of the leading firms in the asset management industry.

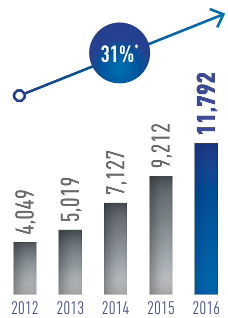
According to 2016 year-end figures published by HAYMER and the Insurance Association of Turkey, Avivasa also generated TL 317.4 million in life and personal accident premiums, corresponding to a market share of 6% in life and accident insurance direct underwriting income among pension and/or life insurance companies.

Avivasa keeps a close watch on the opportunities in the sector and focuses on diversifying its distribution channels while investing in technical infrastructure and customer acquisition initiatives. Thanks to its increasingly well-known and highly recognizable brand name, effective organizational structure, and leadership position in the pension market, Avivasa Pension and Life Insurance is well situated to seize all opportunities in the most effective manner.

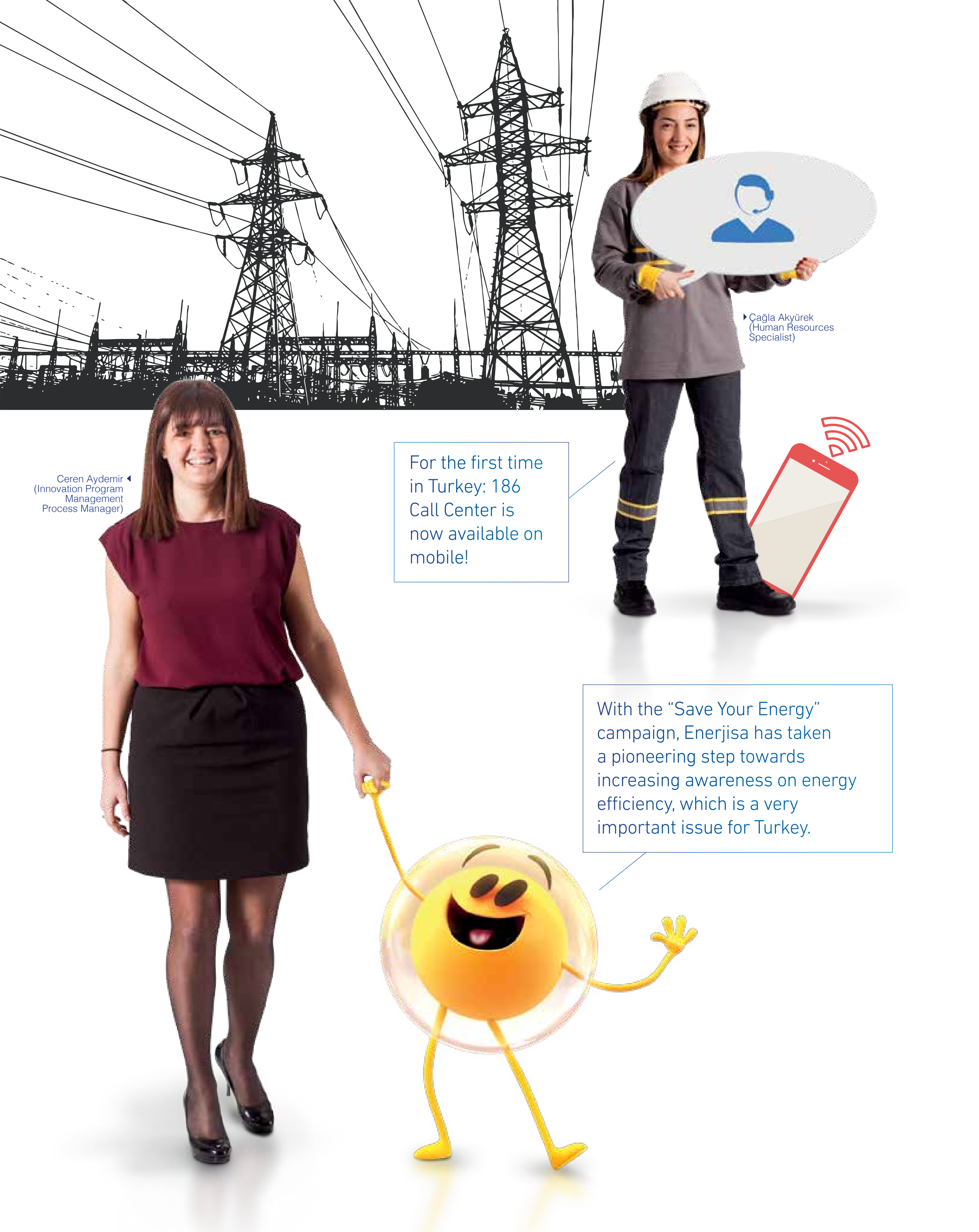
CONDUCTING ITS OPERATIONS THROUGH THE CHANNELS OF DIRECT SALES, BANCASSURANCE, INSTITUTIONAL PROJECTS, AGENCIES, AND TELESALES, AVİVASA SERVES 2 MILLION CUSTOMERS IN THE PRIVATE PENSION AND LIFE INSURANCE SECTORS.

AVİVASA ASSETS UNDER MANAGEMENT

TL MILLION



* 2012-2016 CAGR



Çağla Akyürek
(Human Resources Specialist)

For the first time in Turkey: 186 Call Center is now available on mobile!

Ceren Aydemir
(Innovation Program Management Process Manager)

With the "Save Your Energy" campaign, Enerjisa has taken a pioneering step towards increasing awareness on energy efficiency, which is a very important issue for Turkey.

Energy

Innovative Power of the Sector

Enerjisa is the leading actor in Turkey's growing and developing electricity market. With its competitive strategies, activities focused on customer & market, and investments based on efficiency & technology, all across the electricity value chain.

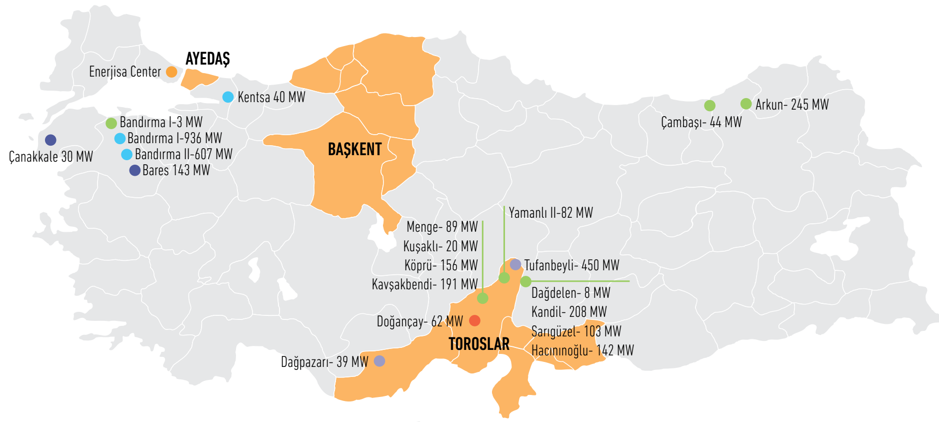
Enerjisa, being sensitive to both environment and climate and aiming to help to people at its core, creates value for all its stakeholders and supports Turkey's economic and social development targets.

Nail Alkan
(Adana & Mersin & Kentsa Power Plant - Shift Supervisor)

SABANCI

Energy

As the energy of Turkey, Enerjisa pioneers the significant transformation in the energy industry.



- Enerjisa Distribution Region
- Wind Power Plant in Operation
- Thermal Power Plant in Operation
- Hydroelectric Power Plant Under Construction
- Hydroelectric Power Plant in Operation
- Natural Gas Power Plant in Operation

GENERATION
- Turkey's largest private sector electricity producer with 3.6 GW installed power
- Natural Gas 1,652 MW (45%)
- Domestic Coal 450 MW (12%)
- Hydro 1,354 MW (37%)
- Wind 212 MW (6%)

TRADE
- The largest trading player in the OTC market with ~ 20 TWh trading volume
- Innovative and leading trade company with new products such as energy derivatives, options and virtual plants

DISTRIBUTION
- 14 cities
- 220,000 km line
- 10.5 million users
- TL ~ 4.1 billion asset base

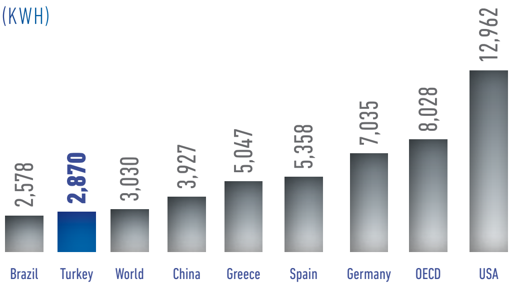
SALES/DESIGNATED SUPPLIER
- 20 million population
- 9 million customers

ENERJİSA HAS BEEN CREATING VALUE FOR ALL ITS STAKEHOLDERS FOR 20 YEARS WITH ITS INNOVATIVE PRACTICES BASED ON EFFICIENCY AND COMPETITIVENESS IN ALL BUSINESS AREAS FROM PRODUCTION TO DISTRIBUTION, FROM TRADE TO RETAIL SALES IN TURKEY'S GROWING AND DEVELOPING ELECTRICITY INDUSTRY.

Turkey's electricity industry is one of the most dynamic electricity markets of the world in parallel to economic growth, industrialization and urbanization. Meeting the energy demand in a secure, continuous, efficient, competitive and environmentally and socially sustainable manner is a priority for Turkey where the electricity consumption per capita is at approximately one-third of the OECD average. It is important to continue efficiency based strategies and and take steps to foster competition, in all areas of the value chain from generation to transmission and distribution networks, and from trade to retail sales.

ELECTRICITY CONSUMPTION PER CAPITA

(KWH)



Source: International Energy Agency, net consumption data

With the strength from its shareholders, Sabancı Holding and E.ON, Enerjisa is the leading player in Turkey's growing and developing electricity market; with its balanced and large portfolio aiming to create value for all its stakeholders all across the electricity value chain, its customer and market oriented business models, its efficiency and technology based generation and distribution investments, and its competitive strategies.

2016 AWARDS
- √ The ONE Awards - The Brand That Increased Its Reputation The Most Award
- √ Capital – 8th time The Best Company of the Energy Industry
- √ Stevie Award – Silver Stevie Award for the "I'm Protecting My Energy" project in the category of "The Social Responsibility Program of the Year in Europe"
- √ Capital - Turkey's 13th Largest Company in Capital 500 Survey
- √ Effie Award - Enerjisa New Brand Launching Campaign - Silver Effie Award
- √ TEGEP Learning and Development Program – The Best Talent Development Process Award
- √ 7th Energy Summit of Turkey - Golden Voltage and Golden Valve Award for its remarkable activities in social responsibility projects
- √ A.ON Best Employer - Enerjisa Sales and Distribution Companies Best Employer Award

THE LARGEST GENERATION PORTFOLIO IN TURKEY'S PRIVATE SECTOR WITH APPROXIMATELY 3.600 MW

Using efficient and environment friendly technologies in its generation portfolio, Enerjisa contributes significantly to energy security and competitiveness with its flexible and balanced portfolio which can adapt itself to market conditions.

CUSTOMER ORIENTED TECHNOLOGIES IN DISTRIBUTION

With Başkent, Ayedaş and Toroslar Electricity distribution companies Enerjisa has approximately 25% market share in the distribution industry. Başkent Electricity Distribution Company is the first distribution company in Turkey to integrate distribution processes with an expertise resource planning software and to create an integrated information systems infrastructure. Ayedaş and Toroslar EDAŞ continue their activities to reach high standards through their investments focused on technology, people, solutions, innovation and efficiency. For the 2016-2020 period Enerjisa plans to make TL 1 billion in distribution investment on average per year.

SAVING ENERGY FOR TURKEY'S FUTURE

Enerjisa launched a saving campaign for households in 2016 with the "Save Your Energy" movement. Offering advice on its website and via mobile applications to household customers, Enerjisa also guides customers to make savings based on the collaboration activities.

ENERGY TRADE AND COMPETITIVE PRODUCTS

With an electricity trade volume of more than 20 TW-hour, Enerjisa trades physical and financial products under international framework agreements such as EFET and ISDA. Furthermore, Enerjisa offers structured new commercial products like balancing services and market access. As part of this effort, carbon trade of 500,000 tons per year, cross-border trade of 150 GW-hour, balancing group management of a 20 TW-hour portfolio, natural gas storage and virtual power plant agreements are being executed.

SUSTAINABILITY IN 4 ASPECTS

Enerjisa considers the concept of sustainability in four pillars: environment & climate, human resources & social aspect, energy supply security, and financing.

Shaping its way of doing business according to financial sustainability requirements, Enerjisa takes environmental and social factors into account in its investment decisions and operations. Enerjisa safely operates environmentally friendly and highly effective production units for the continuity of life and sustainable energy.

Employing 9,700 people in 22 cities, Enerjisa deems investing in people as one of its main priorities, and aims to provide a safe, sustainable, culturally diversified, fair, equitable and enjoyable working environment for its employees.

Enerjisa continuously reviews and improves its occupational health and safety processes and actions, makes sure its employees from all levels of the organization and its shareholders participate and cooperate in occupational health and safety practices.

PIONEERING IN STEPS FOR LIBERALIZATION OF THE ENERGY SECTOR

Enerjisa plays a pioneering role in relevant steps towards further competitiveness of Turkey's electricity sector. Enerjisa supports the efforts for strengthening efficiency and sustainability, as it considers the importance of issues such as: liberalization of the electricity and natural gas industries, increasing market depth, growing trade volumes, establishment of the exchange market, and development of financial instruments that provide support for these.

LEADER IN TECHNOLOGICAL TRANSFORMATION OF THE ENERGY INDUSTRY

Enerjisa effectively utilizes technology in its projects and processes. Growth in customer oriented solutions and offering innovative and customized services and solutions to customers are among the prioritized targets of Enerjisa.

PRACTICES AND PROJECTS THAT CREATE VALUE FOR SOCIETY AND PEOPLE

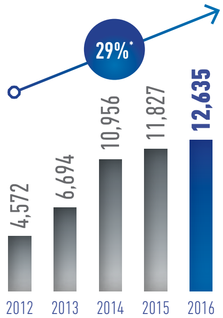
Enerjisa develops social projects that create value for the regions where it carries out activities and contribute to social development and environmental protection. Enerjisa also contributes to education and development of students through its corporate social responsibility projects.

With the slogan "I'm protecting the energy of the world!", Enerjisa organizes "Energy Efficiency Trainings" for elementary school children, and explains the importance of energy efficiency. Enerjisa has renovated 154 schools in total in eight cities as part of school renovation efforts in the regions where it has electricity generation operations.

ENERJİSA

SALES

TL MILLION



* 2012-2016 CAGR

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ENERJİSA AIMS TO CREATE VALUE FOR ITS SHAREHOLDERS, CUSTOMERS, EMPLOYEES, SUPPLIERS AND THE COMMUNITY BY CAPITALIZING ON OPPORTUNITIES WITHIN THE INDUSTRY.

For more information,
www.enerjisa.com

Turkish electricity industry’s pioneering and leading corporation Enerjisa manages the country’s largest portfolio in the growing and developing Turkish electricity market’s four main business segments: electricity generation, trading, distribution and sales. Enerjisa carries out these activities, which pose different dynamics and also create integrated value, with the principle of efficient and dynamic portfolio management and focusing on competitiveness, sustainability, human and operational excellence. Thus, Enerjisa creates value for all its stakeholders, especially energy consumers, and supports Turkey’s economic and social development targets.

Managing a dynamic and large portfolio across all segments of the electricity value chain, Enerjisa conducts its electricity generation, trade, sales, distribution and natural gas operations via companies under the umbrella company Enerjisa Enerji A.Ş.

Sales of Enerjisa companies totalled nearly TL 12.6 billion in 2016.

With its brand carrying the color of light and happiness and with its solutions developed specifically for the evolving needs of its customers, Enerjisa aims to reshape the relationship between the Turkish people and electricity. Enerjisa, as “The Energy of Turkey,” launched the “Save Your Energy” campaign in 2016 and has taken a pioneering step towards increasing awareness on energy efficiency, which is a very important issue for the Turkish energy industry. Just like the world’s leading companies, Enerjisa continues to develop innovative products and services through advanced technology.

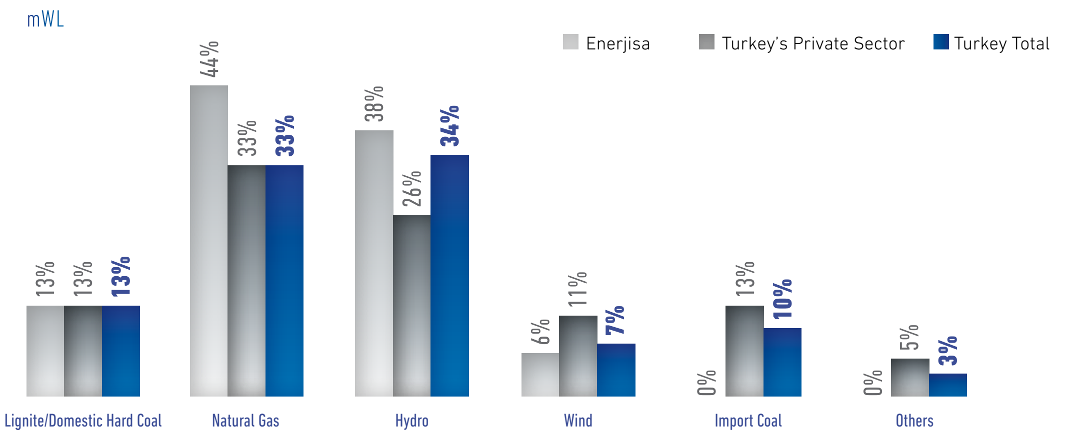
Electricity Generation Activities

Enerjisa commissioned Tufanbeyli Power Plant, Turkey's largest domestic lignite power plant built by the private sector; high-efficiency Bandırma 2 Natural Gas Power Plant; and Yamanlı Hydroelectric Power Plant in 2016. As of end-2016, Enerjisa's share of installed capacity in Turkey has increased to 4.5% while the Company's share of installed capacity among active private sector players in the free market has risen to over 7%.

Enerjisa has realized important momentum in local energy resource investments, which are of great importance in terms of strengthening Turkey's energy security and decreasing the current account deficit. Enerjisa creates value by means of its diversified, efficient and competitive energy generation portfolio. Enerjisa, with a 55% share of domestic and renewable resources within the installed capacity, contributes significantly to sustainability and and the target of decreasing the current account deficit in Turkey.

ENERJİSA HAS ABOUT 3,600 MW OF INSTALLED CAPACITY WITH THREE COMBINED CYCLE NATURAL GAS POWER PLANTS, 12 HYDROELECTRIC GENERATION PLANTS, THREE WIND POWER GENERATION PLANTS AND ONE LOCAL LIGNITE POWER PLANT.

BREAKDOWN OF TURKEY'S AND ENERJİSA'S PORTFOLIO BY RESOURCE TYPE (%)



ENERJİSA

Electricity Trade Activities

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ENERJİSA WHOLESALE COMPANY PERFORMS THE ROLE OF OPTIMIZATION. THE COMPANY HAS DEVELOPED NUMERICAL MODELS THAT ARE USED IN THE ESTIMATION AND ANALYSIS OF ELECTRICITY MARKET VARIABLES AS WELL AS WHOLESALE TRADE, CONTRIBUTING TO ENERJİSA'S SHORT AND LONG TERM DECISION-MAKING AND STRATEGIES.

Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. (Enerjisa Electricity Wholesale) handles electricity energy and capacity activities; performs day-ahead, intra-day and balancing market operations; executes the generation optimization of the plants; and provides the electricity supply of Enerjisa Sales. Enerjisa provides new structured commercial products such as market access and balancing services to the other market participants in various portfolios. As a part of the target of becoming a regional player through cross border electricity trades with Greece and Bulgaria, Enerjisa also utilizes other cross border business opportunities.

With the development of carbon credit of Enerjisa's renewable electricity power plants and the trading of certified carbon credits, it also takes part in the carbon market.

Enerjisa also makes use of its electricity market experience in gas sales and supply transactions which are made through Enerjisa Gas Company. In order to manage the related transactions optimally, it performs value optimization and plays an effective role in the development of Turkey's gas industry.

Enerjisa handles the largest electricity and natural gas trade volumes in Turkey's commodity markets.

Electricity Sales Activities

"

DURING THE PROCESS OF THE LIBERALIZATION OF THE ELECTRICITY SALES MARKET, ENERJİSA DEFINES BOTH CUSTOMER AND MARKET NEEDS WHILE SUPPORTING EFFORTS TO REDUCE ELIGIBLE CUSTOMER LIMITS TO ZERO AND ENHANCING THE COMPETITVENESS OF THE MARKET.

Improving the quality of customers' lives and providing world class services lie at the center of Enerjisa's services. Enerjisa started a new customer-oriented era in the electricity industry of Turkey in 2015 and has pursued its efforts in this direction throughout 2016.

While raising energy conservation awareness across Turkey with its "Save Your Energy" movement, Enerjisa also continues to invest in developing solutions across a wide spectrum - including digital channels, technology and product development - that will create value for its customers.

As the designated supply company operating in three regions, Enerjisa Sales also operates as a supplier for free customers throughout Turkey, supplying electricity to about 20 million people. Performing electricity sales to end customers through companies with electricity supply licences, Enerjisa is one of the largest suppliers in the market.

Enerjisa reaches out to customers in their homes and workplaces through large site teams. The Company provides high quality services to its customer base with an extensive network of Customer Services Centers, Authorized Payment Points and a Call Center that is reachable 24/7. In today's digital world, the Company provides solutions online and on mobile platforms, delivering the best customer experience and that are suitable for everyone's needs and habits.

Enerjisa uses the most advanced information systems hardware and application infrastructure in the electricity sales sector, based on the realized capital investments to date. Enerjisa defines both customer and market needs while supporting efforts to reduce eligible customer limits to zero and enhancing the competitiveness of the market.

For more information,
www.enerjisa.com

Electricity Distribution Activities

After winning the first privatization tender for electricity distribution and taking over Başkent Elektrik Dağıtım A.Ş in 2009, the Company took over İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (AYEDAŞ) and Toroslar Elektrik Dağıtım A.Ş. (TOROSLAR EDAŞ) in 2013. As a result, Enerjisa provides electricity access in distribution for population of 20 million. Enerjisa distribution companies perform distribution operations in 14 provinces (İstanbul Anatolian Side, Ankara, Kastamonu, Zonguldak, Bartın, Karabük, Çankırı, Kırıkkale, Adana, Gaziantep, Hatay, Mersin, Kilis and Osmaniye) under the Başkent, Ayedaş and Toroslar regions.

In distribution, new tariff parameters related to the 2016–2020 period were defined by EPDK at end of 2015 and visibility for coming years has been established. Enerjisa aims to continue its pioneering role in this new tariff period with its important investments in expansion and renewal of the distribution grid, efficiency-oriented operations and efforts to increase customer satisfaction.

Enerjisa distribution companies continue maintenance, repair as well as capital investments to improve the distribution grids in 14 provinces while also developing R&D projects for the future distribution grid. Enerjisa continues its studies to provide solutions for the new energy future. KRİTA, Unmanned Aerial Vehicle, SEAS as well as many different smart grid projects are among the projects towards this aim.

As Turkey's first smart city project with a planned budget of TL 3.6 million, KRİTA (Management of Critical Infrastructure in Smart Cities) is conducted with the cooperation of Toroslar EDAŞ and the Metropolitan Municipality of Gaziantep with R&D funds of EPDK; its implementation is scheduled for completion in 2017. The project scope includes electricity infrastructure improvement, installation of solar energy generation systems in the parking area, start-up of a pilot system for energy storage and installation of infrastructure for an electric charging system. In addition to these systems, the project features a smart lighting application that has noise and motion sensors in the parking areas.

The Unmanned Aerial Vehicle (UAV) project, exclusive to the electricity distribution sector whose site field tests were carried out in 2016, has produced a domestic prototype. The UAV project aims to identify the location and type of the malfunction in electricity lines in distribution grids and provide energy supply faster. This project ensures to improve occupational health and safety, quality of the services and working efficiency in challenging circumstances.

SEAS (Smart Energy Awareness Systems) is the first European Union project of Turkey's electricity distribution sector. The first micro-grid display of the project was put together under the leadership of Başkent Dağıtım. This project aims to develop devices that will enable controlling, monitoring and estimation of energy consumption, avoiding inefficient and unsustainable energy consumption.

The Turkey Smart Grids 2023 Vision and Strategy Formulation project (TAŞ2023), conducted with EPDK support and coordinated by Başkent EDAŞ, aims to set a road map that will define the methodology, processes and calendar in detail for transition to a cost-effective smart grid, for enabling active participation of customers to the electricity market; supporting efforts to increase the share of renewable energy in power generation; improving system efficiency and energy quality.

Enerjisa aims to provide distribution services at European standards to its distribution system users in Başkent, Ayedaş and Toroslar distribution regions with grid investments, SCADA, GIS, Automatic Meter Reading System, Workforce Management System, SAP-based new information system infrastructure projects and R&D studies.

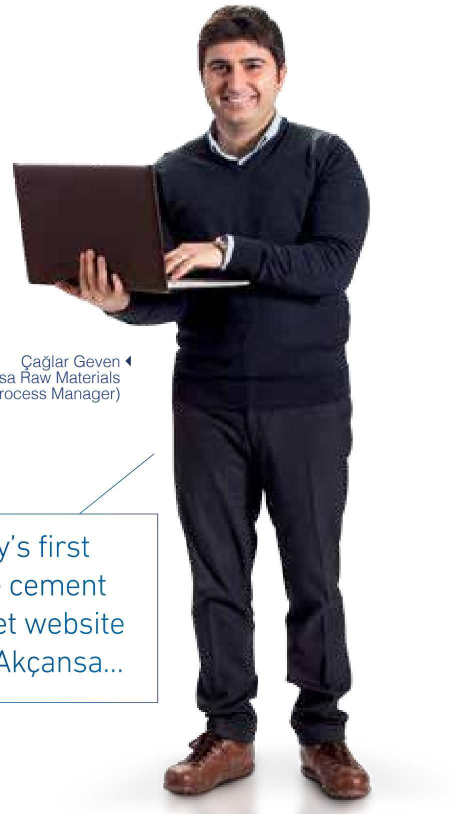
Başkent Ayedaş Toroslar

"SERVING 14 PROVINCES, ENERJİSA PLAYS A PIONEERING ROLE IN DISTRIBUTION WITH ITS PEOPLE-, SOLUTIONS-, INNOVATION- AND EFFICIENCY-ORIENTED INVESTMENTS TO PROVIDE SUSTAINABLE, QUALITY SERVICES.


Save Your Energy

One of the world’s leading brands in white cement: Çimsa

Mehmet Akif Albayrak
(Çimsa Marmara Terminal Manager)



Çağlar Geven
(Akçansa Raw Materials Process Manager)

Turkey’s first online cement market website from Akçansa...

Hayri Pirgon
(Akçansa Marketing Process Manager - Ready-mixed concrete & Aggregates)

With a special product, Akçansa put its signature on the world’s widest bridge “Yavuz Sultan Selim”

In order to reach the target of zero accidents, Çimsa carries out activities for infrastructure, documentation and practices in the field of globally recognized occupational health and safety.

Münip Kesgin
(Çimsa Kayseri Factory Environment and Waste Technical Specialist)

Cement

Progress with solid innovation

Our strong cement brands continue to rise with a market-driven approach and wide distribution networks. Our cement group is continuously expanding its borders with innovative applications.

CONCRETE IDEAS **PROJECT** COMPETITION

An innovative competition from Akçansa

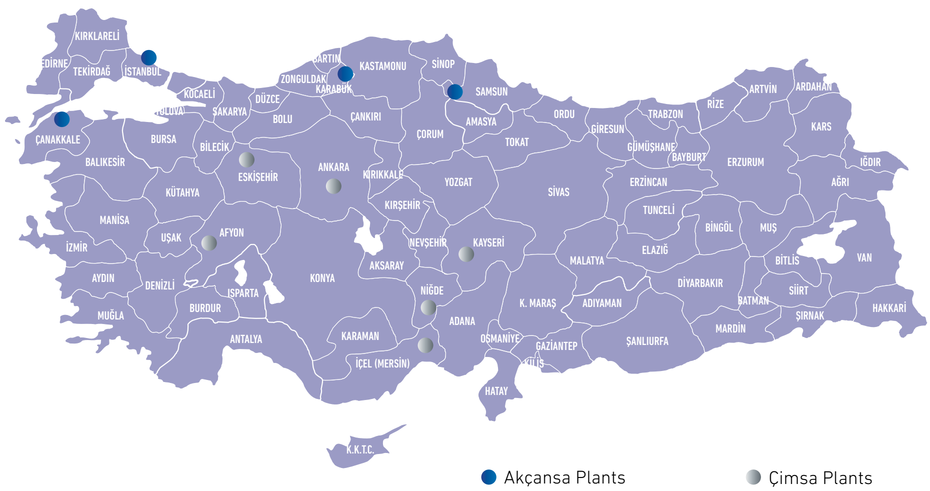
Dilara Şenyürek (Akçansa Production Engineer)

Selin Ayan (Çimsa Environment Manager)

CDP Turkey Climate Leaders Award goes to Çimsa

SABANCI

Cement



SABANCI GROUP CEMENT COMPANIES STAND APART FROM THE COMPETITION, PARTICULARLY IN EXPORTS, WITH THEIR PORTS AND TERMINALS.

The Turkish cement industry is Europe's largest and the world's fifth biggest manufacturer. In terms of exports, leaving many important manufacturers behind, the Turkish cement industry figures among the top exporters globally.

Cement consumption per capita in developing countries generally increases more than, or in parallel to, GDP per capita.

In Turkey, as a result of 5% average growth in cement consumption over the last decade, cement consumed per person amounted to 870 kg in 2016.

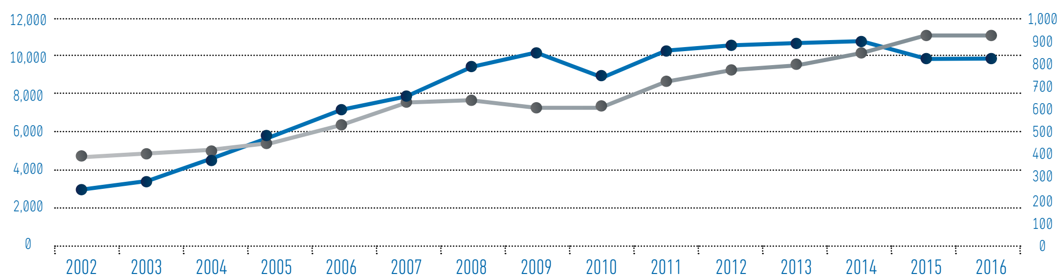
The young population, growing number of infrastructure projects and targeted urban transformation in Turkey will continue to increase the demand for cement.

Turkey was one of the largest exporters of cement in 2016 with 13 million tons of cement and clinker being exported.

DOMESTIC CEMENT DEMAND INCREASES IN LINE WITH GROWTH IN GDP PER CAPITA.

GDP per Capita (USD) *(right axis)*

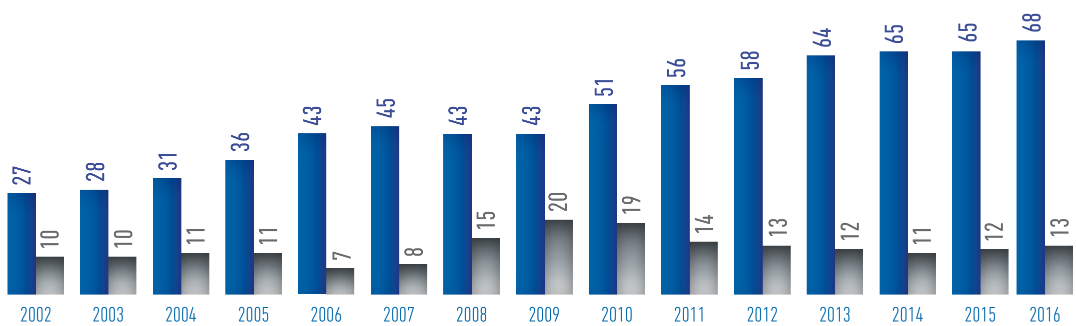
Cement Consumption per Capita (kg) *(left axis)*



DOMESTIC CEMENT DEMAND CONTINUES ITS STEADY GROWTH BASED ON SOLID GROUND.

Domestic Consumption (million tons)

Cement and Clinker Export (million tons)



MARKET LEADERSHIP

The Sabancı Group cement companies comprise 16% of Turkey's clinker capacity. The companies are in market leading positions in the main regions where they operate.

Çimsa aims to boost its presence in domestic and global markets with investments in the Afyon Cement Factory, the Eskişehir White Clinker Production Line and capacity increases in Niğde.

SUSTAINABILITY

The Mikroalg project, a major R&D and innovation effort executed in cooperation with TÜBİTAK and Çanakkale 18 Mart University, garnered a Low Carbon Heroes Award at the Third Istanbul Carbon Summit.

Akçansa's "My Neighborhood Social Responsibility Project" has started contributing to the development of mothers-fathers and their children, producing solutions to problems they face. The Company aims to reach 15 thousand students and their parents by the end of the 2016-2017 school year.

Akçansa has joined the Vocational Schools Coaches Program in cooperation with the Private Sector Volunteers (OSGD) to contribute to the professional and individual development of vocational school students. The Samsun volunteers, who have completed their training in the program, will provide guidance to Samsun Atakum Vocational School students for a two-year term to prepare them for professional life.

In 2016, Çimsa invested USD 11 million in the area of sustainability.

Çimsa has presented the work it has done to reduce the impact of climate change and preserve natural resources in its CDP climate change report. The Company achieved an "A" grade, a first in the cement sector.

The cafeteria building built at the Çimsa Eskişehir Factory also recorded a first in the sector by earning LEED Platinum Standard certification.

In 2016, the Çimsa Eskişehir Factory increased the use of alternative fuel in its Second Furnace up to 33%.

A BROAD OPERATION NETWORK

The Sabancı Group cement factories conduct operations with an excellence in service approach in five different regions: Marmara, Mediterranean, Central Anatolia, Black Sea and Aegean.

LOGISTICAL ADVANTAGES

The Marmara Ereğlisi, Trabzon and Derince cement terminals, newly added to Akçansa's sales network, provide advantages in operational flexibility. With the logistical capability provided by the Çanakkale port, products and services are supplied to many different locations like the US, Western Africa countries and the Mediterranean Basin. Çimsa also has an advantage in exporting with seven terminals in international locations and specialized products.

DISTINCTIVE PRODUCTS

Akçansa produced the specialty product 100+Beton under the Betonsa brand—which has the durability to withstand over 100 years without needing maintenance and can be used for centuries—for the Yavuz Sultan Selim Bridge. This product was officially recognized with the Excellence in Concrete Award it won in the "Infrastructure" category of the ACI Excellence in Concrete Construction Competition, where the most innovative products in concrete are highlighted by the American Concrete Institute.

Çimsa, Turkey's largest white concrete producer, operates as a true global player in exports with its internationally located terminals. Çimsa is the first cement company in Turkey to obtain the Environmentally Friendly Product certification after an evaluation of its product specifications and production processes.

In 2016, Çimsa started a new campaign called "The Name of the Formula." This campaign provides a structure that makes segment specific recipes focusing on each sector's needs possible for business partners rather than product portfolios that are comprised of a single product.

"

OPERATING ADVANCED TECHNOLOGY EQUIPPED FACILITIES WITH EXCELLENCE IN SERVICE APPROACH, AKÇANSA POSTED RECORD SALES FOR DOMESTIC CEMENT AND CLINKER AT 6.3 MILLION TONS. THE COMPANY'S INTERNATIONAL CEMENT AND CLINKER SALES AMOUNTED TO 1.5 MILLION TONS.

1,461

TOTAL SALES
MILLION TL

287

NET PROFIT
MILLION TL

7

CLINKER CAPACITY
MILLION TONS/YEAR

For more information,
www.akcansa.com

Formed with the merger of Akçimento and Çanakkale Çimento in 1996, Akçansa is the leading cement producer in Turkey. The Company is a Sabancı Holding and Heidelberg Cement joint venture.

Operating in the Marmara, Aegean and Black Sea regions of Turkey, Akçansa produces cement at its Istanbul, Çanakkale and Ladik plants, and ready-mixed concrete at 35 ready-mixed concrete plants under the "Betonsa" brand. Operating out of the Ayazağa, Bursa and Saray aggregate quarries as "Agregasa," Akçansa operates nine cement terminals in Ambarlı, Aliağa, Yarımca, Yalova, Derince, Marmara Ereğlisi, Samsun, Trabzon and Hopa. The Karçimsa Cement Grinding and Packaging Plant has been operational since 1998 after the formation of a partnership between Karabük Demir Çelik İşletmeleri (49%) and Akçansa (51%).

Akçansa continues to grow by creating value-driven competition in all the markets in which it operates and keeps the focus on success in line with the Company's vision of sustainable growth. Akçansa utilizes state-of-the-art technology in its environmentally friendly facilities to meet customer expectations and emphasize service quality.

Akçansa, a company with world class products that have received awards from the Istanbul Chamber of Industry, produced enough cement products to fulfill around 9% of Turkey's cement needs in 2016. Operating advanced technology equipped facilities with an excellence in service approach, Akçansa posted record sales of domestic cement and clinker at 6.3 million tons with the contributions of the newly added cement terminals in Marmara Ereğlisi, Trabzon and Derince. The Company's international cement and clinker sales totaled 1.5 million tons for the year.

