

HACI OMER SABANCI HOLDING A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012 TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. ("Holding") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2012, and the consolidated statement of income, consolidated statement of 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards issued by Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards issued by Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Hacı Ömer Sabancı Holding A.Ş. and its subsidiaries as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Financial Reporting Standards issued by Capital Markets Board.

Without qualifying our opinion we would like to draw attention to the following 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 official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2012 for the consolidated balance sheet and the official USD average CBRT bid rate of the year 2012 for the consolidated statement of income and consolidated statement of cash flows. The resulting difference from the use of average CRBT rate for the translation of consolidated statement of income 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 IAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency."

Additional Paragraph for Convenience Translation into English

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

İstanbul, 7 March 2013

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



Ömer Tanrıöver
Partner

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HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2012 AND 2011

(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 2012 USD (*)	Audited Current Period 31 December 2012	Audited Restated Prior Period 31 December 2011
ASSETS				
Current Assets		47.917.715	85.418.119	67.585.004
Cash and Cash Equivalents	5	3.768.453	6.717.644	6.643.010
Financial Assets				
- Held for Trading	6.a	22.299	39.750	171.207
- Available for Sale	6.b	2.128.184	3.793.701	1.606.192
- Held to Maturity	6.c	1.036.124	1.846.994	1.216
- Time Deposits	6.d	66.280	118.150	169.989
Derivative Financial Instruments	27	302.469	539.181	833.952
Reserve Deposits with the Central Bank of the Republic of Turkey		8.550.433	15.242.002	12.835.843
Trade Receivables	8	863.719	1.539.665	1.524.438
Receivables from Finance Sector Operations	28	28.958.860	51.622.064	40.590.585
Inventories	10	1.004.824	1.791.200	1.640.132
Other Receivables	9	426.420	760.137	795.601
Other Current Assets	19	718.510	1.280.816	772.373
		47.846.575	85.291.304	67.584.538
Non-current Assets Held for Sale	21	71.140	126.815	466
Non-current Assets		50.477.002	89.980.303	83.270.396
Trade Receivables	8	14.436	25.734	42.119
Receivables From Finance Sector Operations	28	22.769.276	40.588.512	33.567.203
Financial Assets				
- Available for Sale	6.b	20.925.844	37.302.410	35.955.194
- Held to Maturity	6.c	1.004.417	1.790.474	4.653.919
- Time Deposits	6.d	-	-	1.507
Investments Accounted Through Equity Method	11	139.855	249.305	295.817
Investment Property	12	89.996	160.426	158.614
Property, Plant and Equipment	13	3.878.461	6.913.745	5.872.088
Intangible Assets	14	708.377	1.262.753	1.271.752
Goodwill	15	413.232	736.628	725.290
Deferred Tax Assets	26	183.566	327.225	327.830
Other Receivables	9	173.394	309.092	213.552
Other Non Current Assets	19	176.147	313.999	185.511
Total Assets		98.394.717	175.398.422	150.855.400

(*) 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 2012, and therefore do not form part of these consolidated financial statements (Note 2.1.7).

The consolidated financial statements have been approved for issue by the Board of Directors on 7 March 2013 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 2012 AND 2011

(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 2012 USD (*)	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
LIABILITIES				
Short Term Liabilities				
Financial Liabilities	7	71.475.628	127.412.455	113.432.029
Current Portion of				
Long-term Financial Liabilities	7	854.981	1.524.089	3.854.576
Trade Payables	8	1.099.633	1.960.205	1.799.029
Payables from Finance Sector Operations	29	58.301.562	103.928.365	90.625.096
Derivative Financial Instruments	27	337.242	601.168	683.187
Income Taxes Payable	26	263.289	469.339	137.152
Other Short Term Liabilities and Provisions	19	998.092	1.779.199	980.540
Other Payables	9	1.879.525	3.350.442	2.668.064
		71.458.191	127.381.371	113.432.029
Liabilities Relating to Non-current				
Assets Held for Sale	21	17.437	31.084	-
Long Term Liabilities				
Financial Liabilities	7	9.801.931	17.472.923	11.950.229
Trade Payables	8	5.897.342	10.512.601	9.291.921
Payables from Finance Sector Operations	29	1.906	3.397	2.235
Derivative Financial Instruments	27	3.103.213	5.531.787	1.775.623
Provision for Employment Termination		428.939	764.627	321.827
Benefits	18	97.485	173.777	138.869
Deferred Tax Liabilities	26	159.711	284.701	192.985
Other Long Term Liabilities and Provisions	19	40.946	72.990	132.669
Other Payables	9	72.390	129.043	94.100
EQUITY				
Equity attributable to the parent	20	17.117.157	30.513.044	25.473.142
Share Capital	20	9.116.502	16.251.076	13.899.520
Adjustment to Share Capital				
Treasury Share(-)	20	1.144.622	2.040.404	2.040.404
Share Premium	20	1.922.339	3.426.761	3.426.761
Revaluations Funds	20	(29.298)	(52.227)	(52.227)
Hedge Funds	20	12.156	21.670	21.670
Restricted Reserves	20	387.162	690.155	(59.845)
Translation Reserve	20	(125.315)	(223.386)	(217.757)
Net Income for the Year		367.276	654.707	580.224
Retained Earnings	20	87.081	145.287	194.073
Non-controlling Interests		1.035.461	1.855.754	1.877.987
TOTAL EQUITY AND LIABILITIES		98.394.717	175.398.422	150.855.400

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official TL exchange rate announced by CBRT at 31 December 2012, and therefore do not form part of these consolidated financial statements(Note 2.1.7).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(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 1 January - 31 December 2012 USD (*)	Audited Current Period 1 January - 31 December 2012	Audited Restated Prior Period 1 January - 31 December 2011
CONTINUING OPERATIONS				
Sales (net)	4,22	6.466.382	11.589.049	10.595.650
Interest, Premium, Commission and Other Income	4	8.093.152	14.504.547	11.637.857
Total		14.559.534	26.093.596	22.233.507
Cost of Sales (-)	4,22	(5.405.954)	(9.688.551)	(8.582.006)
Interest, Premium, Commission and Other Expense		(4.379.609)	(7.849.135)	(6.072.201)
Total		(9.785.563)	(17.537.686)	(14.654.207)
Gross Profit from Non-financial Operations		1.060.427	1.900.498	2.013.644
Gross Profit from Financial Operations		3.713.543	6.655.412	5.565.656
GROSS PROFIT		4.773.971	8.555.910	7.579.300
Marketing, Selling and Distribution Expenses (-)	23	(352.668)	(632.051)	(558.228)
General and Administrative Expenses (-)	23	(2.157.033)	(3.865.834)	(3.319.003)
Research and Development Expenses (-)	23	(9.612)	(17.226)	(12.861)
Other Operating Income	24	441.568	791.379	940.511
Other Operating Expenses	24	(87.365)	(156.575)	(239.506)
OPERATING PROFIT		2.608.862	4.675.603	4.390.213
Shares of Income of Investments				
Accounted For Under Equity Method	11	107.386	192.458	159.096
Financial Income	25	173.088	310.208	582.649
Financial Expenses (-)	25	(280.519)	(502.747)	(870.527)
NET INCOME BEFORE TAX				
FROM CONTINUING OPERATIONS		2.608.817	4.675.522	4.261.431
Tax income/ (expense) from continuing operations				
Current Income Tax Expenses	26	(553.174)	(991.398)	(768.955)
Deferred Income Tax Benefit/ (Charge)	26	39.819	71.363	27.504
NET INCOME FOR THE YEAR				
FROM CONTINUING OPERATIONS		2.095.462	3.755.487	3.519.980
DISCONTINUED OPERATIONS				
Net income/ (loss) after tax from discontinued operations	21	4.040	7.240	11.143
NET INCOME FOR THE YEAR		2.099.502	3.762.727	3.531.123
ATTRIBUTABLE TO NET INCOME		2.099.502	3.762.727	3.531.123
- Non-controlling Interests		1.064.040	1.906.973	1.653.136
- Equity Holders of the Parent		1.035.461	1.855.754	1.877.987
Earnings per share				
- thousands of ordinary shares (TL)	31	5,08	9,10	9,20
Earnings per share from continuing operations				
- thousands of ordinary shares (TL)	31	5,06	9,06	9,15

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

DELTA BAĞIMSIZ DENETİM
ANONİM ŞİRKETİ

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(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 2012	Prior Period 1 January - 31 December 2011
NET INCOME FOR THE PERIOD		3.762.727	3.531.123
Other Comprehensive Income/ (Loss):			
Net unrealized fair value gains from available for sale financial assets after tax	26	2.867.144	(1.658.785)
Losses on available for sale financial assets transferred to the income statement, after tax	26	(1.004.556)	(298.686)
Net gains included in the income statement due to transfer of available for sale financial assets into held to maturity assets, after tax	26	(24.585)	711
Currency translation differences	26	(179.382)	308.187
Cash flow hedges, after tax	26	(70.503)	74.672
Hedges of net investment in a foreign operation, after tax	26	107.791	(104.175)
OTHER COMPREHENSIVE INCOME / (LOSS) (AFTER TAX)		1.695.909	(1.678.076)
TOTAL COMPREHENSIVE INCOME		5.458.636	1.853.047
ALLOCATION OF TOTAL COMPREHENSIVE INCOME		5.458.636	1.853.047
- Non-controlling Interests		2.950.081	620.240
- Equity Holders of the Parent		2.508.555	1.232.807

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

DPT BAĞIMSIZ DENETİM
VE SERBEST MÜHÜRLEME VE MÜSAVİRLİK
MÜHÜRLEME VE MÜSAVİRLİK
MÜHÜRLEME VE MÜSAVİRLİK

HACI ÖMER SABANCI HOLDING A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Share Capital	Adjustment to share capital	Treasury Share (-)	Share premium	Revaluation funds	Hedge funds	Restricted reserves	Translation reserve	Net income for the year	Retained earnings	Equity attributable to the parent	Non- controlling interests	Total
Balances at 1 January 2011	2.040.404	3.426.761	(21.534)	21.670	713.203	(180.699)	392.295	7.728	1.662.836	5.006.522	13.069.186	11.576.966	24.646.152
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Company disposals	-	-	-	-	21.419	-	187.929	-	(1.662.836)	1.453.488	-	-	-
Acquisition of Holding shares by subsidiaries (Note 20)	-	-	-	-	-	-	-	-	-	-	-	(141.159)	(141.159)
Effect of change in the effective ownership of subsidiaries	-	-	(30.693)	-	-	-	-	-	-	(85.980)	(116.673)	(101.196)	(217.869)
Dividends paid (***)	-	-	-	-	-	-	-	-	-	26.763	26.763	-	26.763
Total comprehensive income	-	-	-	-	(794.467)	(37.058)	-	186.345	1.877.987	(312.563)	(312.563)	(381.229)	(693.792)
Balances at 31 December 2011	2.040.404	3.426.761	(52.227)	21.670	(59.845)	(217.757)	580.224	194.073	1.877.987	6.088.230	13.899.520	11.573.622	25.473.142
Balances at 1 January 2012	2.040.404	3.426.761	(52.227)	21.670	(59.845)	(217.757)	580.224	194.073	1.877.987	6.088.230	13.899.520	11.573.622	25.473.142
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of company acquisitions (Note 3)	-	-	-	-	-	-	23.000	-	(1.877.987)	1.854.987	-	-	-
Company liquidation (*)	-	-	-	-	-	-	-	-	-	-	-	44.726	44.726
Disposal of assets (**)	-	-	-	-	-	-	-	42.784	-	(42.784)	-	-	-
Effect of subsidiary public offering (Note 20)	-	-	-	-	-	-	-	-	-	(3.618)	(3.618)	(14.692)	(18.310)
Effect of change in the effective ownership of subsidiaries	-	-	-	-	-	-	51.483	-	-	7.079	58.562	-	58.562
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(3.520)	(3.520)	20.726	17.206
Total comprehensive income	-	-	-	-	750.000	(5.629)	-	(91.570)	1.855.754	(208.423)	(208.423)	(312.495)	(520.918)
Balances at 31 December 2012	2.040.404	3.426.761	(52.227)	21.670	690.155	(223.386)	654.707	145.287	1.855.754	7.691.951	16.251.076	14.261.968	30.513.044

(*) Sabancı Industrial Yarn and Tire Cord Fabric B.V. ("Sabancı B.V.") which has been a subsidiary of Kordsea, one of The Group's subsidiaries, operating in the Netherlands is liquidated.

(**) Akbank's, one of The Group's subsidiaries, total equity shares on Ak B Tipi Yatırım Ortaklığı A.Ş. amounting to 70,04 % is delivered to Egeli & Co. Yatırım Holding A.Ş.

(***) Dividends paid by the Holding per share with a TL 1 nominal value is TL 0,10 (2011: TL 0,15)

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

DELTA BAĞIMSIZ DENETİM VE SERBEST MÜHÜRATLILIK ANONİM ŞİRKETİ

Member of Deloitte Touche Tohmatsu Limited

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(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 1 January- 31 December 2012 USD (*)	Current Period 1 January- 31 December 2012	Restated Prior Period 1 January- 31 December 2011
Net income before tax from continuing operations		2.608.817	4.675.522	4.261.431
Net income before tax from discontinued operations	21	5.020	8.997	15.141
Adjustments to reconcile income before taxation to net cash provided by operating activities:				
Depreciation and amortisation expenses	4	311.103	557.558	505.786
Provision for loan losses	28	650.354	1.165.564	671.297
Changes in the fair value of derivative instruments		316.607	567.423	(55.895)
Unrealized interest and foreign currency (income) / expense		351.278	629.561	(1.099.966)
Unrealized interest expenses		(3.836)	(6.874)	144.013
Provision for employment termination benefits	18	40.186	72.021	46.702
Impairment charge on property, plant and equipment, intangible assets and investment property	4	11.626	20.836	33.329
Currency translation differences		(72.481)	(129.901)	164.650
Insurance technical reserves and other provisions		6.534	11.710	5.753
Income from associates	11	(107.386)	(192.458)	(159.362)
Gain on sale of subsidiaries	24	-	-	(209.085)
Bargain purchase gain	24	-	-	(20.625)
Reversal of impairment of non-current assets held for sale	24	-	-	(71.902)
Gain on sale of property, plant and equipment, intangible assets and investment properties		(4.370)	(7.832)	(164.428)
Provision for inventory impairment	10	(461)	(826)	2.549
Provision for doubtful receivables		5.930	10.628	32.220
Other		(3.002)	(5.381)	4.900
Net cash provided by operating activities before changes in operating assets and liabilities				
Changes in trade receivables		(3.389)	(6.073)	(386.198)
Changes in inventories		(77.450)	(138.806)	(556.953)
Changes in other receivables and other current assets		(386.461)	(692.616)	(667.960)
Changes in trade payables		87.402	156.642	507.116
Changes in other liabilities and other payables		810.603	1.452.763	579.179
Net cash used in operating activities of non-current assets held for sale		(17.456)	(31.285)	(5.110)
Changes in assets and liabilities in finance segment:				
Changes in securities held for trading		82.624	148.079	516.999
Changes in receivables from financial operations		(10.669.900)	(19.122.595)	(16.702.329)
Changes in payables from financial operations		9.504.867	17.034.622	9.668.754
Changes in reserve with the Central Bank of the Republic of Turkey		(1.522.992)	(2.729.507)	(8.065.860)
Income taxes paid		(533.462)	(956.071)	(520.836)
Employment termination benefits paid	18	(22.378)	(40.105)	(37.497)
Net cash (used in)/ provided by operating activities		1.367.925	2.451.596	(11.564.187)

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

DTT BAĞIMSIZ DENETİM
VE SERBEST MÜHÜRCELİK VE MÜHÜRCELİK
ANONİM ŞİRKETİ

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(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 1 January- 31 December 2012 USD (*)	Current Period 1 January- 31 December 2012	Restated Prior Period 1 January- 31 December 2011
Cash flow investing activities:				
Capital expenditures	4	(942.663)	(1.689.441)	(1.446.101)
Changes in time deposits, financial assets available for sale and held to maturity		(404.044)	(724.128)	4.462.978
Cash used in business combinations and subsidiary equity share acquisition		(32.100)	(57.530)	(184.972)
Proceeds from sale of subsidiaries		32.844	58.863	160.230
Proceeds from sale of non current assets held for sale, property, plant and equipment, intangible assets and investment property		34.379	61.614	356.705
Dividends received		130.460	233.810	167.860
Changes in the consolidation scope		(10.031)	(17.977)	-
Net cash used in investing activities		(1.191.156)	(2.134.789)	3.516.700
Cash flow from financing activities:				
Changes in financial liabilities		63.294	113.436	9.686.955
Dividends paid		(116.294)	(208.423)	(312.563)
Dividends paid to non-controlling interests		(174.364)	(312.495)	(381.229)
Capital increase of non-controlling interests		-	-	26.150
Net cash used in acquisition of subsidiary holding shares		-	-	(217.869)
Net cash provided by financing activities of non-current assets held for sale		(4.902)	(8.785)	-
Changes in the consolidation scope		2.363	4.235	-
Net cash provided by financing activities		(229.903)	(412.032)	8.801.444
Effect of change in foreign currency rates on cash and cash equivalents		(85.468)	(153.176)	392.131
Net increase/(decrease) in cash and cash equivalents		(138.601)	(248.401)	1.146.088
Cash and cash equivalents at the beginning of the period (**)		2.960.198	5.305.266	4.159.178
Cash and cash equivalents at the end of the period		2.821.596	5.056.865	5.305.266

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official average TL exchange rate announced by CBRT and therefore do not form part of these consolidated financial statements (Note 2.1.7).

(**) Cash and cash equivalents at the beginning of the period comprise interest accruals of TL 937 and cash and equivalents at the end of the period comprise interest accrual TL 624 in the current period (31 December 2011: TL 343 and TL 937, respectively). Restricted deposits at the beginning of current period is TL 1.336.807 and at the end of the period is TL 1.660.155 (31 December 2011: TL 822.971 and TL 1.336.807, respectively).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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 and is owned by the members of the Sabancı family (Note 20). The number of employees in 2012 is 57.556 (31 December 2011: 57.374). Holding's registered address is as follows:

Sabancı Center, 4. Levent, Istanbul, Türkiye

The Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1997. As of 31 December 2012, the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 20):

	%
Sabancı family	43,61
Public quotation (*)	39,40
Sakıp Sabancı Holding A.Ş.	13,79
Sabancı Üniuersity	1,51
Çimsa	1,06
Hacı Ömer Sabancı Foundation	0,63
	100,00

(*) Public quotation line includes Exsa and Tursa's, both of which are the Group's subsidiary, purchases from ISE which are respectively 1,29% and 0,21%. Besides, following the purchases of shareholders from public; Sabancı family's share reaches 43,65%, Sakıp Sabancı Holding A.Ş.'s share reaches 14,07% and Hacı Ömer Sabancı Foundation's share reaches 0,66%. The differences between above mentioned rates and this rates are included in public quotation line.