With reduced operating capital needs despite increasing revenues, Akçansa recorded turnover of about TL 1.5 billion in 2016. With the logistical advantages provided by the Çanakkale port, the Company is one of the cement export leaders in Turkey. Akçansa supplies many different locations, including the US, Western Africa countries and the Mediterranean Basin, with products and services. The Company is one of the largest suppliers in the US market alone with the added value products produced in Çanakkale.

Successfully differentiated from the competition with innovative specialized solutions, Betonsa recorded total ready mixed concrete sales of 3.7 million m^3. This strong result is thanks to the Company's specialty products, superior equipment and highly qualified human resources in large projects. During the year, Betonsa opened new facilities in Amasya and Çatalca. The Yolbeton product, which is produced entirely with domestic resources, provides a 50% savings in labor with a structure that does not require repair.

The production operations executed by Akçansa with a specially designed product for the Yavuz Sultan Selim Bridge, one of Turkey's largest and most important mega projects in recent years, serves as a model to the country and the world. Akçansa produced the specialty product 100+Beton, a type of concrete that is highly durable against environmental effects, for the Yavuz Sultan Selim Bridge. The success of the 100+Beton product, developed entirely by Turkish engineers, was officially recognized with the Excellence in Concrete Award it won in the "Infrastructure" category of the ACI Excellence in Concrete Construction Competition, where the most innovative products in concrete are highlighted by the American Concrete Institute.

Akçansa, which conducts operations with the aim of managing a sustainable and low cost supply chain, posted 10% growth in the branch of port operations during the year. In 2016, Akçansa started freight from Ambarlı Port for Istanbul's European side departures and UN Ro-Ro routes for the Thrace region.

Akçansa continues efforts apace on sustainability journey. In the results of the 2016 report for the Carbon Disclosure Project (CDP), the world's most prestigious and widely recognized environmental organization, Akçansa voluntarily disclosed its carbon emissions to CDP as it has done for six years, becoming one of Turkey's leaders in this regard. The Mikroalg project, an important R&D and innovation effort conducted in cooperation with TÜBİTAK and Çanakkale 18 Mart University, garnered a Low Carbon Heroes Award at the Third Istanbul Carbon Summit.

Akçansa has developed a number of innovative projects that target improving communication and creating value for all stakeholders. Competitions like Concrete Ideas and biodiversity projects for young people are undertaken with the goal of becoming the most preferred employer in the industry. "The Project of Neighbor Councils," which takes place in the factories, helps the Company to listen to its neighbors, and includes them in decision-making; and the "Project of Ambassadors Council" listens to workers and employees to identify areas of improvement together.

Akçansa's "My Neighborhood Social Responsibility Project" contributes to the development of mothers-fathers and their children, producing solutions to the problems they face. Under the project, which was started in cooperation with the Büyükçekmece District National Education Directorate and TOÇEV, the expert psychologists of TOÇEV work in the Akçansa My Neighborhood Mobile Education Center. Children are taught how to better communicate at school, at home and with their friends. Meanwhile, parents are assisted with educational programs that respond to the general questions they have on issues they are challenged with in raising children and issues that require a professional opinion. The My Neighborhood Project, which launched in December 2015, aims to reach 15 thousand students and their parents in 68 schools in the Büyüçekmece area by the end of the 2016-2017 school year.

Akçansa joined the Vocational Schools Coaches Program in cooperation with the Private Sector Volunteers (OSGD) to expand the vision of vocational school students and help them become successful. As part of the program, Samsun volunteers, who have completed their training in the initiative, will provide guidance to Samsun Atakum Vocational School students for a two-year term to contribute to their individual and professional development and prepare them for professional life.

Akçansa recorded a first in Turkey by providing its customers with online cement sales. With the goal of providing its vendors, internal and external customers with the advantages of being an Akçansa member, the Company activated its Akcansafirsatlari.com online purchase site. Akçansa Sales Academy, a first in the cement sector in Turkey, is a corporate academy that provides benefits to Akçansa and the cement sector as a whole with training in many relevant topics, from marketing to finance. Akçansa Sales Academy aims to raise sales leaders with the professional training and programs made available to vendors and vendor employees.

By winning the Gold Standard in the Investors in People (IIP), the only "people focused" standard in the world, Akçansa placed first in the sector and was only the fourth company in Turkey to receive this award. The Company was ranked in the top 7% globally.

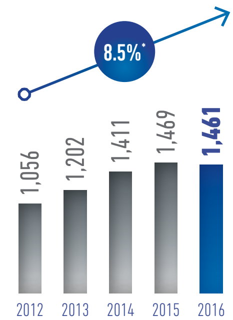
In addition to ranking 61st on the "Turkey's Largest 500 Companies" list compiled by the Istanbul Chamber of Commerce, Akçansa was named the "Most Liked Company" in the industry for the 15th time by Capital journal in 2016. At the Sabancı Gold Collar Awards, held for the fourth time to reward the achievements of Sabancı Group companies and employees and encourage the sharing of good applications, Akçansa won first place in the "Market Focus" category; honorable mention in the "Investment in People" category; first place in the "This is Equality" category; and the Big Award in the "Value Adder" category.

The Company's Betonik City project, integrated into a 3-D game popular worldwide that enables various designs to be made with cubes, won the Felis Success Award during the year. The My Neighborhood Project won the Best Corporate Responsibility Project award given by the JCI Culture Young Leaders and Entrepreneurs Association. The projects were selected especially according to the United Nations Sustainability Development Goals.

Akçansa has floated 20.6% of its capital to the public and Akçansa's shares are traded on the BIST (Borsa Istanbul).

TOTAL SALES REVENUE

TL MILLION



* 2012-2016 CAGR

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IN ADDITION TO RANKING 61ST ON THE "TURKEY'S LARGEST 500 COMPANIES" LIST COMPILED BY THE ISTANBUL CHAMBER OF COMMERCE, AKÇANSA WAS NAMED THE "MOST LIKED COMPANY" IN THE SECTOR FOR THE 15TH TIME BY CAPITAL JOURNAL IN 2016.

"

WITH ITS MARKET-CENTERED APPROACH AND EXTENSIVE DISTRIBUTION NETWORK, ÇİMSA RESPONDS TO CUSTOMER NEEDS IN A COMPREHENSIVE AND TIMELY MANNER.

1,170

TOTAL SALES
TL MILLION

249

NET PROFIT
TL MILLION

5.5

CLINKER CAPACITY
MILLION TON/YEAR

For more information,
www.cimsa.com

Commencing operations in 1972, Çimsa is an international cement and building materials company that has grown continuously by distinguishing itself in the industry. The Company boasts 45 years of experience, business conduct that respects people and the environment, customer-oriented approach, a broad product range and innovative products.

Çimsa operates in the cement and building materials industry with integrated plants in Kayseri, Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar; a grinding facility in Ankara; Marmara terminal; Malatya Cement Packaging facility; ready-mixed concrete facilities organized under four ready-mixed concrete regional directorates; and an international cement terminal.

Producing gray cement in addition to specialized products such as white cement and calcium aluminate cement, Çimsa is the innovation leader in its sector in Turkey. Çimsa Mersin facility is the only plant in the world that produces three products (white cement, calcium aluminate cement, and gray cement) under one roof.

One of the world's top white cement brands, Çimsa is an international cement manufacturer with terminals in Hamburg (Germany), Trieste (Italy), Seville and Alicante (Spain), Famagusta (TRNC), Constanta (Romania), and Novorossiysk (Russia). Thanks to this extensive organization, the Company is capable of marketing its products to 65 countries under the Çimsa brand. The Cement Research and Application Center located at the Company's Mersin Plant, the first and only of its kind in Turkey, develops specialized products tailored to customer needs using Çimsa products. In 2016, the Center developed a visual language under the "Name of the Formula" umbrella. A groundbreaking application in the industry, this service embodies the Company's innovative approach. Rather than providing single-product portfolios, Çimsa offers high value-added products that are tailored meticulously to each industry's needs and that possess performance qualities that meet the unique requirements of these sectors.

With its market-centered approach and extensive distribution network, Çimsa responds to customer needs in a comprehensive and timely manner. As a reliable business partner to its stakeholders, the Company provides the materials necessary for building living spaces and infrastructures that will last for generations to come.

After the new cement factory in Afyonkarahisar, which will have an annual production capacity of 1.5 million tons of clinker, the second largest company investment is underway in Eskişehir. The USD 55 million capital investment project at Çimsa Eskişehir Factory commenced in Q4 2015. With the completion of this project in Q1 2017, Çimsa Eskişehir Factory's First Production Line, which currently manufactures only gray clinker, will be modified to a convertible line that can produce both gray and white clinker. The Eskişehir Factory currently has a total annual gray clinker production capacity of 1.4 million tons. Thanks to this investment, the plant's First Production Line will gain the flexibility to manufacture gray clinker or white clinker in response to global market conditions. The facility will have the capacity to produce 415,000 tons of white clinker per annum.

Çimsa solidified its position as one of the industry's leading companies with a strong performance in 2016. Çimsa's clinker production capacity and ready-mixed concrete sales stand at 5.5 million tons and 2.8 million cubic-meters, respectively, as of year-end 2015. Çimsa's sales revenue in 2016 was TL 1,170 million, of which TL 344 million is from exports.

Sustainability constitutes an important dimension of Çimsa's business strategy. The Company's primary goal is to generate value for its stakeholders pursuant to a financially profitable business model in harmony with the environment that respects the human element. To this end, Çimsa takes heed of social, environmental and economic performance projections as much as financial performance expectations in the decision-making processes of its investments, applications, and product and service development efforts. Accordingly, sustainability targets are associated with corporate responsibilities and included in the systems to monitor related performance indicators, in effect becoming a part of the sustainability management system.

As part of sustainability performance, Çimsa Eskişehir Factory's cafeteria building received LEED Platinum certification. Thanks to this award, Çimsa became the first green building certification holder in the Turkish cement industry.

Çimsa's Sustainability Reports, published annually, are shared with the general public via a dedicated website (www.cimsadasurdurulebilirlik.org) that serves as a model and a reference point for the entire industry. Çimsa directed USD 11 million of investment – out of total capital investment of USD 195 million in 2016 – to various sustainability efforts, led by the environment and occupational health and safety.

Çimsa is the first and only member of the World Business Council for Sustainable Development (WBCSD)'s Cement Sustainability Initiative (CSI) from Turkey. A signatory to the United Nations Global Compact, the Company also signed the United Nations Women's Empowerment Principles (WEP). In addition, Çimsa is a participant in the Carbon Disclosure Project (CDP), an initiative developed by the international investor community to combat climate change. As part of this effort, Çimsa publishes its climate change-related efforts and related performance annually in the CDP Climate Change report. As a result of its successful performance in the CDP Turkey 2016 reporting period, Çimsa received the grade of A- and was deemed worthy of Turkey Climate Leaders Awards. Çimsa broke more new ground in the cement industry with this award.

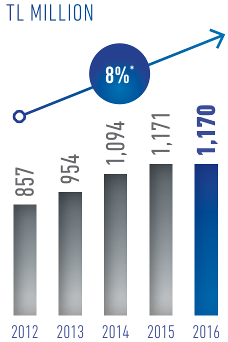
Çimsa continues to raise its corporate standards in Occupational Health and Safety constantly. Kayseri Plant's successful performance was recognized with a first-place prize at the Cement Industry Employers' Union's traditional Cement Industry Occupational Health and Safety Performance Awards in 2016. In addition, Çimsa Silifke Ready-Mixed Concrete Facility and Çimsa Çukurhisar Ready-Mixed Concrete Facility won the first-place and second-place prizes, respectively, at the Blue Helmet Safety at Work Contest organized by the Turkish Association of Ready-Mixed Concrete.

Çimsa won an award for the second time at the 15th Respect to People Awards organized by Kariyer.net in order to highlight and share with the public the successful human resources practices in Turkey. Çimsa received an award in the "Distinguished HR Projects" category at the People Management Awards organized by the People Management Association of Turkey (PERYÖN) in order to recognize innovative and successful human resources management applications and to embrace best practices.

Çimsa shares are listed on Borsa Istanbul with a free float of 41.5% as of December 31, 2016.

SALES

TL MILLION



* 2012-2016 CAGR

Mustafa Ülker
(Sales Consultant)

Nuray Kurt
(Tekno-Assistant)

Continuing its leadership in technology retailing, Teknosa reassures its customers with its after sales services.

Uğur Demirkıran
(Market Attendant)

Uğur Öksüz
(Market Attendant)

Sevim Bingöl
(Market Attendant)

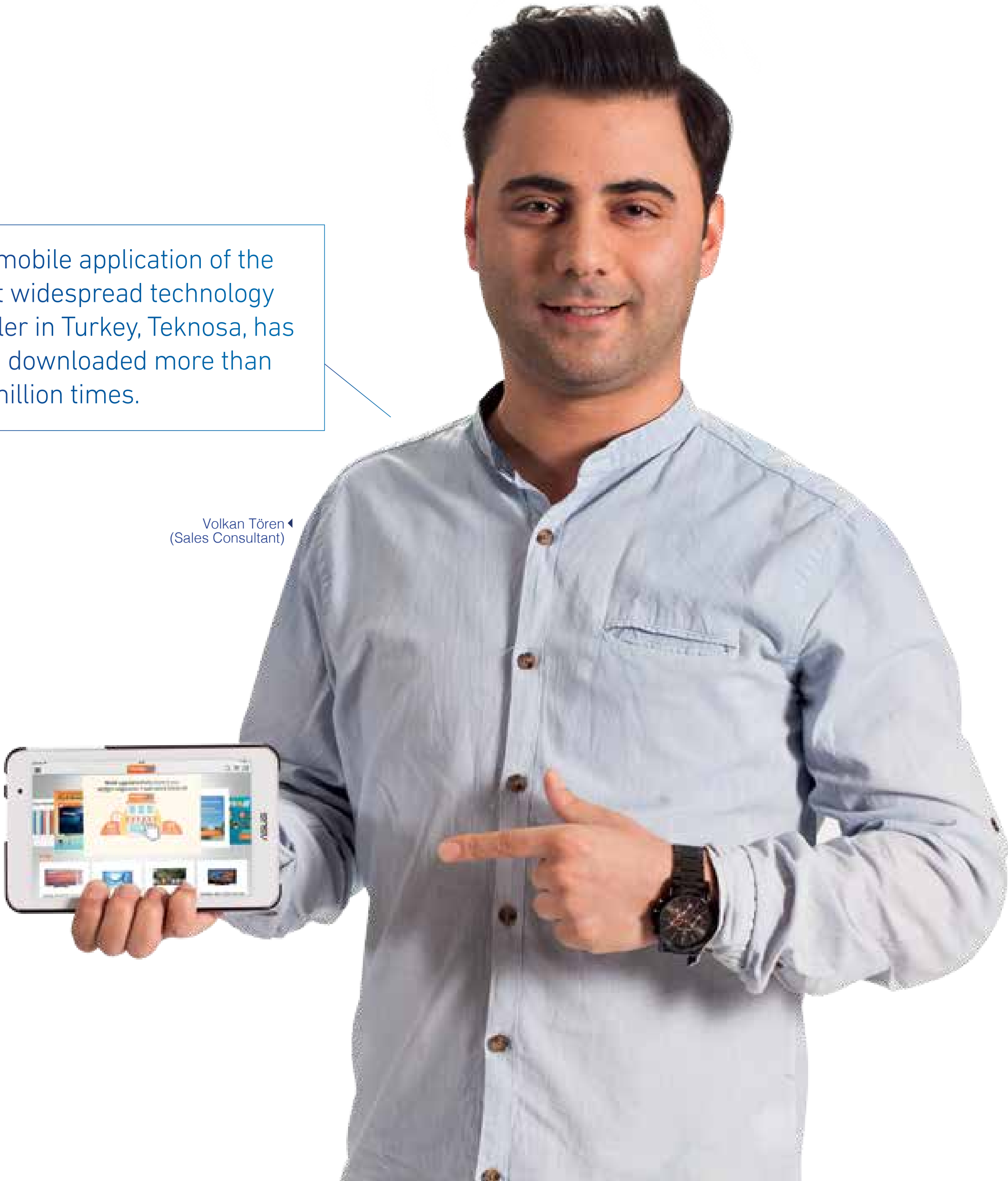
As it welcomes 500 thousand customers a day, and pays attention to saving money, Carrefoursa launches a new era in shopping. Those who follow discounts and deals save 14% per year.

Retail

Innovations add color to life

At our Teknosa and Carrefoursa brand stores, we offer consumers a wide range of products at affordable prices and, most importantly, with innovations.

The mobile application of the most widespread technology retailer in Turkey, Teknosa, has been downloaded more than 1.7 million times.



Volkan Tören
(Sales Consultant)

SABANCI

Retail

- **Teknosa***
- **Carrefoursa****

* *Teknosa stores are present in 70 provinces.*
** *Carrefoursa stores are present in 58 provinces.*

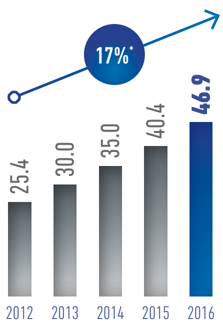
TEKNOSA IS THE LEADER IN THE ELECTRONICS RETAIL MARKET. CARREFOURSA IS ONE OF THE BIGGEST PLAYERS IN THE RETAIL FOOD MARKET.

The electronics retailing sector continues to grow by double-digits in Turkish lira-denominated terms. Growth of the sector in Turkey is supported by a number of fundamental factors such as changing perception toward technology as a need, as well as the country's young demographics that quickly embraces latest technology products.

ELECTRONICS RETAILING MARKET DEVELOPMENT IN TURKEY

TL BILLION

The electronics retail market grew by 12% in 2016.

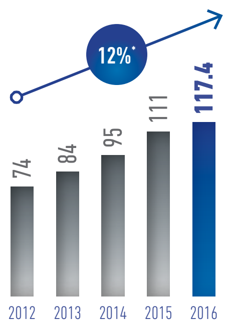


* 2012-2016 CAGR

FAST MOVING CONSUMER GOODS MARKET DEVELOPMENT

TL BILLION

The fast moving consumer goods market is estimated to total TL 117.4 billion, up 5% in 2016.



* 2012-2016 CAGR

Source: GFK

Turkey's food retailing market is still dominated by local grocery stores and open air markets. On the other hand, organized retailing, with a 39% share, is growing fast and attracting investors.

ONLY 39% OF THE RETAIL FOODS MARKET IS ORGANIZED

Teknosa was identified as the "Top of mind technology products retailer" by DORinsight in 2016. Carrefoursa is the first brand to introduce the Turkish consumer to hypermarkets.

POWERFUL BRANDS

Sabancı retail companies are present in 72 provinces in Turkey with 656 grocery stores and 210 technology stores as of year-end 2016.

WIDESPREAD STORE FOOTPRINT

Sabancı retail companies have a variety of formats in all segments. Teknosa operates with three different formats: Standard, Extra and Exxtra. Carrefoursa operates in total four formats: Hypermarket, Supermarkets, Gourmet and Mini.

FORMAT DIVERSITY

Teknosa is the leader in the electronics retail market. Carrefoursa is one of the biggest players in the retail food market.

POWERFUL POSITION IN THE SECTOR

210

Sabancı Group retail companies serve consumers via a total of 210 technology stores as of year-end 2016.

656

Sabancı Group retail companies operate 656 food supermarkets as of end-2016.

TEKNOSA

“

TEKNOSA CREATES A DISTINCTIVE AND PLEASANT SHOPPING ENVIRONMENT FOR CUSTOMERS WITH AROUND 123 THOUSAND M² OF NET SALES AREA THAT FEATURE A WIDE RANGE OF PRODUCTS. OVER 200 MILLION PEOPLE VISITED TEKNOSA RETAIL STORES AND TEKNOSA.COM LAST YEAR.

3,074

TOTAL SALES
TL MILLION

210

NUMBER OF STORES

123

SALES AREA
THOUSAND M²

For more information,
www.teknosa.com

Teknosa, a company established in 2000 with 100% Sabancı Holding and Sabancı Family capital, operates with the philosophy of “Technology for Everyone.” It is a sector leader and the most widespread technology retail company in Turkey. Starting out in 2000 with five store locations, Teknosa provides uninterrupted services with 210 stores, teknosa.com and a mobile platform today.

Teknosa creates a distinctive and pleasant shopping environment for customers with around 123 thousand m² of net sales area that feature a wide range of products. Over 200 million people visited Teknosa retail stores and teknosa.com last year. Teknosa, a company that provides customers with the newest technology products through 2,688 employees, closed fiscal year 2016 with turnover of TL 3.1 billion.

Teknosa shares have traded on Borsa Istanbul since May 17, 2012.

Teknosa places a priority on training personnel who are experts in their respective areas in order to raise customer and employee satisfaction to the highest level. Teknosa Academy, founded in 2005 to cultivate the technology retailers of the future, aims to train staff on innovations in the sector and improve their skills. Teknosa guides the career paths of its employees with online and offline training from the first day of their employment. The first of its kind in the sector, the academy has had over 12 thousand graduates to date, since the day it was established.

Conducting its operations with a customer oriented scientific retail approach, Teknosa follows the customer’s needs and expectations that develop after sales through every channel with the Customer Services organization. The Company is the first to implement this approach in the industry. The demands of customers are fulfilled via Customer Service points established in the stores in addition to the 0 850 222 55 99 Call Center.

Over the years, Teknosa has implemented many services and applications that are the first in the sector. The Company aims to be the sole address for technology and reinforce a service provider identity beyond just products. Teknosa continues to develop these innovations to add value for its customers.

In 2015, Teknosa was the first in the industry to provide mobile line and communications services under the Teknosa Mobil brand. In June 2016, the Company started making it possible for customers to purchase whatever phone they wanted in installments over their Teknosa Mobil bill, combining both the communication and technology product needs of customers in one bill. The Teknosa Mobil brand was changed to Teknosacell in January 2017.

Acting as an industry leader with its own specialized brand of smart products, Teknosa first made Preo brand smart phones and watches available to consumers. Teknosa continued to expand its product range at the start of 2016 with a variety of accessories. Most recently, the virtual glasses product Preo My VR Box, gaming products and Pwatch 3 joined the Preo family.

Providing customers with guidance in their technology purchases, Teknosa constantly improves after sales value added services in line with new technology and evolving customer needs. While providing additional warranties with TeknoGaranti, a wide range of services from technology installation to support and protection are available according to customer preferences in the retail store, over the phone, at home or at work under the Dr. Teknolog umbrella.

The Connected Store initiative enables customers to access the products they want anywhere with affordable terms and enhance their experience with Teknosa, kicking off a whole new era in the sector. Teknosa has connected tens of thousands of product types and all field staff with tablets. Using special applications, Teknosa made it possible for all store employees to have access to product and stock information. Via a payment system implemented on the tablet, the Company has also eliminated wait times for customers at the cash registers.

As a result of cooperating with the world's most valuable entertainment brand Walt Disney Company, Disney Collection products were available in select Teknosa stores in a "shop within a shop" format as of end - August. Disney Collection products, designed in California, are being sold for the first time in Europe, the Middle East and Africa (EMEA) region in Turkey at Teknosa. Toys, clothing, plush items, stationery, costumes and over 400 products are available to consumers at Teknosa.

At the Informatics 500 awards, Teknosa won first place in the "Retail Chain" main category and in the "Audio and Visual Systems" category and second place in the "Information Technologies" category. In addition to winning first place in the "Telecommunication" category at the 14th Golden Spider Awards with Teknosa Mobil, Teknosa was named the people's favorite in the "Retail & Merchandizing" category for its online shopping platform. The Teknosa Connected Store project, a first in the sector, also won Best IT Governance Project of the Year and first prize in the "Customer Experience" category at the IDC CIO Awards.

Teknosa was presented with the Best Liked Brand award in the "Technology Market" category of the MediaCat Journal Study this year. In the study conducted by Roamler Turkey and Marketing Turkey, Teknosa was selected as the Most Social Brand designation in the "Technology Stores" category.

Teknosa executes social projects in many different fields—from education to sports and the environment to the arts—with the responsibility of being Turkey's leading technology retailer. The Company is committed to serving the community and making sure wide audiences are able to benefit from technology. Under its Technology for Women project, Teknosa organizes technology courses in various provinces of Turkey for women free of charge. This program, initiated in 2007, has provided training to over 15 thousand women from 61 different provinces. With this project, Teknosa aims to contribute to the social and professional lives of women by making them technology literate.

Among the supporters of eSpor, which has many followers in Turkey, Teknosa is the main sponsor of League of Legends, a game played by nearly 4 million young people.

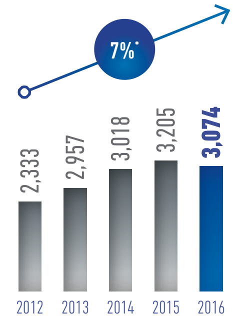
Teknosa also aims to set an example for other companies in the sector with an environmentally responsible approach and activities. Undertaking efforts for the collection and recycling of batteries and electronic waste by way of its stores and state-of-the-art logistics network, the Company collects waste, even picking up these materials from premises when necessary, as part of its environmentally responsible credentials.

Teknosa also owns the İklimsa brand that operates in the air-conditioning sector. Positioned as the "Air-Conditioning Center of Turkey," İklimsa offers customers the world's leading air-conditioning brands housed in distinctive showrooms, backed by Sabancı Holding's 30 years of experience in the air-conditioning sector. Its product portfolio includes Mitsubishi Heavy Industries, Samsung and Sigma (private label brand) air conditioners and General and Sharp fridges. Offering nearly 200 models under four distinct brands, İklimsa serves customers via 199 authorized dealers in 44 provinces and 222 authorized servicing points in 64 provinces across Turkey. The Company also focuses on after-sales services to ensure customer satisfaction and renders outstanding service quality to customers in every corner of Turkey.

In pursuit of its sustainability and increased customer loyalty objectives, Teknosa focuses on providing a seamless customer experience through a multi-channel strategy. The Company will accelerate efforts regarding innovative services and enhancement of its infrastructure, and continue investments.

NET SALES

TL MILLION



* 2012-2016 CAGR

"OVER THE YEARS, TEKNOSA HAS IMPLEMENTED MANY SERVICES AND APPLICATIONS THAT ARE THE FIRST IN THE SECTOR. THE COMPANY AIMS TO BE THE SOLE ADDRESS FOR TECHNOLOGY AND REINFORCE A SERVICE PROVIDER IDENTITY BEYOND JUST PRODUCTS.

CARREFOURSA'S MISSION IS TO BE THE ADDRESS FOR AUTHENTIC, PLEASANT, RELIABLE AND ADDED VALUE SHOPPING FOR ITS CUSTOMERS.

4,492

TOTAL SALES
TL MILLION

656

NUMBER OF STORES

563

NET SALES AREA
THOUSAND M²

Carrefoursa is a joint venture of Sabancı Holding and Carrefour, the top retailer in Europe and the second largest in the world with over 10,000 stores in 33 countries. Sabancı Holding signed a Share Purchase Agreement with Carrefour in April 2013 to acquire an additional 12% stake in Carrefoursa. Following the closing of the deal in July 2013, Sabancı Holding's shareholding in Carrefoursa reached 50.79% and Sabancı Holding took over the management of Carrefoursa. Sabancı Holding raised its stake in Carrefoursa from 50.79% to 50.93% after a mandatory tender call in October 2013.

Carrefoursa has assumed control over 26 supermarkets formerly run by İsmar and 29 supermarket locations operated by Antalya Market; the Company has also added Kiler Alışveriş's 196 stores to its structure. The Carrefoursa-Kiler Alışveriş merger was completed in December; the resulting capital increase brought Sabanci Holding's share in Carrefoursa up to 50.74%. Sabancı Holding sold its stake that it had acquired by takeover on Borsa Istanbul between April 26 – May 10, 2016, bringing Sabancı Holding's share in Carrefoursa to 50.61%.

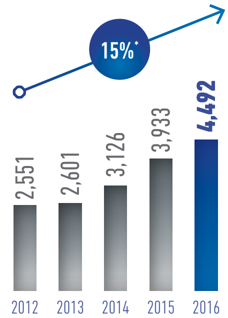
Carrefoursa's mission is to be the address for authentic, pleasant, reliable and added value shopping for its customers.

Naming 2014 as the "Leap Year" in line with the innovations made and the target set for profitable growth, the Company named 2015 as the "Upshift" year, and made moves to make acquisitions, keeping the focus on profitable growth. As a consequence of successfully integrating growth and change in 2015, the Company was focused on productivity and profitability growth in 2016. Continuing to work towards becoming a sincere, lean, fast, nature-friendly and modern brand, the Company continued to invest in human resources and customer services. As the Company improved its IT infrastructure, it also continued its sustainability activities. Today, Carrefoursa offers services for various customer segments with its Hyper, Super, Gourmet, Mini market formats and e-commerce platform. As of 2016 year-end, Carrefoursa has 656 stores and 563 thousand square meters of sales area.

For more information,
www.carrefour.com

NET SALES

TL MILLION



* 2012-2016 CAGR

With sales areas ranging from 2,000 to 15,000 m², Carrefoursa Hypermarkets offer 36,000 product SKUs to customers. Carrefoursa Super markets, which are between 350 and 2,000 m², were redesigned to address customer needs and expectations regarding a faster neighborhood shopping experience to complement its extensive product range and reasonable prices. Carrefoursa Gourmet markets, offering unique flavors from Turkish and world cuisines and personalized services, are aimed at providing an innovative shopping experience to customers based on exploration and pleasure. Launched in 2014, Carrefoursa Mini markets offer a comfortable, practical and fun shopping ambiance to customers in stores ranging between 50 and 350 m². Carrefoursa, with an online shopping service on carrefoursa.com, also made shopping convenient and enjoyable for customers who are short on time.

Carrefoursa generated sales revenue of TL 4,492 million in 2016 from a store network of 37 Hypermarkets and 392 Supermarkets, 25 Gourmet and 202 Mini markets spanning total net sales area of 563 thousand m². Nearly 171 million customers shopped at Carrefoursa stores throughout the year.

In 2016, Carrefoursa enhanced its core business of fresh food retailing around the concept of "freshness." The Company placed a special emphasis on providing fresh, top quality food products to customers at accessible prices with the slogans "Fresh is Either on the Branch or at Carrefoursa," "Fresh is Either in the Field or at Carrefoursa" and "Fresh is Either at Sea or at Carrefoursa."

Carrefoursa aims to take advantage of projects that promise growth and value creation potential, focus on efficiency and sustainability activities, to be the address of enjoyable, reliable and value-driven neighborhood shopping for customers.

"

CARREFOURSA GENERATED SALES REVENUE OF TL 4,492 MILLION IN 2016 FROM A STORE NETWORK OF 37 HYPERMARKETS AND 392 SUPERMARKETS, 25 GOURMET AND 202 MINI MARKETS SPANNING TOTAL NET SALES AREA OF 563 THOUSAND M².

Temsa Otobüs, Turkey's first 100% national electric bus: Avenue EV

Ali Ak
(Manufacturing Employee)

A very special support project from Temsa Motorlu Araçlar (Temsa Motor Vehicles), for Mitsubishi and Fuso customers

Duygu Şentürk
(Marketing Communication Specialist)

İnanç Oruç
(Product Support Services Sales Specialist)

Temsa İş Makinaları (Temsa Construction Equipment) offers construction equipment leasing services all across Turkey with its rapidly growing fleet and wide range of products.

Tarcan Yalun
(Network and Cyber Security Specialist)

Solutions for companies' digital transformation needs

Industrials

Innovations that guide development

With our strong brands in the area of industry, we produce high value added products. We pursue excellence with innovative practices.

Burçak Güngör
(Sales Specialist)

The largest woolen fabric manufacturer in Turkey and Europe: Yünsa

Neslihan Gülbeycan
(R&D Project Leader)

One out of every two automobile tires and two out of every three aircraft tires manufactured in the world are reinforced by Kordsa.

Filiz Öztürk
(E-Commerce Sales Manager, Brisa)

Lastik.com.tr launched by Brisa, was chosen “the best e-commerce platform” in the category of “Customer Experience.”

Industrials

Distribution Network of Temsa, Bridgestone and Lassa brands

Kordsa Yünsa Brisa Temsa

TURKEY'S INNOVATIVE AND ENTERPRISING INDUSTRIAL PLAYER

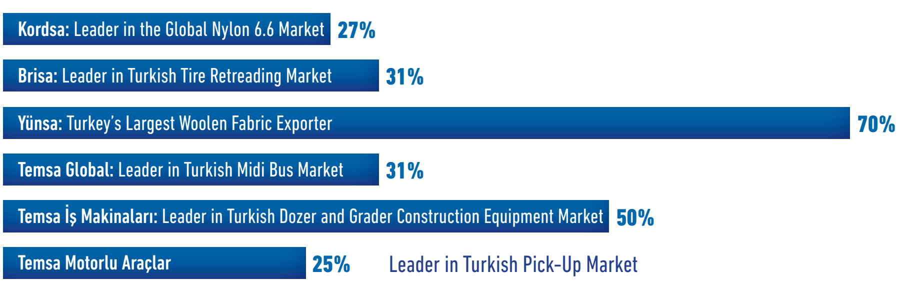
Sabancı Holding Industry Group companies continued to boost their profit in 2016 by focusing on high added value areas of operation and products. Despite the slowdown in global growth and increased competition created by historically low raw material prices, our Industry Group companies contributed to the expansion of the Turkish economy and the manufacturing sector with a successful performance once again in 2016.

During the year, Kordsa, the leader in reinforcement technologies, commissioned the Composite Technologies Center for Excellence it founded with Sabancı University in 2014. Sabancı University teaching staff, doctorate students and Kordsa employees started working under the same roof. With this cooperation model, which is a first in Turkey and sets an example, Kordsa has presented and implemented its "open innovation" approach. Some TL 100 million has been invested in this state-of-the-art center.

Temsa has introduced major innovations in transportation to the market with its Smart Bus iBUS and electrical vehicles, has given customer expectations a new dimension and serves as a leader of the digitalization trend in transportation. Avenue EV, the first 100% national electrical bus produced jointly by Temsa and Aselsan, is now on the roads.

Industrial companies are continuing their investments to maintain sustainable growth. Brisa has invested USD 300 million to build a second factory in the Aksaray Organized Industry Zone. It is expected to be commissioned in 2017.

LEADING INDUSTRY GROUP COMPANIES IN THE SECTOR



AN INNOVATOR AND CORPORATE ENTREPRENEUR

The Industry Group companies, which are leaders in their respective sectors, initiated over 50 projects in 2016, placing importance on these efforts to accelerate their growth.

Temsa Global introduced six new products to the market in 2016. Temsa, which strives to integrate safety, sustainability, productivity and digitalization into its solutions with the slogan "Smart Mobility," was the champion in the "Innovation Sources" category at the Innovalig awards organized by the Turkish Assembly of Exporters.

Kordsa won first place for the fourth year in a row in the "Textile" category according to the 2015 R&D Centers Performance Index compiled by the Ministry of Science, Industry and Technology, ranking among the top three R&D centers in Turkey. With a record number of patent applications in 2016, Kordsa applied for 32 inventions and 103 patents in 2016. The Company boasts a total of 407 patent applications and 128 inventions.

LEADER AND COMPETITOR

In 2016, the Industry Group companies maintained leadership positions in their sectors by posting profitable and sustainable growth.

In the first half of 2015, Sabancı Holding presented 20% of Kordsa to institutional investors, bringing Kordsa Global's free float up to 29%. After entering the BIST 100 (Borsa Istanbul) in 2015, Kordsa moved up into the BIST 50 in 2016 thanks to achieving sustainable growth.

Brisa, a company that differentiates with innovation and which leads in the Turkish renewal market, has also taken its place among the "Climate Transparency Leaders" and "Digitalization Leaders" with its pioneering work in the sector.

Temsa Global has become the market leader in the domestic market 27-29 person product segment with Prestij, in the LF segment with Avenue and in the intercity RHD segment with Safir Plus.

OPERATIONAL EXCELLENCE

The Industrial Group companies continue investing to retain their competitive edge in productivity, safety and quality.

The innovative MD9 electriCITY bus, developed by Temsa based on the needs of the transport sector, is fueled by electricity as a sustainable resource rather than fossil fuels. A standout with its low energy use, environmental sensitivity and productivity, the MD9 electriCITY is charged briefly at stops and the final stops to complete its route. With fewer parts, this environmentally friendly bus, developed domestically by Temsa engineers, needs fewer maintenance-related products like oil and less maintenance overall; in addition, it can be produced more quickly.

In 2016, Brisa optimized its working capital and by increasing its stock return speed, the Company has garnered a more agile form. With the "Profleet Filo" management solutions, which combine Brisa service and product operations, Brisa has integrated products and services that fully respond to the expectations of commercial fleets for the first time in Turkey. The offering's "360 degree consultation" approach adds economic and environmental value to fleets.

As part of their commitment to operational excellence, the Industrial Group companies have stepped up their efforts to adapt to new technologies, especially those that help formulate the Industry 4.0 roadmap and the long term technology management framework for Digital Transformation.

SUSTAINABILITY

The Industrial Group companies continue to invest in environmental products and energy efficiency.

Embracing the principle of sustainability in all aspects, Brisa has issued a report that includes its sustainability work in 2012 and prior at level A according to GRI (Global Reporting Initiative) guidelines and at level A+ for its work in 2013. The Company aims to share its decisiveness in contributing to future years with the public. Brisa's 2014 Sustainability Report won the Best B2B Sustainability Report award given by the Ethical Corporation.

In recognition of the energy efficiency applications it has developed as part of its sustainability approach, Kordsa was presented with the Special Jury Award at the Energy Efficiency in Industry Project Competition organized by the Ministry of Energy and Natural Resources, Directorate General of Renewable Energy.