Subsidiaries

The business nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments at 31 December 2012 are as follows:

Subsidiaries	Nature of business	Business segment
Akbank T.A.Ş. ("Akbank")	Banking	Finance
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("Kordsa Global")	Tire reinforcement	Industry
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	Automotive	Industry
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	Cement and clinker	Cement
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	Trade	Retailing
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	Trade	Other
Exsa UK Ltd. ("Exsa UK")	Trade	Other
Ankara Enternasyonal Otelcilik A.Ş. ("AEO")	Tourism	Other
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	Tourism	Other
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	Trade of data and processing systems	Other
Sasa Polyester Sanayi A.Ş. ("Sasa")	Chemicals and textile	Industry
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	Textile	Industry

DET SAĞIRLIK DENETİM
VE SERBEST MÜHÜRLEME VE MÜHÜRLEME
ANONİM ŞİRKETİ

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

All the Subsidiaries are registered in Turkey.

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 December 2012 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Joint Ventures	Nature of business	Segment	Venturer
Aksigorta A.Ş. ("Aksigorta")	Insurance	Finance	Ageas
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	Pension	Finance	Aviva
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	Tire	Industry	Bridgestone
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	Cement and clinker	Cement	Heidelberg
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	Trade of consumer goods	Retailing	Carrefour
Diasa Dia Sabancı Süpermarketleri Ticaret A.Ş. ("Diasa")	Trade of consumer goods	Retailing	Dia S.A.
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	Energy production, sales and distribution	Energy	Verbund(*)
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş. ("Olmuksa")	Corrugated containers	Industry	International Paper(**)

(*) According to the Share Purchase Agreement signed with E.ON SE dated 3 December 2012; Verbund AG's Enerjisa Enerji A.Ş. shares will be transferred to E.ON SE. As of 31 December 2012, legal procedures are ongoing. Related permission from Energy Market Regulatory Authority (EMRA) is obtained and official share transfer will be completed after completing all legal procedures in 2013.

(**) The transfer agreement of the Group's total share in Olmuksa to International Paper Container Holdings (Spain), S.L. has been signed on 19 September 2012. The transfer is completed on 3 January 2013. The entity has been classified as assets held for sale on the consolidated financial statements.

All the Joint Ventures are registered in Turkey.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial Reporting Standards

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries.

The Capital Markets Board of Turkey ("CMB") sets out principles and procedures on the preparation, presentation and disclosure of financial statements prepared by companies in accordance with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué").

DTT BAĞIMSIZ DENETİM
VE SERMAYE PİYASASI KURULU BAĞLI
ARAN DENETİM VE YATIRIM MENKUL DEĞERLER A.Ş.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.1 Financial Reporting Standards (continued)

This Communiqué is effective for the annual periods beginning from 1 January 2008 and supersedes the Communiqué No: XI-25 "The Financial Reporting Standards of the Capital Markets". The Communiqué requires companies to prepare their financial statements in accordance with International Financial Reporting Standards ("IASs/IFRSs") adopted by the European Union. However companies will apply IASs/IFRSs issued by the IASB until the differences of the IAS/IFRS adopted by the European Union from those issued by the International Accounting Standards Board ("IASB") are announced by the Turkish Accounting Standards Board ("TASB"). Therefore, TASB's, Turkish Accounting Standards / Turkish Financial Reporting Standards ("TASs/TFRSs") that are in line with the aforementioned standards will be adopted in reporting.

As of the date of this report, since the differences of the IAS/IFRS adopted by the European Union from those issued by the International Accounting Standards Board ("IASB") have not been announced by the Turkish Accounting Standards Board ("TASB"), financial statements are prepared in accordance with IAS/IFRS based on the CMB Communiqué No: XI-29..The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué Serial XI, No: 29 declared by the CMB on 17 April 2008 and 9 January 2009.

In accordance with the CMB's resolution issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the CMB Accounting Standards (including the application of IFRSs) are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from 1 January 2005, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for held for trading, available for sale and derivative financial instruments and investment properties that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Article no.1 of Law numbered 2499 has been abjudged by the enforcement of Statutory Decree no.660 issued in Official Gazette on 2 November 2011 and Public Supervision, Accounting and Auditing Standards Board has been founded. 1st Temporary article of mentioned Statutory Decree no.660 states that current regulations applied for related issues will be enforced until standards and regulations are issued by the Institution. Therefore, in aforementioned case, no alterations is made in "Principles of Preparation of Financial Statements".

The Group has prepared its consolidated financial statements within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué in accordance with CMB Financial Reporting Standards which is based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended and including the information required by the CMB.

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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.1 Financial Reporting Standards (continued)

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 CMB Financial Reporting Standards.

2.1.2 Adoption of New And Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in further sections.

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

New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

New and Revised IFRSs affecting presentation and disclosure only

None.

(b) New and Revised IFRSs applicable in 2012 with no material effect on the consolidated financial statements

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. Since the Group's investment properties are accounted for according to the cost model net of accumulated depreciation (except land), the amendment did not have any effect on the consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.2 Adoption of New And Revised International Financial Reporting Standards (continued)

(c) New and Revised IFRSs in issue but not yet effective

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

Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income</i>
Amendments to IAS 1	<i>Clarification of the Requirements for Comparative Information</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(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 FINANCIAL STATEMENTS (Continued)

2.1.2 Adoption of New And Revised International Financial Reporting Standards (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 *Presentation of Financial Statements*

(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 *Financial Instruments*

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

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (for example; financial instruments currently classified as available for sale may have to be accounted for according to the fair value method and the valuation differences may have to be recorded to net income). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.2 Adoption of New And Revised International Financial Reporting Standards (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements. The application of IFRS 11 will change the classification and subsequent accounting of the Group's investment in joint ventures, which are classified as a jointly controlled entity under IAS 31 and have been accounted for using the proportionate consolidation method. Under IFRS 11, these entities will be classified as a joint venture and accounted for using the equity method.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.2 Adoption of New And Revised International Financial Reporting Standards (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.2 Adoption of New And Revised International Financial Reporting Standards (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. However, the Group management have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment*; and
- Amendments to IAS 32 *Financial Instruments: Presentation*.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 FINANCIAL STATEMENTS (Continued)

2.1.2 Adoption of New And Revised International Financial Reporting Standards (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

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 (a) 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, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Basis of consolidation (continued)

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 2012:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members (*) %	Proportion of ownership interest %	Proportion of effective interest %
AEO	70,29	-	70,29	70,29
Akbank	40,78	8,17	48,95	40,76
Bimsa	100,00	-	100,00	89,97
Çimsa	58,41	1,42	59,83	53,00
Exsa	61,68	38,32	100,00	46,23
Kordsa Global	91,11	-	91,11	91,11
Teknosa ⁽¹⁾	61,21	29,71	90,92	60,72
Temsa	48,71	51,28	99,99	48,71
Tursa	99,52	-	99,52	99,46
Yünsa	57,88	11,50	69,38	57,88
Sasa	51,00	-	51,00	51,00

(1) Teknosa's proportion of effective interest declined to 60,72% from 70,29% as of 31 December 2012, after the initial public offering that took part at 17 May 2012.

(*) Represents Sabancı family shares involved in management.

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 2011:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members (*) %	Proportion of ownership interest %	Proportion of effective interest %
AEO	70,29	-	70,29	70,29
Akbank	40,78	8,17	48,95	40,76
Bimsa	100,00	-	100,00	89,97
Çimsa	58,41	1,42	59,83	53,00
Exsa ⁽¹⁾	61,68	-	100,00	46,23
Kordsa Global	91,11	-	91,11	91,11
Teknosa	61,21	38,32	90,92	60,72
Temsa	48,71	51,28	99,99	48,71
Tursa	99,52	-	99,52	99,46
Yünsa	57,88	11,50	69,38	57,88
Sasa ⁽²⁾	51,00	-	51,00	51,00

(1) Holding's effective equity interest has increased from 30,25% to 46,23% as the other partners did not use the preferential rights during the capital increase of Exsa.

(2) Holding participated directly to the shares of its subsidiary Sasa, in 2011 which had been in the portfolio of Advansa. Advansa shares have been sold to BBMMR Holding GmbH and the company is excluded from the consolidation.

(*) Represents Sabancı family shares involved in management.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Basis of consolidation (continued)

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Holding and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Holding in its Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

Financial statements of subsidiaries, whose financial position at 31 December 2012 and result of operations for the year ended 31 December 2012 are insignificant to the overall consolidated financial statements, are not consolidated on the grounds of materiality. Such subsidiaries are classified as available for sale equity securities in these consolidated financial statements (Note 6.b).

- c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the 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 2012:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39,72	39,72
Aksigorta ⁽¹⁾	36,00	36,00
Avivasa	49,83	49,83
Brisa	43,63	43,63
Carrefoursa	38,78	38,78
Diasa	40,00	40,00
Enerjisa Enerji ⁽³⁾	50,00	50,00
Olmuksa ⁽²⁾	43,73	43,73

- (1) The sale of Aksigorta shares that equals to the 50% of 61,98% total shares which are possessed by holding for to Ageas Insurance International N.V. have been completed in 2011, subsequent to the aforementioned sale Ageas and the company have created a joint venture based on 30,99% equal partnership and have began to be consolidated as a joint venture. After the sale of shares, the ownership rate has increased to 36% from 30,99% for both the Holding and Ageas through the purchase of shares from the ISE during the following months.
- (2) The transfer agreement of the Group's total share in Olmuksa to International Paper Container Holdings (Spain),S.L. has been signed on 19 September 2012. The transfer is completed on 3 January 2013. The entity has been classified as assets held for sale on the consolidated financial statements.
- (3) According to the Share Purchase Agreement signed with E.ON SE dated 3 December 2012; Verbund AG's Enerjisa Enerji A.Ş. shares will be transferred to E.ON SE. As of 31 December 2012, legal procedures are ongoing. Related permission from Energy Market Regulatory Authority (EMRA) is obtained and official share transfer will be completed after completing all legal procedures in 2013.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Basis of consolidation (continued)

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 2011:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39,72	39,72
Aksigorta (1)	33,11	31,11
Avivasa	49,83	49,83
Brisa	43,63	43,63
Carrefoursa	38,78	38,78
Diasa	40,00	40,00
Enerjisa Enerji (2)	50,00	50,00
Olmuxsa	43,73	43,73

- (1) The sale of Aksigorta shares that equals to the 50% of 61,98% total shares which are possessed by holding for to Ageas Insurance International N.V. have been completed in 2011, subsequent to the aforementioned sale Ageas and the company have created a joint venture based on 30,99% equal partnership and have began to be consolidated as a joint venture. After the sale of shares, the ownership rate has increased to 33,11% from 30,99% for both the Holding and Ageas through the purchase of shares from the ISE during the following months.
- (2) As a result of the restructuring of the energy companies of the Group, Enerjisa Enerji A.Ş. has been established on 20 December 2011 through the spin-off of the shares of 50% joint ventures of the Holding, which are Enerjisa Enerji Üretim A.Ş., Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. and Enerjisa Elektrik Dağıtım A.Ş.. Enerjisa Enerji A.Ş. is owned equally by Hacı Ömer Sabancı Holding A.Ş. (50%) and Verbund (50%).

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

- d) Investments in Associates are accounted for by the equity method. These are entities over which the Holding generally has between 20% and 50% of voting rights, or over which the Holding has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Holding and its Associates are eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an Associate reaches zero, unless the Holding has incurred obligations or guaranteed obligations in respect of the Associates. Such Associates are accounted at fair value if the fair value can be determined objectively; otherwise, they are accounted at cost (Note 15 and Note 2.1.3.e).

Associates whose financial position at 31 December 2012 and result of operations for the year ended 31 December 2012 are insignificant to the overall consolidated financial statements are not accounted for by the equity method of accounting. Such Associates are classified as available for sale equity securities (Note 6.b).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Basis of consolidation (continued)

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2012 and 2011:

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
Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş. ("Dönkasan") ⁽¹⁾	21,86

(1) Classified as asset held for sale in the consolidated financial statements.

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

- e) Other investments in which the Holding and its Subsidiaries, have interest below 20%, or over which the Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 6.b).
- f) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

The portion of the profit or loss and net assets of Subsidiaries attributable to equity interests that are not owned, directly or indirectly through the Subsidiaries, by the parents, is presented as non-controlling interest. Certain Sabancı family members, Sabancı Vakfı, a charitable foundation established by Sabancı family members and Akbank Tekaüt Sandığı, a retirement foundation for Akbank employees, have interests in the share capital of certain Subsidiaries and Associates. In these consolidated financial statements their interests are treated as non-controlling interest and are not included in the Holding's net assets and profits attributable to shareholders of the Holding.

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 realise the asset and settle the liability simultaneously.

2.1.5 Comparatives and restatement of prior year financial statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the prior year. The Group presented the consolidated balance sheet as of 31 December 2012 comparatively with the consolidated balance sheet as of 31 December 2011 and presented the consolidated statement of income, statement of cash flows and statement of change in equity for the year 1 January - 31 December 2012 comparatively with the year 1 January - 31 December 2011.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.5 Comparitives and restatement of prior year financial statements (continued)

Following the completion of sale agreement of the shares of Olmuksa owned by the Group on 19 September 2012, Olmuksa's statement of income line items have been classified as income or loss from discontinued operations. The Group reviewed prior year financial statements and reclassified TL 25.019 from other long term receivables to other non-current assets and TL 26.605 from other long term payables to payables from Finance Sector Operations. Besides, following the accounting policy change that took part at Enerjisa, which is a joint venture of the Group, TL 62.836 and TL 31.993 is classified from other non-current assets to fixed assets as of 1 January 2012 and 2011, respectively. In addition to that, Enerjisa's VAT receivable amounting to TL 77.125 is classified from other current assets to other non-current assets. Since the subsidiaries and joint ventures, which are individual tax payers, present their net deferred tax assets and liabilities on their financial statements, the Group reflected the effect of such net presentation to the consolidated financial statements. As of 1 January 2012, deferred tax assets and liabilities amounting to TL 258.804 have been netted off on the consolidated financial statements.

2.1.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.1.7 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 income 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 2012 of TL 1,7826 = USD 1 and TL 1,7924 = 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 income 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 IAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency.

DBT BAŐNCSİE İNTERNİTİM
VERGİSİZLİK VE MÜHÜRLEME VE MÜHÜRLEME
ANONİM ŞİRKETİ

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies

Significant changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. There has been no change in the accounting policies related to the year end period 1 January – 31 December 2012.

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. There has been no significant changes in the current year at the Group's accounting estimates.

Significant changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. There has been no change in the accounting policies related to the current period.

2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial (Note 5).

2.3.2 Sale and repurchase agreements

In the banking segment, securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as trading, available-for-sale or held to maturity financial assets and measured in accordance with the policies used in measuring the relevant class. The counter party liability is included in customer deposits and the difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield method.

Securities purchased under agreements to resell ("reverse repos") are recorded as cash and cash equivalents. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the reverse repo agreement using the effective yield method.

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

The reserve rates for TL liabilities vary between 5% and 11% (2011: 5% and 11%) for TL deposits and other liabilities according to their maturities as of 31 December 2012. The reserve rates for foreign currency liabilities vary between 6% and 11,5% (2011: 6% and 11%) for deposit and other foreign currency liabilities according to their maturities as of 31 December 2012.

DRY ANKARA BUNYEM
ULUSLARARASI MÜHÜRLEME VE MÜHÜRLEME
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 32.

2.3.6 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventory are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 10). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.3.7 Financial Instruments

In accordance with IAS 39, in the banking segment the Group classifies its investments in debt and equity securities in the three following categories; assets held at fair value through profit or loss, held-to-maturity and, available-for-sale 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 investment securities are initially recognised at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value if the fair values can be reliably measured.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.7 Financial Instruments (continued)

Investments in which the Holding has an interest below 20% 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.

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 investments are carried at amortised cost using the effective yield method.

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 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. Market values are used to for the fair value calculation. As of 1 January 2011, for the interim periods the Bank has started to use CPI at balance sheet date for the effective interest rate method calculation of these marketable securities, which were calculated considering the estimated inflation rate based on CPI. Used estimated inflation rates will be updated when necessary during the year, final valuation will be according to actual inflation rate.

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 unrealised 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. All purchases and sales of financial assets at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the trade date, which is the date that the banks commit to purchase or sell the assets.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 IAS 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.

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.

Akbank and Enerjisa are hedged against cash flow risk arising from TL and foreign currency floating rate borrowings 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.

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 12). 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 IAS 16 "Property, Plant and Equipment". At that date, the property becomes investment property and thus is transferred to 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 13). 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:

	<u>Years</u>
Land improvements	4-50
Buildings	18-50
Machinery and equipment	2-25
Motor vehicles	2-15
Furniture and fixtures	3-10

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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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 14). 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. Customer 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 14).

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 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 consolidated income statement.

2.3.13 IFRIC 12 - Service Concession Arrangements

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

An arrangement within the scope of IFRIC 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 IAS 39 "Financial Instruments: Recognition and Measurement".

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 20).

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

International Accounting Standard No 23 "Borrowing Costs" was revised on 29 March 2007 by the IASB. The revised IAS 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 IAS 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.

Current tax

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

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such 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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.18 Income taxes (continued)

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

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

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

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, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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 26479 dated 31 March 2007, and its execution was annulled at the publication date of the decision.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.19 Employee benefits (continued)

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 2013. 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 2012 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 consolidated affiliates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the Social Security Institution and other pension schemes.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.19 Employee benefits (continued)

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 IAS 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 294.543 (31 December 2011: TL 157.674 TL), the surplus of the Fund amounts to TL 302.398 as of 31 December 2012 (31 December 2011: TL 322.392).