2016 saw Kordsa bolster its global leadership with the various awards it received. During the year, Kordsa was named as the export champion both in Turkey and in Indonesia. Designated a "Great Place to Work" in Brazil, Kordsa also won "Best Employee" with the project leader who implemented the Work Safety Experience Center in Indonesia.

KORDSA THE REINFORCER

Tire Reinforcement, Composite Reinforcement and Construction Reinforcement Materials

1,908

NET SALES
TL MILLION

178

NET PROFIT
TL MILLION

Kordsa's success story started in 1973 with the factory investment of Sabancı Holding, made in collaboration the with tire manufacturers, in İzmit for manufacturing cord tire. Kordsa, a company that primarily supplied tire fortification technologies to the automotive sector, expanded its scope of operations to include composite technologies and concrete fortification technologies with the investments it made in 2014.

Positioned as the market leader in Turkey, Kordsa has now achieved world market leadership thanks to its deep know-how in reinforcement technologies and processes, advanced R&D efforts, open innovation culture and strategic approach to the tire reinforcement Technologies sector.

Today, one of every two tires manufactured globally and two out of every three aircraft tires produced worldwide are fortified by Kordsa.

The fortification brand strives to move forward with added value and innovative fortification technologies while creating value for customers, employees, shareholders and the community where we live in a sustainable way.

Kordsa is known around the world as "The Reinforcer," in recognition of its technology and market leadership, strong global footprint and long years of know-how in reinforcement technologies. Reshaping the industry positioned as "The Reinforcer" and committed to an open innovation-based approach, Kordsa has started to enter new business lines, transferring its tire reinforcement know-how accumulated since 1973 to the construction and composites sectors.

Reinforcement technologies leader Kordsa commenced work on the Composite Technologies Center of Excellence in 2014, in cooperation with Sabancı University. The Center will bring together Sabancı University faculty members, PhD students and Kordsa employees under the same roof. Through this industry-university cooperation model, the first of its kind in Turkey, Kordsa Global embraces the concept of open innovation.

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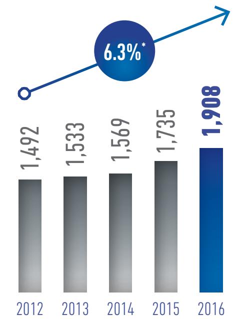
For more information,
www.kordsaglobal.com

NET SALES

TL MILLION



* 2012-2016 CAGR

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With a record number of patent applications in 2016, Kordsa applied for 32 inventions and 103 patents in 2016. The Company boasts a total of 407 patent applications and 128 inventions.

In recognition of the energy efficiency applications it has developed as part of its sustainability approach, Kordsa was presented with the Special Jury Award at the Energy Efficiency in Industry Project Competition organized by the Ministry of Energy and Natural Resources, Directorate General of Renewable Energy.

Kordsa has reinforced its global footprint not only with awards but also with new investments. The Company has made additional polyester investments valued at USD 29.5 million in factories in both Indonesia and Turkey. Kordsa plans to commission 6,000 tons of additional polyester thread capacity in Turkey operations and 6,500 tons of capacity in Indonesia in 2018.

By implementing a sustainability concept with an approach and administrative decisiveness that parallels its goals and strategies, Kordsa published its second sustainability report in accordance with GRI4 guidelines. These guidelines are from the Global Sustainability Report Enterprise of the United Nations Global Compact which the Company signed in 2014. Additionally, Kordsa was entitled to enter the BIST Sustainability Index during the same year.

In the first half of 2015, Sabancı Holding presented 20% of Kordsa to institutional investors, bringing Kordsa's free float up to 29%. After entering the BIST 100 (Borsa Istanbul) in 2015, Kordsa moved up into the BIST 50 in 2016 thanks to achieving sustainable growth.

"WITH A RECORD NUMBER OF PATENT APPLICATIONS IN 2016, KORDSA APPLIED FOR 32 INVENTIONS AND 103 PATENTS IN 2016. THE COMPANY BOASTS A TOTAL OF 407 PATENT APPLICATIONS AND 128 INVENTIONS.

Tire

1,766

TOTAL SALES
TL MILLION

80

NET PROFIT
TL MILLION

Over 1,300

BRANDED SALES POINTS

Over 140

SALES POINTS WITH LASSA BRAND

For more information,
www.brisa.com

Brisa was originally founded by Sabancı Holding and its partners in 1974 and the Company began tire manufacturing under the Lassa brand name in 1978. Pursuant to the developments in the global tire industry, the Company was named Brisa following the partnership between Bridgestone Corporation and Sabancı Holding.

After recording significant growth in the 1990s, Brisa took its place among the leading companies in the Turkish industry. After receiving Turkey's first National Quality Award in 1993, Brisa won the EFQM European Quality Award for its superior performance in pursuing business excellence in 1996.

In 2010, the Company acquired the Turkish operations of Bandag, a US-based tire treading company from Bandag AG, the European subsidiary of Bridgestone Corporation. This allowed Brisa to expand its service portfolio while offering a cost advantage to the transportation sector. This service also contributes to increasing a tire's life, which brings with it environmental benefits.

Signing a distributorship agreement with the leading global battery brand Energizer in 2013, Brisa expanded its product range outside of the tire industry and moved closer to offering vehicle owners total solution packages.

Brisa currently is one of the world's biggest tire manufacturing facilities under a single roof as well as the seventh largest tire producer in Europe. Under the Bridgestone and Lassa brands, the Company manufactures around 1,800 models of tires for cars, light commercial vehicles, buses, trucks, agricultural and industrial machinery at international quality and safety standards. The Company also imports and sells Firestone branded agriculture tires, Dayton branded passenger tires, Bridgestone motorcycle tires and Kinesis branded forklift tires.

Striving to provide a balanced product portfolio to vehicle owners between the brands, Brisa stands out for its performance and safety ratings with the Bridgestone brand and while offering car owners affordability, comfort and durability under the Lassa brand. The Company's brands are widely recognized and admired thanks to their strong market positions in Turkey as well as their initiatives in the international markets. Today, tires produced under the Lassa brand with Brisa employees' reach vehicle owners in approximately 60 countries via approximately 150 Lassa-labeled sales points. The Company carries out retail sales and after-sales service through a network of more than 1,000 authorized sales points across Turkey. In addition, the Company supplies Lassa and Bridgestone products as original equipment to a large number of car manufacturers including Renault, Toyota, Ford, Fiat, Honda, Hyundai, Mercedes Benz, BMC, Temsa, Isuzu, Otokar, Karsan, Türk Traktör and MAN.

Brisa's core values of customer focus and innovation allows the Company to unveil many difference-making services in the industry that add value to drives. "OtoPratik" stores designed for passenger car and light commercial vehicle customers and "ProPratik" shops geared toward heavy commercial vehicle drivers serve as one-stop-shops for customers to reach various products and services for their needs. The www.lastik.com.tr website allows passenger and light commercial vehicle owners to make an appointment with the store of their choice and have their new tires installed there. The "Tire Hotel" service offers storage of summer or winter tires during the season they are idle under proper conditions and warranty. Unveiled in 2014, "Bridgestone Boxmobile" sales and service point renders products and services for passenger and light commercial vehicles. The Company won the "Customer Oriented Service Innovation Award" with "Bridgestone Box" that was developed and rolled out as a good example of corporate entrepreneurship.

Maintaining summer and winter tires in suitable conditions and under insurance during the seasons when they are not in use is achieved through the "Lastik Oteli (Tire Hotel)" service. The cCompany garnered the Customer Oriented Innovation Award with its "Bridgestone Box," a sales and service location for passenger and light commercial vehicles, and "Mobilfix," which provides services and maintenance to commercial vehicle fleets.

Brisa provides solutions for both individuals and fleets in the heavy commercial vehicles segment. With the "Profleet Filo" management solutions, which combine Brisa service and product operations, Brisa has integrated products and services that fully respond to the expectations of commercial fleets for the first time in Turkey. The offering's "360 degree consultation" approach adds economic and environmental value to fleets.

Brisa's Lassa brand is the Global Official Tire Partner of FC Barcelona. National athlete Arda Turan is the Lassa brand ambassador.

In keeping with its innovation and sustainability approach, Brisa became the sole Turkish partner of Solar Impulse in 2015. This experimental solar-powered aircraft initiative aims to develop airplanes capable of flying on solar energy day and night without interruption, and without consuming any fossil fuel whatsoever.

Having signed the Global Compact, Brisa contributes to biological diversity with its WWF-Turkey "Let All Cranes Fly" project. The Company's Istanbul and İzmit administrative office buildings have "Green Office" certifications.

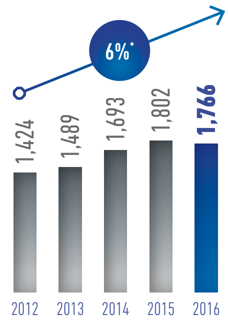
The Company figures among the "Climate Transparency Leaders" and "Digitalization Leaders" with pioneering work in the sector.

The Company plans to start production in its second factory, which is being built in the Aksaray Organized Industry Zone with an investment of USD 300 million, in 2018.

Brisa's net sales rose to TL 1,766 million in 2016. Brisa shares are listed on Borsa Istanbul with a free float ratio of 10%.

NET SALES

TL MILLION



* 2012-2016 CAGR

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BRİSA'S CORE VALUES OF CUSTOMER FOCUS AND INNOVATION ALLOWS THE COMPANY TO UNVEIL MANY DIFFERENCE-MAKING SERVICES IN THE INDUSTRY THAT ADD VALUE TO DRIVE

TEMSA

Automotive

“

TURKEY’S FIRST 100% DOMESTIC ELECTRIC BUS, AVENUE EV, A JOINT VENTURE OF TEMSA AND ASELSAN, “TOOK TO THE ROAD.”

889

TOTAL SALES
TL MILLION

TEMSA OTOBÜS

Established in 1968, Temsa has today become one of Turkey’s leading bus manufacturers thanks to its innovative and entrepreneurial structure. Demonstrating a steep ascent in the Turkish, European and American markets, Temsa produces and exports its own-brand buses and midi-coaches.

The Temsa Adana Plant occupies a total area of 555,000 m^2 and counts over 1,500 employees, who can produce a total of 11,500 vehicles including 4,000 buses, midibuses and 7,500 light trucks in a single shift during the year.

Boasting a product range that includes vehicles for all segments, Temsa is capable of responding to changing conditions and customer demands. Regularly modifying and revising its product range, Temsa conducts manufacturing operations at its Adana Plant. There, it manufactures Maraton and Safir Plus intercity passenger and tourist buses; Prestij and Opalin midi-coaches; Avenue and Tourmalin buses specially designed for city public transport; TS45, TS35, TS30 for the USA; and Avenue, LD, HD buses, Marathon and MD9, MD7 midi-coaches for Europe.

Temsa rolled out the smart bus iBUS and electric vehicles to take customer expectations to a whole new level, introducing major innovations to the transport sector. As such, the Company leads the way in the digitalization of mass transport.

NEW PRODUCT LAUNCH

Temsa showed that it is a brand that can provide the fastest response to customer needs at launch with innovations and new products in domestic and overseas markets by introducing new products in the last three years. This success was not limited to only launching new products in the market; it is also reflected in the fast expansion of the market in the last two years. Temsa shows the stability of the market by launching six new products in 2016.

In 2017, Temsa plans to develop new products for the European and American markets. After MD9 electriCITY and Avenue EV, the Company is working to develop a new electric vehicle.

TEMSA: THE MARKET LEADER FOR THREE YEARS

Temsa Global has become the market leader in the domestic market 27-29 person product segment with Prestij, in the LF segment with Avenue and in the intercity RHD segment with Safir Plus.

For more information,
www.temsa.com

MD9 ELECTRICITY

The innovative MD9 electriCITY bus, developed by Temsa based on the needs of the transport sector, is fueled by electricity as a sustainable resource rather than fossil fuels. A standout with its low energy use, environmental sensitivity and productivity, the MD9 electriCITY is charged briefly at stops and the final stops to complete its route. With fewer parts, this environmentally friendly bus, developed domestically by Temsa engineers, needs fewer maintenance-related products like oil and less maintenance overall; in addition, it can be produced more quickly. The three door structure of the MD9 electriCITY provides fast pick-up and drop-off of passengers in the 63 passenger capacity, environmentally friendly, quiet, economic and efficient inner city bus.

AVENUE EV

Avenue EV, which was developed with an environmental approach in consideration of global needs, uses the sustainable source of electricity rather than fossil fuels. With a fast charging feature that enables the vehicle to be fully charged in eight minutes, the bus can be charged quickly at bus stops. The environmentally friendly bus, with zero carbon emission thanks to its electrical traction system, is also quite comfortable, has high performance and is equipped with the latest technology. Avenue EV has the capacity for 35 persons seated, 52 persons standing and one passenger in a wheelchair. With a wide interior area, Avenue EV provides highly efficient service without requiring maintenance for long periods with the efficient, light and 100% electrical traction system developed by ASELSAN. The vehicle has the ability to travel 50-70 km on a single charge.

SAFIR PLUS

Safir VIP stands out in its segment with its 2+1 seating model and 41+1 passenger seats. By adding four extra seats without compromising seating comfort, bus operators can carry more passengers and thus increase their revenues. Safir Plus has built on this capability, as it has 2+1 as well as 2+2 seating models. Safir Plus's comfort level enhances the passenger travel experience and helps bus owners to save money with its economic fuel consumption. Furthermore, its newly designed dashboard gives the vehicle a more modern appearance and a more ergonomic driving experience with a wider range of vision for drivers.

MARATON

Maraton is manufactured as the world's first double-axle flat-floor Super High Deck bus, and comes in 41+1+1 and 46+1+1 options. Bus operators much appreciate Maraton thanks to the absence of steps between the seats and aisle, a generous luggage capacity, and its striking exterior design. In addition, drivers enjoy a very high level of comfort in the vehicle. The spacious driver area, programmable LCD cluster, ergonomic keyboard, digital dashboard and air conditioning in the sleep cabin are just some of the many comforts that drivers can benefit from. Besides its impressive road holding ability, the vehicle boasts AEBS, LDWS, EAS, ESC, ACC and smart fire extinguishing systems. Maraton also allows passengers to enjoy an enhanced travel experience with spacious and comfortable seating, as well as a powerful air conditioning system.

EXPORTS TO 66 COUNTRIES

Thanks to its intensive R&D efforts and many innovations, Temsa is the first bus manufacturer to receive R&D Center certification in Turkey. The Company translates its original engineering and know-how into an extensive product portfolio offered not only to the Turkish market but across the world, exporting over 10 thousand vehicles to more than 66 countries. In France alone some 5 thousand Temsa-branded buses are on the road. Additionally, Temsa's other major markets in Europe include Germany, England, Italy, Austria, Sweden, Lithuania and the Benelux countries. Thanks to an expanding product range, Temsa is also rapidly increasing its market share in the United States.

FAIRS

In 2016, Temsa introduced its products at foreign and domestic fairs. During the year, Temsa participated in five fairs in the US and eight fairs in Europe to promote the Temsa brand. Temsa achieved many important successes at these fairs in terms of introducing new products to the market.

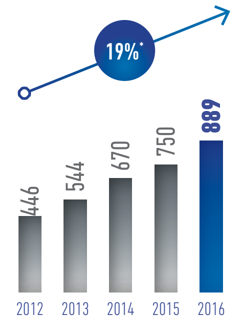
Temsa introduced its TS35E vehicle by participating in the UMA Fair held in Atlanta on January 31–February 4, 2016.

The Company introduced a total of nine buses, two of which were new, at the Busworld Istanbul fair that took place on April 14–17, 2016.

At the Transport Publics 2016 fair in Paris on June 14–16, 2016, Temsa introduced its MD9 electriCITY vehicle to European customers.

NET SALES

TL MILLION



* 2012-2016 CAGR

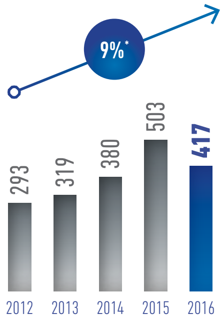
"

TEMSA WON FIRST PLACE IN THE "INNOVATION SOURCES" CATEGORY AT THE INOVALIG AWARDS ORGANIZED BY THE TURKISH ASSEMBLY OF EXPORTERS (TİM).

TEMSA MOTORLU ARAÇLAR PAZARLAMA VE DAĞITIM A.Ş.

NET SALES

TL MILLION



* 2012-2016 CAGR

417

TOTAL SALES

TL MILLION

Automotive

TEMSA MOTORLU ARAÇLAR

Temsa Motorlu Araçlar carries out the sales and marketing, maintenance and repair, and spare parts functions for Mitsubishi Motors passenger and commercial vehicles, Fuso Canter light trucks with a network of 30 authorized dealers and 58 authorized service centers in Turkey. Mitsubishi Motors passenger cars group consists of Space Star, Attrage, Lancer, ASX, Outlander and Pajero while Mitsubishi L200 pickup and Fuso Canter are in the commercial vehicles and light trucks segments, respectively. Temsa Motorlu Araçlar serves as the Azerbaijan, Armenia, Georgia and Kazakhstan distributor of Fuso Canter.

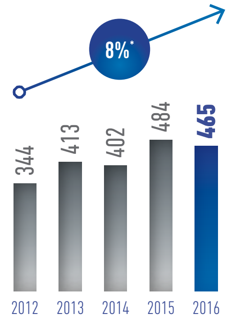
In the pick-up segment in 2016, where many new players entered, Temsa Motorized Vehicles posted sales up 3% compared to the previous year and was successful with the Mitsubishi L200. During the year, the 3.5-10 ton light commercial truck segment, which the Fuso Canter is in, experienced a 35% of recession due to moving on to the Euro VI. Despite the contraction in the light truck segment, Fuso Canter captured a 30% portion of the market, maintaining its powerful position. In December 2016, the Company presented ASX, a model that used the new generation "Dynamic Shield" front design of Mitsubishi Motors, for sale. In 2017, the Company targets boosting unit sales with the face lifted ASX.

Temsa Motorized Vehicles aims to maintain its competitive position in the pick-up and light truck segments in 2017. In the latter months of the coming year, the Company plans to introduce the SUV vehicle that is the first fruit of the new product strategy disclosed previously by Mitsubishi Motors, rolling out to both the Turkish and European markets at the same time.

TEMSA
İŞ MAKİNALARI

NET SALES

TL MILLION



* 2012-2016 CAGR

TEMSA İŞ MAKİNALARI

Temsa İş Makinaları is a leading company in Turkey's construction machinery sector. The Company provides its customers with products and services with an integrated service approach and is the distributor of Komatsu, the world leader in construction and mining machines for over 30 years. The Company also represents the Dieci, Terex Finlay and OMG brands.

Komatsu, which the Company has served as the distributor since 1983, is the world leader in large construction equipment manufacturing and technology. Temsa İş Makinaları offers various Komatsu products such as crawler and wheeled excavators, wheel loaders, bulldozers, graders, rigid dump trucks, forklifts, and backhoe loaders in Turkey, Azerbaijan and Georgia.

Temsa İş Makinaları also entered into a distributorship agreement with Komatsu Mining Group in 2014. In 2015, this distributorship operation was expanded to include Azerbaijan and Georgia.

Temsa İş Makinaları addresses the full range of needs of customers via sales and after-sales services of the brands it represents as well as rentals and pre-owned sales. Strategically organizing sales and after-sales services as parts of an integrated whole and committed to delivering the highest level of customer satisfaction, Temsa İş Makinaları serves customers in a diversified range of sectors, including construction, mining, industry, steel, ceramics, forestry and energy. The Company provides exceptional services to customers via its Head Office in Istanbul, Technical Centers in Ankara, Istanbul and Izmir set up to provide one-on-one assistance to customers, six regional offices in provinces across the entire country, and 39 authorized service providers.

Temsa İş Makinaları was established on March 29, 2013 as a spin-off from Temsa Global to focus on its business and maintain effective management in line with Sabancı Group's profitable growth strategy. In May 2014, subsidiaries of Sabancı and Marubeni Groups established a partnership in Temsa İş Makinaları with shareholding of 51% and 49%, respectively. Temsa İş Makinaları has been operating as a Turkish-Japanese joint venture since that date.

The Company implements an approach that responds to all customer needs from one center while providing the best products and services to customers. Taking a new step as part of this integrated approach, the Company entered into a distributorship agreement in 2016 with Volvo Trucks, one of the world's leading truck producers. With this agreement, Temsa İş Makinaları became the sole authorized distributor of the Volvo Truck brand in Turkey.

465

TOTAL SALES
TL MILLION

For more information,
www.temsaismakinalari.com

YÜNSA

Textile

247

TOTAL SALES
TL MILLION

4,500

CAPACITY
(TONS) (STAPLE CAPACITY OF KAMGARN)

14,300

KM
(CAPACITY OF WORSTED WOOL)

Combining technology and the artistic expression of esthetics in its fabrics production, Yünsa strives for global leadership in the worsted wool fabric market; it is the largest manufacturer of worsted wool in Turkey as well as in Europe. Yünsa stands out with its vision, high product quality, market position and production flexibility; it is also Turkey's leading worsted wool fabric exporter.

Founded in 1973, the Company began production in 1976. The Company started producing men's woolen fabrics and carpet in 1980; established a design office in Çerkezköy in 1989; and went public in 1990. Yünsa added women's apparel to its portfolio in 1998 and opened a second design office in Biella, Italy in 2002. Yünsa began to launch overseas offices in 2007: in the United Kingdom, in the USA and in Germany, respectively. The Company was admitted into the Turquality® program in 2009. Yünsa continued its investments and established an R&D Center in 2010.

In addition to its role as a trend setter in menswear as the woolen fabric market leader, Yünsa pioneers the ascent of Turkish woolen fabrics in the international arena with a strong women's fabric product lineup while enjoying its reputation as a global player thanks to its design prowess and quality.

In addition to 100% wool products, Yünsa's product range also includes cotton, linen, cashmere, silk, lycra, polyester and viscose blended fabrics. The Company has an extensive product portfolio in men and women's apparel, uniforms and upholstery including various fabric blends and finishing applications. In 2014, the Company introduced the Yünsa Touch collection, a line specially designed to create comfortable clothing. This was followed by the launch of Yünsa Premium in 2015, targeting upper-segment customers. Such customized product concepts help the Company maintain its market leadership position. Yünsa maintains a strong market position in the textile industry thanks to its close relations with customers, reliability, product and service quality, ability to respond to customer demands quickly, and premium designs.

For more information,
www.yunsa.com

Yünsa works with numerous global customers through its strong international connections, exporting to more than 50 countries. The Company has sales offices in the United Kingdom and Germany, design offices in Italy and Turkey, as well as 20 dealers across the globe.

Yünsa not only strengthens its position in the industry but also undertakes major initiatives and continues to invest in sustainable growth. To this end, the Company focused on research and development activities at the R&D Center that opened in 2010. Yünsa is also a participant in the Turquality project, a government-sponsored program that supports companies in building global brands. In 2013, Yünsa adopted the ISO 50001 Energy Management System, proving the Company's efficient energy management. Yünsa has also adopted the ISO 9001 Quality Management System and ISO 14001 Environmental Management System. Yünsa products were certified by the Hohenstein Institute in Germany with the Eko-Tex 100 certification as non-hazardous to health and the environment. Based on the results of 2015 CDP Turkey Climate Change Report, Yünsa received the highest score in the textile industry. Obtaining OHSAS 18001 certification in 2016 helped ensure the health and safety of employees while ISO 27001 certification bolstered the information security of customers and suppliers.

Yünsa's sales in 2016 rose to TL 247 million with exports making up TL 167 million of sales. Yünsa shares are listed on Borsa Istanbul with a free float of 36%.

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YÜNSA WORKS WITH NUMEROUS GLOBAL CUSTOMERS THROUGH ITS STRONG INTERNATIONAL CONNECTIONS, EXPORTING TO MORE THAN 50 COUNTRIES. THE COMPANY HAS SALES OFFICES IN THE UNITED KINGDOM AND GERMANY, DESIGN OFFICES IN ITALY AND TURKEY, AS WELL AS 20 DEALERS ACROSS THE GLOBE.

Other

Tobacco

“

PHILSA ENGAGES IN TOP QUALITY PRODUCTION FOR THE DOMESTIC MARKET AS WELL AS OVERSEAS, EXPANDING ITS EXPORT VOLUME YEAR AFTER YEAR.

PHILSA

Philsa was established in 1991 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding. Starting operations in late 1992, the manufacturing facility in the Torbalı district of Izmir has built a reputation as a world-class factory thanks to a specialized staff and investment in state-of-the-art technology. Total investments in this plant reached USD 830 million as of year-end 2016. Philsa engages in top quality production for the domestic market as well as overseas, expanding its export volume year after year.

PHILIP MORRISSA

Established in 1994 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding, PMSA undertakes the countrywide sales and distribution of PMI's cigarette brands in Turkey. The Company's distribution network reaches nearly 140,000 sales points in 81 provinces. Considering its nearly 70 distributors and the sales staff of these distributors, PMSA has one of the largest sales networks in Turkey with approximately 2,000 sales personnel in the field. In 2016, PMSA captured about a 45%* share of the legal cigarette market.

** Source: Nielsen Retail Audit*

Information Technology

“

FOUNDED IN 1975, BİMSA STANDS OUT AS TURKEY'S MOST EXPERIENCED IT COMPANY WITH ITS 41 YEARS OF KNOW-HOW.

BİMSA

Bimsa integrates state-of-the-art technology into the business processes of companies and accompanies them on their move to digitalization.

Bimsa strives to meet all information technology needs of companies of varying sizes in numerous industries, including applications, business advisory, operations, technical services, hardware and software, and to provide the most suitable solutions at the highest quality.

Founded in 1975, Bimsa is one of the most deep-rooted and experienced information systems and technology firms in Turkey with 41 years of experience in the industry.

Business lines and solutions

Bimsa provides solutions in production, finance, human resources, supply chain management, customer relationship management, product life cycle management, business intelligence, portal management, and decision support systems through its experienced specialist staff.

Software as a service (SaaS)

The Company offers Edoksis, an e-invoice, e-archive and e-account integration platform; Pratis, an electronic purchasing platform; and HR-Web, a human resources and payroll management platform via cloud-based technologies. Thanks to their ease of use and quick integration capability, these programs integrate new technology into the business processes fast and with low cost.

Data center services
Serving the leading companies in Turkey through its institutional data center services, Bimsa has two dedicated data centers compliant with Tier 3 standards in Istanbul and in Kocaeli that were reconfigured in accordance with state-of-the-art technology. These data centers, featuring reliable, continuous and backup infrastructure components and 24/7 uninterrupted operations capability, where companies can securely host their business-critical applications and data, offer hosting and application operation services.

Professional services
Bimsa, which is among the pioneers in business intelligence consulting services with vast experience in many different industries, offers solutions that create a difference with its established methods and know-how that it has gained through projects completed since 2000. The first "SAP Consultancy Support Center" of Turkey, Bimsa has been conducting business in this field since 1995.

Certifications
Committed to customer satisfaction and continuous improvement in corporate processes, Bimsa has reaffirmed its quality in information technology services, as well as its commitment to customers, by obtaining the ISO 22301 Business Continuity and ISO 27001 Information Security Management System certifications.

2016 at Bimsa
Bimsa continued its work and steady journey forward in line with the digitalization vision of the companies it serves.

"

SERVING THE LEADING COMPANIES IN TURKEY THROUGH ITS INSTITUTIONAL DATA CENTER SERVICES, BİMSA HAS TWO DEDICATED DATA CENTERS COMPLIANT WITH TIER 3 STANDARDS IN ISTANBUL AND IN KOCAELİ THAT WERE RECONFIGURED IN ACCORDANCE WITH STATE-OF-THE-ART TECHNOLOGY.

Tourism

TURSA/AEO
Tursa is the owner of Adana Hiltonsa, Mersin Hiltonsa and Hilton Parksa; it owns a majority stake in Ankara Enternasyonal Otelcilik, the owner of Ankara Hiltonsa. Sabancı Group entered the tourism industry many years ago with the Erciyas Hotel in Adana. Gaining traction in the form of a founding partnership with the inauguration of the Ankara Hiltonsa Hotel in 1988, the Group's tourism business expanded further with the Hilton Parksa and Mersin Hiltonsa hotels in 1990 and reached its current state with the opening of the Adana Hiltonsa in early 2001. As of year-end 2016, the Hiltonsa chain of hotels had a 920-room capacity in total: 309 rooms at Ankara Hiltonsa, 308 rooms at Adana Hiltonsa, 186 rooms at Mersin Hiltonsa and 117 rooms at Hilton Parksa. The hotels are operated by Hilton Group.

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AS OF YEAR-END 2016, THE HILTONSA CHAIN OF HOTELS HAD A 920-ROOM CAPACITY IN TOTAL: 309 ROOMS AT ANKARA HILTONSA, 308 ROOMS AT ADANA HILTONSA, 186 ROOMS AT MERSİN HILTONSA AND 117 ROOMS AT HILTON PARKSA.

Eylül Yurdakul
(Faculty of Engineering and Natural Sciences; Computer Science and Engineering Program Student)

Ahmet Atakan Demir
(Faculty of Engineering and Natural Sciences; Computer Science and Engineering Program Student)

According to the Entrepreneurial and Innovative University Index issued by the Ministry of Science, Industry and Technology and TÜBİTAK, Sabancı University, maintaining its leadership, was once again named as the most entrepreneurial and innovative university in 2016.

Foundation

Tomorrow should be better...

Carrying out activities with the aim of contributing to education, and cultural & social development in Turkey as well as making a difference in the lives of individuals, Sabancı Foundation is one of the largest foundations in Turkey established by a family.

Merve Yağızer
(Office Assistant)

Foundation

Provinces in which Sabancı Foundation operates

Embracing the late Hacı Ömer Sabancı's life philosophy of "to share what we have gained from this land with its people," the Sabancı family established the Hacı Ömer Sabancı Foundation (Sabancı Foundation) in 1974 in order to organize all their philanthropic activities under one organization.

As a result of Sabancı Group's sharing of the proceeds from its industrial and economic prowess broadly by supporting social projects and arts through the Sabancı Foundation, it has become one of the largest foundations established by a family in Turkey.

HIGHLIGHTS OF SABANCI FOUNDATION'S ACTIVITIES

120	INSTITUTIONS
1	UNIVERSITY
37	EDUCATIONAL INSTITUTIONS
19	DORMITORIES
17	SOCIAL FACILITIES
16	TEACHER'S CENTERS
16	CULTURAL CENTERS
5	HEALTHCARE FACILITIES
5	SPORTS FACILITIES
4	LIBRARIES
74	PROVINCES BENEFITING FROM GRANT PROGRAM

The Values of the Sabancı Foundation:

We support innovative education with **Sabancı University.**

We **encourage** students and artists with **scholarships** and grants.

We spread **culture** and **arts** activities throughout the community.

We cooperate with nongovernmental organizations to help solve social issues.

We give gifts and share our expertise to strengthen nongovernmental organizations.

We raise the profile of **"Those Who Make a Difference"** and inspire the community.

We share information and knowledge to **boost philanthropy**.

We lead in the **implementation of new approaches** and methods in **philanthropy**.

We build **permanent structures** in the fields of education, culture, healthcare and sports.

Sabancı University

"

SABANCI UNIVERSITY ROSE FOUR SPOTS TO PLACE 18TH IN THE 2017 TIMES HIGHER EDUCATION (THE) "BRICS AND THE BEST UNIVERSITIES IN EMERGING ECONOMIES" RANKING.

Sabancı Group established a "world university" under Sabancı Foundation's stewardship in 1994. Instead of choosing a university as a template or replicating existing examples and institutions, a novel and unique university was designed during its founding. It opened its doors to students in 1999 and has since set an example for many other universities.

The main differentiator of Sabancı University is its unique educational system. Academic programs at Sabancı University are innovative and interdisciplinary. The conventional system of departments sometimes hinders an interdisciplinary approach and causes restricted specialization in any given field prematurely. For this reason, Sabancı University is not organized into academic departments.

The educational system of the University is based on the Common Foundations Development Year, which all students must complete regardless of their subsequent program choices. During this year, students develop a foundation of knowledge, critical reasoning and an interdisciplinary approach. In the second phase of Foundations Development, students are free to choose the introductory courses of their preferred diploma program from among 13 different programs.

In October 2012, for the first time in Turkey, the Ministry of Science, Industry and Technology produced a University Entrepreneurship and Innovation Index. Sabancı University ranked first among the most entrepreneurial and innovative universities in Turkey. Designated the most entrepreneurial foundation university in this index in subsequent years, Sabancı University received the highest rating among all universities in 2015 and 2016 to be named Turkey's "Most Entrepreneurial and Innovative University." The University Entrepreneurship and Innovation Index consists of five components: scientific and technological research competence; intellectual property pool; cooperation and interaction; culture of entrepreneurship and innovation; economic contribution and commercialization.

In 2016, Sabancı University maintained its position in the global top 500 rankings compiled by prestigious organizations such as Times Higher Education and QS. In 2016, the Sabancı University ranked 52nd globally in the Times Higher Education (THE) "Best 150 Universities under 50 Years Old" list, which evaluates the performance of young, rising universities. Meanwhile, the University rose four spots to place 18th in the 2017 Times Higher Education (THE) "BRICS and the Best Universities in Emerging Economies" ranking.

COMPOSITE TECHNOLOGIES CENTER OF EXCELLENCE

Kordsa Global—a Sabancı Holding affiliate and one of the world's leading producers of nylon 6.6, industrial polyester fiber, cord fabric and single

For more information,
www.sabanciuniv.com

cord—established a Composite Technologies Center of Excellence (CTCE) in cooperation with Sabancı University in 2014. The Center, which presents a new model in terms of university–industry cooperation, conducts exemplary work to help Turkey make a difference in the international arena in the field of advanced technology and earn a place among the global giants.

CENTER OF EXCELLENCE IN FINANCE (CEF)

The Sabancı University Center of Excellence in Finance (CEF) serves a bridge between academia, the world of finance and the real sector. The founding sponsor of the center is Akbank, the leader of the Turkish finance sector. Certification programs, seminars, workshops and high level conferences are organized within the CEF structure. Additionally, the Center conducts research for a wide range of groups, from academics and the finance world to the real sector and individual investors.

FACULTIES

Education at Sabancı University is organized under three faculties: Faculty of Engineering and Natural Sciences (FENS), Faculty of Arts and Social Sciences (FASS), and the Sabancı School of Management (SOM). All faculties offer undergraduate, graduate and postgraduate programs.

The Faculty of Engineering and Natural Sciences offers undergraduate programs in Computer Science & Engineering, Molecular Biology, Genetics and Bioengineering, Materials Science and Nano Engineering, Mechatronics Engineering, Electronics Engineering, and Manufacturing Systems/Industrial Engineering; and graduate programs in Energy Technologies and Management, Nanotechnology, Information Technology, Data Analysis, Biological Sciences and Bioengineering, Electronics Engineering, Computer Science and Engineering, Mechatronics Engineering, Industrial Engineering, Materials Science and Engineering, Physics, and Mathematics.

Programs under the Faculty of Arts and Social Sciences include Economics, Visual Arts & Communication Design, Cultural Studies, International Studies and Social and Political Science, and Psychology at the undergraduate level as well as graduate programs in Economics, Visual Arts and Visual Communication Design, Public Policy Analysis, Political Science, Conflict Analysis and Resolution, Cultural Studies, History, Turkish Studies, European Studies, and International Studies.

Sabancı School of Management offers undergraduate, graduate and postgraduate degrees in Management as well as Executive Programs at the graduate level in Management, Finance and Business Analytics. In 2016, as part of the Executive Education cooperation between Sabancı University School of Management and Columbia Business School (CBS), an institution with a 100 year history, Executive MBA students started participating in a two week leadership program offered at CBS in New York. The School of Management has proven its world class quality by obtaining AACSB accreditation, an international accreditation that only 5% of business schools in the world have. In 2016, the Executive MBA Program placed 45th in the "Best Executive MBA - The Programs in Europe" ranking prepared annually by one of the world's most prestigious publications, the Financial Times.

The Executive Development Unit (EDU) offers executive development programs for the corporate world. The Brand Practice Platform, founded by Sabancı University and the Foundation for Advertising, was established to support the development of the brand economy in our country. The Brand Practice Graduate Program, the first and the most important product of this platform, admitted its first students in 2014.

ALUMNI

A total of 9,160 diplomas, 6,018 of which are from undergraduate programs and 3,142 from graduate programs, have been awarded by Sabancı University since 2000. Some 78% of graduates entered the workforce while 14% opted to advance their education at the graduate and postgraduate levels; meanwhile, 81% of Sabancı University graduates were either employed or admitted to graduate school within one year of graduation.

The universities Sabancı University graduates chose as their destinations for graduate school include Carnegie Mellon University, University of California, Politecnico di Milano, Boston University, Harvard University, Brown University, Stanford University and University of Massachusetts.

A CAMPUS THAT LIVES AND BREATHES

The Sabancı University campus is capable of meeting all day-to-day needs of its students. It is equipped with all necessary amenities and facilities including a performing arts center, gym, health center, a supermarket, movie theater and outdoor athletic facilities.

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A TOTAL OF 9,160 DIPLOMAS, 6,018 OF WHICH ARE FROM UNDERGRADUATE PROGRAMS AND 3,142 FROM GRADUATE PROGRAMS, HAVE BEEN AWARDED BY SABANCI UNIVERSITY SINCE 2000. SOME 78% OF GRADUATES ENTERED THE WORKFORCE WHILE 14% OPTED TO ADVANCE THEIR EDUCATION AT THE GRADUATE AND POSTGRADUATE LEVELS; MEANWHILE, 81% OF SABANCI UNIVERSITY GRADUATES WERE EITHER EMPLOYED OR ADMITTED TO GRADUATE SCHOOL WITHIN ONE YEAR OF GRADUATION.

Sabancı University Sakıp Sabancı Museum (SSM)

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SSM CURRENTLY OFFERS A MULTI-FACETED MUSEUM ENVIRONMENT WITH RICH COLLECTIONS, INTERNATIONAL AND NATIONAL TEMPORARY EXHIBITS, CONSERVATION UNITS, EDUCATIONAL PROGRAMS, CONCERTS, CONFERENCES AND SEMINARS.

The Sakıp Sabancı Museum (SSM) is located on the estate known as Atlı Köşk (Horse Mansion). The estate was bought by Hacı Ömer Sabancı in 1951 and served as the family's summer vacation home before becoming the permanent residence of Sakıp Sabancı and housing his extensive collections. The mansion was bequeathed to Sabancı University to become a museum. A modern gallery wing was added to the original structure and the Museum was opened to the public in 2002. The exhibition space was expanded in 2005 and upgraded to meet international technical standards.

SSM currently offers a multi-faceted museum environment with rich collections, international and national temporary exhibits, conservation units, educational programs, concerts, conferences and seminars.

SSM COLLECTIONS

Sakıp Sabancı Museum Collection of the Arts of the Book and Calligraphy offers a comprehensive overview of 500 years of Ottoman art, with rare Korans, kıtas, albums, panels, hilyes, documents with tughra. In 2012, the Collection was re-launched with a new design and a contemporary display approach. This new permanent presentation of the Arts of the Book and Calligraphy Collection allows visitors to view animations linked to iPad applications with augmented reality technology while also taking a detailed look at valuable and rare manuscripts, page by page.

The Sakıp Sabancı Museum Painting Collection is a cultural collection that provides important clues about the development of art in our country. The collection can be interpreted as the historical continuation of the SSM Arts of the Book and Calligraphy Collection. In this respect, it serves to highlight the transformation in imagery production and the changing nature of art and artistic production in Turkey. The collection also reflects the modernization process from the Ottoman Empire era to the Republic of Turkey.

With its select examples of the young Ottoman and Republic periods of Turkish art, the SSM Painting Collection is comprised of the works of artists who lived and worked during the last days of the Ottoman Empire from the 1850s to the present. The rooms under the Atlı Köşk (Horse Palace) contain items of Western style furniture inspired from the late rococo, neo-classic and imperial styles used by the Sabancı Family and decorative art works dating back to the 19th century. The archeological and stone artifacts that have survived to the present-day from the Roman, Byzantine and Ottoman times are exhibited on the museum garden.

For more information,
www.sakipsabancimuzesi.com

EXHIBITIONS AT SSM

In 2016, SSM continued to present international and national exhibits, under the sponsorship of foreign and domestic reputable companies and institutions. In doing so, the Museum introduced hundreds of thousands of art lovers to the artists and trends that have given direction to the world.

MACK. Only Light and Color

Under the main sponsorship of Tahincioğlu, "MACK. Only Light and Color," SSM's first exhibit of the year, took place February 18 - September 18, 2016.

The exhibit consisted of the works of Heinz Mack, a German artist who was one of the founders of ZERO, an avant-garde art network established in the middle of the 20th century. A wealth of selections from the painting, sculpture and kinetic art works of the artist that he created throughout his long and productive career starting with his early works that comprised the backbone of the ZERO movement were on display.

Parallel to the exhibit, a discussion was held accompanied by the artist and art critic and curator Beral Madra.

"A Portrait of Sakıp Sabancı" – Royal Academy Summer Exhibit

On the occasion commemorating the 10th anniversary of Sakıp Sabancı's death, the work ordered from artist Kutluğ Ataman by the Sakıp Sabancı Family in 2011, was exhibited with the contributions of Sabancı Holding, in the United Kingdom's most established art institution, the Royal Academy of Arts, in London.

The work was exhibited from June 13 to August 21, 2016 as part of the Summer Exhibition held every year in London since 1769 by the Royal Academy of Arts. Previously, it had been exhibited in the SU Sakıp Sabancı Museum in 2014 and was also among the works in the newly opened section of the 56th Venice Biennial, one of the world's most prestigious art events.

Kuzgun Acar: The Story of a Restoration

The "Birds – An Abstract Composition," a work created by one of Turkey's unique sculptors Kuzgun Acar in 1967 to be placed in the Istanbul Linen Draperies Market (IDM) was exhibited at SSM from June 24 to October 23, 2016.

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THE SAKIP SABANCI MUSEUM PAINTING COLLECTION IS A CULTURAL COLLECTION THAT PROVIDES IMPORTANT CLUES ABOUT THE DEVELOPMENT OF ART IN OUR COUNTRY.

SABANCI

Sabancı University Sakıp Sabancı Museum (SSM)

A successful restoration and conservation project—conducted by the Cultural Awareness Foundation (CAF) with the logistical support of the Fatih Municipality and the contributions of IDM—repaired the natural damage sustained by "Birds – An Abstract Composition" over time was completed in 2013. Afterwards, the work was exhibited in a museum setting for the first time.

In parallel with the exhibit, an experimental mask theatre called "Punta Atmak," in which various disciplines worked together with inspiration from Kuzgun Acar, was staged.

SSM EDUCATIONAL ACTIVITIES, EVENTS AND PROJECTS

Children's Education

The SSM Children's Education Programs continued in 2016. The programs took place during the semester and summer breaks and targeted various age groups. Special group workshops were conducted for youth in parallel with museum collections and exhibits; in addition, Turkcell Families with Golden Strollers activities were organized to give families with children under three a special arts experience. Since 2016, SSM has also served as host to art therapy programs conducted to help integrate Syrian refugee children, who have experienced trauma, back into the community under the Maya Foundation's Project Lift.

Adult Education Programs

SSM has provided art history and history education under the training of select educators from Sabancı University, Istanbul University and Boğaziçi University in the 2016 Adult Education Programs.

Collections Meetings

At the Collections Meetings, which started in 2016, Sakıp Sabancı Museum collection directors have shared with visitors the stories of how collections were created in the Horse Palace, which serves as a "home-museum." These meetings are conducted under three different topic areas—Book Arts Meetings, Home Museum Meetings and Cultural Heritage Preservation Meetings—and take place once a month.

Bosphorus Meetings

In June 2016, the Museum started organizing monthly conferences on many different subjects related to the Bosphorus strait—from the religious structures along the shores of the Bosphorus to the music, literature and art of the area and the Bosphorus region's forestland and trees. The conference series, which will continue until June 2017, includes tours of Bosphorus villages and boat tours, literary readings, tastings and musical events.

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AT THE COLLECTION MEETINGS, WHICH STARTED IN 2016, SAKIP SABANCI MUSEUM COLLECTION DIRECTORS HAVE SHARED WITH VISITORS THE STORIES OF HOW COLLECTIONS WERE CREATED IN THE HORSE PALACE, WHICH SERVES AS A "HOME-MUSEUM."

For more information,
www.sakipsabancimuzesi.com

My Teacher is My Tour Guide

The My Teacher is My Museum Guide initiative, conducted in cooperation with the National Ministry of Education, aims to instruct teachers on methods of how to use museums in an educational setting and give them experience in designing museum education programs. Some 240 teachers from 39 different districts of Istanbul received training under the project.

The Merrill Lynch Art Conservation Project

In 2016, as part of the Art Conservation Project organized every year by the investment bank Merrill Lynch, conservation and scientific research work started on six tableaus belonging to Osman Hamdi Bey, which are in the Sabancı University Sakıp Sabancı Museum collection. Work to examine the materials and techniques used by the artist on the artworks in addition to the previously done repairs and damage not visible on the surface is ongoing.

Concerts

Over the years, SSM has hosted numerous important artists and groups of world music on its grounds in parallel with the Istanbul Culture Foundation's Istanbul Music and Jazz Festivals. "The Seed," which is located within the museum as an international culture and arts meeting and event center, continued to host the masters of classical music at the 2016 Istanbul Recitals.

Yoga

The yoga classes taking place on the SSM grounds, which have attracted widespread participation and have now become a tradition, continued every Wednesday under the cooperation of Cihangir Yoga and its trainers throughout 2016—free of charge. In 2016, yoga classes open to participants at all levels were also held in the gallery of the "MACK. Only Light and Color" exhibit.

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OVER THE YEARS, SSM HAS HOSTED NUMEROUS IMPORTANT ARTISTS AND GROUPS OF WORLD MUSIC ON ITS GROUNDS IN PARALLEL WITH THE ISTANBUL CULTURE FOUNDATION'S ISTANBUL MUSIC AND JAZZ FESTIVALS.

Sabancı Foundation

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THE SABANCI FOUNDATION’S VISION IS “A SOCIETY IN WHICH ALL INDIVIDUALS BENEFIT FROM RIGHTS EQUALLY.” THE FOUNDATION’S MISSION IS “TO CONTRIBUTE TO EDUCATION AND CULTURAL AND SOCIAL DEVELOPMENT IN TURKEY AND MAKE A DIFFERENCE IN THE LIVES OF INDIVIDUALS.”

For more information,
www.sabancivakfi.org

The Sabancı Family has contributed to Turkey’s economy through the many industrial enterprises they have established. Family members have focused their efforts on launching institutions that benefit the public in the fields of education, healthcare, culture, sports and social services, and have played an active role in philanthropic work. Reflecting the philosophy of the late Hacı Ömer Sabancı, “To share what we have gained from this land with its people,” the Sabancı Family established the Hacı Ömer Sabancı Foundation (known as Sabancı Foundation) in 1974. Sadıka Sabancı, the wife of Hacı Ömer Sabancı, donated all of her personal wealth to the Foundation’s endowment. Sabancı Foundation’s financial resources consist of donations by the Sabancı Family and Sabancı Group, and revenues generated from the Foundation’s various assets.

Education, social change, culture and the arts comprise the Foundation’s main areas of activity. The Foundation places a particular focus on **women**, **young people** and **disabled persons** within these activities.

One of Turkey’s largest foundations, Sabancı Foundation is a member of and plays important roles in leading civil society platforms both within and outside Turkey. Sabancı Foundation is a Founding Member of Third Sector Foundation of Turkey (TÜSEV); a Board Member of European Foundations Center (EFC); a Founding Member of EFC’s European Consortium of Foundations on Human Rights and Disability and Gender Group; and a Member of the US Council on Foundations (COF).

In 2016, the Foundation reviewed its activities under the auspices of a strategy study. At the Search Conference held with the participation of nongovernmental organization representatives, Sabancı Group administrators, academics and participants from the media, the activities of the Foundation over the last 10 years were evaluated and recommendations were made for the future. The results of the Search Conference were assessed at the Decision Conference at a later date. Common mind was generated concerning the Foundation’s future.

Over the past 42 years, the Foundation has built **more than 120 institutions** at 78 sites across Turkey including schools, student housing, healthcare facilities, cultural centers, sports facilities, libraries, teachers' centers, social facilities and Sabancı University, which is one of the most significant investments of the Sabancı Foundation.

In August 2016, construction of the Enerjisa Tufanbeyli Vocational and Technical High School, to be built in the Tufanbeyli district of Adana with a conditional donation from Enerjisa, commenced with the support of the Sabancı Foundation. The 12-classroom, 360-student capacity school is planned to be open for 2017-2018 school year.

Since its establishment, the Foundation has provided **more than 44,000 scholarships** through the scholarship program. In 2016, nearly 1,500 students benefited from Sabancı Foundation scholarships, with 400 being first-time beneficiaries. Additionally, the Sabancı Foundation Awards Program recognized individuals with awards for their exceptional performance in education, sports, arts and culture both in Turkey and abroad. **More than 1,100 awards** have been given to date.

In 2016, the Foundation continued to sponsor various culture and arts activities, including **State Theaters – Sabancı International Adana Theater Festival** and the International **Ankara Music Festival**. The Foundation's Sakıp Sabancı Mardin City Museum and Dilek Sabancı Arts Gallery received over 540 thousand visitors since its opening on October 1, 2009.

Initiated in 1990 and sponsored by Sabancı Foundation since 2003, the Metropolis Ancient City excavation continued in 2016. Located in Izmir, Torbalı, **Metropolis** was opened to visitors as an archaeological site in 2015. In 2016, the archeological excavation work uncovered the cult area built for the head god Zeus of Hellenic mythology.

Having received support from Sabancı Foundation for eight years, the **Turkey Youth Symphony Orchestra** was comprised of 79 young musicians chosen from 12 universities in 2016. After a three-week camp at Sabancı University, the ensemble performed eight concerts overseas and one concert in Istanbul.

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THE SABANCI FOUNDATION, ONE OF TURKEY'S BIGGEST FOUNDATIONS, HAS MEMBERSHIPS IN LEADING DOMESTIC AND INTERNATIONAL NONGOVERNMENTAL PLATFORMS AND UNDERTAKES IMPORTANT ROLES IN THESE ORGANIZATIONS.

Sabancı Foundation

THE SABANCI FOUNDATION HAS CONTINUED TO CONDUCT ACTIVITIES IN THE AREA OF EMPOWERING AND ENCOURAGING THOSE WHO HAVE THE POWER TO CHANGE THE FUTURE WITH SEMINARS, PARTNERSHIPS AND GRANT PROGRAMS.

For more information,
www.sabancivakfi.org

In 2016, the Sabancı Foundation started a **Short Film Festival** to raise awareness on social issues through art, highlight the creative perspective of cinema and to empower and encourage young talents. “Refugee Women” was the theme for the first year of the competition, which launched with the slogan “Short Film, Long Effect.” The recipients of awards for the top three works chosen by the jury were presented with their awards at a ceremony held in January 2017.

With respect to other programs, the Sabancı Foundation continued to support various projects, programs and events that aim to encourage and enable those who have the power to change the future and to make a difference in the lives of others with seminars, partnerships and grants.

First launched in 2008, the Sabancı Foundation **Social Development Grant Program** aims to support civil society organizations in promoting social development to achieve equality and active participation of women, youth and persons with disabilities. Since 2008, the program has received 1,718 applications. The Foundation granted a total of TL 10.5 million to 60 projects carried out in 72 provinces. Out of these projects, 54 were completed, reaching direcetly more than 90,000 and indirectly to over 400 thousand individuals across the country.

Including the grants given as part of the United Nations Joint Program and Those Who Make a Difference between 2006–2010 and 2012–2015, the lives of 700 thousand persons in 74 provinces were impacted by a total of 126 projects.

In 2016, nine new projects were selected to be supported under the Sabancı Foundation Grant Program. On October 13, 2016, a meeting was organized under the theme “Sowing Season” to share information and experiences among the nine grantees that completed their projects with support from the Sabancı Foundation Grant Program. Representatives from NGOs, public institutions and the press attended this meeting to contribute to the discussion. A book entitled “Sowing Season: Sabancı Foundation Grant Program Stories” was distributed to the participants and related organizations.

The **Purple Certificate Program** is a social gender education initiative mainly for teachers. It was a component of the United Nations Joint Program (UNJP) to Protect and Improve Women's Civil Rights, which was completed in 2015. The Purple Certificate Program has been conducted since 2007 by Sabancı University in cooperation with the Ministry of National Education and with the support of Sabancı Foundation after the UNJP portion was completed. The initiative has reached some 3,000 teachers in 17 provinces with 345 teachers becoming certified. In 2016, Bilgi University also cooperated with the program; in addition, teacher candidates, elementary school teachers and middle school students were included in the program.

In 2016, the Sabancı Foundation continued to support the program entitled **"Turkey's Changemakers,"** highlighting the stories and efforts of individuals who make significant contributions to social development and inspire society. Out of more than 2,000 applications, 150 Changemakers were selected and videotaped since the program's launch year of 2009. The videos were shared on the program's website, Facebook, Twitter and YouTube, as well as on several local Turkish daily internet news portals, reaching more than 5 million viewings on domestic and international platforms.

The eighth season of the Those Who Make a Difference television program started in October 2016 with the same format as the very first years of the show. Every month, two People Who Make a Difference are introduced on the TV show, which is broadcast on social media as well as CNN Türk with Cüneyt Özdemir as the host.

By bringing together nongovernmental organizations, foundations, the private sector and public agency representatives with international experts, the Sabancı Foundation enables information about new approaches in the foundation and NGO field to be shared. The ninth of the Sabancı Foundation's **Philanthropy Seminars** was held on December 8, 2016 under the theme "Philanthropy Despite Everything." Journalist-author Amanda Lindhout and model and human rights activist Waris Dirie spoke at the seminar about their interesting life stories in which they held philanthropy above all despite the difficulties they experienced.

In 2016, the Sabancı Foundation bolstered its presence in the international arena. The Foundation continued to play the important role of representative at the European Foundations Center, which it has been a member of since 1991 and serving on the Board of Directors for the first time in 2011. Sabancı Foundation, the only foundation taking part in the management of EFL, has maintained its membership on the Board since its second selection to the Board in 2014. The Sabancı Foundation hosted a session on social gender along with three other foundations from Europe in May at the EFC Annual Meeting that took place in Amsterdam. At the Grantmakers East Forum Conference, which took place in Hamburg in December, the Foundation participated as a speaker in the session on "Innovative Methods Applied on the Subject of Refugee Women." The Foundation has also continued its mission of thought leadership with articles published in reputable international publications with an important place in the field of philanthropy.

The Foundation hosted a meeting of the Synergos Institute Global Philanthropists Network, of which Güler Sabancı is the Chairman of the Board of Trustees, on September 29, 2016 at the Sabancı Center. The meeting took place with the attendance of the Synergos Institute President, members and nongovernmental organization representatives from Turkey. Gaziantep Mayor Fatma Şahin, who attended the meeting as a guest speaker, talked about the work the city has done concerning refugees and shared information about the Gaziantep model that was created. Another meeting was organized in New York on November 3, 2016 to explain the model to NGO representatives in New York with the support of the Sabancı Foundation.

In 2016, the Foundation added yet another award to its long list of achievements. With its People Who Make a Difference Program, the Foundation won the Social Awareness Award given by the Institute of Internal Auditing – Turkey (TIDE), which is the Turkey representative of the International Institutes of Internal Auditing that has over 190 members in 170 countries worldwide.

For more information about the Sabancı Foundation and its activities:
www.sabancivakfi.org

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BY BRINGING TOGETHER NONGOVERNMENTAL ORGANIZATIONS, FOUNDATIONS, THE PRIVATE SECTOR AND PUBLIC AGENCY REPRESENTATIVES WITH INTERNATIONAL EXPERTS, THE SABANCI FOUNDATION ENABLES INFORMATION ABOUT NEW APPROACHES IN THE FOUNDATION AND NGO FIELD TO BE SHARED.

Corporate Social Responsibility Policy and Principles

With this policy statement, the Sabancı Group stresses corporate social responsibility principles as well as the importance and priority given to the topic by the Group.

Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach. We expect all our establishments that constitute the Sabancı Group to manage the economic, social and environmental impact of their actions with responsibility and to place priority on the development of society. We do not regard the scope of our social responsibility limited to just our business operations or their impact. We determine our level of social responsibility and its priority on what is good for society and the environment as a whole. We pursue a pioneering role with regard to actions that protect democracy, human rights as well as the environment. At the Sabancı Group, the SA-Ethics program, prepared and put into practice in accordance with the Principles of Corporate Social Responsibility, constitute a guide to our business operations.

The basic principles that govern our social responsibility practices are:

1. At the Sabancı Group, we fulfill our social and environmental responsibilities toward society in all places that we operate, in close collaboration with our shareholders, employees, public, non-governmental organizations and other stakeholders.

2. We regard our human resources as the most significant component in creating sustainable growth. We ensure that all employees take advantage of their personal rights as members of the Group, fully and accurately. We treat our employees with honesty and fairness; we are committed to creating a non-discriminatory, safe and healthy work environment. We undertake efforts to enable the personal development of all employees while pursuing a balance between their private and professional lives.

Any discrimination within the organization based on race, religion, gender, age, political opinion, language, physical challenge or similar reasons is not tolerated.

We strive to ensure that people of different beliefs, views and opinions work together in harmony by creating a positive and cordial work environment that supports cooperation and prevents conflict.

We administer programs that contribute to preserving employee health that we accept as important to ensuring our employees' quality of life and success.

At the Sabancı Group, we believe that all employees deserve to work in a healthy and secure work environment consistent with human dignity. Our employees are our most valuable assets and we strive to provide employee safety and security as our primary goal.

3. We manage the environmental impact of our activities with a sense of responsibility. All our companies are required to identify and apply the necessary improvements and development activities that minimize or eliminate negative environmental impact.

We require our companies, beyond their legal requirements, to apply the best environmental solutions to all they do and to support any initiative that will develop and deploy environment-friendly technology and enhance environmental awareness.

4. At the Sabancı Group, we strive toward the improvement of society pursuant to our sense of corporate social responsibility. We encourage our employees to take part in social and societal volunteering.

5. We develop and implement approaches to ensure that all of our partners, and particularly our suppliers, act in accordance with the social responsibility standards of the Group.

6. We show sensitivity to the traditions and culture of Turkey and other countries in which we operate. We comply with all legal regulations currently in effect.

7. We encourage our Group companies to comply with international standards and assure that their operations are certified.

All principles of this policy statement are put into practice in accordance with applicable regulations; relevant units audit the level of implementation. We consider the success of the companies with regard to social responsibility activities as a significant criterion for evaluating overall company performance. At the Sabancı Group, we disclose corporate social responsibility activities realized by our Group with the public via annual reports and on our website.

All our executives and employees, starting with the CEO of Sabancı Holding A.Ş., undertake accountability for carrying out corporate social responsibility activities.

This policy document has been prepared to share with our employees, shareholders and all other stakeholders our public commitment on the part of the Sabancı Group to fulfill our responsibility toward helping to create a better world and a better future.

Zafer Kurtul
Board Member and CEO

Güler Sabancı
Chairman and Executive Member

Communication Principles of Sabancı Group

The Sabancı Group targets the following principle as part of its communications efforts: Sabancı Group plans and implements its operations on the basis of striving for permanent competitive advantages by differentiating itself; the Group's mission is to manage a strategic portfolio with a competitive and sustainable growth potential in such a way that it creates value for shareholders. The principle thus adopted is manifested in the Group's business target: To be ahead of the competition in the sectors where we operate.

It is of crucial importance that the internal and external communications of the Group is maintained consistently, constantly and transparently in order to safeguard and promote the corporate reputation of Sabancı Group and to manage it in harmony with its business targets and social responsibilities.

In this context:

- The Senior Management of Sabancı Holding have public informational meetings at least once a year.
- Group Heads inform the public at least once a year.
- Sabancı Holding shares its first quarter, first half, nine months and annual financial results with the Capital Markets Board of Turkey (CMB), Borsa Istanbul (BIST) and the public.
- Material disclosures to the BIST and press releases are simultaneously posted on the website.
- Activities of Sabancı Holding are disclosed to the public through its website in both Turkish and English. Sabancı Holding also shares information with the public through social media channels (www.facebook.com/sabanciholding - www.twitter.com/sabanciholding).
- Affiliates of Sabancı Holding inform the Sabancı Holding Corporate Communications Department prior to the implementation of the planned communications activities on a monthly and annual basis.
- Sabancı Holding and its affiliates adhere to the principles set out in the Communications Guide in all communications activities.
- Uses of the Sabancı brand have been outlined in the Sabancı Corporate Identity Guidelines. Sabancı Holding and its affiliates adhere to these principles in all matters relating to the use of the Sabancı brand.
- Frequency of such activities may be increased in line with corporate and operational developments.

Sabancı Group Environmental Policy

Sabancı Group has adopted the innovative and sustainable environmental approach in its operations. Being aware of the fact that the public embraces the "sustainable," we adopt in our environmental activities integrated, transparent and reliable management, as well as communications and collaboration with the public. Our basic principle in our operations in different sectors is "to assume the responsibility of the lifecycle of products and services."

With such an approach, we manage our operations at each step of our development with an eye to their impacts on the environment.

OUR CORPORATE ENVIRONMENTAL POLICY

- We establish and implement our environmental standards at a level above and beyond the legal obligations.
- We aim at perfection through intercompany information and experience sharing.
- We adopt the proactive approach in all our operations for an uninterrupted improvement of our environmental performance.
- We identify and manage environmental risks.
- We try to apply the best available production techniques.
- While monitoring environmental developments and converting them into business opportunities, we contribute to sustainability.
- We support environmental awareness and information sharing for purposes of social development.

INTERGROUP ENVIRONMENTAL POLICY REQUIREMENTS

We observe environmental law and other statutory obligations.
While implementing environmental applications at a level above and beyond the legal obligations, we ensure the control of compliance.

We identify our environmental impacts.
We identify all our environmental impacts, develop a systematic approach of targeting, programming and monitoring, review the impacts and take improving actions.

We manage the intergroup resource utilization.
We determine the organizational roles, responsibilities and authorities in infrastructure, technology, finance and human resources, and ensure that our employees develop environmental awareness.

We ensure a systematic approach in our applications and create intercompany synergies.

We establish our operational standards with a proactive approach and ensure that they are followed by everyone including our employees, suppliers and contractors.

In the course of our operations, we identify any risks endangering the environment using a proactive approach and try to take the measures to minimize them in a timely and thorough manner.

We continually try to improve and review our environmental performance.
We set and implement targets for energy and waste management and for natural resource consumption.

While aiming at continuous improvement through clean products and clean production technologies, we also take on the environmental responsibility of our products and services.

While reporting our operations unequivocally, we facilitate access to information.

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)

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

To the Board of Directors of
Hacı Ömer Sabancı Holding A.Ş.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. ("the Company" or "Holding") and its subsidiaries (together will be referred as "the Group"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS"), 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hacı Ömer Sabancı Holding A.Ş. and its subsidiaries as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Matter

Subsidiaries are companies in which Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power relating to shares held by Holding and its Subsidiaries together with voting power which Holding effectively exercises relating to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of their shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are treated as non-controlling interests.

Additional Paragraph for US Dollar ("USD") Translation

"As explained in Note 2 to the consolidated financial statements USD amounts presented in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements, USD amounts do not form part of these consolidated financial statements and have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the offical USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016 for the consolidated balance sheet and the official USD average CBRT bid rate of the year 2016 for the consolidated statement of profit or loss and consolidated statement of cash flows. The resulting difference from the use of average CRBT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency."

Reports on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 23 February 2017.

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

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

H. Erdem Selçuk, SMMM
Partner
İstanbul, 23 February 2017

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HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Note References	Unaudited Current Period 31 December 2016 USD (*)	Current Period 31 December 2016	Prior Period 31 December 2015
ASSETS				
Current Assets		**42.847.774**	**150.789.884**	**123.206.744**
Cash and Cash Equivalents	5	3.579.401	12.596.627	10.705.724
Financial Investments		1.089.867	3.835.458	1.702.308
- Held for Trading	6.a	18.164	63.921	40.513
- Available for Sale	6.b	866.922	3.050.872	1.540.670
- Held to Maturity	6.c	194.618	684.900	121.125
- Time Deposits	6.d	10.163	35.765	-
Trade Receivables	8	409.355	1.440.602	1.339.757
Receivables from Finance Sector Operations	30	24.962.635	87.848.505	78.541.392
Reserve Deposits with the Central Bank of the Republic of Turkey		9.425.944	33.171.783	24.007.327
Other Receivables	9	323.492	1.138.432	1.036.876
Derivative Financial Instruments	29	2.177.397	7.662.697	2.717.395
Inventories	10	569.941	2.005.735	2.021.777
Prepaid Expenses	11	138.303	486.716	338.199
Assets Related to Current Tax		1.329	4.678	4.478
Other Current Assets	20	163.921	576.871	677.290
		42.841.585	**150.768.104**	**123.092.523**
Non-current Assets Held for Sale		6.189	21.780	114.221
Non-current Assets		**44.748.224**	**157.477.955**	**142.313.323**
Financial Assets		13.941.547	49.063.092	52.415.563
- Available for Sale	6.b	9.027.906	31.771.008	41.848.155
- Held to Maturity	6.c	4.913.641	17.292.084	10.567.408
Trade Receivables	8	31.266	110.032	46.561
Receivables From Finance Sector Operations	30	26.351.074	92.734.698	75.896.951
Other Receivables	9	251.476	884.996	379.138
Derivative Financial Instruments	29	229.562	807.874	651.367
Investments Accounted Through Equity Method	12	1.733.634	6.101.005	5.970.431
Investment Property	13	79.130	278.476	292.103
Property, Plant and Equipment	14	1.410.692	4.964.509	4.282.958
Intangible Assets		479.536	1.687.584	1.544.798
- Goodwill	16	288.365	1.014.815	1.014.355
- Other Intangible Asset	15	191.171	672.769	530.443
Prepaid Expenses	11	36.675	129.067	55.557
Deferred Tax Assets	28	180.553	635.401	714.698
Other Non Current Assets	20	23.079	81.221	63.198
Total Assets		**8.7595.998**	**308.267.839**	**265.520.067**

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official TL exchange rate announced by CBRT at 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.1.6).
These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2017 and signed on its behalf by Zafer Kurtul, Member of Board of Directors and CEO and Barış Oran, Head of finance

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Note References	Unaudited Current Period 31 December 2016 USD [*]	Current Period 31 December 2016	Prior Period 31 December 2015
LIABILITIES				
Current Liabilities		**60.630.626**	**213.371.296**	**189.599.353**
Short Term Borrowings	7	2.511.577	8.838.741	8.678.744
Short Term Portion of Long Term Borrowings	7	3.870.446	13.620.874	12.862.826
Trade Payables	8	707.686	2.490.488	2.386.775
Payables from Finance Sector Operations	31	50.187.178	176.618.716	156.890.448
Payables related to Employee Benefits	19	17.952	63.177	56.405
Other Payables	9	1.342.687	4.725.183	4.441.032
Derivative Financial Instruments	29	1.312.181	4.617.826	1.772.169
Deferred Income	11	42.470	149.461	164.578
Current Tax Liabilities	28	98.774	347.607	402.774
Short Term Provisions		198.655	699.107	606.545
-Short Term Provisions for Employee Benefıts	19	81.766	287.751	238.249
-Other Short Term Provisions	17	116.889	411.356	368.296
Other Short Term Liabilities	20	337.690	1.188.398	1.291.129
		60.627.296	**213.359.578**	**189.553.425**
Liabilities Related to Asset Group Held for Sale		3.330	11.718	45.928
Non-current Liabilities		**14.233.121**	**50.089.200**	**35.949.276**
Long Term Borrowings	7	7.518.316	26.458.459	19.137.143
Trade Payables	8	8	29	216
Payables from Finance Sector Operations	31	6.278.930	22.096.811	15.532.084
Other Payables	9	235.840	829.968	595.931
Derivative Financial Instruments	29	28.129	98.991	158.960
Deferred Income	11	34.176	120.273	114.297
Long Term Provisions		93.047	327.449	289.523
- Long Term Provisions for Employee Benefıts	19	91.842	323.210	284.829
- Other Long Term Provisions	17	1.205	4.239	4.694
Deferred Tax Liabilities	28	39.540	139.150	118.323
Other Long Term Liabilities	20	5.135	18.070	2.799
EQUITY		**12.732.253**	**44.807.343**	**39.971.438**
Equity Attributable To The Parent	**21**	**6.577.149**	**23.146.297**	**20.942.594**
Share Capital	21	579.792	2.040.404	2.040.404
Adjustments to Share Capital		973.733	3.426.761	3.426.761
Share Premium	21	6.319	22.237	22.237
Capital adjustments due to cross-ownership(-)	21	(54.123)	(190.470)	-
Other Comprehensive Income or Expenses That Will Not Be Reclassifıed to Profıt or Loss		(16.996)	(59.814)	(51.102)
- Actuarial Gain / Loss		(16.996)	(59.814)	(51.102)
Other Comprehensive Income or Expenses That Will Be Reclassifıed to Profıt or Loss		(76.310)	(268.550)	(332.327)
- Currency Translation Reserve	21	141.918	499.438	283.604
- Gains/Losses on Hedge	21	(91.871)	(323.312)	(175.630)
- Revaluation Reserve	21	(126.357)	(444.676)	(440.301)
Restricted Reserves	21	264.194	929.750	892.819
Retained Earnings		4.144.649	14.585.848	12.707.474
Net Income for the Period		755.891	2.660.131	2.236.328
Non-controlling Interests		**6.155.104**	**21.661.046**	**19.028.844**
TOTAL EQUITY AND LIABILITIES		**87.596.000**	**308.267.839**	**265.520.067**

[*] USD amounts presented above are translated from TL for convenience purposes only, at the official TL exchange rate announced by CBRT at 31 December 2016, and therefore do not form part of these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Note References	Unaudited Current Period 31 December 2016 USD(*)	Current Period 31 December 2016	Prior Period 31 December 2015
CONTINUING OPERATIONS				
Sales (net)	4,23	4.096.014	12.362.180	11.657.193
Cost of Sales (-)	4,23	(3.239.877)	(9.778.272)	(9.093.701)
Gross Profıt from Non-Financial Operations		**856.137**	**2.583.908**	**2.563.492**
Interest, Premium, Commission and Other Income	4	7.410.485	22.365.586	18.378.397
Interest, Premium, Commission and Other Expense(-)	4	(4.041.633)	(12.198.054)	(9.990.453)
Gross Profit from Financial Operations		**3.368.852**	**10.167.532**	**8.387.944**
GROSS PROFIT		**4.224.989**	**12.751.440**	**10.951.436**
General and Administrative Expenses (-)	24	(1.633.822)	(4.931.039)	(4.926.706)
Marketing, Selling and Distribution Expenses (-)	24	(569.299)	(1.718.201)	(1.579.935)
Research and Development Expenses (-)	24	(1.907)	(5.756)	(3.323)
Other Income from Operating Activities	25	394.272	1.189.953	932.107
Other Expense from Operating Activities (-)	25	(286.337)	(864.195)	(567.842)
Share of Profit of Investments Accounted for Using the Equity Method	12	215.073	649.113	547.932
OPERATING PROFIT		**2.342.969**	**7.071.314**	**5.353.669**
Income from Investing Activities	26	28.562	86.203	177.633
Expense from Investing Activities (-)	26	(1.443)	(4.356)	(6.991)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		**2.370.088**	**7.153.161**	**5.524.311**
Financial Income	27	16.103	48.601	54.974
Financial Expenses (-)	27	(123.143)	(371.658)	(279.921)
INCOME BEFORE TAX				
FROM CONTINUING OPERATIONS		**2.263.048**	**6.830.104**	**5.299.364**
Tax Income from Continuing Operations		**(421.989)**	**(1.273.606)**	**(973.144)**
Current Tax Expense		(402.609)	(1.215.115)	(1.023.810)
Deferred Tax (Expense) / Income	27	(19.380)	(58.491)	50.666
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**27**	**1.841.059**	**5.556.498**	**4.326.220**
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	22	(3.099)	(9.352)	94.862
PROFIT FOR THE PERIOD		**1.837.960**	**5.547.146**	**4.421.082**
ALLOCATION OF PROFIT				
- Non-controlling Interests		956.567	2.887.015	2.184.754
- Owner of the Company		881.393	2.660.131	2.236.328
Earnings per share				
- thousands of ordinary shares (TL)	33	3,71	13,04	10,96
Earnings per share from continuing operations				
- thousands of ordinary shares (TL)	33	3,72	13,08	10,50

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official TL average exchange rate announced by CBRT at 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Note References	Current period 1 January - 31 December 2016	Prior period 1 January - 31 December 2015
NET INCOME FOR THE YEAR		**5.547.146**	**4.421.082**
Other Comprehensive Income / (Loss) :			
Items That Will Not Be Reclassified Subsequently To Profit or Loss		**(17.597)**	**(79.683)**
Actuarial (losses) / gains	28	(17.597)	(79.683)
Items That Will Be Reclassified Subsequently To Profit or Loss		**292.968**	**(618.434)**
Net unrealized fair value gains/(losses) from available for sale financial assets, after tax	28	(53.870)	(827.335)
Gains / (losses) on available for sale financial assets transferred to the income statement income statement, after tax	28	39.774	(20.358)
Net gains / (losses) included in the income			
Statement due to transfer of available for Sale financial assets into held to maturity assets, after tax	28	(16.175)	(1.446)
Currency translation differences	28	492.609	238.089
Cash flow hedges, after tax	28	(29.210)	60.928
Income / (loss) from the derivative financial assets related to the hedging of net investment in a foreign operation, after tax	28	(140.160)	(68.312)
OTHER COMPREHENSIVE INCOME / (LOSS) (AFTER TAX)		**275.371**	**(698.117)**
TOTAL COMPREHENSIVE INCOME		**5.822.517**	**3.722.965**
ALLOCATION OF TOTAL COMPREHENSIVE INCOME			
- Non-controlling Interests		3.098.043	1.758.595
- Equity Holders of the Parent		2.724.474	1.964.370

HACI ÖMER SABANCI HOLDİNG A.Ş.
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

					Accumulated Other Comprehensive Income or Loss That Will									
					Not Be Reclassified	Be Reclassified to Profit or Loss								
	Share Capital	Adjustment to share capital	Capital adjustments due to cross-ownership (-)	Share premium	Actuarial gains / losses	Currency translation reserve	Hedge reserve	Revaluation funds	Restricted reserves	Retained earnings	Net incone for the year	Equity attributable to the parent	Non-controling interests	Total
Balances at 1 January 2015	**2.040.404**	**3.426.761**	**-**	**21.670**	**(10.526)**	**183.938**	**(188.975)**	**(95.908)**	**855.707**	**10.865.495**	**2.079.114**	**19.177.680**	**17.680.200**	**36.857.880**
Transfers	-	-	-	-	-	-	-	-	45.931	2.033.183	(2.079.114)	-	-	-
İncrease in capital	-	-	-	-	-	-	-	-	-	-	-	-	49.685	49.685
Effect of change in the effective ownership of subsidiaries	-	-	-	-	-	-	-	-	-	(1.827)	-	(1.827)	2.702	2.702
Effect of public offer of joint ventures	-	-	-	-	-	-	-	-	-	1.013	-	1.013	-	1.013
Share premiım	-	-	-	567	-	-	-	-	-	-	-	567	503	1.070
Effect of disposal of subsidiaries' shares (**)	-	-	-	-	-	-	-	-	(6.141)	11.934	-	5.793	179.602	185.395
Effect of acquisition of subsidiaries(*)	-	-	-	-	-	-	-	-	(2.678)	18.710	-	16.032	(156.965)	(140.933)
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(221.034)	-	(221.034)	(485.478)	(706.512)
Total comprehensive income	-	-	-	-	(40.576)	99.666	13.345	(344.393)	-	-	2.236.328	1.964.370	1.758.595	3.722.965
Balances at 31 December 2015	**2.040.404**	**3.426.761**	**-**	**22.237**	**(51.102)**	**283.604**	**(175.630)**	**(440.301)**	**892.819**	**12.707.474**	**2.236.328**	**20.942.594**	**19.028.844**	**39.971.438**
Balances at 1 January 2016	**2.040.404**	**3.426.761**	**-**	**22.237**	**(51.102)**	**283.604**	**(175.630)**	**(440.301)**	**892.819**	**12.707.474**	**2.236.328**	**20.942.594**	**19.028.844**	**39.971.438**
Transfers	-	-	-	-	-	-	-	-	36.931	2.199.397	(2.236.328)	-	-	-
Calling of shares in subsidiaries holding(****)	-	-	(190.470)	-	-	-	-	-	-	-	-	(190.470)	-	(190.470)
The effect of shares sales(*****)	-	-	-	-	-	-	-	-	-	3.034	-	3.034	1.729	4.763
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(324.057)	-	(324.057)	(467.570)	(791.627)
Subsidiary acquisition or removal(******)	-	-	-	-	-	(9.278)	-	-	-	-	-	(9.278)	-	(9.278)
Total comprehensive income	-	-	-	-	(8.712)	225.112	(147.682)	(4.375)	-	-	2.660.131	2.724.474	3.098.043	5.822.517
Balances at 31 December 2016	**2.040.404**	**3.426.761**	**(190.470)**	**22.237**	**(59.814)**	**499.438**	**(323.312)**	**(444.676)**	**929.750**	**14.585.848**	**2.660.131**	**23.146.297**	**21.661.046**	**44.807.343**

(*) The share transfer agreement was signed on 13 January 2015 regarding the sale of all shares in Group's subsidiary SASA Polyester Sanayi A.Ş, corresponding to 51% of the share capital of the Company, to Erdemoğlu Holding A.Ş. As of 30 April 2015 share transfer has been completed.
(**) The selling operation of shares in Group's subsidiary Kordsa Global with a nominal value of TL 38.905.814, corresponding to 20%, to domestic and foreign institutional investors on the Wholesale Market of Istanbul Stock Exchange has been completed during the May. As a result of this transaction, Group's share in the capital of Kordsa Global has been decreased from 91, 11% to 71, 11%.
(***) Dividends paid by the Holding per share with a TL 1 nominal value is TL 0,15 (2015: TL 0, 10).
(****) Represents the share of Sabancı Holding of Exsa A.Ş. According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)'s Board of Director decision on December 22, 2015, company has started to make repurchasing agreement at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17 % as of 31 December 2016. These shares in consolidated equity as capital adjustments due to cross-ownership.
(*****) Represents call option, which is in Equity of Group's subsidiaries Carrefoursa A.Ş. capital with a rate of 0,14% and nominal value of TL 946 986 was decided to sell the Istanbul Stock Exchange, within a year. In accordance with this decision as of 26, 27, 29 April and 2, 3, 4 and 10 May, 2016 dates regarding the share of Carrefoursa A.Ş. with range of price 6,85-7,88 amount of 946.986 nominal value per share sale was realized. With this transaction, the Group's share in Carrefoursa A.Ş. became 50.61%.
(******) Regarding to Interkordsa Gmbh, the cumulative conversion reserve of Total TL 9.278.326 calculated in the financial tables and held under equity has been added to the profit of the current year.