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

	31 December 2012	31 December 2011
Present value of funded obligations	(687.438)	(604.794)
- Pension benefits transferrable to SSI	(883.461)	(854.018)
- Post-employment medical benefits transferrable to SSI	490.566	406.898
- Other non-transferrable benefits	(294.543)	(157.674)
Fair value of plan assets	989.836	927.186
Surplus	302.398	322.392

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

The principal actuarial assumptions used were as follows:

Discount rate	31 December 2012	31 December 2011
- Pension benefits transferrable to SSI	%9,80	%9,80
- Post-employment medical benefits transferrable to SSI	%9,80	%9,80
- Other non-transferrable benefits (*)	%2,55	%4,16

(*) For the year 2012, the assumption represents the average rate calculated considering each individual's remaining years to retirement.

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 18).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 premiums 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 required to account for an unexpired risk reserve against the probability that future losses 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 losses 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 premium 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 2012.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.23 Insurance technical reserves (continued)

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 initial assessments of policyholders and experts, and salvage, subrogation and similar gains are not deducted as of 31 December 2012.

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.

Equalisation Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non - proportional reinsurance agreements are regarded as ceded premiums. The Group will continue to make a provision until %150 of the highest volume of the net premiums written in last 5 financial years.

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 static and actuarial methods in order to cover the liabilities of insurance 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 approval of mathematical reserves is made by the actuaries based on current mortality tables valid for Turkish insurance companies and prepared by considering mortality statistics prepared abroad.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.e).

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.e).

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 31 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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.26 Earnings per share (continued)

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.

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 IAS 12 *Income Taxes* and IAS 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 IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 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 acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.28 Business combinations (continued)

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 IAS 39, or IAS 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 remeasured 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.

The business combinations before 1 January 2010, is recorded as old version of IFRS 3.

Partial share purchase-sale transactions with non- controlling interests

The group applies a policy of treating transactions with non- controlling interests as transactions with equity owners of the group. For purchases from non- controlling 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- controlling interests are also recorded in equity. For disposals to non- controlling interests, differences between any proceeds received and the relevant share of non- controlling interests are recorded in equity under retained earnings since there is no caption for these gains or losses in accordance with the CMB Financial Reporting Standards.

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.

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.29 Segment reporting (continued)

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.

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NOTE 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2012 are as follows:

Çimsa, a subsidiary of the Group, signed the share transfer agreement of 153.000.000 shares of Afyon Çimento Sanayii Türk A.Ş., with a nominal value of TL 1.530 owned 51% by PARCIB SAS, a 100% subsidiary of CIMENT FRANÇAIS, on 15 February 2012. According to the signed share transfer agreement, the total share transfer price of 153.000.000 shares is determined as TL 57.530. Share transfer price is determined through bargaining and denominated in Turkish Lira. Related permission is granted from Competition Authority at 12 April 2012 and share transfer is completed at 31 May 2012. Transfer price is paid in cash.

The fair value basis to the transaction and net assets acquired after the purchase are as follows:

	<u>Fair value</u>
Total current assets	25.813
Total non-current assets	78.631
Total liabilities	(13.911)
Book value of net assets	90.533
51% net asset value	46.172
Paid cash and cash equivalents	57.530
Goodwill	11.358

The non-controlling interest amount that reflects 49% of the subsidiary acquired amounting to TL 44.362 is accounted under shareholders' equity.

The business combinations between the period 1 January and 31 December 2011 are as follows:

Enerjisa, a joint venture of the Group, acquired 99,99% shares of IBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. on 30 March 2011, 99,99% shares of Italgen Elektrik Üretim A.Ş. on 31 March 2011, 99,99% shares of Alpaslan II Enerji Üretim Sanayi Ticaret A.Ş. on 18 April 2011 and 99,99% shares of Pervari Elektrik Üretim Sanayi ve Ticaret A.Ş. on 30 May 2011. Since the acquired businesses are not fully operational as of the acquisition dates, these acquisitions do not meet the business definition as stated in "IFRS 3 Business Combinations". The excess amount of the considerations paid over the net assets acquired is associated with the electricity generation licenses and accounted for under intangible assets.

Aforementioned acquisitions of the joint venture Enerjisa resulted in TL 164.220 electricity generation license additions to intangible assets (Note 14). The cost of electricity generation licenses are TL 25.626 for IBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş., TL 52.797 for Italgen Elektrik Üretim A.Ş., TL 25.392 for Alpaslan II Enerji Üretim Sanayi ve Ticaret A.Ş. and TL 60.405 for Pervari Elektrik Üretim Sanayi ve Ticaret A.Ş..

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

The net assets acquired after the purchase of IBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. shares are as follows:

	<u>Fair value</u>
Total current assets	7.979
Total non-current assets	52.678
Total liabilities	(253)
Book value of net assets	60.404
Paid cash and cash equivalents	60.404
Acquisition attributable to the consolidated financial statements completed by the joint venture	-

The net assets acquired after the purchase of Italgen Elektrik Üretim A.Ş. shares are as follows:

	<u>Fair value</u>
Total current assets	5.525
Total non-current assets	113.797
Total liabilities	(118)
Book value of net assets	119.204
Paid cash and cash equivalents	119.204
Acquisition attributable to the consolidated financial statements completed by the joint venture	-

The net assets acquired after the purchase of Alpaslan II Enerji Üretim A.Ş. shares are as follows:

	<u>Fair value</u>
Total current assets	10
Total non-current assets	50.792
Total liabilities	(1)
Book value of net assets	50.801
Paid cash and cash equivalents	50.801
Acquisition attributable to the consolidated financial statements completed by the joint venture	-

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

The net assets acquired after the purchase of Pervari Elektrik Üretim Sanayi ve Ticaret A.Ş. shares are as follows:

	<u>Fair value</u>
Total current assets	46.515
Total non-current assets	140.716
Total liabilities	(277)
Book value of net assets	186.954
Paid cash and cash equivalents	186.954
Acquisition attributable to the consolidated financial statements completed by the joint venture	-

Teknosa, a subsidiary of the Group, purchased 100% shares of İstanbul Mağazacılık Ltd.Şti. (Best Buy) for TL 27.148 at 11 July 2011 and this acquisition has been accounted for using the acquisition method. The fair value of net assets acquired and considerations paid as of 30 September 2011 are as follows:

	<u>Fair value</u>
Total current assets	35.484
Total non-current assets	14.735
Total liabilities	(2.446)
Book value of net assets	47.773
Paid cash and cash equivalents	27.148
Bargain purchase gain	(20.625)

The acquisition resulted in bargain purchase gain amounting to TL 20.625 which has been recognized in other income on the consolidated financial statements. The consultancy expenses resulting from the acquisition transaction amounting TL 2.916 has been recognized in general and administrative expenses.

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NOTE 4 – SEGMENT REPORTING

a) External revenues:

	1 January - 31 December 2012	1 January - 31 December 2011
Finance	14.504.547	11.637.857
Banking	13.935.272	11.188.718
Insurance	569.275	449.139
Energy	2.114.102	1.723.207
Industry	4.431.018	4.567.532
Retail	3.695.124	3.017.917
Cement	1.273.855	1.199.936
Other	74.950	87.058
Total	26.093.596	22.233.507

b) Segment assets:	31 December 2012	31 December 2011
Finance	163.194.114	139.842.145
Banking	162.263.337	138.975.287
Insurance	930.777	866.858
Energy	5.298.536	4.259.671
Industry	3.755.607	4.065.238
Retail	1.335.589	1.101.276
Cement	1.747.642	1.540.927
Other	717.999	379.516
Segment assets (*)	176.049.487	151.188.773
Non-current assets held for sale (Note 21)	126.815	466
Investment in associates	249.305	295.817
Unallocated assets	448.423	613.766
Less: intercompany eliminations and reclassifications	(1.475.608)	(1.243.422)
Total assets as per consolidated financial statements	175.398.422	150.855.400

(*) Segment assets mainly comprise operating assets.

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NOTE 4 – SEGMENT REPORTING (Continued)

c) Segment liabilities:	31 December 2012	31 December 2011
Finance	139.931.197	121.453.178
Banking	139.265.308	120.824.978
Insurance	665.889	628.200
Energy	785.453	647.566
Industry	684.950	949.167
Retail	1.094.801	780.906
Cement	202.391	212.554
Other	109.662	43.960
Segment liabilities (*)	142.808.454	124.087.331
Liabilities associated with non-current assets held for sale (Note 21)	31.084	-
Unallocated liabilities	3.899.086	2.976.559
Less: intercompany eliminations and reclassifications	(1.853.246)	(1.681.632)
Total liabilities as per consolidated financial statements	144.885.378	125.382.258

(*) Segment liabilities mainly comprise operating liabilities and exclude items such as taxation, certain financial liabilities and unallocated liabilities.

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NOTE 4 – SEGMENT REPORTING (Continued)

d) Segmental analysis for the period between 1 January – 31 December 2012

	Finance						Retail	Cement	Other (**)	Inter segment elimination	Total
	Banking	Insurance	Intra segment elimination	Total Finance	Energy	Industry					
External revenues	13.935.272	569.275	-	14.504.547	2.114.102	4.431.018	1.273.855	74.950	-	26.093.596	
Inter segment revenues	73.696	1.115	-	74.811	172.006	1.003	117	15.313	(270.769)	-	
Total revenues	14.008.968	570.390	-	14.579.358	2.286.108	4.432.021	1.273.972	90.263	(270.769)	26.093.596	
Cost of sales (*)	(7.471.116)	(500.420)	58.677	(7.912.859)	(1.950.575)	(3.865.080)	(986.385)	(67.496)	199.882	(17.537.686)	
General and administrative expenses	(3.031.801)	(97.727)	24	(3.129.504)	(186.656)	(147.880)	(56.721)	(17.193)	52.811	(3.808.374)	
Sales, marketing and distribution expenses	-	-	-	-	(2.777)	(258.650)	(9.302)	(1.878)	1.429	(632.051)	
Research and development expenses	-	-	-	-	(17.639)	-	-	-	413	(17.226)	
Operating result	3.506.051	(27.757)	58.701	3.536.995	146.100	142.772	221.564	3.696	(16.234)	4.098.259	
Other unallocated operating expenses									(57.460)	(57.460)	
Other income/(expense)- net	370.560	64.483	(46.591)	388.452	8.200	59.986	(1.972)	163.293	1.072	634.804	
Segment result	3.876.611	36.726	12.110	3.925.447	154.300	202.758	219.592	166.989	(72.622)	4.675.603	

(*) In the banking segment cost of sales includes interest expenses, fee and commission expenses, provision for loan losses and net foreign currency trading gains. In the insurance segment cost of sales includes premium ceded to reinsurance.

(**) Other operating income related to the "Other" segment consists of the service income related to the E.On Verbund shareholding change (Note 24).

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NOTE 4 – SEGMENT REPORTING (Continued)

d) Segmental analysis for the period between 1 January – 31 December 2011

	Finance						Inter segment elimination	Total			
	Banking	Insurance	Intra segment elimination	Total Finance	Energy	Industry			Retail	Cement	Other(**)
External revenues	11.188.718	449.139	-	11.637.857	1.723.207	4.567.532	3.017.917	1.199.936	87.058	-	22.233.507
Inter segment revenues	47.282	1.086	-	48.368	137.528	4.956	3.223	104	17.168	(211.347)	-
Total revenues	11.236.000	450.225	-	11.686.225	1.860.735	4.572.488	3.021.140	1.200.040	104.226	(211.347)	22.233.507
Cost of sales(*)	(5.868.180)	(420.661)	16.172	(6.272.669)	(1.515.679)	(3.819.110)	(2.358.775)	(926.945)	(74.088)	313.059	(14.654.207)
General and administrative expenses	(2.558.545)	(81.901)	11.713	(2.628.733)	(179.727)	(125.248)	(309.683)	(46.110)	(18.236)	44.882	(3.262.855)
Sales, marketing and distribution expenses	-	-	-	-	(1.500)	(249.222)	(296.623)	(9.977)	(2.301)	1.395	(558.228)
Research and development expenses	-	-	-	-	-	(13.174)	-	-	-	313	(12.861)
Operating result	2.809.275	(52.337)	27.885	2.784.823	163.829	365.734	56.059	217.008	9.601	148.302	3.745.356
Other unallocated operating expenses	-	-	-	-	-	-	-	-	-	(56.148)	(56.148)
Other income/(expense)- net	396.141	72.677	(18.247)	450.571	(209)	(50.215)	7.976	(10.619)	309.666	(6.165)	701.005
Segment result	3.205.416	20.340	9.638	3.235.394	163.620	315.519	64.035	206.389	319.267	85.989	4.390.213

(*) In the banking segment cost of sales includes interest expenses, fee and commission expenses, provision for loan losses and net foreign currency trading gains. In the insurance segment cost of sales includes premium ceded to reinsurance.

(**) Other operating income related to the "Other" segment consists of gain on sale of 50% of Aksigorta shares (Note 24)

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NOTE 4 – SEGMENT REPORTING (Continued)

e) Operating results

i) Banking:

	1 January - 31 December 2012	1 January - 31 December 2011
Interest income	11.649.475	9.473.644
Interest expense	(6.291.675)	(5.321.916)
Net interest income	5.357.800	4.151.728
Fee and commission income	2.359.493	1.762.356
Fee and commission expense	(316.673)	(273.976)
Net fee and commission income	2.042.820	1.488.380
Provision for loan losses	(891.263)	(313.299)
Foreign exchange trading gains and losses-net	28.495	41.011
Operating expense	(3.031.801)	(2.558.545)
Other operating income/(expense)	370.560	396.141
Segment result	3.876.611	3.205.416

Intersegment eliminations are excluded.

ii) Insurance:

	1 January - 31 December 2012	1 January - 31 December 2011
Gross premiums received	570.390	450.225
Premiums ceded to reinsurers	(132.365)	(94.291)
Change in the provision for unearned Premiums net of reinsurance	(23.754)	(30.355)
Earned premiums, net of reinsurance	414.271	325.579
Claims paid	(334.198)	(278.609)
Claims paid-reinsurers' share	39.670	36.793
Change in the provision for claims	6.570	1.426
Claims incurred, net	(287.958)	(240.390)
Change in life mathematical reserve, net	21.280	(12.698)
Commission expenses-net	(77.622)	(43.257)
General and administrative expenses	(97.727)	(81.901)
Other operational income/(expense)	64.482	72.677
Segment result	36.726	20.340

Intersegment eliminations are excluded.

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NOTE 4 – SEGMENT REPORTING (Continued)

e) Operating results (continued)

iii) Non-financial segments:

	1 January - 31 December 2012	1 January - 31 December 2011
Net sales	11.785.007	10.758.629
Cost of sales	(9.824.709)	(8.694.597)
Gross profit	1.960.298	2.064.032
Operating expenses	(1.440.260)	(1.307.949)
Other operating income/(expense)	245.280	256.599
Segment result	765.318	1.012.682

Intersegment eliminations are excluded.

The Group assesses the performance of its operating segments based on a measure of adjusted Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA"). Adjusted EBITDA does not include the effects of non-recurring income and expenses of the operating segments.

Excluding one off income/(expenses):	31 December 2012	31 December 2011
Banking	4.033.679	3.210.463
Insurance	39.721	23.195
Industry	355.826	500.874
Cement	293.769	276.237
Energy	255.715	251.828
Retail	136.988	101.445
Other	(13.790)	(20.128)
Intersegment eliminations	(3.052)	151.775
Total	5.098.856	4.495.689

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NOTE 4 – SEGMENT REPORTING (Continued)

e) Operating results (continued)

iii) Non-financial segments (continued):

A reconciliation of adjusted EBITDA to income before tax from continuing operations is as follows:

	31 December 2012	31 December 2011
Adjusted EBITDA for reported operating segments	5.098.856	4.495.689
Gain on sale of subsidiaries (Note 24)	-	247.350
Gain on sale of fixed asset	-	164.428
E.ON - Verbund shareholding change service income (Note 24)	138.125	-
Reversal of subsidiary impairment loss (Note 24)	-	71.902
Tax negotiation (Note 26)	-	(25.112)
Loss on sale of subsidiaries (Note 24)	-	(38.265)
Bargain purchase gain (net of costs related to the acquisition)	-	17.709
Restructuring costs	(7.932)	(23.302)
Other	-	(18.431)
Depreciation and amortisation	(553.446)	(501.755)
Operating profit	4.675.603	4.390.213
Financial expenses - net	(192.539)	(287.878)
Income from investments accounted through equity method (Note 11)	192.458	159.096
Income before tax from continuing operations	4.675.522	4.261.431

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NOTE 4 -SEGMENT REPORTING (Continued)

f) Interests in Joint Ventures:

Aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities and income and expense items related to Joint Ventures which are proportionally consolidated in the consolidated financial statements as expressed in Note 2, are as follows on a combined basis:

Balance Sheet	31 December 2012	31 December 2011
Current assets	2.237.445	2.062.504
Non-current assets	6.291.753	5.135.389
Total assets	8.529.198	7.197.893
Current liabilities	2.489.009	2.107.188
Non-current liabilities	2.389.277	2.131.318
Total liabilities	4.878.286	4.238.506
Non-controlling interests	4.744	4.550
Shareholders' equity	3.646.168	2.954.837
Total liabilities, non-controlling interests and, shareholders' equity	8.529.198	7.197.893
Income Statement	31 December 2012	31 December 2011
Operating profit	301.414	264.693
Financial income/ (expense)- net	(43.617)	(244.163)
Income before tax and non-controlling interests	257.797	20.530
Taxation on income	(58.386)	(36.417)
Income from continuing operations	199.411	(15.887)
Income after tax from discontinued operations	7.240	6.870
Net income for the period from continuing operations	206.651	(9.017)
Non-controlling interests	315	251
Equity holders of the parent	206.336	(9.268)

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NOTE 4 – SEGMENT REPORTING (Continued)

g) Depreciation and amortisation charges, impairment and capital expenditures:

1 January – 31 December 2012

	Finance		Industry	Cement	Energy	Retail	Other	Discontinued operations	Total
	Banking	Insurance							
Depreciation and amortisation	157.068	2.995	145.136	74.176	101.415	57.849	14.844	4.075	557.558
Impairment of property, plant and equipment, intangible assets	-	-	(961)	-	23.311	765	-	-	23.115
Capital expenditure	192.397	6.410	294.410	128.440	963.468	82.971	16.727	4.618	1.689.441

1 January – 31 December 2011

	Finance		Industry	Cement	Energy	Retail	Other	Discontinued operations	Total
	Banking	Insurance							
Depreciation and amortisation	141.800	2.855	133.847	65.871	88.208	55.119	14.055	4.031	505.786
Impairment of property, plant and equipment, intangible assets	-	-	16.937	-	-	16.392	-	-	33.329
Capital expenditure	149.346	3.051	293.738	141.214	777.897	68.357	8.634	3.864	1.446.101

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 5 – CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
Cash in hand		
- Banking	1.420.850	1.042.846
- Other companies	49.784	48.837
Bank – time deposits	1.664.683	2.148.068
Bank – demand deposits	1.861.009	1.604.727
Government bonds	1.580.557	968.081
Government bonds denominated in foreign currency	-	648.614
Other bonds denominated in foreign currency	136.571	172.566
Receivable from reverse repo transactions	-	8.210
Eurobonds	-	626
Other cash and cash equivalents	4.190	435
Total	6.717.644	6.643.010

Effective interest rates of USD, EUR and TL denominated time deposits are 0,41% (31 December 2011: 0,20%), 0,38% (31 December 2011: 0,45%) and 11,60% (31 December 2011: 11,78%), respectively.