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Note References	Unaudited Current Period 31 December 2016 USD[*]	Current Period 31 December 2016	Prior Period 31 December 2015
Net income before tax from continuing operations		3.384.423	6.830.104	5.299.364
Net income after tax from discontinued operations		(4.634)	(9.352)	94.862
Adjustments to reconcile income to net cash provided by operating activities:				
Depreciation and amortisation expenses	4	284.894	574.944	565.037
Provision for loan losses	30	1.217.924	2.457.893	2.407.045
Changes in the fair value of derivative instruments		(1.165.767)	(2.352.634)	(970.066)
Interest income and foreign currency gains		(1.340.969)	(2.706.210)	(1.358.867)
Interest expense		90.467	182.572	61.041
Provision for employment termination benefits	19	72.351	146.012	136.020
Impairments charge on property, plant and equipment, intangible assets and investment property	13,14,15	39.167	79.042	48.668
Income from sale of property, plant and equipment, intangible assets and investment property		(31.819)	(64.214)	(159.626)
Income from associates and joint ventures	12	(321.646)	(649.113)	(547.932)
Income from sale of subsidiary		-	-	(102.989)
Provision for / (reversal of) inventory impairment	10	11.383	22.973	15.814
Provision for doubtful receivables		7.268	14.668	(11.973)
Other		2.514	5.074	(4.162)
Net cash provided by operating activities before changes in operating assets and liabilities		**2.245.557**	**4.531.759**	**5.472.236**
Changes in trade receivables		(88.689)	(178.984)	(290.694)
Changes in inventories		(4.358)	(8.795)	(197.983)
Changes in other receivables and other current assets		(369.281)	(745.245)	(943.082)
Changes in trade payables		51.299	103.526	577.292
Changes in other liabilities and other payables		270.378	545.649	1.472.179
Net cash provided in operating activities of non-current assets classified as held for sale		28.854	58.231	(62.729)
Currency translation differences		137.194	276.871	66.796
Changes in assets and liabilities in finance segment:		-		
Changes in securities held for trading		(11.911)	(24.038)	15.917
Changes in receivables from financial operations		(13.764.583)	(27.778.305)	(19.116.151)
Changes in payables from financial operations		12.939.863	26.113.938	22.370.640
Central Bank of the Republic of Turkey account		(5.637.406)	(11.376.849)	(5.562.187)
Income taxes paid		(600.712)	(1.212.297)	(904.642)
Employment termination benefits paid	19	(54.597)	(110.182)	(102.790)
Net cash provided by / (used) in operating activities activities		**(4.858.392)**	**(9.806.721)**	**2.775.112**
Cash flows from investing activities:				
Capital expenditures	4	(691.113)	(1.394.735)	(1.063.507)
Sale / (purchase) of available for sale and held to maturity financial assets		792.564	1.599.474	(6.435.505)
Proceeds from sale of non-current assets held for sale, property, plant and equipment and intangible assets		93.493	188.678	328.000
Dividends received		195.840	395.224	414.318
Cash outflow on acquisition of subsidiary	3	-	-	(492.283)
Effect on acquisition of subsidiary		-	-	(53.193)
Cash provided from the share sale of subsidiary		-	-	191.802
Cash provided from the sale of subsidiary		3.801	7.670	277.602
Net cash provided by investing activities		**394.585**	**796.311**	**(6.832.766)**
Cash flows from financing activities:				
Changes in financial liabilities		3.994.176	8.060.646	6.845.764
Dividends paid		(160.575)	(324.056)	49.685
Increase in uncontrollable equity capital		-	-	(221.034)
Dividends paid to non-controlling interests		(231.688)	(467.570)	(485.478)
Capital increase in joint venture		-	-	(350.000)
Net cash provided by financing activities		**3.601.913**	**7.269.020**	**5.838.937**
Effect of change in foreign currency rates on cash and cash equivalents		701.837	1.416.377	934.340
Net increase/(decrease) in cash and cash equivalents		(161.049)	(325.013)	2.715.623
Cash and cash equivalents at the beginning of the period [**]		3.746.439	7.560.688	4.845.065
Cash and cash equivalents at the end of the period		**3.585.390**	**7.235.675**	**7.560.688**

[*] USD amounts presented above are translated from TL for convenience purposes only, at the official TL average exchange rate announced by CBRT at 31 December 2016, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

[**] Cash and cash equivalents at the beginning of the period comprise interest accruals of TL 1.973 and cash and cash equivalents at the end of the period comprise interest accruals of TL 4.109. Restricted cash in the banks is not included in the cash and cash equivalents. At the beginning and at the end of the current period, restricted deposit is TL 3.145.036 and TL 5.356.843, respectively (31 December 2015: TL 2.673.688 and TL 3.145.036, respectively).

HACI ÖMER SABANCI HOLDİNG A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Hacı Ömer Sabancı Holding A.Ş. (the "Holding") was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey. The number of employees in 2016 is 62.312 (31 December 2015: 63.281). Holding's registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye.

The Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on Borsa Istanbul ("BIST") (previously known as the Istanbul Stock Exchange ("ISE")) since 1997. As of 31 December 2016, the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 21):

	%
Sakıp Sabancı Holding A.Ş.	14,07
Serra Sabancı	7,21
Suzan Sabancı Dinçer	6,94
Çiğdem Sabancı Bilen	6,94
Other	64,84
	100,00

Subsidiaries

As of 31 December 2016, the nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments are as follows:

Subsidiaries	Traded Stock Market	Type of Activity	Bussiness Segment	Number of Employees
Akbank T.A.Ş. ("Akbank")	BIST	Banking	Banking	17.586
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	BIST	Trade of Consumer Goods	Retailing	12.054
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	BIST	Trade	Retailing	2.777
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	BIST	Cement and Clinker	Cement	2.255
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("Kordsa Global")	BIST	Tire Reinforcement	Industry	3.815
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	-	Automative	Industry	1.744
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	BIST	Textile	Industry	1.100
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	-	Trade	Other	9
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	-	Tourism	Other	3
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	-	Tourism	Other	6
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	-	Information Technologies	Other	175

For the purposes of segment information, Holding's stand-alone financial statements have been included within the "Other" business segment (Note 4).

HACI ÖMER SABANCI HOLDİNG A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

Joint Ventures

As at 31 December 2016, the nature of business and operating segments of the Joint Ventures which are accounted through equity method in the consolidated financial statements are as follows:

İş Ortaklıkları	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Aksigorta A.Ş. ("Aksigorta")	BIST	Insurance	Insurance	Ageas	610
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	BIST	Pension	Insurance	Aviva	1.625
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	BIST	Tire	Industry	Bridgestone	2.173
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	BIST	Cement and clinker	Cement	Heidelberg	2.665
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	-	Energy	Energy	E.ON SE	10.007
Temsa İş Makinaları	-	Automotive	Industry	Marubeni	164
Temsa Mısır	-	Automotive	Industry	Lasheen	-

All Joint Ventures are registered in Turkey except Temsa Egypt.Temsa Egypt is registered in Egypt.

Affiliates

As at 31 December 2016, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

İş Ortaklıkları	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees(*)
Philsa Philip Morris Sabancı Sigara ve Tütün San. Ve Tic. A.Ş (Philsa)	-	Tobacco products production	Industry	Philip Morris	3.100
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	-	Tobacco products marketing and sales	Industry	Philip Morris	

(*) Number of employees represent the total number of employees of Philsa and Philip Morrissa.

HACI ÖMER SABANCI HOLDİNG A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance with TAS

Sabancı Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements ("Statutory Financial Statements") in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and Supervising Agency for banks and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by POA.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Additionally, the consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013. The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 " Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Functional and Presentation Currency

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

(a) Amendments to TAS affecting amounts reported in the consolidated financial statements

None.

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

Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	*Agriculture: Bearer Plants* [1]
Amendments to TFRS 11 and TFRS 1	*Accounting for Acquisition of Interests in Joint operations 1*
Annual Improvements to 2011-2013 Cycle	*TFRS 1* [2]
Amendments to TAS 1	*Disclosure Initiative* [2]
Annual Improvements to 2012-2014 Cycle	*TFRS 5, TFRS 7, TAS 34, TAS 19 2*
Amendments to TAS 27	*Equity Method in Separate Financial Statements* [2]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to TFRS 10, TFRS 12 and TAS 28	*Investment Entities: Applying the Consolidation Exception* [2]
TFRS 14	*Regulatory Deferral Accounts* [2]

[1] Effective for annual periods beginning on or after 31 December 2015.
[2] Effective for annual periods beginning on or after 1 January 2016.

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

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

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

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

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

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

Annual Improvements 2011-2013 Cycle

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

Amendments to TAS 1 *Disclosure Initiative*

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

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Annual Improvements 2012-2014 Cycle

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

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

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

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

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

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

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

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

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

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

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

TFRS 14 *Regulatory Deferral Accounts*

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

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

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

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

TFRS 9	*Financial Instruments*
TFRS 15	*Revenue from Contracts with Customers* [1]

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

TFRS 9 *Financial Instruments*

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

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

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

TFRS 15 *Revenue from Contracts with Customers*

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

The five steps in the model are as follows:

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

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

2.1.3 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1.1. The result of operations of Subsidiaries, Joint Ventures and Associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which the Holding has the power to control the financial and operating policies for the benefit of the Holding either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby the Holding exercises control over the voting rights of the shares held by them.

c) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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d) When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39 "Financial instruments: recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2016 and 2015:

	31 December 2016		31 December 2015	
Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries%	Proportion of ownership interest %	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of ownership interest %
AEO	76,85	76,85	76,85	76,85
Akbank	40,75	40,75	40,75	40,75
Bimsa	100,00	100,00	100,00	100,00
Çimsa	58,41	53,00	58,41	53,00
Exsa	61,68	46,23	61,68	46,23
Kordsa Global	71,11	71,11	71,11	71,11
Teknosa	60,29	60,29	60,29	60,29
Temsa	48,71	48,71	48,71	48,71
Tursa	100,00	100,00	100,00	100,00
Yünsa	57,88	57,88	57,88	57,88
Carrefoursa(*)	50,61	50,61	50,74	50,74

(*)Group resolved to sell its 0,14 % shares acquired during the "tender call" in one of its subsidiaries, Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. with a nominal value of TL 946.985,76 on the Istanbul Stock Exchange within a year. In accordance with afromentioned decision, Group sold shares of Carrefoursa A.Ş. with a nominal value of TL 946.986 at selling prices between TL 6,85 - 7,88 on 26-27-29 April and 2-3-4-10 May 2016. As a result of this transaction, Group's share in the capital of Carrefoursa A.Ş. became % 50,61.

The balance sheets and statements of profıt or loss of the Subsidiaries are consolidated on a line-byline basis and the carrying value of the shares held by the Holding and its Subsidiaries is deducted from the related shareholders' equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated in consolidation. The cost of financing the shares in Subsidiaries held by the Holding and its Subsidiaries and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

The Subsidiaries are included into or excluded from the scope of consolidation subsequent to the date of tranmission of the control to the Group. The shares of non-controlling shareholders in the net assets and operating results of Subsidiaries are presented in the consolidated balance sheet and profit or loss table as non-controlling interests. Sabancı Family, "Sabancı Foundation" and a retirement fund for Akbank employees called "Akbank Retirement Fund" established both by Sabancı Family, have a share in the capitals of some subsidiaries and affiliates which are accounted in the consolidated financial statements. This share is considered as non-controlling share in the consolidated financial statements and it is not included in the current period profit.

Financial statements of Subsidiaries whose financial position on 31 December 2016 and the result of operations for the same period are insignificant according to the overall consolidated financial statements, are not consolidated. These Subsidiaries are classified as available for sale financial assets in these consolidated financial statements.

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e) Joint venture – If Holding and its subsidiaries have rights on net assets relating to operations subject to a joint arrangement, such net assets are accounted through equity method in the consolidated financial statements.

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2016 and 31 December 2015:

	31 December 2016		31 December 2015	
Joint Ventures	**Direct and indirect ownership interest by the Holding and its Subsidiaries%**	**Proportion of ownership interest %**	**Direct and indirect ownership interest by the Holding and its Subsidiaries %**	**Proportion of ownership interest %**
Akçansa	39,72	39,72	39,72	39,72
Aksigorta	36,00	36,00	36,00	36,00
Avivasa	40,00	40,00	40,00	40,00
Brisa	43,63	43,63	43,63	43,63
Enerjisa Enerji	50,00	50,00	50,00	50,00
Temsa Mısır	73,75	73,75	73,75	73,75
Temsa İş Makinaları	51,00	51,00	51,00	51,00

Investments in Joint Ventures were consolidated by equity method. Sabancı family members do not have any interest in the share capital of the Joint Ventures .

f) Investments in Associates are accounted for by the equity method. These are companies where the Group has significant influce. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Unrealized gains that result from intercompany transactions between the Group and its Associates are adjusted to the extent of the Group's share in the associate and unrealized losses are restated if the transaction does not adreess an impairment on transferred asset. In this respect, the Group does not undertake any obligation or make commitment about its Subsidiaries.

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2016 and 31 December 2015:

Associates	**Proportion of effective interest by the Holding %**
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. ("Philsa")	25,00
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	24,75

Sabancı family members do not have any interest in the share capital of Associates.

g) Available-for-sale financial assets that are not have significant effect on the Group or has no material significance in terms of financial statements, not traded in an organized market and whose fair values can not be reliably measured are reflected in the consolidated financial statements at cost, after deducting the amount of provision for impairment losses. Available-for-sale financial assets that are traded on organized markets and whose fair value can be reliably measured are accounted at fair value.

2.1.4 Offsetting

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

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2.1.5 Comparatives and Restatement of Prior Year Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. The Group presented the consolidated balance sheet as of 31 December 2016 comparatively with the consolidated balance sheet as of 31 December 2015 and presented the consolidated statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the period 1 January-31 December 2016 comparatively with the year 1 January-31 December 2015.

2.1.6 US Dollar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of profit or loss and consolidated statements of cash flows are translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 31 December 2016 of TL 3,5192 = USD 1 and TL 3,0181 = USD 1, respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency.

2.2 Changes in Accounting Policies and Estimates and Errors

Changes made in the accounting policies and corrections regarding accounting errors are applied retrospectively and prior year financial statements are restated.

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated. There has been no significant accounting error that the Group determined in the current year.

2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost on the balance sheet. Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash, cash on hand, with maturities of three months or less at the date acquired and conversion risk is immatterial (Note 5).

2.3.2 Sale and repurchase agreements

Securities sold under repurchase agreements ("Repo") are classified in the Group portfolio as "fair value differences that recorded as profit or loss", "available for sale" or "held to maturity" portfolios and valued according to relevant portfolio basis. Acquired Funds in return of repurchase agreements accounted under "Financial Liabilities" and expense accruals are calculated according to the "effective yield (internal rate of return) method" for the difference amout related to current period between the repurchase agreements and the determined sale and repurchase prices.

Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents in the balance sheet. For the current period portion of the difference between the purchase and resale prices determined by reverse repurchase agreements, the redisconted interest income is calculated according to the " effective yield method ".

2.3.3 Reserve deposits with the Central Bank of the Republic of Turkey

According to the Communiqué of the Central Bank of the Turkey Republic ("Central Bank") on "Required Reserves" numbered 2005/1, the Turkish Lira and foreign currency reserve requirement applicable ratio is between 4%- 10,5% and 4,5% - 24,5% interval for deposits and other liabilities depending on their maturity structure, respectively (31 December 2015: 5% - 11,5% and 5% - 25%). Required reserves are not paid interest.

2.3.4 Trade receivables and allowance for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk allowance for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 8).

2.3.5 Related parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties. Related party activities and balances are disclosed in Note 34.

2.3.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes all procurement costs, conversion costs and other costs that incurred for bringing the stock in current position and situation. The unit cost of inventories is determined on the moving weighted average basis (Note 10). Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2.3.7 Financial Instruments

In accordance with TAS 39, the Group classifies its investments in debt and equity securities in the three following categories; financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments' and 'available-for-sale' (AFS) financial assets'. Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity are classified as "held-to-maturity financial assets". Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or the client's servicing activity are classified as "available-for-sale financial assets". The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All financial assets are initially recognized at cost, including the fair value of the consideration and the acquisition costs associated with the investment. Financial instruments classified as available-for-sale financial assets are recognized at fair value where the fair value can be reliably measured.

Financial assets that the Holding has no control or significant influence that do not have a quoted market price in active markets, for which other methods of making a reasonable estimate of fair value are clearly inappropriate or unworkable and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

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Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred in the equity until the financial asset is sold, collected or otherwise disposed of. Unrealised gains and losses arising from changes in the fair value of available for sale debt securities are the differences between the fair value of such securities and their amortised cost at the balance sheet date. When available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement.

Held to maturity invesment are valued at amortized cost by using the effective interest rate method(internal rate of return) and by reducing the amount of impairment.

The Bank has Consumer Price Index (''CPI'') linked government bonds in available for sale and held to maturity portfolios having 5-10 year term and six month fixed real coupon rates until the maturity. These marketable securities are valued by using effective interest method by considering the real coupon rates together with the changes in the CPI references between the issuance and balance sheet dates.

Financial assets at fair value through profit or loss are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealized gains and losses are included in the income statement.

Interest received from financial assets at fair value through profit or loss is recognised in the income statement as part of interest income and dividend received is recognised in the income statement as part of dividend income. The purchase and sale transactions of financial instruments are included and excluded in accordance with the "delivery date".

2.3.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivatives at fair value through profit or loss are included in the income statement.

Certain derivative transactions, while providing effective economic hedges under the risk management position, do not qualify for hedge accounting under the specific rules under TAS 39 and are therefore treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps are included in the interest income and expense as appropriate.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the income statement over the period to maturity.

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Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows are recognised in the income statement.

Enerjisa is hedged against cash flow risk arising from financial liabilities through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under value increase funds within equity.

Brisa, in order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purhases, the Company enters into Euro selling/ US buying, TL selling/Euro buying and TL selling/ Dollar buying forward contracts.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2.3.9 Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 13). The cost of a self constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies TAS 16 "Property, Plant and Equipment". At that date, the property becomes investment property and thus is transferred to investment property. Assets held under operating leases are not disclosed as investment property.

2.3.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 14). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	4-50
Buildings	10-50
Machinery and equipment	3-30
Motor vehicles	3-7
Furniture and fixtures	3-15
Other tangible fixed assets	5-10

Gains or losses on disposals of property, plant and equipment are determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets. Ordinary repair and maintenance expenses are charged to the income statements during the financial period in which they were incurred. Capital expenditures resulting in a capacity increase and increase in future economic benefits are included in the asset's carrying amount.

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2.3.11 Intangible assets

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 15). The amortisation of mining rights commences when the extraction begins.

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. Costumer relations and agreements are amortised using the straight-line method over their estimated useful life of 27 years and carried at cost less accumulated amortisation and impairment (Note 15).

2.3.12 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. The sale of assets held for sale is expected to be occur within the following 12 months from the balance sheet date. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount or fair value. If fair value is below the carrying value of asset, the related impairment is accounted for expense in the consolidated statement of profit or loss.

2.3.13 TFRS Interpretation 12 - Service Concession Arrangements

TFRS Interpretation 12, provides guidance on the accounting of public-to-private service concession arrangements by operators.

An arrangement within the scope of TFRS Interpretation 12 typically involves a private sector entity (an operator) constructing an infrastructure used to provide a public service or upgrading it, operating and maintaining that infrastructure for a specified period of time.

The Group accounts the amount that is received or will be received due to electricity distribution services at fair value of the service. This amount is recorded as a financial asset. The Group accounts the financial asset considering the cash basis given by the grantor or at the direction of the grantor associated with the electricity distribution services. The amount that should be paid by the grantor or at the direction of the grantor is accounted as a receivable in accordance with TAS 39 "Financial Instruments: Recognition and Measurement".

2.3.14 Shareholders' equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders. In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of premium in excess of par, the payment dates are considered (Note 21).

Treasury shares under equity stands for the Holding shares owned by the subsidiaries. Those shares are accounted through reducing the share capital of the Holding by the amount of Holding shares owned by subsidiaries in the accompanying consolidated financial statements.

Revaluation fund included in the value increase funds is related to the value increase at the date of the transaction of the net assets owned by the Group before the sale transaction. Since the significant part of the amounts included in revaluation funds are related with the assets subject to amortisation, the revaluation funds are accounted for by transferring the related revaluation fund to the retained earnings during the amortisation period or the disposal period of the aforementioned assets.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in "Hedge Funds" under equity. The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the "Hedge Funds" account under shareholders' equity.

2.3.15 Research expenses and development costs

Research costs are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

2.3.16 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement as financial expense over the period of the borrowings.

Turkish Accounting Standard No 23 "Borrowing Costs" was revised on 29 March 2007 by the IASB. The revised TAS 23 is effective at 1 January 2009, yet voluntary early transition to the application right is reserved. The Group opted for early adoption and changed accounting policy, choosing the policy envisaged in TAS 23 related to borrowing costs at 1 January 2007. 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 in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred.

2.3.17 Deferred financing charges

Deferred financing charges (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised using the effective interest method over the remaining life of the long-term bank borrowings.

2.3.18 Income taxes

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

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

<u>Current tax</u>

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

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the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred Tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control.

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

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

2.3.19 Employee benefits

Retirement benefits

Akbank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund"), established in accordance with the Social Security Law numbered 506, article No.20. The financial statements of the Pension Fund have been audited by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

On 1 November 2005, Banking Law No.5411 ("New Law") which requires the transfer of the pension funds of the banks to the Social Security Institution within three years following the publication date was published in the Official Gazette. However, President of the Turkish Republic applied to the Constitutional Court on 2 November 2005 for the abrogation of the related article of Banking Law, and this article was abrogated with the decision No E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No 26731 dated 15 December 2007, and its execution was annulled at the publication date of the decision.

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Following the publication of the reasoned ruling of the Constitutional Court in December 2007, the relevant commission of the Turkish Parliament began to work on a new law provision establishing the transfer of the pension funds. The law provision was drawn up as a draft in the first months of 2008 and the legislation processes are in progress as of the preparation date of these consolidated financial statements and at 17 April 2008, at No. 5754 of the Social Security Act (" New Law") circuit that regulates the principles and provisions of the Parliamentary General Assembly agreed and 8 May 2008 and published in the Official Gazette No. 26870th be entered into force. Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. The transfer should be completed until 8 May 2014. With the change in first clause of 20nd provisional article of the "Social Insurance and General Health Insurance Law no. 5510" published on the Official Gazette no. 28227 dated 8 March 2012, the postponement right of the Council of Ministers has been extended from two years to four years.

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

With respect to that, according to the technical balance sheet report as at 31 December 2015 prepared considering the related articles of the New Law regarding the transferrable benefit obligations and in accordance with TAS 19 for the non-transferrable social benefits and payments which are included in the articles of association and audited within the framework stated in the first paragraph above. The fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for Akbank.

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group's obligation related to other non-transferrable benefits has been calculated in accordance with TAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9,80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TL 317.383 (31 December 2015: TL 275.785), the surplus of the Fund amounts to TL 209.173 as of 31 December 2015 (31 December 2015: TL 302.564).

The surplus unrecognised in the balance sheet is determined as follows:

	31 December 2016	31 December 2015
Present value of funded obligations	(1.184.939)	(986.395)
- Pension benefits transferrable to SSI	(1.635.774)	(1.377.543)
- Post-employment medical benefits transferrable to SSI	768.218	666.933
- Other non-transferrable benefits	(317.383)	(275.785)
Fair value of plan assets	1.394.112	1.288.959
Surplus	**209.173**	**302.564**

The amount of the post-employment medical benefits transferrable to SSI is calculated over the net present value of medical liabilities and health premiums.

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The principal actuarial assumptions used were as follows:

Discount rate	31 December 2016	31 December 2015
- Pension benefits transferrable to SSI	9,80%	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%	9,80%
- Other non-transferrable benefits	4,49%	4,27%

Provision for Employment Termination Benefit

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 19). All actuarial gains and losses are accounted for under equity.

2.3.20 Provisions, contingent liabilities and assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.3.21 Loans and advances to customers and provisions for loan impairment

Loans originated by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated and are carried at amortised cost using the effective yield method. Costs incurred due to obtaining guarantees for originated loans are not considered as transaction costs and are charged to the income statement. Loans originated by providing money directly to banks such as time or demand deposits are classified as due from banks.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision made during the period is charged against the profit for the period. Loans that cannot be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for loan losses for the period.

2.3.22 Investment incentives

The Group benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognised as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

2.3.23 Insurance technical reserves

Unearned premiums reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written except for marine and earthquake premiums issued before 14 June 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12.00 noon again. Within the framework of the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") issued in Official Gazette No: 26606 dated 7 August 2007, unearned premium reserve and the reinsurer's share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premuiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Continued risk provisions

Within the framework of Regulation on Technical Reserves, insurance companies are requires to account for an unexpired risk reserve against the probability thati future lossed incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred lossed to current year earned premiums. If the loss ratio for a branch is higher than 95% the unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with the unearned premim reserve for the related branch. The difference between gross amount and net amount is considered as reinsurance portion. Opening outstanding claims provision amount is revised consistently with the current period, in calculation of expected loss ratio considered in the calculation of unexpired risk reserve as of 31 December 2015.

Outstanding claim and provision

The company accounts for outstanding claims provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted based on reports of experts or inital assessments of policyholders and experts, and salvage, subrogation and similar gains are not deducted as of 31 December 2015.

The Company accounts for additional provisions for claims incurred but not reported which is calculated as the difference between the outstanding claims provisions and the amount calculated by using the actuarial chain ladder methods in accordance with the framework of the Circular on "Actuarial Chain Ladder Method" numbered 2010/12 and dated 20 September 2010 effective from 31 December 2010 and other related regulations.

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Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves (those with minimum income guarantee determined by the tariffs approved by the Treasury and those including risk guarantees over one year) and life profit share reserved and represent the Company's total liability to the policyholders in the life branch.

Mathematical reserve; is the sum of reserves specified in the contract's technical terms and calculated using statical and actuarial methods in order to cover the liabilities of insurane companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The apptroval of mathematical reserves is made by the actuaries based on current mortaliy tables valid for Turkish insurance companies and prepared by considering mortality statics prepared abroad.

2.3.24 Leasing transactions

2.3.24.1 The Group as a lessee

Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in leasing payables.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. The interest element of the finance cost is charged to the income statement over the lease period.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.3.24.2 The Group as a lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

2.3.25 Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills (Note 4.f.i).

Commission income and fees for various banking services are recorded as income at the time they affect the transactions to which they relate.

Insurance

Life:

Premium income represents premiums accrued on policies issued during the period, adjusted by the reserve for unearned premiums for annual life policies, during the period (Note 4 f.ii).

Non-Life:

Premium income represents premiums on policies written during the period, net of cancellations, as adjusted by the reserve for unearned premiums.

Other segments

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

2.3.26 Earnings per share

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 33 earnings per share are calculated in accordance with IAS 33 "Earnings Per Share".

Income as per share stated in the income statement is calculated by dividing the net profit by the weighted average of the share certification available in the market during the whole year.

The companies in Turkey can increase their capitals that they distributed to their shareholders from the profits of previous year by "free of charge share certificates". Such "free of charge share" distributions are considered as issued share incalculation of profit as per share. Accordingly, number of weighted average shares used in these calculations is calculated considering the retrospective impacts of related share certificate.

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2.3.27 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish lira, which is the functional currency of the Holding.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated income statement.

Foreign Group companies

The results of Group undertakings using a measurement currency other than Turkish lira are first translated into Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into Turkish lira by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and year-end rates are included in translation reserve as a separate item in the shareholders' equity.

2.3.28 Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is premeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Partial share purchase-sale transactions with non-controling interests

The group applies a policy of treating transactions with non- controling interests as transactions with equity owners of the group. For purchases from non- controling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non- controling interests are also recorded in equity. For disposals to non- controling interests, differences between any proceeds received and the relevant share of non- controling interests are recorded in equity under retained earnings since there is no caption for these gains or losses in the financial statement model published by the POA.

2.3.29 Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has selected business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision- maker. The chief operating decision-maker is responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

2.4 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with CMB Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied to the financials to see the effect on net profit / loss for the period.

a) Goodwill

Goodwill arising from the acquisition of an associate is the portion of the consideration paid that exceeds the fair value of the net identifiable assets, liabilities and contingent liabilities in the acquiree and the non-controlling interest in the acquiree.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination of goodwill. Each unit or unit group in which the honorifics are distributed is the smallest asset group of the business in which the honor is monitored for internal business purposes. Goodwill impairment is made more frequently once a year, or when the event or condition changes indicate a possibility of impairment. The book value of the goodwill is compared with the recoverable amount which is the greater of the fair value of the deducted value and the extinguishing costs. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and an impairment loss recognized for goodwill is not reversed in subsequent periods.

b) Provisions

In accordance with the accounting policies stated in Note 2.3, As a result of the Group's past events, a legal or constructive obligation exists and it is probable that an outflow of resources will be required to settle the obligation and the amount to be paid can be reliably estimated.

The Group is subject to various legal processes, requests and regulatory negotiations whose results are uncertain. The Group assesses the likelihood of adverse consequences as well as other factors, and the possibility of reasonably estimating losses. Unforeseeable events and changes in these factors may require an increase or decrease in any item or amount that the Group accounts for (whether it is considered unlikely or has not made a provision since a reasonable calculation can not be made).

c) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows.

NOTE 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2016 are as follows:

None.

The business combinations between the period 1 January and 31 December 2015 are as follows:

On 15 May 2015, the the Group's subsidiary Carrefoursa has signed Share Purchase Agreement with Kiler Holding Anonim Şirketi, Nahit Kiler, Ümit Kiler, Vahit Kiler, Hikmet Kiler, Sevgül Kiler and Denge Reklam San. ve Tic. Ltd. Şti. ("Vendors"), in order to acquire 85% of the shares of Kiler Alışveriş, of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TL 429.574. The share purchase demand has been approved by Turkish Competition Authority on 30 June 2015, with decision numbered 61813209-120-6544. The Company has taken over the management of Kiler Alışveriş on 8 July 2015 by changing the members of the Board of Directors and has paid by cash the agreement amount of TL 429.574 to the vendors on the same day.

As a result of mandatory tender offer between 17 September - 5 October 2015, ownership rate of the Company has increased to 97,27% by paying additional TL 62.290.926 and started to consolidated on a line-byline basis. The decision of the Board of Directors dated 20 October 2015 and the decision of merger with Kiler Alışveriş is approved by the decision of Capital Markets Board ("CMB") dated 27 November 2015 and numbered 32/1493. As a result of the decision of the General Assembly dated 29 December 2015, the merger is occured and registered on 31 December 2015. The company aims an inorganic growth in the market with this business combination. 0,1136598769 Carrefoursa shares are given to Kiler partners for 1 Kiler share regarding to Carrefoursa TL 417,7 capital increment. As a result of the merger, the effective shareholding of Sabancı Holding decreased from 50,93% to 50,74%.

NOTE 4 - SEGMENT REPORTING

Holding key management reviews the results and performance of its reportable operating segments based on EBITDA (earnings before interest, foreign currency gains and losses and due date income and expenses as part of other operating income and expenses and depreciation and amortization). In addition to the requirements of segment reporting, The Group's management presented this information for certain financial statement readers to utilize this data during their analyses.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

a) External Revenues (Consolidated):

	1 January - 31 December 2016	1 January - 31 December 2015
Finance / Banking	22.365.586	18.378.397
Industry	3.461.163	3.251.902
Retail	7.552.591	7.088.361
Cement	1.170.308	1.171.146
Other	178.118	145.784
Total (*)	**34.727.766**	**30.035.590**

(*) The distribution of income refers to total revenue in the consolidated income statement.

b) Segment assets (Consolidated):

	31 December 2016	31 December 2015
Finance / Banking	291.597.595	249.810.125
Industry	3.978.187	3.398.368
Retail	3.742.172	4.141.514
Cement	2.353.788	1.834.129
Other	2.072.580	1.680.947
Segment assets (*)	**303.744.322**	**260.865.083**
Assets classified as held for sale	21.780	114.221
Investments accounted through equity method (Note 12)	6.101.005	5.970.431
Unallocated assets	577.183	659.011
Less: intersegment eliminations	(2.176.451)	(2.088.679)
Total assets as per consolidated financial statements	**308.267.839**	**265.520.067**

(*) Segment assets mainly comprise operating assets in the consolidated financial statements.

c) Segment liabilities (Consolidated):

	31 December 2016	31 December 2015
Finance / Banking	258.363.934	221.272.563
Industry	1.961.803	1.749.732
Retail	3.479.076	3.175.203
Cement	1.145.208	655.160
Other	185.066	213.034
Segment liabilities (*)	**265.135.087**	**227.065.692**
Assets classified as held for sale	11.718	45.928
Unallocated Liabilities	486.895	521.097
Less: intersegment eliminations	(2.173.204)	(2.084.088)
Total liabilities as per consolidated financial statements	**263.460.496**	**225.548.629**

(*) Segment liabilities mainly comprise operating liabilities in the consolidated financial statements.