The analysis of maturities at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
Demand	3.335.834	2.696.845
Up to 3 months	3.381.810	3.946.165
Total	6.717.644	6.643.010

As of 31 December 2012, 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 1.660.155 (31 December 2011: TL 1.336.807).

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 2012	31 December 2011
Government bonds	14.284	127.946
Eurobonds	2.952	26.623
Share certificates	18.825	14.671
Other bonds denominated in TL	3.689	1.967
Total	39.750	171.207

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 6 – FINANCIAL ASSETS (Continued)

a) Held for trading securities:

Effective interest rates of USD, EUR and TL denominated securities at fair value through profit and loss are 3,93% (31 December 2011: 5,09%), 2,89% (31 December 2011: 4,46%) and %11,60 (31 December 2011: 11,09%), respectively. The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TL 1.157 (31 December 2011: TL 8.609).

The analysis of maturities at 31 December 2012 and 2011 is as follows:

	31 December 2012			31 December 2011		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	2.204	-	2.204	22.674	2.241	24.915
1 to 5 years	6.391	-	6.391	101.151	7.227	108.378
Over 5 years	4.163	-	4.163	23.243	-	23.243
No maturity	18.825	8.167	26.992	14.249	422	14.671
Total	31.583	8.167	39.750	161.317	9.890	171.207

Period remaining to contractual repricing dates:

	31 December 2012			31 December 2011		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	5.047	-	5.047	2.974	-	2.974
3 to 12 months	2.226	-	2.226	27.847	2.241	30.088
1 to 5 years	1.536	-	1.536	98.610	7.227	105.837
Over 5 years	3.949	-	3.949	17.637	-	17.637
No maturity	18.825	8.167	26.992	14.249	422	14.671
Total	31.583	8.167	39.750	161.317	9.890	171.207

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 6 – FINANCIAL ASSETS (Continued)

b) Available for sale securities:

	31 December 2012	31 December 2011
Debt securities		
- Government bonds	28.784.368	31.917.734
- Eurobonds	10.068.639	4.166.257
- Investment funds	239.123	186.017
- Other bonds denominated in foreign currency	1.969.248	1.258.302
Sub- total	41.061.378	37.528.310
Equity securities		
- Listed	4.031	4.030
- Unlisted	30.702	29.046
Sub- total	34.733	33.076
Total financial assets available for sale	41.096.111	37.561.386

Effective interest rates of USD, EUR and TL denominated available-for-sale securities are 3,68% (31 December 2011: 4,45%), 4,42% (31 December 2011: 4,62%) and 9,97% (31 December 2011: 10,76%), respectively. The Group's financial assets available for sale subject to funds provided from repo are TL 23.097.568 (31 December 2011: TL 13.258.228). Available for sale financial assets that are given as collateral because of the Group's financing activities are amounting to TL 6.526.263 (31 December 2011: TL 5.398.650). Available for sale financial assets risks of which are undertaken by insurance policy owners are amounting to TL 182.745 (31 December 2011: TL 198.254).

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. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two month before. The estimated inflation rate used is updated during the year when necessary.

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NOTE 6 – FINANCIAL ASSETS (Continued)

The maturity analysis at 31 December 2012 and 2011 is as follows:

	31 December 2012			31 December 2011		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	3.537.214	15.307	3.552.521	1.591.712	14.480	1.606.192
1 to 5 years	19.871.294	105.256	19.976.550	29.759.200	132.878	29.892.078
Over 5 years	17.250.272	40.855	17.291.127	5.810.339	28.316	5.838.655
No maturity	250.963	24.950	275.913	196.647	27.814	224.461
Total	40.909.743	186.368	41.096.111	37.357.898	203.488	37.561.386

Period remaining to contractual repricing dates for available-for-sale securities:

	31 December 2012			31 December 2011		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	9.791.256	-	9.791.256	7.033.230	-	7.033.230
3 to 12 months	13.278.569	15.307	13.293.876	13.111.529	14.480	13.126.009
1 to 5 years	7.832.999	105.256	7.938.255	13.861.404	132.878	13.994.282
Over 5 years	9.755.956	40.855	9.796.811	3.155.088	28.316	3.183.404
No maturity	250.963	24.950	275.913	196.647	27.814	224.461
Total	40.909.743	186.368	41.096.111	37.357.898	203.488	37.561.386

c) Financial assets held to maturity:

The breakdown of held to maturity financial assets is listed below:

	31 December 2012	31 December 2011
Government bonds	3.637.468	3.639.296
Eurobonds	-	1.015.839
Total	3.637.468	4.655.135

Effective interest rates of debt securities denominated at TL is 9,56% (31 December 2011: 11,11%). As of 31 December 2012 there exist no debt securities denominated at USD or EUR (31 December 2011: effective interest rates of such debt securities are 7,05% and 7,34% respectively). The Group's financial assets held to maturity subject to funds provided from repo are TL 358.131 (31 December 2011: TL 749.412). The amount of Group's held to maturity financial assets collaterals given for financial operations is TL 3.145.397 (31 December 2011 : TL 3.713.634).

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NOTE 6 – FINANCIAL ASSETS (Continued)

The movement table of held-to-maturity securities is as follows:

	2012	2011
1 January	4.655.135	5.814.015
Additions	209	-
Transfers to cash and cash equivalents	-	(169.335)
Foreign exchange differences	(90.677)	172.731
Addition due to change in amortised cost	764	21.438
Redemptions and sales (*)	(927.963)	(1.183.714)
31 December	3.637.468	4.655.135

(*) According to IAS 39 Financial Instruments Recognition and Measurement Standard, Akbank has reclassified its foreign currency denominated securities issued by the Treasury of Republic of Turkey held in Held to maturity portfolio with nominal values of thousands EUR 300.476 and thousand USD 160.288 to Available for Sale portfolio with the sale intention of these securities out of which nominal value amounting to thousands EUR 216.000 have been sold.

Period remaining to contractual maturity dates for held to maturity financial assets as at 31 December 2012 and 2011 is as follows:

	31 December 2012			31 December 2011		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	1.846.994	-	1.846.994	1.216	-	1.216
1 to 5 years	1.790.474	-	1.790.474	3.638.080	-	3.638.080
Over 5 years	-	-	-	1.015.839	-	1.015.839
Total	3.637.468	-	3.637.468	4.655.135	-	4.655.135

Period remaining to contractual repricing dates for investment security, held to maturity financial assets at 31 December 2012 and 2011 is as follows:

	31 December 2012			31 December 2011		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	3.433.339	-	3.433.339	3.433.478	-	3.433.478
3 to 12 months	204.129	-	204.129	205.818	-	205.818
1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	1.015.839	-	1.015.839
Total	3.637.468	-	3.637.468	4.655.135	-	4.655.135

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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.)

NOTE 6 – FINANCIAL ASSETS (Continued)

d) Time Deposits:

As of 31 December 2012, maturities of time deposits that are over 3 months denominated at USD and TL are respectively TL 67.439 and TL 50.711. Interest rates of time deposits are respectively 0,48% and 11,60%. The breakdown of maturities of time deposits that are over 3 months are as follows:

	31 December 2012	31 December 2011
3 to 12 months	118.150	169.989
1 to 5 years	-	1.507
Total	118.150	171.496

NOTE 7 – FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2012	31 December 2011
Short term	13.768.564	12.684.385
Short-term portion of long term	1.524.089	3.854.576
Total short term	15.292.653	16.538.961

Long-term funds borrowed, bank borrowings and debt securities in issue:

Long term	10.512.601	9.291.921
Total	25.805.254	25.830.882

Effective interest rates of USD, EUR and TL denominated funds borrowed borrowings and debt securities in issue are 1,97% (31 December 2011: 2,06%), 1,44% (31 December 2011: 1,99%) and 7,63% (31 December 2011: 7,62%) respectively.