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d) The balance sheet items by segment:

i) Banking:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Cash and cash equivalents	12.190.952	12.190.952	10.281.373	10.281.373
Financial investments	52.887.536	52.887.536	54.117.316	54.117.316
Derivative financial instruments	8.428.812	8.428.812	3.348.524	3.348.524
Reserve deposits with the Central Bank of Republic of Turkey	33.171.783	33.171.783	24.007.327	24.007.327
Receivables from finance sector operations	181.024.088	181.024.088	154.949.086	154.949.086
Property, plant and equipment	879.650	879.650	794.420	794.420
Intangible assets	361.527	361.527	224.105	224.105
Other receivables and other assets (***)	2.653.247	2.653.247	2.087.974	2.087.974
Total segment assets	**291.597.595**	**291.597.595**	**249.810.125**	**249.810.125**
Financial liabilities	46.114.960	46.114.960	38.667.696	38.667.696
Payables from finance sector operations	200.425.064	200.425.064	173.974.782	173.974.782
Derivative financial instruments	4.698.838	4.698.838	1.926.811	1.926.811
Other payables and other liabilities (***)	7.125.072	7.125.072	6.703.274	6.703.274
Total segment liabilities	**258.363.934**	**258.363.934**	**221.272.563**	**221.272.563**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

Banking segment consists of Akbank. Akbank's accumulated non-controlling interests calculated from its financial statements amount to TL 19.740.859 as of 31 December 2016 (31 December 2015: TL 17.042.439).

ii) Insurance:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Cash and cash equivalents	1.005.273	-	1.006.854	-
Financial investments	1.253.502	-	1.020.931	-
Receivables from finance sector operations	535.958	-	550.954	-
Investments accounted through equity method (Note 12)	-	334.252	-	285.821
Property, plant and equipment	33.334	-	30.316	-
Intangible assets	58.619	-	47.788	-
Other receivables and other assets (***)	1.274.686	-	904.056	-
Total segment assets	**4.161.372**	**334.252**	**3.560.899**	**285.821**
Payables from finance sector operations	3.082.086	-	2.572.188	-
Other payables and other liabilities (***)	197.280	-	270.915	-
Total segment liabilities	**3.279.366**	**-**	**2.843.103**	**-**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.
(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Insurance segment consist of Aksigorta and Avivasa.

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iii) Energy:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Cash and cash equivalents	108.604	-	257.870	-
Financial investments	836	-	836	-
Trade receivables	2.217.760	-	1.987.498	-
Inventories	184.903	-	141.679	-
Investments accounted through equity method (Note 12)	-	4.743.060	-	4.719.888
Property, plant and equipment	10.414.681	-	10.023.084	-
Intangible assets	5.919.162	-	6.116.884	-
Other receivables and other assets (***)	9.438.584	-	7.760.894	-
Total segment assets	**28.284.530**	**4.743.060**	**26.288.745**	**4.719.888**
Financial liabilities	13.649.757	-	11.414.179	-
Payables to Privatization Administration	-	-	1.188.456	-
Trade payables	1.481.180	-	1.242.519	-
Other payables and other liabilities (***)	3.103.888	-	2.472.887	-
Total segment liabilities	**18.234.825**	**-**	**16.318.041**	**-**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.
(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Energy segment consists of Enerjisa and its subsidiaries.

iv) Industry:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Cash and cash equivalents	137.916	52.180	89.391	28.841
Financial investments	133	133	104	104
Trade receivables	2.000.824	1.128.229	1.722.989	930.694
Inventories	1.279.813	915.745	1.186.737	829.104
Investments accounted through equity method (Note 12)	359.858	608.625	275.573	558.031
Property, plant and equipment	2.486.357	1.378.219	1.879.884	1.188.731
Intangible assets	259.747	188.830	223.508	175.156
Other receivables and other assets (***)	678.163	336.631	702.666	359.959
Total segment assets	**7.202.811**	**4.608.592**	**6.080.852**	**4.070.620**
Financial liabilities	2.971.472	1.188.206	2.412.237	1.151.147
Trade payables	819.784	460.006	625.739	355.601
Other payables and other liabilities (***)	447.704	325.309	393.909	288.912
Total segment liabilities	**4.238.960**	**1.973.521**	**3.431.885**	**1.795.660**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.
(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Industry segment consists of Kordsa, Temsa, Sasa, Yünsa, Brisa, Philsa and Philsa Morrissa.

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v) Retail:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	**31 December 2016**	**31 December 2015**	**31 December 2015**
Cash and cash equivalents	430.971	430.971	579.374	579.374
Trade receivables	94.021	94.021	81.557	81.557
Inventories	912.283	912.283	1.094.659	1.094.659
Investment property	189.765	189.765	193.873	193.873
Property, plant and equipment	936.633	936.633	1.107.403	1.107.403
Intangible assets	89.142	89.142	100.122	100.122
Other receivables and other assets (***)	1.028.522	1.089.357	923.690	984.526
Total segment assets	**3.681.337**	**3.742.172**	**4.080.678**	**4.141.514**
Financial liabilities	1.264.617	1.264.617	990.803	990.803
Trade payables	1.744.103	1.744.103	1.780.732	1.780.732
Other payables and other liabilities (***)	470.355	470.356	403.668	403.668
Total segment liabilities	**3.479.075**	**3.479.076**	**3.175.203**	**3.175.203**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.
(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Retailing segment consists of Teknosa and Carrefoursa.

vi) Cement:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	**31 December 2016**	**31 December 2015**	**31 December 2015**
Cash and cash equivalents	55.502	41.353	249.187	234.263
Financial investments	162.783	64	162.783	64
Trade receivables	735.624	309.606	731.605	324.649
Inventories	336.666	176.904	231.269	96.065
Investments accounted through equity method (Note 12)	-	415.067	-	406.691
Property, plant and equipment	2.331.300	1.533.985	1.685.449	944.201
Intangible assets	59.639	18.947	61.733	19.363
Other receivables and other assets (***)	455.430	272.929	363.203	215.523
Total segment assets	**4.136.944**	**2.768.855**	**3.485.229**	**2.240.819**
Financial liabilities	995.535	787.017	490.602	377.658
Trade payables	550.621	274.366	475.337	204.388
Other payables and other liabilities (***)	156.156	83.825	132.335	73.114
Total segment liabilities	**1.702.312**	**1.145.208**	**1.098.274**	**655.160**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.
(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Cement segment consists of Çimsa and Akçansa.

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vii) Other:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Cash and cash equivalents	1.584.181	1.584.181	1.128.910	1.128.910
Financial investments	11.787.079	10.812	11.588.882	388
Trade receivables	35.955	35.787	65.838	64.321
Inventories	804	804	1.949	1.949
Property, plant and equipment	253.506	217.438	265.685	229.618
Intangible assets	14.359	14.359	11.733	11.733
Other receivables and other assets (***)	150.670	209.199	184.153	244.028
Total segment assets	**13.826.554**	**2.072.580**	**13.247.150**	**1.680.947**
Financial liabilities	4.254	4.254	-	-
Trade payables	28.928	28.928	65.231	65.231
Other payables and other liabilities (***)	181.406	151.884	147.802	147.803
Total segment liabilities	**214.588**	**185.066**	**213.033**	**213.034**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership and deducting the financial assets value of Holding's consolidated subsidiaries, joint ventures and associates.
(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Other segment consists of Sabancı Holding A.Ş., Exsa, Tursa, AEO and Bimsa.

e) The reconciliation of the consolidated statement of profit or loss:

	1 January - 31 December 2016			1 January - 31 December 2015		
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated
Total revenue	**34.819.778**	**(92.012)**	**34.727.766**	**30.116.283**	**(80.693)**	**30.035.590**
Cost of sales and interest, premiums, commissions and other expenses	(22.213.624)	237.298	(21.976.326)	(19.249.451)	165.297	(19.084.154)
General administration expenses	(4.962.430)	31.391	(4.931.040)	(4.969.315)	42.609	(4.926.706)
Sales, marketing and distribution expenses	(1.734.874)	16.673	(1.718.201)	(1.581.678)	1.743	(1.579.935)
Research and development expenses	(5.756)	-	(5.756)	(3.323)	-	(3.323)
Other operating income/(expense) - net	376.405	(50.647)	325.758	399.563	(35.298)	364.265
Interest in income of joint ventures	649.112	1	649.113	547.932	-	547.932
Operating profit	**6.928.611**	**142.704**	**7.071.315**	**5.260.011**	**93.658**	**5.353.669**
Income/(expense) from investing activities - net	287.779	(205.932)	81.847	306.657	(136.015)	170.642
Operating profit before financial expense	**7.216.390**	**(63.228)**	**7.153.162**	**5.566.668**	**(42.357)**	**5.524.311**
Financial income/(expense) - net	(381.463)	58.406	(323.057)	(261.436)	36.489	(224.947)
Income before tax	**6.834.927**	**(4.822)**	**6.830.105**	**5.305.232**	**(5.868)**	**5.299.364**
Tax	(1.273.606)	-	(1.273.606)	(973.144)	-	(973.144)
Profit/(loss) after tax from discontinued operations	(9.352)	-	(9.352)	94.862	-	94.862
Income for the period	**5.551.969**	**(4.822)**	**5.547.146**	**4.426.950**	**(5.866)**	**4.421.082**
Net income attributable to equity holders of the parent			**2.660.131**			**2.236.328**

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f) The items of statement of profit or loss:

i) Banking:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Interest, commission and other income	22.410.514	22.410.514	18.414.285	18.414.285
Interest, commission and other expenses	(12.403.903)	(12.403.903)	(10.138.669)	(10.138.669)
General administration expenses	(4.464.914)	(4.464.914)	(4.500.390)	(4.500.390)
Other operating income/(expense) - net	656.527	656.527	451.571	451.571
Operating profit	**6.198.224**	**6.198.224**	**4.226.797**	**4.226.797**
Income/(expense) from investing activities - net	2.658	2.658	2.275	2.275
Operating profit before financial expense	**6.200.882**	**6.200.882**	**4.229.072**	**4.229.072**
Profit before tax	**6.200.882**	**6.200.882**	**4.229.072**	**4.229.072**
Tax	(1.269.792)	(1.269.792)	(871.921)	(871.921)
Net income	**4.931.090**	**4.931.090**	**3.357.151**	**3.357.151**
Net income attributable to equity holders of the parent		**2.009.416**		**1.368.035**
EBITDA	6.415.483	6.415.483	4.449.597	4.449.597

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

Akbank's net income attributable to non-controlling interest is TL 2.921.664 as of 31 December 2016 (31 December 2015: TL 1.989.116).

ii) Insurance:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Gross premiums	2.212.981	-	1.885.628	-
Premiums, commission and other expenses	(2.007.946)	-	(1.813.346)	-
General administration expenses	(358.364)	-	(316.242)	-
Other operating income/(expense) - net	343.695	-	340.744	-
Interest in income of joint ventures (Note 12)	-	60.366	-	26.546
Operating profit	**190.366**	**60.366**	**96.784**	**26.546**
Income/(expense) from investing activities - net	27.302	-	(13.772)	-
Operating profit before financial expense	**217.668**	**60.366**	**83.012**	**26.546**
Financial income/(expense) - net	(19.294)	-	(770)	-
Profit before tax	**198.374**	**60.366**	**82.242**	**26.546**
Tax	(40.405)	-	(19.880)	-
Net income	**157.969**	**60.366**	**62.362**	**26.546**
Net income attributable to equity holders of the parent		**60.366**		**26.546**
EBITDA	188.984		81.333	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

iii) Energy:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Sales revenue (net)	12.564.568	-	11.827.277	-
Cost of sales	(9.329.016)	-	(9.222.850)	-
General administration expenses	(1.452.697)	-	(1.169.430)	-
Sales, marketing and distribution expenses	-	-	-	-
Other operating income/(expense) - net	201.418	-	28.758	-
Interest in income of joint ventures (Note 12)	-	147.175	-	141.911
Operating profit/(loss)	**1.984.273**	**147.175**	**1.463.755**	**141.911**
Operating profit/(loss) before financial expense	**1.984.273**	**147.175**	**1.463.755**	**141.911**
Financial income/(expense) - net	(1.450.068)	-	(1.028.005)	-
Profit/(loss) before tax	**534.205**	**147.175**	**435.750**	**141.911**
Tax	(239.855)	-	(148.569)	-
Net income/(loss)	**294.350**	**147.175**	**287.181**	**141.911**
Net income/(loss) attributable to equity holders of the parent		**147.175**		**141.911**
EBITDA	2.482.134		1.825.981	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

iv) Industry:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Sales revenue (net)	5.227.858	3.461.385	5.053.786	3.251.902
Cost of sales	(4.052.682)	(2.803.451)	(3.853.224)	(2.612.225)
General administration expenses	(267.466)	(149.220)	(191.435)	(109.603)
Sales, marketing and distribution expenses	(426.172)	(199.115)	(400.385)	(181.063)
Research and development expenses	(12.478)	(5.756)	(21.118)	(3.323)
Other operating income/(expense) - net	145.093	79.403	119.029	70.948
Interest in income of joint ventures (Note 12)	295.609	335.011	190.191	274.038
Operating profit	**909.762**	**718.257**	**896.844**	**690.674**
Income/(expense) from investing activities - net	15.079	14.740	25.043	25.323
Operating profit before financial expense	**924.841**	**732.997**	**921.887**	**715.997**
Financial income/(expense) - net	(268.165)	(129.185)	(222.094)	(130.189)
Profit before tax	**656.676**	**603.812**	**699.793**	**585.808**
Tax	(42.928)	(39.725)	(50.062)	(43.917)
Profit after tax from discontinued operations	(9.352)	(9.352)	94.862	94.862
Net income	**604.396**	**554.735**	**744.593**	**636.753**
Net income attributable to equity holders of the parent	**-**	**450.092**	**-**	**520.060**
EBITDA	951.152	735.063	1.016.967	733.712

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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v) Retail:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	**31 December 2016**	**31 December 2015**	**31 December 2015**
Sales revenue (net)	7.566.353	7.560.799	7.099.309	7.093.557
Cost of sales	(6.060.635)	(6.055.081)	(5.540.460)	(5.534.708)
General administration expenses	(169.618)	(168.711)	(192.460)	(192.460)
Sales, marketing and distribution expenses	(1.520.102)	(1.520.102)	(1.387.439)	(1.387.439)
Other operating income/(expense) - net	(389.519)	(389.519)	(150.793)	(150.793)
Operating profit/(loss)	**(573.521)**	**(572.614)**	**(171.843)**	**(171.843)**
Income/(expense) from investing activities - net	61.229	61.229	139.839	139.839
Operating profit/(loss) before financial expense	**(512.292)**	**(511.385)**	**(32.004)**	**(32.004)**
Financial income/(expense) - net	(214.634)	(214.634)	(102.455)	(102.455)
Profit/(loss) before tax	**(726.926)**	**(726.019)**	**(134.459)**	**(134.459)**
Tax	(726.926)	(726.019)	(134.459)	(134.459)
Net income/(loss)	**(592.726)**	**(591.819)**	**(126.594)**	**(126.594)**
Net income/(loss) attributable to equity holders of the parent		**(315.537)**		**(73.147)**
EBITDA	(332.714)	(331.808)	32.526	32.526

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

vi) Cement:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	**31 December 2016**	**31 December 2015**	**31 December 2015**
Sales revenue (net)	2.631.365	1.170.310	2.639.679	1.171.146
Cost of sales	(1.843.183)	(799.657)	(1.851.109)	(811.042)
General administration expenses	(144.242)	(79.925)	(119.511)	(65.246)
Sales, marketing and distribution expenses	(28.229)	(9.744)	(23.596)	(7.754)
Other operating income/(expense) - net	30.611	33.086	11.892	15.115
Interest in income of joint ventures (Note 12)	-	106.561	-	105.436
Operating profit	**646.322**	**420.631**	**657.355**	**407.655**
Income/(expense) from investing activities - net	36.191	3.552	8.509	3.480
Operating profit before financial expense	**682.513**	**424.183**	**665.864**	**411.135**
Financial income/(expense) - net	(71.512)	(37.072)	(49.539)	(22.312)
Profit before tax	**611.001**	**387.111**	**616.325**	**388.823**
Tax	(118.221)	(56.674)	(119.348)	(53.714)
Net income	**492.780**	**330.437**	**496.977**	**335.109**
Net income attributable to equity holders of the parent		**223.574**		**225.927**
EBITDA	735.350	444.261	776.495	458.182

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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vii) Other:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	**31 December 2016**	**31 December 2015**	**31 December 2015**
Sales revenue (net)	976.488	216.770	1.012.781	185.393
Cost of sales	(151.812)	(151.532)	(152.964)	(152.807)
General administration expenses	(104.973)	(99.660)	(106.431)	(101.616)
Sales, marketing and distribution expenses	(5.913)	(5.913)	(5.422)	(5.422)
Other operating income/(expense) - net	969	(3.092)	13.032	12.722
Operating profit	**714.759**	**(43.427)**	**760.996**	**(61.730)**
Income/(expense) from investing activities - net	205.600	205.600	135.740	135.740
Operating profit before financial expense	**920.359**	**162.173**	**896.736**	**74.010**
Financial income/(expense) - net	(572)	(572)	(6.480)	(6.480)
Profit before tax	**919.787**	**161.601**	**890.256**	**67.530**
Tax	(41.615)	(41.615)	(11.457)	(11.457)
Net income	**878.172**	**119.986**	**878.799**	**56.073**
Net income attributable to equity holders of the parent		**85.046**		**26.994**
EBITDA	739.508	(18.604)	784.354	(38.752)

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

g) Detail of net income/(loss) attributable to equity holders of the parent

The net income attributable to equity holders of the parent with adjusted segments is as follows:

	31 December 2016	31 December 2015
Banking	1.978.569	1.368.035
Insurance	80.535	50.888
Industry	468.784	405.115
Cement	217.022	227.646
Energy	139.611	18.234
Retail	(161.262)	(84.423)
Other	76.257	38.400
Total	**2.799.516**	**2.023.895**

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A reconciliation of adjusted net income attributable to equity holders of the Parent is as follows:

	31 December 2016	31 December 2015
Adjusted net income for reported operating segments (Equity holders of the Parent)	2.799.516	2.023.895
Carrefoursa one-off income / expenses	(84.423)	45.037
One off expenses related to Teknosa	(69.852)	(33.761)
Akbank visa sales revenue	66.300	-
Akbank penalty expense of Ministry of Customs and Trade	(35.453)	-
Enerjisa Üretim - Gazipaşa Birkapılı sales	-	52.250
Yünsa one-off expenses	(12.981)	(3.260)
Gain on sale of SASA	-	102.989
Kordsa one-off income / expenses, net off	(8.353)	2.917
Gain on sale of Akçansa	9.887	-
Other	(4.511)	46.261
Net income (Equity holders of the Parent)	**2.660.131**	**2.236.328**

h) Depreciation and amortisation charges, impairment and capital expenditures (Consolidated):

1 January – 31 December 2016

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	217.259	-	112.387	66.715	-	151.821	25.355	573.537
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	-	-	5.139	(3.912)	-	(80.267)	-	(79.041)
Capital expenditures	445.682	-	144.322	655.240	-	128.864	20.628	1.394.736

1 January – 31 December 2015

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	222.800	-	113.025	73.083	-	133.131	22.998	565.037
Impairment / (reversal of impairment) of property,plant and equipment and investment properties	-	-	4.760	-	-	43.908	-	48.668
Capital expenditures	159.528	-	164.049	244.310	-	461.059	34.560	1.063.506

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1 January – 31 December 2016

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	217.259	17.718	194.371	141.834	526.179	151.821	25.283	1.274.465
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	-	-	(5.139)	(3.912)	-	(80.267)	-	(79.041)
Capital expenditures	445.682	32.524	670.394	787.244	2.044.682	128.864	20.628	4.130.018

1 January – 31 December 2015

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	222.800	13.508	223.081	144.191	443.152	133.131	23.379	1.203.242
Impairment / (reversal of impairment) of property,plant and equipment and investment properties	-	36.344	4.760	-	190.998	43.908	-	276.010
Capital expenditures	159.528	45.075	399.360	359.928	1.752.460	952.000	34.561	3.702.912

NOTE 5 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Cash		
- Banking	1.840.502	1.466.112
- Other companies	35.706	26.764
Bank - time deposit	3.991.936	4.412.420
Bank - demand deposit	6.720.879	4.798.575
Other cash and cash equivalents	7.604	1.853
Total	**12.596.627**	**10.705.724**

Effective interest rates of USD, EUR and TL denominated time deposits are 2,24% (31 December 2015: 0,48%), 0,19% (31 December 2015: 0,47%) and 12,00% (31 December 2015: 10,86%), respectively.

The analysis of maturities at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Demand	8.604.653	6.293.304
Up to 3 months	3.991.974	4.412.420
Total	**12.596.627**	**10.705.724**

As of 31 December 2016, total amount of the restriction on the Group's off- shore cash and cash equivalents, payment accounts related to floating interest rate bond issue, time and demand deposits in the banks is TL 5.356.843 (31 December 2015: TL 3.145.036).

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NOTE 6 – FINANCIAL ASSETS

a) Held for trading securities:

The analysis of financial assets at fair value through profit and loss is as follows:

	31 December 2016	31 December 2015
Share certificates	7.268	6.532
Government bonds	9.865	9.996
Eurobonds	-	107
Other	46.788	23.878
Total	**63.921**	**40.513**

Effective interest rates of USD, EUR and TL denominated securities at fair value through profit and loss are as follow:

	31 December 2016	31 December 2015
EUR	-	3,26
TL	12,27	13,12

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TL 9.721 (31 December 2015: TL 8.463).

The analysis of maturities at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
3 to 12 months	40.715	13.069
1 to 5 years	15.937	10.954
No maturiy	7.269	16.490
Total	**63.921**	**40.513**

Period remaining to contractual repricing dates:

	31 December 2016	31 December 2015
Up to 3 months	47.292	14.334
3 to 12 months	9.360	9.668
1 to 5 years	-	21
No maturiy	7.269	16.490
Total	**63.921**	**40.513**

None of the Group companies has held for trading financial instruments except the Banking sector.

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b) Available for sale securities:

	31 December 2016	31 December 2015
Debt securities		
- Government bonds	17.912.731	19.376.723
- Eurobonds	11.328.132	15.929.477
- Investment funds	212.244	270.628
- Other bonds denominated in foreign currency	5.297.031	7.678.819
Sub-total	**34.750.138**	**43.255.647**
Equity securities		
- Listed	116	90
- Unlisted	71.626	133.088
Sub-total	**71.742**	**133.178**
Total financial investments available for sale	**34.821.880**	**43.388.825**

Effective interest rates of USD, EUR, JPY and TL denominated available-for-sale securities are 3,71% (31 December 2015: 3,80%), 2,38% (31 December 2015: 2,46%), 3,79% (31 December 2015: None) and 9,52% (31 December 2015: 9,68%), respectively. The Group's financial assets available for sale subject to funds provided from repo are TL 16.282.871 (31 December 2015: TL 20.185.224). Available for sale financial assets that are given as colleteral because of the Group's financing activities are amounting to TL 2.062.303 (31 December 2015: TL 1.939.145). As of 31 December 2016, no available for sale financial asset exists whose risk is undertaken by insurance policy holders (31 December 2015: None).

Akbank has Consumer Price Index ("CPI'') linked government bonds under available-for-sale and held-to maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. The Bank uses the index calculated by considering the estimated inflation rate as the inflation index at the balance sheet date which is used in the valuation of the relevnant securities.The estimated inflation rate used is updated as needed within the year. As of December 31, 2016, the valuation of the related securities was based on the real coupon rates and the changes between the reference inflation index at the issue date and the inflation index at the balance sheet date.

The maturity analysis in accordance with expiring date as at 31 December 2016 and 2015 is as follows:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	2.530.718	-	2.530.718	908.428	-	908.428
1 to 5 years	19.037.853	10.422	19.048.275	25.422.382	-	25.422.382
Over 5 years	12.722.733	-	12.722.733	16.292.593	-	16.292.593
No maturity	520.154	-	520.154	764.960	462	765.422
Total	**34.811.458**	**10.422**	**34.821.880**	**43.388.363**	**462**	**43.388.825**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

Period remaining to contractual repricing dates for available-for-sale securities:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6.541.586	-	6.541.586	6.800.295	-	6.800.295
3 to 12 months	10.230.716	-	10.230.716	8.434.421	-	8.434.421
1 to 5 years	12.060.816	10.422	12.071.238	20.027.889	-	20.027.889
Over 5 years	5.698.755	-	5.698.755	7.722.413	-	7.722.413
No maturity	279.585	-	279.585	403.345	462	403.807
Total	**34.811.458**	**10.422**	**34.821.880**	**43.388.363**	**462**	**43.388.825**

c) Held-to-maturity investments:

The breakdown of held to maturity financial assets is listed below:

	31 December 2016	31 December 2015
Government bonds	17.976.984	10.688.533
Total	**17.976.984**	**10.688.533**

Effective interest rates of USD, EUR and TL denominated debt securities are 4,05% (31 December 2015: 3,83%), 3,62% (31 December 2015: 3,69%) and TL is 9,82% (31 December 2015: 9,71%).

The movement table of held-to-maturity securities is as follows:

	31 December 2016	31 December 2015
1 January	**10.688.533**	**10.800.186**
Additions (*)	5.882.043	382
Foreign exchange differences in monatary assets	1.269.337	864.389
Valuation effect	367.875	200.147
Disposals through sales and redemptions	(130.051)	(1.112.831)
Allowance for impairment	(100.753)	(63.740)
Total	**17.976.984**	**10.688.533**

(*) Due to the change in intention to hold, the Bank classifies the public borrowing with the nominal value of EUR 96.359 thousand and USD 1.591.672 thousand in the Available-for-Sale Financial Assets portfolio as the Investments to be held in the Current Period. As of the reclassification date, book values representing the fair value of such securities are EUR 98.531 thousand and USD 1.650.112 thousand respectively and these values are accepted as new costs of the related securities. Valuation differences of the marketable securities previously accounted for under equity are amortized using the effective interest method over the remaining life of the investment to be held until maturity.

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Period remaining to contractual maturity dates for held to maturity financial assets as at 31 December 2016 and 2015 is as follows:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other Companies	Total
3 to 12 months	684.786	114	684.900	121.031	94	121.125
1 to 5 years	14.763.517	-	14.763.517	7.364.090	-	7.364.090
Over 5 years	2.528.567	-	2.528.567	3.203.318	-	3.203.318
Total	**17.976.870**	**114**	**17.976.984**	**10.688.439**	**94**	**10.688.533**

Period remaining to contractual repricing dates for investment security, held to maturity financial assets at 31 December 2016 and 2015 is as follows:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	2.857.339	-	2.857.339	2.668.683	-	2.668.683
3 to 12 months	1.788.154	114	1.788.268	1.146.641	94	1.146.735
1 to 5 years	11.961.634	-	11.961.634	6.873.115	-	6.873.115
Over 5 years	1.369.743	-	1.369.743	-	-	-
Total	**17.976.870**	**114**	**17.976.984**	**10.688.439**	**94**	**10.688.533**

d) Time Deposits:

The breakdown of maturities of time deposits over 3 months is as follows:

	31 December 2016	31 December 2015
3 to 12 months	35.765	-
Total	**35.765**	**-**

NOTE 7 – FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2016	31 December 2015
Short term	8.838.741	8.678.744
Short-term portion of long term	13.620.874	12.862.826
Total short term	**22.459.615**	**21.541.570**
Long term funds borrowed, bank borrowings and debt securities:		
Long term	26.458.459	19.137.143
Sub-Total	26.458.459	19.137.143
Total	**48.918.074**	**40.678.713**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

Maturity analysis as of 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Up to 3 months	9.463.615	8.782.744
3 to 12 months	12.996.000	12.758.826
Short term borrowings and short term portion of long term borrowings	**22.459.615**	**21.541.570**
1 to 5 years	17.985.270	13.571.788
Over 5 years	8.473.189	5.565.355
Long term borrowings	**26.458.459**	**19.137.143**
Total financial liabilities	**48.918.074**	**40.678.713**

The maturity schedule of long term borrowings at 31 December 2016 and 2015 is summarised below:

	31 December 2016	31 December 2015
2016	-	5.065.465
2017	8.179.400	4.695.704
2018	3.556.033	1.106.934
2019	4.445.345	2.703.684
2020	1.804.492	5.565.356
2021 and beyond	8.473.189	-
Total	**26.458.459**	**19.137.143**

The repricing schedule of borrowings at 31 December 2016 and 2015 is summarized below:

	31 December 2016	31 December 2015
Up to 3 months	31.821.916	23.186.344
3 to 12 months	6.367.519	6.510.319
1 to 5 years	7.203.894	8.009.643
Over 5 years	3.524.745	2.972.407
Total	**48.918.074**	**40.678.713**

The transactions related with the funds and loans as of 31 December 2016 are as follows:

Akbank – Funds borrowed via syndicated credit

As of 31 December 2016, Akbank has three outstanding syndicated loan. On 18 August 2016, the syndicated loan signed and raised EUR 787,8 million and USD 327 million consisting of 1 year and 3 year maturities. The cost of 1 year maturity loan is Euribor + 100 bps and Libor + 110 bps and cost of 3 years maturity loan is Euribor + 190 bps. The first syndicated loan of EUR 783.5 million and USD 370.4 million with a maturity of 1 year was obtained through the loan agreement signed on 18 March 2016. The annual cost of the loan is Euribor + 75 bps and Libor + 85 bps. On 9 July 2015, the third syndicated loan facility signed and raised USD 335 million. The loan's maturity is 3 year with a cost of Euribor/Libor + 1,85%.

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Issued securities:

Securities issued consist of USD and TL assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2016		31 December 2015	
	USD	TL	USD	TL
2016	-	-	620.933	1.788.288
2017	822.429	2.878.501	751.749	2.165.036
2018	1.006.961	3.524.364	995.023	2.865.667
2019	757.205	2.650.218	301.974	869.684
2020	768.180	2.688.630	747.277	2.152.158
2021	647.571	2.266.499	53.713	154.693
2022	762.934	2.670.269	404.224	1.164.165
2023	434.528	1.520.848	28.490	82.051
2024	373.192	1.306.172	735.720	2.118.874
2025	380.722	1.332.527	325.773	938.226
2026	39.512	138.292	11.000	31.680
2027	20.524	71.834	11.000	31.680
2028	4.762	16.667	-	-
Total	**6.018.520**	**21.064.821**	**4.986.876**	**14.362.202**

The balance amounting to USD 6.018.520 consists of securitization deals and USD denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	EURO	TL	EURO	TL
2016	-	-	50.520	158.747
2017	63.951	235.960	63.708	200.183
2018	75.074	277.001	63.693	200.136
2019	93.317	344.312	47.846	150.342
2020	45.802	168.996	332	1.043
2021	23.062	85.092	319	1.002
2022	321	1.184	307	965
2023	309	1.140	295	927
2024	297	1.096	283	889
2025	285	1.052	272	855
2026	274	1.011	261	820
2027	264	974	251	789
2028	253	933	241	757
2029	6.289	23.205	6.043	18.988
Total	**309.498**	**1.141.956**	**234.371**	**736.443**

The balance amounting to EUR 309.498 consists of securitization deals and EUR denominated securities issued by the Group.

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	31 December 2016		31 December 2015	
	RON	TL	RON	TL
2016	-	-	4.805	3.321
2017	4.855	3.926	4.564	3.154
2018	78.228	63.263	75.413	52.110
2019	51.959	42.019	49.905	34.484
Total	**135.042**	**109.208**	**134.687**	**93.069**

The balance amounting to RON 135.042 consists of securization deals and RON denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	CZK	TL	CZK	TL
2016	-	-	350.610	41.253
2017	274.959	37.862	275.040	32.361
Total	**274.959**	**37.862**	**625.650**	**73.614**

The balance amounting to CZK 274.959 consists of securization deals and CZK denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	HUF	TL	HUF	TL
2019	796.798	9.562	786.358	7.989
Total	**796.798**	**9.562**	**786.358**	**7.989**

The balance amounting to HUF 796.798 consists of securization deals and HUF denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	JPY	TL	JPY	TL
2017	19.188	573	-	-
2018	18.757	560	-	-
2019	964.562	28.803	-	-
Total	**1.002.507**	**29.936**	**-**	**-**

The balance amounting to JPY 1.002.507 consists of securization deals and JPY denominated securities issued by the Bank.

Additionally, as of 31 December 2016, there are bonds issued by the Bank amounting to TL 987.990 with 3 months maturity, TL 299.259 with 4 months maturity, TL 48.085 with 6 months maturity, TL 223.708 with 2 years maturity and TL 997.225 with 5 years and over maturity (31 December 2015, there are bonds issued by the Bank amounting to TL 568.089 with 3 months maturity, TL 917.737 with 4 months maturity, TL 62.858 with 6 months maturity, TL 765.023 with 1 years maturity and TL 1.060.114 with years and over maturity).

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES

Short and long term trade receivables:

	31 December 2016	31 December 2015
Trade receivables	1.200.777	1.191.385
Notes and cheques	435.838	265.485
	1.636.615	**1.456.870**
Less: allowance for doubtful receivables	(85.981)	(70.552)
Total	**1.550.634**	**1.386.318**

As of 31 December 2016, trade receivables of TL 95.588 were past due but not impaired (31 December 2015: TL 120.981). The aging analysis of these trade receivables is as follows:

	31 December 2016	31 December 2015
Up to 3 months	69.892	84.702
3 to 6 months	9.353	23.144
6 to 9 months	6.544	12.859
Over 9 months	9.799	276
Total	**95.588**	**120.981**

As of 31 December 2016 and 2015, the aging analysis of overdue and impaired trade receivables is as follows:

	31 December 2016	31 December 2015
Up to 3 months	215	251
3 to 6 months	600	587
Over 9 months	85.166	69.714
Total	**85.981**	**70.552**

Short and long term trade payables:	31 December 2016	31 December 2015
Trade payables	2.487.626	2.384.416
Notes payablrs	949	360
Expense accruals	1.942	2.215
Total	**2.490.517**	**2.386.991**

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	31 December 2016	31 December 2015
Receivables from credit card payments	14.717	16.902
Other receivables	1.123.715	1.019.974
Total	**1.138.432**	**1.036.876**

Other long term receivables:	31 December 2016	31 December 2015
Deposits and guarantees given	43.710	34.951
Other receivables	841.286	344.187
Total	**884.996**	**379.138**

Other short term payables:	31 December 2016	31 December 2015
Payables related to credit card transactions	3.483.667	3.154.070
Taxes and funds payable	331.548	283.883
Export deposits and transfer orders	54.529	39.292
Payment orders to correspondent banks	15.036	206.384
Other	840.403	757.403
Total	**4.725.183**	**4.441.032**

Other long term payables:	31 December 2016	31 December 2015
Financial lease payables	77.762	91.977
Other	752.206	503.954
Total	**829.968**	**595.931**

NOTE 10 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials	279.947	235.474
Work in process	239.939	127.657
Finished good and merchandises	1.397.737	1.609.602
Spare parts	60.756	39.431
Other	102.064	59.483
	2.080.443	**2.071.647**
Allowance for impairment on inventory (-)	(74.708)	(49.870)
Total	**2.005.735**	**2.021.777**

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The movement table of allowance for impairment on inventory is as follows:

	2016	2015
1 January	(49.870)	(34.056)
Provisions	(77.488)	(24.225)
Provisions no longer required	54.515	8.429
Provision used	(1.865)	(18)
31 December	**(74.708)**	**(49.870)**

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses:	31 December 2016	31 December 2015
Prepaid expenses	461.018	319.668
Advance given for inventory purchases	25.418	18.309
Other	280	222
Total	**486.716**	**338.199**

Long-term prepaid expenses:	31 December 2016	31 December 2015
Advance given for property, plant and equipment purchases	36.804	49.735
Prepaid expenses	92.263	5.822
Total	**129.067**	**55.557**

Short-term deffered income:	31 December 2016	31 December 2015
Unearned commission income	91.317	79.963
Advances received	35.784	68.294
Deferred income	21.514	15.700
Other	846	621
Total	**149.461**	**164.578**

Long-term deffered income:	31 December 2016	31 December 2015
Unearned commission income	120.273	114.297
Total	**120.273**	**114.297**

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2016	Share (%)	31 December 2015	Share (%)
Aksigorta	153.769	36,00	126.198	36,00
Avivasa	180.483	40,00	159.623	40,00
Brisa	248.767	43,63	282.457	43,63
Akçansa	415.067	39,72	406.691	39,72
Enerjisa	4.743.060	50,00	4.719.888	50,00
Philsa	207.467	25,00	178.863	25,00
Philip Morrissa	71.476	24,75	24.434	24,75
Temsa Mısır	(11.162)	73,75	(15.535)	73,75
Temsa İş Makineleri	92.078	51,00	87.812	51,00
Total	**6.101.005**		**5.970.431**	

Share of income from Associates and Joint Ventures included in Holding's consolidated net income is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Aksigorta	25.398	(6.535)
Avivasa	34.968	33.081
Brisa	39.402	83.848
Akçansa	106.561	105.436
Enerjisa	147.175	141.911
Philsa	169.938	141.574
Philip Morrissa	119.416	44.238
Temsa Mısır	(1.388)	(1.514)
Temsa İş Makineleri	7.643	5.893
Total	**649.113**	**547.932**

The summary financial information of Associates and Joint Ventures is as follows:

	31 December 2016		31 December 2015	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	2.829.049	2.401.912	2.354.754	2.004.204
Avivasa	1.397.157	969.489	1.260.122	887.042
Brisa	2.887.859	2.317.684	2.338.617	1.691.225
Akçansa	1.677.606	619.706	1.544.135	507.325
Enerjisa	28.762.726	19.276.606	26.829.659	17.389.883
Philsa	4.125.277	3.295.411	3.518.240	2.802.787
Philip Morrissa	2.404.384	2.115.595	1.965.174	1.864.373
Temsa Mısır	9.943	25.077	27.294	48.358
Temsa İş Makineleri	349.078	168.533	344.729	215.869
Total	**44.443.079**	**31.190.013**	**40.182.724**	**27.411.066**

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Sales

	1 January - 31 December 2016	1 January - 31 December 2015
Aksigorta	1.895.559	1.622.171
Avivasa	317.422	263.457
Brisa	1.766.473	1.801.876
Akçansa	1.461.055	1.468.533
Enerjisa	12.564.568	11.827.277
Philsa(*)	20.167.930	17.365.487
Philip Morrissa	19.944.842	16.858.458
Temsa İş Makineleri	465.163	484.268

(*) Philsa, which is a manufacturing company, conducts its sales activities through Philip Morrissa, which is a marketing company.

Net profit/ (loss)

	1 January - 31 December 2016	1 January - 31 December 2015
Aksigorta	70.550	(18.152)
Avivasa	87.419	80.514
Brisa	90.309	192.180
Akçansa	286.979	282.979
Enerjisa	294.350	283.822
Philsa	679.752	566.294
Philip Morrissa	482.492	178.738
Temsa Mısır	(1.882)	(2.053)
Temsa İş Makineleri	14.986	11.557

NOTE 13 - INVESTMENT PROPERTY

The movements in investment property, for the years ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	Disposals	Impairment	Currency translation differences	31 December 2016
Cost:						
Land	185.465	3.754	(20.423)	5.139	6.794	180.729
Building	128.500	114	(1.355)	(4.020)	-	123.239
Total	**313.965**	**3.868**	**(21.778)**	**1.119**	**6.794**	**303.968**
Accumulated deprecition						
Buildings	(21.862)	(4.022)	392	-	-	(25.492)
Net book value	**292.103**					**278.476**

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	1 January 2015	Additions	Disposals	Impairment	Curency translation differences	31 December 2015
Cost:						
Land	205.126	-	(19.661)	-	5.682	190.847
Building	155.076	408	(26.984)	-	-	128.500
Total	**360.202**	**408**	**(46.645)**	**-**	**5.682**	**319.347**
Accumulated deprecition						
Buildings	(34.420)	(5.247)	11.946	177	-	(27.544)
Net book value	**325.782**					**292.103**

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2016 is as follows:

	1 January 2016	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	Count Differences	31 December 2016
Cost:								
Land and land improvements	586.172	4.936	40.677	(10.064)	4.512	-	48	626.281
Buildings	2.352.264	56.551	14.592	(25.155)	(673)	-	5.408	2.402.987
Machinery and equipment	2.887.108	268.398	48.456	(17.089)	61.745	-	-	3.248.618
Motor vehicles	111.801	1.669	5.138	(6.032)	1.003	-	-	113.579
Furniture and fixtures	2.711.864	12.082	269.025	(151.768)	39.977	-	1.902	2.883.082
Total	**8.649.209**	**343.636**	**377.888**	**(201.108)**	**106.564**	**-**	**7.358**	**9.274.547**
Construction in progress	**346.690**	**7.250**	**742.970**	**(9.347)**	**(143.279)**	**-**	**-**	**944.284**
Total	**8.995.899**	**350.886**	**1.120.858**	**(219.455)**	**(36.715)**	**-**	**7.358**	**10.218.831**
Accumulated depreciation:								
Land and land improvements	(224.464)	(3.399)	(6.241)	181	13	(733)	(48)	(234.731)
Buildings	(893.849)	(23.976)	(52.238)	12.715	-	(13.161)	(5.408)	(975.917)
Machinery and equipment	(1.678.897)	(130.653)	(118.250)	12.914	-	-	-	(1.914.886)
Motor vehicles	(86.671)	(1.274)	(12.058)	4.138	-	-	-	(95.865)
Furniture and fixtures	(1.829.060)	(9.293)	(225.950)	94.902	(13)	(61.607)	(1.902)	(2.032.923)
Total	**(4.712.941)**	**(168.595)**	**(414.737)**	**124.580**	**-**	**(75.541)**	**(7.358)**	**(5.254.322)**
Net book value	**4.282.958**							**4.964.509**

(*) Transfers that have been realized from Construction in progress during the period amounting of TL 36.715 recognized to intangible assets.

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The movement in property, plant and equipment for the year ended 31 December 2015 is as follows:

	1 January 2015	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	Transfers to non-current assets held for sale	Count Differences	Additions due to acquisition of the subsidiary	Transfer to assets held for sale	31 December 2015
Cost:											
Land and land improvements	601.530	3.616	3.470	(22.441)	3.818	-	(3.310)	(511)	-	-	586.172
Buildings	2.293.440	41.378	42.426	(35.212)	30.157	-	(20.266)	341	-	-	2.352.264
Machinery and equipment	2.712.186	147.647	43.312	(62.556)	127.650	-	(85.766)	3.610	-	1.025	2.887.108
Motor vehicles	108.230	904	7.757	(19.853)	9.082	-	(476)	6.157	-	-	111.801
Furniture and fixtures	2.454.869	(6.512)	319.762	(140.929)	92.418	-	(1.814)	(22.325)	16.395	-	2.711.864
Total	**8.170.255**	**187.033**	**416.727**	**(280.991)**	**263.125**	**-**	**(111.632)**	**(12.728)**	**16.395**	**1.025**	**8.649.209**
Construction in progress	**197.800**	**9.191**	**442.958**	**(4.795)**	**(279.760)**	**(19.067)**	**-**	**363**	**-**	**-**	**346.690**
Total	**8.368.055**	**196.224**	**859.685**	**(285.786)**	**(16.635)**	**(19.067)**	**(111.632)**	**(12.365)**	**16.395**	**1.025**	**8.995.899**
Accumulated depreciation:											
Land and land improvements	(214.975)	(3.096)	(6.918)	-	-	(41)	-	566	-	-	(224.464)
Buildings	(847.050)	(12.198)	(60.917)	21.142	-	(6.036)	5.154	6.056	-	-	(893.849)
Machinery and equipment	(1.582.488)	(53.137)	(129.145)	51.113	-	-	35.580	198	-	(1.018)	(1.678.897)
Motor vehicles	(89.846)	(577)	(8.958)	16.147	-	-	280	(3.717)	-	-	(489.080)
Furniture and fixtures	(1.735.124)	6.981	(218.289)	127.327	-	(15.878)	1.736	4.187	-	-	(1.426.651)
Total	**(4.469.483)**	**(62.027)**	**(424.227)**	**215.729**	**-**	**(21.955)**	**42.750**	**7.290**	**-**	**(1.018)**	**(4.712.941)**
Net book value	**3.898.572**										**4.282.958**

(*) Transfers that have been realized from Construction in progress during the period amounting of TL 16.635 recognized to intangible assets.

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NOTE 15 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Currency translation differences	Additions	Impairment/ (provision)	Disposals	Transfers	Count difference	31 December 2016
Cost	1.167.409	19.688	270.010	-	(16.055)	36.715	(3.087)	1.474.680
Accumulated amortisation (-)	(636.966)	(11.263)	(156.185)	(4.619)	7.122	-	-	(801.911)
Net book value	**530.443**							**672.769**

	1 January 2015	Currency translation differences	Additions	Impairment/ (provision)	Disposals	Transfers	Count difference	31 December 2015
Cost	921.948	18.778	203.412	-	(2.714)	16.635	16.823	1.174.882
Accumulated amortisation (-)	(485.649)	(9.227)	(135.563)		1.633	-	(7.809)	(644.439)
Net book value	**436.299**							**530.443**

NOTE 16 - GOODWILL

The movements in goodwill for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	1.014.355	478.935
Additions (Note 3)	460	545.476
Disposals (*)	-	(10.056)
31 December	**1.014.815**	**1.014.355**

No impairment has occurred in the cash-generating units in 2016.

(*) Includes goodwill effect due to sale from real estate of Group's subsidiary Carrefoursa.

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	31 December 2016	31 December 2015
Provision for liabilities	350.048	334.659
Credit bonus provision	90.654	141.262
Litigation (*)	124.477	68.664
Uncompensated and not encashed non-cash loans	73.085	83.688
Onerous contracts	30.091	34.000
Other short-term provisions	31.741	7.045
Other	61.308	33.637
Total	**411.356**	**368.296**

(*) The balance is mainly consists of termination penalties and personnel cases.

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Other long term provisions	**31 December 2016**	**31 December 2015**
Provision for liabilities	4.239	4.694
Other long-term provisions	4.239	4.694
Total	**4.239**	**4.694**

Commitments – Banking segment	**31 December 2016**	**31 December 2015**
Letters of guarantee given	26.900.857	22.551.263
Letters of credit	4.993.055	5.359.136
Foreign currency acceptance	3.583.106	933.230
Other guarantees given	3.962.153	3.513.090
Total	**39.439.171**	**32.356.719**

Commitments – Non-banking segment	**31 December 2016**	**31 December 2015**
Letters of guarantee given	558.419	477.230
Other guarantees given	297.193	289.631
Mortgages, guarantees and pledges for tangible assets	83.208	74.870
Total	**938.820**	**841.731**

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	**31 December 2015**
Repurchase commitments	25.877.459	23.885.500

Transactions for held for trading

	31 December 2016	**31 December 2015**
Foreign currency purchases	8.911.930	6.686.807
Foreign currency sales	9.064.075	6.782.859
Total	**17.976.005**	**13.469.666**

	31 December 2016	**31 December 2015**
Currency swap purchases	87.664.943	42.647.513
Currency swap sales	86.427.026	39.246.203
Interest swap purchases	42.198.785	29.350.383
Interest swap sales	42.198.785	29.350.383
Total	**258.489.539**	**140.594.482**

	31 December 2016	**31 December 2015**
Spot purchases	8.257.572	2.169.146
Spot sales	8.318.772	2.155.390
Total	**16.576.344**	**4.324.536**

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	31 December 2016	31 December 2015
Currency, interest and securities options purchases	43.145.261	34.647.992
Currency, interest and securities options sales	43.319.700	34.776.488
Total	**86.464.961**	**69.424.480**

	31 December 2016	31 December 2015
Future purchases	-	1.856
Future sales	55.335	83.775
Total	**55.335**	**85.631**

	31 December 2016	31 December 2015
Other purchase transactions	7.170.681	4.594.069
Other sales transactions	5.154.039	6.436.738
Total	**12.324.720**	**11.030.807**

Types of derivative transactions held for hedges:

	31 December 2016	31 December 2015
Interest swap purchases	8.814.305	4.791.937
Interest swap sales	8.814.305	4.791.937
Total	**17.628.610**	**9.583.874**

	31 December 2016	31 December 2015
Foreign currency purchases	203.533	115.886
Foreign currency sales	73.346	246.300
Total	**276.879**	**362.186**

	31 December 2016	31 December 2015
Currency swap purchases	3.257.872	1.871.978
Currency swap sales	2.505.565	1.348.580
Total	**5.763.437**	**3.220.558**

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The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2016 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	3.932.167	22.968.691	26.900.858
Letters of credits	2.118.797	2.874.258	4.993.055
Acceptance credits	3.569.249	13.857	3.583.106
Other guarantees	1.335.410	2.626.742	3.962.152
Total	**10.955.623**	**28.483.548**	**39.439.171**

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2015 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	1.450.808	20.112.780	21.563.588
Letters of credits	3.725.510	1.528.180	5.253.690
Acceptance credits	920.299	12.931	933.230
Other guarantees	1.349.002	1.932.013	3.281.015
Total	**7.445.619**	**23.585.904**	**31.031.523**

On 22 January 2013, Exsa, a subsidiary of the Group, is subjected to a tax penalty statement due to the corporate tax calculation in 2010 with an additional tax amounting to TL 39 million and its penalty amounting to TL 58 million. The main comment at the tax investigation report in accordance with the penalty is related to the spin-off transaction that took part in 2010 which was previously subjected to another investigation report in 2011. Regarding to that report in 2011, the Company has already reached a reconcilement with the Ministry of Finance. On 22 January 2013, the Company applied to the Ministry of Finance to reach a reconciliation settlement according to the same issue and the same year but no reconciliation was provided. The Company filed a lawsuit related to this matter. The case was concluded on 9 May 2014 in favor of Exsa and the decision was appealed by the revenue administration. As of 31 December, 2016, Exsa paid Total TL 9.101.888 by taking advantage of tax amnesty the tax payer within the scope of "Law No. 6736 on Restructuring Certain Receivables".

Aksigorta, one of the Groups joint ventures, has been subjected to tax investigation by the T.C. Ministry of Finance Tax Audit Board with starting 24 June 2014 for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of Total TL 1,8 million and tax penalty of Total TL 2,8 million for the year 2009 , tax of Total TL 2 million and tax penalty of Total TL 3 million for the year 2010, tax of Total TL 3 million and tax penalty of Total TL 4,6 million for the year 2011 and tax of Total TL 4,3 million and tax penalty of Total TL 6,4 million for the year 2012 and in total tax and tax penalty of Total TL 27,9 million related to Banking Insurance Transaction Tax were imposed to the Aksigorta. Aksigorta has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. The company has requested reconciliation for the year 2009 tax penalty on 16 January 2015 and for the year 2010, 2011 and 2012 tax penalty on 20 February 2015 to the Ministry of Finance Central Reconciliation Commission.

The Aksigorta was subject to tax investigation regarding corporate tax calculation for the year 2010 and additional tax amounting to Total TL 60.908.125.96 and related penalty amounting to Total TL 91.362.188.94 were charged to the Company.As a favorable result of the judgment made by the 6th Tax Court of Istanbul, and due to the material event disclosures dated 5 February 2013, 24 October 2013, and 11 July 2014, the Company decided to benefit from of tax amnesty within scope of law numbered 6736 Regarding Restructuring of Some Tax Receivable. As of 31 December 2016, the Company has made Total TL 14.080.984 tax penalty payment regarding to tax investigation that was related to the spin off transaction.

Deduction of book value of shares related to subsidiary from the profit of the campany by Yünsa in 2010 because of the liquidation of its subsidiary SKT Giyim San. ve Tic, A.Ş. was criticized since there is no provisions allowing the aforementioned deduction in tax laws and a tax principal and a tax loss fine at an amount of Total TL 7.083.889 and Total TL 19.067.234 respectively is requested related to the year 2010 2011, 2012 and 2013 by Büyük Mükellefler Vergi Dairesi. No payment shall be made since the aforementioned tax assessment is considered to be against tax laws and the case shall be brought to law. It is considered that it is not required to make a provision in accordance with the "TAS 37 Contingent Debts and Contingent Liabilities" standard since there is no liability sourcing as of the end af reporting period because of aforementianed assessments made in an unlawful manner when all the explanatians made abave are taken into consideration. However, the Board of Directors has decided to take advantage of tax amnesty the tax payer within the scope of "Law No. 6736 on Restructuring Certain Receivables". In accordance with the law no. 6736, 50% of tax principal, all tax loss fine and all penalty for delay are deleted. Interest amount is calculated over remaining tax principale by using producer price index ("PPI") ratio and as of 31 December 2016, Yünsa paid tax penalty amounting to Total TL 4.010.242.

The Competition Board resolved to commence a prosecution by the resolution no. 15-08/108-M dated 19 February 2015 against Teknosa and other companies mentioned in the resolution requesting their statement in order to predict if the Law No. 4054 is violated or not. By the resolution no. 15-28/319-M dated 7 July 2015 of the inquiry has been extended as consumer electronics and has been with former investigation. All of defense statements fort his investigation has been mentioned. Verbal self defense was also completed on 25 October 2016. For both files, the final decision of the Competition Board on 11 November 2016 was published on the official website of the board. In accordance with the decision, Teknosa and Kliksa has imposed tax penalty amounting to TL 18.026 thousand.The decision has not been notified yet and, upon annuciation, the company will be resorted to administrative court. In addition, within 30 days from the date of communique, 3/4 of the penalty amounted TL 13.517 thousand will be paid in accordance with Article 17/6 of the Misdemeanor Law and the company record provision for the same amount under Other Operating Expenses.

The Competition Board decided in December 2016 that Enerjisa Dağıtım A.Ş. (Company) to comply with the Competition Law (Law No. 4054) due to the the preliminary investigation made in November 2016. The investigation is expected to be completed by the end of August 2018. As the notification made by Competition Board about the investigation has very limited information, it can not be evaluated as violating the Competition Act or taking a fine. The Company and its subsidiaries, operating their activities under the Competition Act and other legal regulations.

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The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Financial institutions	6.433.036	4.680.024
Construction	4.652.569	3.753.902
Chemicals	2.910.411	3.157.227
Wholesale	8.348.084	6.141.969
Small-scale retailers	3.845.270	3.461.873
Steel and mining	2.086.619	1.771.624
Food and beverage	616.372	455.109
Electricity, gas and water	1.977.548	1.807.922
Automotive	620.213	767.684
Other manufacturing	1.445.639	1.599.379
Electronics	639.372	420.290
Textile	934.968	711.655
Transportation	1.170.174	318.507
Telecommunications	153.924	61.115
Tourism	246.057	187.396
Agriculture and forestry	54.738	53.886
Other	3.304.177	1.681.961
Total	**39.439.171**	**31.031.523**

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NOTE 18 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by the Subsidiaries at 31 December 2016 is as follows:

	31 December 2016				
	Total TL				TL Equivalent
	Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	884.294	199.537	121.439	58.351	912
B. Collaterals given on behalf of fully consolidated companies	918.961	234.727	82.544	106.134	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	39.439.172	15.741.725	4.108.779	2.400.827	308.838
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Colleterals	**41.202.427**	**16.175.989**	**4.312.762**	**2.565.312**	**309.750**
A. Total amount of the mortgages given for its own legal entity	73.369	-	-	19.777	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	**73.369**	**-**	**-**	**19.777**	**-**
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties'debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	**-**	**-**	**-**	**-**	**-**

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Collaterals, pledges and mortgages ("CPM") given by the Joint Ventures at 31 December 2016 is as follows:

	31 December 2016				
	Total TL				TL Equivalent
	Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	1.118.066	895.219	61.434	1.791	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	541	540	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Colleterals	**1.118.607**	**895.759**	**61.434**	**1.791**	**-**
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	**-**	**-**	**-**	**-**	**-**
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties'debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	**-**	**-**	**-**	**-**	**-**

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Collaterals, pledges and mortgages ("CPM") given by the Subsidiaries at 31 December 2015 is as follows:

	31 December 2015				
	Total TL				TL Equivalent
	Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	750.267	131.461	144.484	58.869	11.642
B. Collaterals given on behalf of fully consolidated companies	1.347.914	979.321	59.675	61.393	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	31.031.523	12.783	4.334.931	1.682.094	298.623
D. Total amount of other Collateralsi. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Colleterals	**33.129.704**	**13.894.415**	**4.539.090**	**1.802.356**	**310.265**
A. Total amount of the mortgages given for its own legal entity	75.535	-	-	23.771	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	**75.535**	**-**	**-**	**23.771**	**-**
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties'debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledgesi. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	**-**	**-**	**-**	**-**	**-**

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Collaterals, pledges and mortgages ("CPM") given by the Joint Ventures at 31 December 2015 is as follows;

	31 December 2015				
	Total TL				TL Equivalent
	Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	1.480.870	1.476.498	246	1.151	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	79	79	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	203	203	-	-	-
Total Colleterals	**1.481.152**	**1.476.780**	**246**	**1.151**	**-**
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	**-**	**-**	**-**	**-**	**-**
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties'debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	**-**	**-**	**-**	**-**	**-**

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NOTE 19 – EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2016	31 December 2015
Due to personnel	29.579	27.339
Social security premiums payable	31.987	27.455
Other	1.611	1.611
Total	**63.177**	**56.405**

Short-term provision for employee benefits:

	31 December 2016	31 December 2015
Unused vacation pay provision	106.454	90.928
Bonus provision	30.998	26.034
Other	150.299	121.287
Total	**287.751**	**238.249**

Long-term provision for employee benefits:

	31 December 2016	31 December 2015
Unused vacation pay provision	2.890	2.318
Provision for employment termination benefits	303.541	269.402
Other	16.779	13.109
Total	**323.210**	**284.829**

Provision for retirement pay liability:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2016, the amount payable consists of one month's salary limited to a maximum of TL 4,30 (31 December 2015: TL 3,82) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above.

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2015, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. However the discount rate used in the calculation of the provisions differs for each subsidiary and associate, the average discount rate is 3,50% at the respective balance sheet date (31 December 2015: 3,40%). Severance pay ceiling is revised semi-annually. 4,43 TL severance pay ceiling, which is effective on 1 January 2017, has been considered in the provision for employment termination benefits calculations of the Group.

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Movements in the provision for employment termination benefits for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	269.402	165.236
Charge for the period	119.520	107.133
Payments	(110.182)	(102.790)
Interest cost	5.430	2.897
Foreign currency translation adjustments	(29)	220
Business combinations	-	6.300
Actuarial losses / (gain)	19.400	90.406
31 December	**303.541**	**269.402**

NOTE 20 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2016	31 December 2015
Cheques in clearance	418.721	513.180
Deductible, deferred and other VAT	114.087	100.018
Other	44.063	64.092
Total	**576.871**	**677.290**

Other Non-Current Assets	31 December 2016	31 December 2015
Long term tax claims and other legal receivables	29.434	5.157
Deductible, deferred and other VAT	3.027	17.778
Other non-current assets	48.760	40.263
Total	**81.221**	**63.198**

Other Short Term Liabilities	31 December 2016	31 December 2015
Cheques in clearance	778.619	1.028.687
Saving deposits insurance	45.569	35.641
Other short term liabilities	364.210	226.801
Total	**1.188.398**	**1.291.129**

Other Long Term Liabilities	31 December 2016	31 December 2015
Other Long Term Liabilities	18.070	2.799
Total	**18.070**	**2.799**

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NOTE 21 - EQUITY

The Holding's authorised and issued capital consists of 204.040.393.100 (31 December 2015: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2016 and 2015 is as follows:

Shareholders:	Share (%)	31 December 2016	Share (%)	31 December 2015
Sakıp Sabancı Holding A.Ş.	14.07	287.100	14,07	287.100
Serra Sabancı	7.21	147.160	7,21	147.160
Suzan Sabancı Dinçer	6.94	141.567	6,94	141.567
Çiğdem Sabancı Bilen	6.94	141.567	6,94	141.567
Other	64.84	1.323.010	64,84	1.323.010
Share capital	**100.00**	**2.040.404**	**100**	**2.040.404**
Capital adjustments due to cross-ownership (-)		**(190.470)**		**-**
Share premium		**22.237**		**22.237**

According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)'s Board of Director decision on 22 December 2015, company has started to make repurchasing agreement at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17 % as of 31 December 2016. These shares in consolidated equity as capital adjustments due to cross-ownership.

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Furthermore, to be entitled to the exemption for sale of participation shares and property, 75% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. Based on the exemption for sale of participation shares and property, 75% of the related gain is required to be held in account "gain on sale of subsidiaries". In 2012, related to the initial public offering of Teknosa, Holding accounted for 75% of this gain in this account.

The details of restricted reserves mentioned above are as follows:

	31 December 2016	31 December 2015
Legal reserves	596.381	559.450
Investments sales income	333.369	333.369
Total	**929.750**	**892.819**

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Dividend Distribution

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution decleration become effective on or after February 1, 2014.

Group companies distribute their profits within the frame of profit distribution policies determined by general assembly and according to the related decleration by the approval of general assembly. Within the mentioned decleration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

Accumulated Other Comprehensive Income or Loss to be Reclassified to Profit or Loss

	Fair Value Revaluation Fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency translation differences
Balance as of 1 January 2015	**(95.908)**	**(127.903)**	**(61.072)**	**183.938**
Increases/ (decreases) during the period	(419.923)	37.982	(34.796)	99.666
Gains transferred to income statement	(10.370)	14.053	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(737)	-	-	-
Tax effect	86.637	(10.853)	6.959	-
Balance as of 31 December 2015	**(440.301)**	**(86.721)**	**(88.909)**	**283.604**
Balance as of 1 January 2016	**(440.301)**	**(86.721)**	**(88.909)**	**283.604**
Increases/ (decreases) during the period	(18.026)	(133.633)	(71.394)	215.834
Gains transferred to income statement	19.920	21.275	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(8.239)	-	-	-
Tax effect	1.970	21.791	14.279	-
Balance as of 31 December 2016	**(444.676)**	**(177.288)**	**(146.024)**	**499.438**

NOTE 22 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

1 January – 31 December 2016

According to the Kordsa Global's Board of Management decision numbered 2015/29 dated 31 December 2015, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. with %51 of rates, would be classified as "Assets Held for sale" in the balance sheet. Hence, the financial results of Nile Kordsa Company for Industrial Fabrics S.A.E. were classified as "Assets Classified as Sales for Sale" in the Group's consolidated financial statements as of 31 December 2016 and 31 December 2015.

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As of 31 December 2016, Nile Kordsa Industrial Fabrics Company S.A.E., one of the subsidiary of Kordsa Global, has a loss of Total TL 1.230.919 (31 December 2015: Total TL 8.315.396 profit). For the year ended 31 December 2016 and 31 December 2015, operating results of this company reclassified as income / expense from the discontinued operations in consolidated financial statements.

Profit/Loss Statements of Nile Kordsa as of 31 December 2016 and 31 December 2015 are as follows:

Statement of profit or loss of Nile Kordsa	**1 January - 31 December 2016**	**1 January - 31 December 2015**
Income	519	41.820
Expense	(1.750)	(49.453)
Net profit / (loss) before tax	**(1.231)**	**(7.633)**
Tax / deferred tax income / (loss), (net)	-	(682)
Net profit / (loss)	**(1.231)**	**(8.315)**

As of 31 October 2016, Interkordsa GmbH ("Interkordsa"), one of the subsidiary of Kordsa Global, has a loss of Total TL 8.121.076 (31 December 2015: Total TL 188.207 profit). For the year ended 31 October 2016 and 31 December 2015, operating results of this company reclassified as income / expense from the discontinued operations in consolidated financial statements. The sales of Interkordsa amounted to EUR 3.750.000 occurred at 16 November 2016, as reported in the Public Disclosure Platform.

Profit/Loss Statements of Nile Kordsa as of 31 October 2016 and 31 December 2015 are as follows:

Statement of profit or loss of Interkordsa	**1 January - 31 October 2016**	**1 January - 31 December 2015**
Income	43.982	45.594
Expense	(52.028)	(45.437)
Net profit / (loss) before tax	**(8.046)**	**157**
Tax / deferred tax income / (loss), (net)	(75)	31
Net profit / (loss)	**(8.121)**	**188**

1 January – 31 December 2015

The share transfer agreement was signed on 13 January 2015 regarding the sale of all shares in Group's subsidiary SASA Polyester Sanayi A.Ş, corresponding to 51 % of the share capital of the Company, to Erdemoğlu Holding A.Ş. According the share transfer agreement, all of the shares owned by Sabancı Holding on 30 April 2015 were sold amounting to Total TL 277.602.495 (Total USD 104 million) and the profit on sale amounting Total TL 102.989.011 was recorded as income / (expense) from discontinued operations on 31 December 2015 on the consolidated statement of profit or loss. The net asset value of Sasa as of 30 April 2015 is amounting to Total TL 331.751.000. In the year 2014, profit or loss items of Sasa are classified as income or expenses from discontinued operations on the consolidated statement of profit or loss.

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Statement of balance sheet of SASA for the period ended 30 April 2015 as follows:

Statement of profit or loss	**1 January - 30 April 2015**
Income	390.717
Expense	(383.745)
Net loss before tax	**6.972**
Tax	4.443
Net profit	**11.415**

NOTE 23 – REVENUE AND COST OF SALES

Revenue	**1 January- 31 December 2016**	**1 January- 31 December 2015**
Domestic sales	11.274.733	10.734.167
Foreign sales	1.589.220	1.428.005
Less: Discounts	(501.773)	(504.979)
Total	**12.362.180**	**11.657.193**

Cost of sales	**1 January- 31 December 2016**	**1 January- 31 December 2015**
Cost of raw materials and merchandises	(8.164.348)	(7.608.310)
Personnel expenses	(339.790)	(290.131)
Depreciation and amortization expenses	(185.861)	(187.915)
Change in finished good work in process inventory and merchandises	(104.574)	2.991
Other	(983.699)	(1.010.336)
Total	**(9.778.272)**	**(9.093.701)**

NOTE 24 - EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	**1 January- 31 December 2015**
Personnel expenses	(1.854)	(1.251)
Consultancy expenses	(272)	(93)
Repair and maintenance expenses	(128)	(22)
Depreciation and amortization expenses	(91)	(1.352)
Other	(3.411)	(605)
Total	**(5.756)**	**(3.323)**

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Marketing, selling and distribution expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2016 and 2015 are as follows:

	1 January-31 December 2016	1 January-31 December 2015
Personnel expenses	(637.489)	(547.423)
Rent expenses	(399.361)	(353.593)
Depreciation and amortization expenses	(108.574)	(94.540)
Transportation, logistic and distribution expenses	(85.094)	(82.919)
Advertisement expenses	(66.344)	(99.922)
Outsourced services	(50.435)	(54.377)
Consultancy expenses	(45.254)	(43.227)
Maintenance and repair expenses	(44.476)	(35.866)
Energy expenses	(36.732)	(43.867)
Insurance expenses	(6.090)	(5.575)
Material expenses	(4.725)	(3.484)
Communication expenses	(2.153)	(1.636)
Other	(231.474)	(213.506)
Total	**(1.718.201)**	**(1.579.935)**

General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2016 and 2015 are as follows:

	1 January-31 December 2016	1 January-31 December 2015
Personnel expenses	(1.970.997)	(1.908.086)
Credit card and banking service expenses	(504.803)	(504.390)
Consultancy expenses	(229.265)	(187.754)
Depreciation and amortization expenses	(280.308)	(281.230)
Repair and maintenance expenses	(281.311)	(227.982)
Insurance expenses	(184.270)	(188.959)
Communication expenses	(140.094)	(126.131)
Advertisement expenses	(138.608)	(124.080)
Taxes,duties and charges	(107.031)	(186.223)
Energy expenses	(50.092)	(49.241)
Material expenses	(26.643)	(17.245)
Outsourced services	(3.425)	(886)
Other	(1.014.192)	(1.124.499)
Total	**(4.931.039)**	**(4.926.706)**

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NOTE 25 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2016 and 2015 are are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency gains resulting from operations	454.321	391.039
Due date income from trade receivables	39.700	38.489
Other income	695.932	502.579
Total	**1.189.953**	**932.107**

The details of other expenses from operating activities for the years ended 31 December 2016 and 2015 are are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency losses resulting from operations	(328.667)	(291.939)
Provision expense	(182.799)	(33.852)
Due date expense from trade payables	(101.818)	(89.342)
Other expenses	(250.911)	(152.709)
Total	**(864.195)**	**(567.842)**

NOTE 26 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities

The details of other income from investing activities for the years ended 31 December 2016 and 2015 are are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Interest income:		
Time deposit	4.616	7.356
Dividend income	2.696	2.293
Fixed asset sales profit	68.480	161.680
Subsidiary sales profits	-	975
Other	10.411	5.329
Total	**86.203**	**177.633**

Expenses from investing activities

The details of other expenses from investing activities for the years ended 31 December 2016 and 2015 are are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Loss on sale of fixed assets	(4.356)	(2.054)
Other	-	(4.937)
Total	**(4.356)**	**(6.991)**

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NOTE 27 – FINANCE INCOME/EXPENSES

	1 January- 31 December 2016	1 January- 31 December 2015
Financial income		
Foreign currency gains	48.601	54.974
Total	**48.601**	**54.974**
Financial expenses		
Foreign currency losses	(99.566)	(126.608)
Interest expense	(208.137)	(115.503)
Other financial expenses	(63.955)	(37.810)
Total	**(371.658)**	**(279.921)**

Financial income and financial expenses relate to segments outside of banking.

NOTE 28 - TAX ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Corporate and income taxes payable	1.157.130	953.826
Less: prepaid taxes	(809.523)	(551.052)
Total taxes payable	**347.607**	**402.774**

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

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The effective tax rate of the fiscal year 2016 is 20% (2015: 20%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations calculate corporate tax quarterly at the rate of 20% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

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There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Group are as follows:

Affiliation Privilege

Dividend income from participation in shares of capital of another full-fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Emission premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business center in Turkey (except for corporations whose principal activity is financial leasing or by investment of marketable securities) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Exemption for Investment Incentive

Article 5 of the Law No. 6009 published in the Official Gazette No. 27659 dated August 1, 2010 and Law No. 193 of the Income Tax Law No. 193 canceled by the Constitutional Court Decree No. 2009/144 published in the Official Gazette dated 8 January 2010 The provisional 69th article "only for 2006, 2007 and 2008" has been rearranged. With the new regulation, it is ensured that the beneficiary can continue to benefit from the exemption of the investment that can not be deducted due to insufficient income and transferred to the following periods without the year limitation. However, the amount to be deducted as the investment reduction exception in the determination of the tax bases is foreseen not to exceed 25%. Again with the amendment, it is accepted that the ones who will benefit from the investment allowance is not the 30% of the corporate tax rate but the current rate (20%).

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With regard to the 25% limit added to the provisional article 69 of the Law No. 6009, the amount to be deducted as an investment reduction exception in the determination of the tax bases shall not exceed 25% of the relevant income, contrary to the Constitution The Constitutional Court dated February 9, 2012 and published in the Official Gazette dated February 18, 2012 and numbered 28208 and E: 2010/93. K: Canceled by Decision No. 2012/9 (Suspension of Execution). The justified decision of the Constitutional Court regarding the issue has been published in the Official Gazette dated 26 July 2013 and numbered 28719.

The tax charges for comprehensive income statement items for the years ended 31 December 2016 and 2015 are as follows:

	31 Aralık 2016			31 Aralık 2015		
	Before Tax	**Tax Charge**	**After Tax**	**Before Tax**	**Tax Charge**	**After Tax**
Net unrealized fair value from available for sale financial assets	(67.338)	13.468	(53.870)	(1.034.169)	206.834	(827.335)
Net gain on available for sale financial assets transferred to the income statement	49.718	(9.944)	39.774	(25.448)	5.090	(20.358)
Net gain included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(20.219)	4.044	(16.175)	(1.808)	362	(1.446)
Cash flow hedges	(36.513)	7.303	(29.210)	76.160	(15.232)	60.928
Income/ (loss) from the derivative financial assets related to the hedging of net investment in a foreign operations	(175.200)	35.040	(140.160)	(85.390)	17.078	(68.312)
Change in foreign currency translation differences	492.609	-	492.609	238.089	-	238.089
Actuarial gain/losses	(21.996)	4.399	(17.597)	(99.604)	19.921	(79.683)
Other comprehensive income	**221.061**	**54.310**	**275.371**	**(932.170)**	**234.053**	**(698.117)**

The reconciliation of the current year tax charge for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	**31 December 2015**
Profit before tax included in the consolidated financial statements	6.830.104	5.299.364
Expected tax charge according to parent company's tax rate %20 (2015: %20)	(1.366.021)	(1.059.873)
Tax rate differences of subsidiaries	5.183	3.342
Expected tax charge of the Group	**(1.360.838)**	**(1.056.531)**
Revenue that is exempt from taxation	71.331	29.541
Non-deductible expenses	(113.614)	(54.364)
Utilizing carryforward tax losses that are not subject to deferred tax	(7.019)	(19.663)
Timing differences not subject to tax	-	395
Impact of profits from investments valued by equity method	129.823	109.586
Investment incentives impact	7.423	7.107
Tax impact of assets that are hold for sale purpose	-	5.421
Real estate sales profit exemption	157	2.138
Other	(869)	3.225
Current year tax charge of the Group	**(1.273.606)**	**(973.144)**

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Deferred tax

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for TAS and tax purposes, carry forward tax losses and investment incentive exceptions. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% in Turkey.

Since the subsidiaries and joint ventures which are separately taxpayers presented their deferred tax assets and liabilities as net values in their financial statements, the effect of the presentation of the net amounts has been reflected to the Group's consolidated balanse sheet. Temporary differences and deferred tax assets and liabilities presented in the table below are based on the gross values.

At 31 December 2016, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TL 819.512 which can be offset against future taxable profits for a period of five years (31 December 2015: TL 105.255). As of 31 December 2016 and 31 December 2015 carry forward tax losses and the latest annual periods are as follows:

	31 December 2016	31 December 2015
2016	-	11.196
2017	-	8.405
2018	17.548	11.899
2019	58.126	29.736
2020	743.838	44.019
Total	**819.512**	**105.255**

Deferred tax assets/ (liabilities) for the years ended at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Deferred tax assets	635.401	714.698
Deferred tax liabilities	(139.150)	(118.323)
Net Deferred Tax Assets	**496.251**	**596.375**

The movements in deferred income tax assets/ (liabilities) for the six-month periods ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
1 January	596.375	362.437
Change in consolidation method due to acquisition		
of shares	-	25.909
Charged to equity	(29.960)	171.455
Change in foreign currency translation differences	(12.686)	(19.610)
Charged to statement of profit or loss	(58.491)	50.666
Transfers to assets held for sale	-	7.071
Other	1.013	(1.553)
31 December	**496.251**	**596.375**

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NOTE 29 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2016	Fair Value	
Derivative instruments held for trading:	**Asset**	**Liability**
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	5.242.799	3.900.948
Forward currency purchases and sales transactions	467.073	418.684
Currency purchases and sales options	262.589	289.771
Other purchases and sales transactions	1.649.098	4.709
Total derivative instruments held for trading	**7.621.559**	**4.614.112**
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	807.874	98.991
Forward currency purchases and sales transactions	895	3.714
Currency purchases and sales transactions	40.243	-
Total derivative instruments held for hedging	**849.012**	**102.705**
Total derivative instruments	**8.470.571**	**4.716.817**

31 December 2015	Fair Value	
Derivative instruments held for trading:	**Asset**	**Liability**
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	1.340.366	1.260.512
Forward currency purchases and sales transactions	106.964	162.414
Currency purchases and sales options	222.214	257.901
Other purchases and sales transactions	1.032.735	89.293
Total derivative instruments held for trading	**2.702.279**	**1.770.120**
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	651.367	158.961
Forward currency purchases and sales transactions	14.743	2.048
Currency purchases and sales transactions	373	-
Total derivative instruments held for hedging	**666.483**	**161.009**
Total derivative instruments	**3.368.762**	**1.931.129**

Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa are protected from cash flow risk through the use of interest rate swaps against the cash flow risk arising from financial borrowings.Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under hedge reserves within equity. Akbank is also protected against cross-currency swaps and Turkish currency fixed interest rate financial assets and foreign currency financial debt arising from fair value risk. Brisa, in order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purhases, the Company enters into Euro selling/US buying, TL selling/Euro buying and TL selling/Dollar buying forward exchange contracts.

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NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	31 December 2016	31 December 2015
Consumer loans and credit cards receivables	45.037.601	41.583.279
Project finance loans (*)	26.431.817	23.426.197
Construction	24.078.639	13.830.334
Other manufacturing industries	20.779.263	12.366.884
Small-scale enterprises	14.706.397	13.297.020
Minig	6.262.631	3.731.339
Telecommunication	5.819.867	4.582.047
Other manufacturing industries	5.537.903	8.925.988
Food and beverage,wholesale and retail	4.939.823	2.884.201
Textile	4.109.589	3.606.524
Chemicals	3.377.208	1.472.391
Autmotive	2.413.289	1.727.979
Other	19.070.542	24.747.580
Total loans and advances to customers	**182.564.570**	**156.181.764**
Allowance for loan losses	(6.964.606)	(5.701.872)
Leasing receivables	4.983.239	3.958.451
Net loans and advances to customers	**180.583.203**	**154.438.343**

The above table includes the total live and follow-up lending of the bank and the credit risk reserve is set as a result of the bank evaluation considering the whole credit risk.

(*) As of December 31, 2016, within the scope of acquisition financing of an entity operating in the telecommunication sector, on the basis of participating in the syndication, which is made up of other domestic and foreign banks, with share pledge there is a cash loan risk of 1.5 Billion USD (Total TL 5.2 billion). As of the balance sheet date, negotiations have been initiated by institutional partners, creditor banks and related public institutions regarding the restructuring of past credit risk, which may include shareholder change in the existing main shareholder, and these studies are expected to result in a positive development.

Effective interest rates of USD, EUR,YEN and TL denominated loans and advances to customers are 5,07% p.a. (31 December 2015: 4,35% p.a.), 3,66% p.a. (31 December 2015: 3,69% p.a.), 4,27% p.a. (31 December 2015: 3,36% p.a.), and 13,04% (31 December 2015: 9,71% p.a) respectively.

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The movement of loan loss provision of banking segment as of 31 December 2016 by class is as follows:

	Corporate	Commercial	Total
1 January 2016	**2.679.248**	**3.022.624**	**5.701.872**
Gross provisions	1.297.181	1.160.712	2.457.893
Collections	(207.054)	(518.520)	(725.574)
Written-off (*)	(107.093)	(362.492)	(469.585)
31 December 2016	**3.662.282**	**3.302.324**	**6.964.606**

(*) The Bank has sold TL 450,1 million (total TL amount) in the following loans portfolio to Güven Asset Management Inc. for a consideration of TL 49,1 million (total TL amount).

The movement of loan loss provision of banking segment as of 31 December 2015 by class is as follows:

	Corporate	Commercial	Total
1 January 2015	**2.016.841**	**2.254.267**	**4.271.108**
Gross provisions	979.442	1.427.603	2.407.045
Collections	(182.014)	(452.290)	(634.304)
Written-off (*)	(135.021)	(206.956)	(341.977)
31 December 2015	**2.679.248**	**3.022.624**	**5.701.872**

(*) The Bank has sold TL 248,5 million (total TL amount) in the following loans portfolio to Girişim Asset Management Inc. for a consideration of TL 40,3 (total TL amount) million.

The maturity analysis of loans and advances given to customers at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Up to 3 months	49.297.126	42.616.346
3 to 12 months	36.937.861	34.802.687
Current	**86.234.987**	**77.419.033**
1 to 5 years	67.482.991	53.425.747
Over 5 years	21.881.986	19.635.112
Non-current	**89.364.977**	**73.060.859**
Total	**175.599.964**	**150.479.892**

The repricing dates of the loans and advances given to customers as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Up to 3 months	72.647.190	60.788.870
3 to 12 months	42.692.991	44.549.095
1 to 5 years	51.031.046	39.025.020
Over 5 years	9.228.737	6.116.907
Total	**175.599.964**	**150.479.892**

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NOTE 31 – LIABILITIES FROM FINANCE SECTOR OPERATIONS

Banking

	31 December 2016			31 December 2015		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	14.430.486	76.583.302	91.013.788	11.275.748	67.455.714	78.731.462
Commercial deposits	14.750.250	53.845.681	68.595.931	10.134.810	42.515.523	52.650.333
Interbank deposits	972.501	6.229.124	7.201.625	256.697	12.661.189	12.917.886
Funds provided from repo transactions	-	26.042.359	26.042.359	-	24.169.207	24.169.207
Other	566.748	5.295.076	5.861.824	1.028.245	2.925.399	3.953.644
Total	**30.719.985**	**167.995.542**	**198.715.527**	**22.695.500**	**149.727.032**	**172.422.532**

Effective interest rates of USD, EUR and TL denominated customer deposits are 1,62% p.a. (31 December 2015: 1,02% p.a.), 0,43% p.a. (31 December 2015: 0,51% p.a.) and 9,42% p.a. (31 December 2015: 9,53% p.a.).

As of December 31, 2016 and 2015, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2016	31 December 2015
Demand	29.247.950	19.971.284
Up to 3 months	142.247.469	125.277.763
3 to 12 months	20.413.857	11.521.758
1 to 5 years	6.335.809	13.118.878
Over 5 years	470.442	2.532.849
Total	**198.715.527**	**172.422.532**

NOTE 32 - MUTUAL FUNDS

As of December 31, 2016, the Group is the founder and manager of 44 investment funds (31 December 2015: 43) with a total aggregate value of TL 3.916.212 (31 December 2015: TL 3.283.444). Documents for participation of the funds established within the framework of the Capital Markets Board Legislation are preserved at Istanbul Settlement and Custody Bank Inc.

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NOTE 33 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class that have been outstanding during the year.

	31 December 2016	31 December 2015
Earnings per share in full TL		
- ordinary share ('000)	13,04	10,96
Earnings per share from continuing operations in full TL		
- ordinary share ('000)	13,08	10,50
Weighted average number of		
shares with TL 0,01 face value each		
- ordinary shares	204.040.393.100	204.040.393.100

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus calculated before 1 January 2004. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year. When the number of ordinary shares outstanding increases as a result of bonus shares after the balance sheet date but before the issue of financial statements, the earnings per share calculation is based on the new number of shares.

There were no differences between the basis and relative gain per share for any class of shares for any of these periods.

NOTE 34 - RELATED PARTY DISCLOSURES

Key management personnel compensation:

The Group defined its key management as board of directors, general manager, general secretary, group chiefs, head of departments and group directors belonging to a group and over. Short term benefits include wages, bonuses, social security, health insurance, premium bonus and incentive premium. Other long term benefits include private pension system payments. Benefits provided for retirement include retirement and unused vacation payments paid to senior executives for retirement and transfer.

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Short term benefits provided to senior executive	22.561	20.754
Benefits provided by termination	1.185	883
Other long term benefits	271	259
Total	**24.017**	**21.896**

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIALINSTRUMENTS

35.1 Financial Instruments and Financial Risk Management

35.1.1 Financial risk management

The Group's activities expose it to a variety of financial risks.These risks; market risk (including currency risk, fair value interest rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on seek to minimizing the varialibility of financial markets and the potential adverse effects on the Group's financial performance. The Group benefits from derivative financial instruments to hedge against various risks that it is exposed to.

Risk management is implemented by individual Subsidiaries and Joint Ventures under policies, approved by their Board of Directors.

35.1.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position. The Group benefits from derivative instruments with the aim of minimizing the foreign exchange risk arising from balance sheet items by using swap and forward usage is limited to foreign exchange risk.

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the "Net Foreign Currency ("FC") position" and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). Akbank's exposure to currency risk is within the limits set by Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. As a means of managing foreign exchange risk, futures contracts such as swap and forward are also used when necessary to provide hedging protection.

The Group is mainly exposed to foreign exchange risk in EUR, USD and GBP.

Foreign currency denominated assets and liabilities held by the Group before consolidation elimination at 31 December 2016 and 2015 terms of TL are as follows:

	31 December 2016	31 December 2015
Assets	149.842.286	128.626.065
Liabilities	(156.415.980)	(136.166.574)
Net foreign currency balance sheet position	**(6.573.694)**	**(7.540.509)**
Net foreign currency position of off-balance sheet derivative financial instruments	6.631.871	8.402.706
Net foreign currency balance sheet and off-balance sheet position	**58.177**	**862.197**

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31 December 2016	Total TL Equivalent	USD TL Equivalent	EUR TL Equivalent	GBP TL Equivalent	Other TL Equivalent
Assets:					
Cash and Cash Equivalents	11.622.582	8.832.383	2.599.686	76.124	114.389
Financial Investments	29.098.496	22.981.074	5.603.484	-	513.938
Receivables From Financial Operations	77.712.296	41.652.192	35.942.621	18.424	99.059
Reserve Deposits at Central Bank	28.943.471	21.185.548	7.023.056	-	734.867
Trade Receivables	925.201	288.557	525.755	3.617	107.268
Other Assets	1.540.243	972.613	505.501	56	62.073
Total Assets	**149.842.286**	**95.912.367**	**52.200.103**	**98.221**	**1.631.594**
Liabilities:					
Funds Borrowed and Debt Securities in Issue	42.993.036	31.813.593	10.957.565	4.607	217.270
Customer Deposits	111.134.033	68.971.285	38.666.933	1.479.832	2.015.983
Trade payables	430.287	289.770	97.751	1.367	41.400
Other Payables and Provisions	1.858.624	833.338	953.497	2.201	69.588
Total Liabilities	**156.415.980**	**101.907.986**	**50.675.746**	**1.488.007**	**2.344.241**
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	**6.631.871**	**4.478.023**	**(56.837)**	**1.388.984**	**821.699**
Net assets/(liabilities)foreign currency affecting income statement position	**58.177**	**(1.517.596)**	**1.467.520**	**(802)**	**109.052**
Monetary items net assets/(liabilities) foreign currency position	**58.177**	**(1.517.596)**	**1.467.520**	**(802)**	**109.052**

Net profit effect of the consolidated to the total net foreign currency position is TL 502.179 as of 31 December 2016 (Bank and Philsa-Philip Morrissa excluded).

31 December 2015	Total TL Equivalent	USD TL Equivalent	EUR TL Equivalent	GBP TL Equivalent	Other TL Equivalent
Assets:					
Cash and Cash Equivalents	8.229.608	5.864.491	2.213.366	34.705	117.046
Financial Investments	29.204.701	23.367.054	5.837.647	-	-
Receivables From Financial Operations	66.913.937	40.103.231	26.747.536	12.698	50.472
Reserve Deposits at Central Bank	22.776.999	15.304.344	3.865.549	-	3.607.106
Trade Receivables	764.041	286.725	365.522	26.084	85.710
Other Assets	736.780	475.138	182.051	2.140	77.451
Total Assets	**128.626.066**	**85.400.983**	**39.211.671**	**75.627**	**3.937.785**
Liabilities:					
Funds Borrowed and Debt Securities in Issue	36.031.708	26.354.414	9.468.915	5.273	203.106
Customer Deposits	98.496.275	68.859.632	26.690.548	1.523.676	1.422.419
Trade payables	274.414	165.358	84.117	1.077	23.862
Other Payables and Provisions	1.364.178	623.653	692.714	2.582	45.229
Total Liabilities	**136.166.575**	**96.003.057**	**36.936.294**	**1.532.608**	**1.694.616**
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	**8.402.706**	**10.025.671**	**(908.680)**	**1.459.007**	**(2.173.292)**
Net assets/(liabilities)foreign currency affecting income statement position	**862.197**	**(576.403)**	**1.366.697**	**2.026**	**69.877**
Monetary items net assets/(liabilities) foreign currency position	**862.197**	**(576.403)**	**1.366.697**	**2.026**	**69.877**

Net profit effect of the consolidated to the total net foreign currency position is TL 2.774 as of 31 December 2015 (Bank and Philsa-Philip Morrissa excluded).

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As the Bank is exposed to a negligible foreign currency position risk, exchange rate changes have no significant effect on the financial statements.

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 31 December 2016 and 2015 is summarized as follows:

31 Aralık 2016	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change in USD against TL by %10				
USD net assets/liabilities	(1.207)	1.207	(36.691)	36.691
USD hedge items (-)	-	-		
USD net effect	**(1.207)**	**1.207**	**(36.691)**	**36.691**
Change in EUR against TL by %10				
EUR net assets/liabilities	31.090	(31.090)	(10.571)	10.571
EUR hedge items (-)	-	-		
EUR net effect	**31.090**	**(31.090)**	**(10.571)**	**10.571**
Change in GBP against TL by %10				
GBP net assets/liabilities	14	(14)	3	(3)
GBP hedge items (-)	-	-		
GBP net effect	**14**	**(14)**	**3**	**(3)**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(1.054)	1.054	-	-
Other Hedges items(-)	-	-		
Other currency net effect	**(1.054)**	**1.054**	**-**	**-**

31 Aralık 2015	**Profit/Loss**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change in USD against TL by %10				
USD net assets/liabilities	(28.385)	28.385	(20.693)	20.693
USD hedge items (-)	-	-	-	-
USD net effect	**(28.385)**	**28.385**	**(20.693)**	**20.693**
Change in EUR against TL by %10				
EUR net assets/liabilities	23.600	(23.600)	(4.582)	4.582
EUR hedge items (-)	-	-	-	-
EUR net effect	**23.600**	**(23.600)**	**(4.582)**	**4.582**
Change in GBP against TL by %10				
GBP net assets/liabilities	14	(14)	-	-
GBP hedge items (-)	-	-	-	-
GBP net effect	**14**	**(14)**	**-**	**-**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(2.240)	2.240	5	(5)
Other Hedges items(-)	-	-	-	-
Other currency net effect	**(2.240)**	**2.240**	**5**	**(5)**

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35.1.1.2 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. In addition to the natural hedges that arise from offsetting interest rate sensitive assets and liabilities, the Group also manages this risk through derivative transactions for hedging purposes.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings at floating rates are denominated in TL, USD, EUR and GBP.

The interest position table of the non-banking segment of the Group as of 31 December 2016 and 2015 is set out below as follows: (Please refer to Note 35.1.1.5 for banking industrial segment)

	31 December 2016	31 December 2015
Fixed interest rate financial instruments		
Financial assets	113.237	188.928
Time deposits	113.237	188.928
Financial liabilities	1.951.775	1.130.266
Floating interest rate financial instruments		
Financial liabilities	273.870	529.275

Renewing existing positions for non-banking industrial segments by the Group. Various scenarios were prepared for bank loans with floating interest rates taking into account alternative financing and hedging. According to this scenarios: (Please refer to Note 35.1.1.5 for banking industrial segment).

At 31 December 2016, if the annual interest rate on TL denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL (1.323) (31 December 2015: TL (1.099)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2016, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TL 1.825 (31 December 2015: TL 512) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2016, if the annual interest rate on EUR denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TL (75) (31 December 2015: TL (146)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

35.1.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims to maintaining flexibility in funding by keeping committed credit lines available.

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i) Banking industrial segment

A major objective of Akbank's asset and liability management is to ensure that sufficient liquidity is available to meet Akbank's commitments to customers and to satisfy Akbank's own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities. The primary funding sources of Akbank are equity placed in interest bearing assets, well-distributed and stable deposits and medium to long term borrowings obtained from international markets.

In spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of Akbank indicate that these deposits will provide a long-term and stable source of funding for Akbank.

As of 31 December 2016 and 2015 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

			31 December 2016				
Liabilities	**Book value**	**Contructual Cash flows**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	200.010.473	202.918.006	132.335.034	27.281.514	19.871.777	19.599.073	3.830.608
Credit obtained and debt securities in issue	44.837.338	49.526.658	1.277.155	6.550.365	12.473.118	19.888.947	9.337.073
Interbank money market deposits	1.277.622	1.277.622	1.277.622	-	-	-	-
	246.125.433	**253.722.286**	**134.889.811**	**33.831.879**	**32.344.895**	**39.488.020**	**13.167.681**

			31 December 2015				
Liabilities	**Book value**	**Contructual Cash flows**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	173.640.02	175.956.942	121.993.491	25.234.138	11.985.377	13.988.530	2.755.406
Credit obtained and debt securities in issue	38.587.062	42.266.675	1.132.501	7.362.329	12.772.790	14.751.396	6.247.659
Interbank money market deposits	80.633	80.633	50.082	30.551	-	-	-
	212.307.721	**218.304.250**	**123.176.074**	**32.627.018**	**24.758.167**	**28.739.926**	**9.003.065**

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ii) Other industrial segment

The table below depicts the cash outflows the cash outflows of the Group's non-banking industrial segments for the balance sheet liabilities as of the balance sheet date. The amounts shown in the table are the contractual undiscounted cash flow amounts and the Group considers the liquidity management based on the expected undiscounted cash flows.

As of December 31, 2016 and 2015, the Group's analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2016	Book value	Contructual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	2.971.235	3.070.285	585.156	1.575.216	895.713	14.199
Financial lease obligations	110.442	117.105	8.563	26.044	64.289	18.209
Trade payables	1.760.091	1.741.314	1.461.957	279.357	-	-
Other payables	57.890	64.077	62.793	1.284	-	-
	4.899.658	**4.992.781**	**2.118.469**	**1.881.901**	**960.002**	**32.408**

31 December 2015	Book value	Contructual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	2.293.413	2.367.515	505.280	888.157	935.171	38.907
Financial lease obligations	118.265	129.552	7.434	22.446	83.313	16.359
Trade payables	1.423.803	1.529.844	1.478.743	50.885	216	-
Other payables	48.916	56.032	54.557	1.475	-	-
	3.884.397	**4.082.943**	**2.046.014**	**962.963**	**1.018.700**	**55.266**

35.1.1.4 Credit Risk

i) Banking industrial segment

Credit risk of the banking industrial segment is the risk that the counterparties of Akbank may be unable to meet the terms of their agreements. Akbank sets credit limits to counterparties in order to limit the risk of credit risk to credit limitations and does not extend credit limits beyond these limits.Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously defined credit limits are constantly revised as a result of assessing general economic developments and monitoring changes in customers' financial information and activities. Loan limits are provided on the basis of customer-specific types and amounts of guarantees.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is continuously checked.

There are risk control limits set for the credit risks and market risks arise from forward and option agreements and other similar agreements.

Derivatives are also carried out when necessary in order to meet and control the credit risks that may arise especially from foreign exchange and interest rate fluctuations.

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Non-cash loans transformed into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed by Akbank according to Akbank's credit risk management and follow-up principles. The financial status and business activities of the relevant customer are analyzed continuously and the related units are monitored whether principal and interest payments are made according to the renewed plan.

Within the framework of Akbank's risk management approach, it is assumed that long-term commitments are exposed to more credit risk than short-term commitments and that risk factors such as risk limits and guarantees for long-term risks are covered more broadly than short-term risks.

Akbank's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies. When considered within the financial activities of other financial institutions, Akbank as an active participant in the national and international banking market is not exposed to a significant credit risk when evaluated together with the financial activities of other financial institutions.

Akbank assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties based on Advanced Internal Rating Based Approach (Advanced IRB Approach).

With the help of scoring systems created for different customers, the probability of default is calculated and rating systems for corporate, commercial, SME, consumer and credit cards are created separately.

Akbank calculates the differantial of customers defaulting through rating systems created for different types of customers. Concentration data for the classed loans were given using the following tablature rating systems. The rating tool concentration by risk classes are as follows:

	31 December 2016	31 December 2015
Above average	% 54,14	% 49,10
Average	% 34,66	% 37,10
Below average	% 10,88	% 13,30
Unrated	% 0,40	% 0,50

As of 31 December 2016, the Group's loans in the medium risk group are TL 6.067.766 (31 December 2015: TL 4.942.479) and the aging analysis is as follows:

31 December 2016	Corporate loans	Consumer loans and credit cards	Financial lease receivable	Total
Up to 1 month	1.815.084	1.094.832	6.420	2.916.336
Between 1 to 2 months	1.604.735	763.089	4.231	2.372.055
Between 2 to 3 months	370.792	369.451	3.278	743.521
Rental payment receivables (Uninvoiced)	-	-	35.854	35.854
	3.790.611	**2.227.372**	**49.783**	**6.067.766**

31 December 2015	Corporate loans	Consumer loans and credit cards	Financial lease receivable	Total
Up to 1 month	1.647.651	1.639.137	9.741	3.296.529
Between 1 to 2 months	304.223	701.961	1.632	1.007.816
Between 2 to 3 months	297.395	318.812	1.444	617.651
Rental payment receivables (Uninvoiced)	-	-	20.483	20.483
	2.249.269	**2.659.910**	**33.300**	**4.942.479**

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Maximum exposure to credit risk of banking industrial segment:

	31 December 2016	31 December 2015
Loans and advances to other banks	43.557.998	32.822.588
Loans and advances	175.599.964	150.479.892
Consumer loans and advances	*41.576.624*	*40.539.198*
Corporate loans and advances	*134.023.340*	*109.940.694*
Financial lease receivables	4.983.239	3.958.451
Securities held for trading (*)	56.653	33.981
Derivative financial assets held for trading	7.620.938	2.697.157
Derivative financial assets held for cash flow hedges	807.874	651.368
Available for sale and held to maturity financial assets	52.504.342	53.673.459
Other assets	1.693.831	1.098.566
Total	**286.824.839**	**245.415.462**

(*) Marketable securities are not included.

Marketable securities of the banking industrial segment as of December 31, 2016 and 2015. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2016	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	132.700	-	132.700
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	2.073.074	-	2.073.074
Ba1	56.653	32.321.698	17.976.870	50.355.221
Total	**56.653**	**34.527.472**	**17.976.870**	**52.560.995**

31 December 2015	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	171	-	-	171
A1, A2, A3	8.434	255.376	-	263.810
Baa1, Baa2, Baa3	15.418	42.220.320	10.688.440	52.924.178
Ba1	-	509.323	-	509.323
Total	**24.023**	**42.985.019**	**10.688.440**	**53.697.482**

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The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2016 and 2015 are summarized as follows:

31 December 2016	**Turkey**	**USA**	**EU Contries**	**Non-EU Contries**	**Total**
Loans and advances to other banks	35.895.539	570.116	7.075.974	16.369	43.557.998
Loans and advances	168.570.422	26.219	6.230.289	773.034	175.599.964
Consumer loans and advances	*41.576.624*	-	-	-	*41.576.624*
Corporate loans and advances	*126.993.798*	*26.219*	*6.230.289*	*773.034*	*134.023.340*
Financial lease receivables	4.983.239	-	-	-	4.983.239
Securities held for trading	56.653	-	-	-	56.653
Derivative financial assets held for trading	1.425.067	237.280	5.941.598	16.993	7.620.938
Derivative financial assets held for cash flow hedges	-	-	807.874	-	807.874
Available for sale and held to maturity financial assets	51.605.660	-	898.682	-	52.504.342
Other assets	1.693.831	-	-	-	1.693.831
Total	**264.230.411**	**833.615**	**20.954.417**	**806.396**	**286.824.839**

31 December 2015	**Turkey**	**USA**	**EU Contries**	**Non-EU Contries**	**Total**
Loans and advances to other banks	27.428.611	788.144	4.591.356	14.477	32.822.588
Loans and advances	145.663.561	10	3.947.392	868.929	150.479.892
Consumer loans and advances	*40.539.198*	-	-	-	*40.539.198*
Corporate loans and advances	*105.124.363*	*10*	*3.947.392*	*868.929*	*109.940.694*
Financial lease receivables	3.958.451	-	-	-	3.958.451
Securities held for trading	33.981	-	-	-	33.981
Derivative financial assets held for trading	1.037.090	192.519	1.445.505	22.043	2.697.157
Derivative financial assets held for cash flow hedges	-	-	651.368	-	651.368
Available for sale and held to maturity financial assets	52.687.976	-	985.483	-	53.673.459
Other assets	1.090.213	-	6.854	1.499	1.098.566
Total	**231.899.883**	**980.673**	**11.627.958**	**906.948**	**245.415.462**

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The industrial distribution of the financial assets of banking sector for the years ended 31 December 2016 and 2015 are summarized as follows:

	Financial instutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to other banks	43.557.998	-	-	-	-	-	43.557.998
Loans and advances	20.466.628	1.954.400	24.303.529	50.959.579	36.339.204	41.576.624	175.599.964
Consumer loans and advances	-	-	-	-	-	*41.576.624*	*41.576.624*
Corporate loans and advances	*20.466.628*	*1.954.400*	*24.303.529*	*50.959.579*	*36.339.204*	-	*134.023.340*
Financial lease receivables	76.360	-	145.038	288.882	4.472.959	-	4.983.239
Securities held for trading	3.758	9.865	-	-	43.030	-	56.653
Derivative financial assets held for trading	7.620.938	-	-	-	-	-	7.620.938
Derivative financial assets held for cash flow hedges	807.874	-	-	-	-	-	807.874
Available for sale and held to maturity financial assets	4.503.148	47.472.018	-	130.206	398.970	-	52.504.342
Other assets	1.693.831	-	-	-	-	-	1.693.831
31 December 2016	**78.730.535**	**49.436.283**	**24.448.567**	**51.378.667**	**41.254.163**	**41.576.624**	**286.824.839**
31 December 2015	**55.454.791**	**47.602.240**	**29.548.791**	**36.632.734**	**35.622.185**	**40.554.721**	**245.415.462**

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ii) Other industrial segment

Credit risk for the other than that of the banking segment arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's exposure to types of financial instruments of other industrial segments as of December 31, 2016 and 2015 is as follows.

31 December 2016	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	**1.513.988**	**-**	**157.588**	**79.309**	**913**
Collateralized or secured with guarantees part of maximum credit	914.660	-	13.012	2.645	-
A. Neither past due nor impaired	1.417.268	-	157.588	79.309	913
B.Restructed otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	102.957	-	-	-	-
Guaranteed amount by commitment	35.839	-	-	-	-
D. Net book value of impaired assets	(6.237)	-	-	-	-
- Past due (Gross amount)	79.744	-	755	-	-
- Impairment	(85.981)	-	(755)	-	-
- Collateralized or guaranteed part of net value	1.348	-	-	-	-

(*)Tax and other receivables are not included.

31 December 2015	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	**1.305.480**	**-**	**97.237**	**93.668**	**14.410**
Collateralized or secured with guarantees part of maximum credit	662.359	-	-	-	-
A. Neither past due nor impaired	1.217.159	-	97.237	93.668	14.410
B.Restructed otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	92.158	-	-	-	-
Guaranteed amount by commitment	51.027	-	-	-	-
D. Net book value of impaired assets	(3.837)	-	-	-	-
- Past due (Gross amount)	66.175	-	754	-	-
- Impairment	(70.552)	-	(754)	-	-
- Collateralized or guaranteed part of net value	4.135	-	-	-	-

(*)Tax and other legal receivables are not included.

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35.1.1.5 Value at Risk

Stress tests provide indications of the extent of the damage that may occur in unusual circumstances. The stress test conducted by the Akbank Risk Management department includes the interest rate stress test as predicted by Akbank's market risk policies. For all banking transactions except for the trading portfolio, the interest rate risk is monitored under the interest rate risk arising from banking accounts. The results of the stress test are analyzed by the Asset and Liability Committee (ALCO).

Calculation and reporting of interest rate risk arising from banking accounts the monthly rate is calculated in accordance with the "Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts Based on Standard Shock" published in the Official Gazette dated 23 August 2011 and numbered 28034.

As of 31 December 2016 and 2015, the fair value changes of Turkish Lira and foreign exchange after performing 500 and 200 basis points in the account balances subject to the calculation is as follows;

		31 December 2016		31 December 2015	
Currency	**Applied Schock(+/- x basis points)**	**Gains / Losses**	**Gains / Shareholders Equity- Losses / Shareholders Equity**	**Gains / Losses**	**Gains / Shareholders Equity- Losses / Shareholders Equity**
TL	(400)	3.522.632	%10,12	3.388.004	%11,14
TL	500	(3.732.576)	(%10,71)	(3.577.919)	(%11,77)
US Dollar	(200)	(534.093)	(%1,53)	567.488	%1,87
US Dollar	200	509.074	%1,47	(592.080)	(%1,94)
Euro	(200)	57.075	%0,15	84.302	%0,27
Euro	200	(270.409)	%0,78	(500.965)	(%1,65)
Total (for negative shocks)		**3.045.614**	**%8,74**	**4.039.794**	**%13,28**
Total (for positive shocks)		**(3.493.911)**	**(%10,02)**	**(4.670.964)**	**(%15,36)**

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. Market risk is measured by two method named as "inherent method" and "standard method".

According to the "inherent method", the market risk related to the trading portfolio is measured through the Value at Risk (VaR) approach, which takes into consideration diverse risk factors. To calculate the VaR, the Bank uses the variance-covariance, historical simulation and Monte Carlo simulation methods. The software used for this purpose is able to make calculations based on forward efficiency curves and volatility models. The VaR model is based on the assumption of a 99% confidence interval and a 10-day retention period. VaR analyses are reported daily to senior management and are also used as a risk parameter and limit management tool for the bond portfolio. The Risk Management Committee sets risk limits for market risk and closely monitors the risk limits in the light of market conditions. The risk limits are under authorization bounders and control efficiency is increased.

RMD analyzes are supported by scenario analyzes and stress tests, which are unexpected and unlikely to occur, but take into account the effects of major events and fluctuations in the market. Retrospective testing of model outputs is regularly carried out.

According to the "standard method", market risk is measured on securities portfolio basis in a way that includes the Group's exchange risk daily and weekly, and reported to the senior management.

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35.1.2 Capital risk management

The Group manages its capital to ensure that entities in the Group's objectives are to maintaine the Group ability to operate in order maintain optimal capital structure in order to benefit other shareholders and reduce capital cost.

In order to maintain or recapitalise the capital structure, the Group will determine the dividend payable to shareholders,issue new shares and sell its assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and tax liabilities (current period and deferred income tax liabilities).

The gearing ratios at 31 December 2016 and 2015 were as follows:

	31 December 2016	31 December 2015
Total financial liabilities	262.392.300	224.504.454
Cash and cash equivalents	12.596.627	10.705.724
Net liability	249.795.673	213.798.730
Equity	44.807.343	39.971.438
Invested capital	294.603.016	253.770.168
Net liability/ invested capital ratio	%85	%84

NOTE 36 - FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The estimated fair values of financial instruments have been determined by the Holding and its Subsidiaries and Joint Ventures using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Holding and its subsidiaries and joint ventures could realise in a current market transaction.

The following methods and assumptions were used in estimating the fair value of the financial instruments for which the fair value of the Group can be determined:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature. The fair value of investment securities has been estimated based on the market prices at balance sheet dates.

The trade receivables along with the related allowances for doubtfull receivables uncollectibility are carried at amortised cost using the effective yield method, and hence are accepted to approximate their fair values.

Financial liabilities

The fair value of short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at floating rates and denominated in foreign currencies, are translated at year-end exchange rates and accordingly their carrying amounts approximate their fair values.

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Trade payables are valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

Derivative financial instruments

The fair value of forward foreign exchange contracts and currency/interest rate swaps is estimated based on quoted market rates prevailing at the balance sheet date.

Fair values of the financial assets and liabilities of the Group's banking segment as of 31 December 2016 and 2015 are as follows:

Fair value classifications of the financial assets and liabilities of the Group carried at fair value is as stated below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
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);
Level 3: Inputs for the asset or liability that are not based on observable market data.

i) Banking industrial segment

Fair values of the financial assets and liabilities of the Group's banking segment as of 31 December 2016 and 2015 are as follows:

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Securities held for trading	**63.921**	**-**	**-**	**63.921**
- Government bonds	9.865	-	-	9.865
- Marketable securities	7.268	-	-	7.268
- Other	46.788	-	-	46.788
Available for financial assets	**34.572.009**	**222.051**	**-**	**34.794.060**
- Government bonds	17.912.731	-	-	17.912.731
- Eurobonds	11.328.132	-	-	11.328.132
- Mutual funds	212.244	-	-	212.244
- Listed shares	-	54.344	-	54.344
- Other	5.118.902	167.707	-	5.286.609
Trading derivative financial assets	**2.642**	**7.618.296**	**-**	**7.620.938**
Hedging derivative financial assets	**-**	**807.874**	**-**	**807.874**
Total Assets	**34.638.572**	**8.648.221**	**-**	**43.286.793**
Trading derivative financial instruments	**4.389**	**4.595.458**	**-**	**4.599.847**
Hedging derivative financial instruments	**-**	**98.991**	**-**	**98.991**
Total liabilities	**4.389**	**4.694.449**	**-**	**4.698.838**

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Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the current year.

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Securities held for trading	**40.513**	**-**	**-**	**40.513**
- Government bonds	9.996	-	-	9.996
- Eurobonds	107	-	-	107
- Marketable securities	6.532	-	-	6.532
- Other	**23.878**	**-**	**-**	**23.878**
Available for financial assets	43.029.205	342.399	-	43.371.604
- Government bonds	19.376.723	-	-	19.376.723
- Eurobonds	15.929.478	-	-	15.929.478
- Mutual funds	270.627	-	-	270.627
- Listed shares	-	115.958	-	115.958
- Other	**7.452.377**	**226.441**	**-**	**7.678.818**
Trading derivative financial assets	**-**	**2.697.157**	**-**	**2.697.157**
Hedging derivative financial assets	**-**	**651.368**	**-**	**651.368**
Total Assets	**43.069.718**	**3.690.924**	**-**	**46.760.642**
Trading derivative financial instruments	**-**	**1.767.851**	**-**	**1.767.851**
Hedging derivative financial instruments	**-**	**158.960**	**-**	**158.960**
Total liabilities	**-**	**1.926.811**	**-**	**1.926.811**

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the prior year.

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ii) Other industrial segment

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	16	-	16
Derivatives held for hedging	-	41.137	-	41.137
Total Assets	**-**	**41.153**	**-**	**41.153**
Derivatives held for trading	-	5.639	-	5.639
Derivatives held for hedging	-	3.145	-	3.145
Total Liabilities	**-**	**8.785**	**-**	**8.785**

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	1.843	-	1.843
Derivatives held for hedging	-	13.466	-	13.466
Total Assets	**-**	**15.309**	**-**	**15.309**
Derivatives held for trading	-	1.807	-	1.807
Derivatives held for hedging	-	1.215	-	1.215
Total Liabilities	**-**	**3.022**	**-**	**3.022**

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the current year.

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Classification of financial instruments and fair value

31 December 2016	Note	Held to maturity securities	Loans and Receivables (cash and cash equivalents included)	Available for sale financial Assets	Financial liabilities measured at amortized cost	Book value	Fair value
Financial Assets							
Cash and cash equivalents	5	-	12.596.627	-	-	12.596.627	12.596.627
Trade receivables	8	-	1.550.634	-	-	1.550.634	1.550.634
Other financial asset (*)	6, 9	17.976.984	2.059.193	34.821.880	-	54.858.057	54.813.247
Receivables from financial operations	30	-	180.583.203	-	-	180.583.203	182.983.685
Financial Liabilities							
Financial payables	7	-	-	-	48.918.074	48.918.074	48.085.309
Trade payables	8	-	-	-	2.490.517	2.490.517	2.490.517
Other financial liabilities (**)	9	-	-	-	5.584.673	5.584.673	5.584.673
Payables from financial operations	31	-	-	-	176.655.157	176.655.157	175.888.596
31 December 2015							
Financial Assets							
Cash and cash equivalents	5	-	10.705.724	-	-	10.705.724	10.705.724
Trade receivables	8	-	1.386.318	-	-	1.386.318	1.386.318
Other financial asset (*)	6, 9	10.688.533	1.416.014	43.388.825	-	55.493.372	55.645.761
Receivables from financial operations	30	-	154.438.343	-	-	154.438.343	155.016.752
Financial Liabilities							
Financial payables	7	-	-	-	40.678.713	40.678.713	40.240.524
Trade payables	8	-	-	-	2.386.991	2.386.991	2.386.991
Other financial liabilities (**)	9	-	-	-	5.036.963	5.036.963	5.036.963
Payables from financial operations	31	-	-	-	172.422.532	172.422.532	172.521.373

(*) Other financial assets consist of other receivables, available-for-sale securities, time deposits and securities held for to maturity.
(**) Other financial liabilities consist of other payables.

NOTE 37 - EVENTS AFTER THE REPORTING PERIOD

The leaving request of Zafer Kurtul, Chief Executive Officer ("CEO") from his current position and the appointment of Mehmet Göçmen as CEO as of 30 March 2017 has been accepted on 20 February 2017 meeting of Board of Directors.

Carrefour, one of the subsidiary of the Group, has been collected the Total TL 80.346.116 receivable amount from trade center sale on 30 January 2017, which is hold under other receivables as of 31 December 2016.

At the meeting of Akbank's Board of Directors held on 11 January 2017, decided to increase the registered capital ceiling of the Bank by TL 2.000.000 and to extend the registered capital ceiling authorization period by the end of 2021. As a result of this increment new capital ceiling is raised from TL 8,000,000 to TL 10,000,000. In related with this, it has been decided to amend the 9th article of the Bank's Articles of Association and to authorize the General Directorate to carry out the transactions with the competent authorities in order to carry out the said amendments.

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