The maturity schedule of borrowings at 31 December 2012 and 2011 is summarised below:

	31 December 2012	31 December 2011
Up to 3 months	6.138.793	7.182.857
3 to 12 months	9.153.860	9.356.104
1 to years	7.897.106	7.239.558
Over 5 years	2.615.495	2.052.363
Total	25.805.254	25.830.882

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NOTE 7 – FINANCIAL LIABILITIES (Continued)

The maturity schedule of long term borrowings at 31 December 2012 and 2011 is summarised below:

	31 December 2012
2014	2.681.040
2015	2.462.093
2016	1.066.731
2017	1.687.241
2018 and after	2.615.496
Total	10.512.601

	31 December 2011
2013	2.309.744
2014	1.305.078
2015	2.616.002
2016	1.008.734
2017 and after	2.052.363
Toplam	9.291.921

The repricing schedule of borrowings at 31 December 2012 and 2011 is summarised below :

	31 December 2012	31 December 2011
Up to 3 months	13.276.097	14.898.414
3 to 12 months	5.884.674	7.154.398
1 to 5 years	3.822.202	2.827.174
Over 5 years	2.822.281	950.896
Total	25.805.254	25.830.882

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NOTE 7 – FINANCIAL LIABILITIES (Continued)

Major borrowing and funding transactions of Akbank and Enerjisa at 31 December 2012 are as follows:

Funds Borrowed:

a) Akbank - Funds borrowed via syndicated credit facilities

As of 31 December 2012, there are two outstanding syndicated loan facilities; the first syndicated loan facility amounts to EUR 795.000 and USD 146.000 provided by 42 international banks and signed on 20 March 2012. All-in annual costs are Euribor/Libor+%1,45, respectively. The second syndicated loan facility amounts to EUR 857.000 and USD 450.000 provided by 46 international banks and signed on 16 August 2012. All-in annual costs are Euribor/Libor+%1,35, respectively.

b) Enerjisa - Funds borrowed via IFC

On 13 June 2008 Group's joint venture Enerjisa, signed a EUR 1.000.000 loan agreement provided from international financial institutions on International Finance Corporation ("IFC") and WestLB, Akbank and the European Investment Bank's co-ordination. . These funds are considered to be used in the company's energy investments. The part of the loan amounting to EUR 513.000 is coordinated by IFC, EUR 495.000 has a maturity of 12 years and the remaining EUR 18.000 has a maturity of 15 years. EUR 158.000 of the aforementioned part will be provided by IFC and the remaining EUR 355.000 will be provided as a syndicated loan under the supervision of IFC and WestLB. KfW IPEX-Bank GmbH, Bank Austria Creditanstalt AG, Erste Bank der Oesterreichischen Sparkassen AG, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG, WestLB AG, and Société Générale Bank have been participated in this financing package as authorised leading regulators. Akbank will provide a parallel loan agreement of EUR 352.000 which has a maturity of 12 years, with the participation of National Bank of Greece and remaining EUR 135.000 of loan will be provided by EIB. As of 31 December 2012, total loan amount of EUR 1.000.000 has been used. (31 December 2011: EUR 946.600).

Enerjisa signed another agreement on 23 December 2010 to borrow funds amounting to EUR 270.000 with the participations of Yapı ve Kredi Bankası A.Ş. for EUR 100.000, Akbank T.A.Ş. İstanbul Kurumsal Şubesi for EUR 100.000 and Finansbank A.Ş. Bahrain for EUR 70.000 for the purpose of financing Arkun Barrage and hydroelectric power plant energy project of the Enerjisa. As of 31 December 2011, total loan amount of EUR 270.000 has been used (31 December 2011: EUR 155.000).

Enerjisa also signed an agreement on 24 March 2011 with IFC and certain international financial institutions under the coordination of IFC, WestLB and Unicredit to borrow funds amounting EUR 700.000 for the purpose of financing energy projects. EUR 65.000 of the loan is provided by IFC and EUR 515.000 of it is provided by the participation of several financial institutions, namely KfW IPEX-Bank GmbH, UniCredit Bank Austria AG, Erste Bank, ING Bank N.V., Raiffeisen Bank International, FMO, BAWAG, WestLB AG and Societe Generale Bank, under the coordination of IFC, WestLB and Unicredit. Proparco has provided EUR 40.000 of the loan and TSKB has provided EUR 80.000 of the loan. As of 31 December 2012, Enerjisa has utilized EUR 111.850 with respect to this EUR 700.000 loan agreement (31 December 2011: EUR 74.000).

Enerjisa signed another loan agreement on 26 April 2012 with European Bank for Reconstruction and Development ("EBRD") amounting to EUR 135.000 to finance Bares Wind Power Plant. EUR 100.000 of the loan provided by EBRD and EUR 35.000 million of it is provided by BAWAG. As of 31 December 2012, total loan amount of EUR 135.000 has been used.

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NOTE 7 – FINANCIAL LIABILITIES (Continued)

On 25 July 2012, Enerjisa signed a loan agreement of EUR 750.000 with a maturity of 11.5 years with various banks for the financing of Tufanbeyli Thermal Plant. EUR 608.000 million with maturity 11.5 years of the loan has been insured by Korea Trade Insurance Corporation (K-Sure). Creditors of the loan are Societe Generale, UniCredit Bank Austria Ag, HSBC Bank plc, Raiffeisen Bank International AG, The Bank of Tokyo-Mitsubishi UFJ Ltd., BNP Paribas ve Fortis Bank SA/NV, Akbank T.A.Ş., Deutsche Bank AG, Natixis and Erste Group Bank AG. As of 31 December 2012, there has been no loan withdrawal by Enerjisa.

The effect of the used loan on consolidated financial statements is limited to 50% joint venture share.

Issued securities:

Securities issued consist of USD and TL assets.

The repayment plan for securities issued is started below in USD.

	<u>31 December 2012</u>		<u>31 December 2011</u>	
	US Dollar	TL	US Dollar	TL
2012	-	-	542.560	1.024.841
2013	636.730	1.131.851	619.349	1.169.889
2014	475.772	845.732	449.413	848.895
2015	1.206.576	2.144.809	1.100.006	2.077.802
2016	257.780	458.230	187.442	354.060
2017	599.195	1.065.129	118.837	224.471
2018	442.377	786.369	381.949	721.463
2019	14.921	26.524	-	-
2020	14.026	24.933	-	-
2021	13.177	23.423	-	-
2022	314.514	559.079	-	-
Total	3.975.068	7.066.079	3.399.556	6.421.421

The balance amounting to USD 3.975.068 consists of securitization deals and USD denominated securities issued by the Bank.

Additionally, as of 31 December 2012, there are bonds issued by the Bank amounting to TL 1.022.015 with 6 months maturity, TL 653.883 1 year maturity, TL 417.014 with 2 years maturity and TL 437.767 with 3 years maturity (31 December 2011: 6 months maturity TL 1.093.010; 2 years maturity TL 714.948).

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NOTE 8 – TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term receivables:	31 December 2012	31 December 2011
Trade receivables	1.526.750	1.439.636
Notes and cheques receivables	173.504	251.148
	1.700.254	1.690.784
Less: allowance for doubtful receivables	(134.855)	(124.227)
Total	1.565.399	1.566.557

As of 31 December 2012, trade receivables of TL 196.222 were past due but not impaired (31 December 2011: TL 168.690). The aging analysis of these trade receivables is as follows:

	31 December 2012	31 December 2011
Up to 3 months	135.330	122.286
3 to 6 months	38.750	17.234
6 to 9 months	17.780	5.219
Over 9 months	4.362	23.951
Total	196.222	168.690

As of 31 December 2012 and 2011 the aging analysis of overdue and impaired trade receivables is as follows:

	31 December 2012	31 December 2011
Up to 3 months	1.918	1.690
3 to 6 months	1.443	3.427
6 to 9 months	6.749	19.850
Over 9 months	124.745	99.260
Total	134.855	124.227

Short-term and long-term trade payables:	31 December 2012	31 December 2011
Trade payables	1.963.044	1.800.952
Notes payable	558	312
Toplam	1.963.602	1.801.264

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	31 December 2012	31 December 2011
Receivables from credit card payments	179.562	170.601
Financial assets (*)	49.177	48.534
Other receivables	531.398	576.466
Total	760.137	795.601

(*) Composed of financial assets accounted for by the Group's joint venture Başkent Elektrik Dağıtım A.Ş. in accordance with IFRS 3 "Business Combinations" and IFRIC 12 "Service Concession Arrangements."

Other long term receivables:	31 December 2012	31 December 2011
Financial assets (*)	245.310	162.554
Deposits and guarantees given	21.690	20.851
Other	42.092	30.147
Total	309.092	213.552

(*) Composed of financial assets accounted for by the Group's joint venture Başkent Elektrik Dağıtım A.Ş. in accordance with IFRS 3 "Business Combinations" and IFRIC 12 "Service Concession Arrangements."

Other short term payables:	31 December 2012	31 December 2011
Payables related to credit card transactions	2.045.457	1.687.016
Taxes and funds payable	257.653	232.705
Export deposits and transfer orders	163.341	20.074
Due to personnel	38.868	38.821
Payment orders to correspondent banks	19.223	24.328
Other	825.900	665.120
Total	3.350.442	2.668.064

Other long term payables:

Deposits and guarantees received	76.065	59.064
Other	52.978	35.036
Total	129.043	94.100

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NOTE 10 - INVENTORIES

	31 December 2012	31 December 2011
Raw materials	344.395	470.359
Work in process	169.515	149.590
Finished goods and merchandises	1.057.233	870.383
Spare parts	99.803	84.746
Other inventories	146.884	92.510
	1.817.830	1.667.588
Allowance for impairment on inventory (-)	(26.630)	(27.456)
Total	1.791.200	1.640.132

The movement table of allowance for impairment on inventory is as follows:

	2012	2011
1 January	27.456	23.989
Charge for the period	13.889	15.852
Provision used	(15.445)	(13.303)
Currency translation difference	730	918
31 December	26.630	27.456

NOTE 11 – INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

	31 December 2012	Share (%)	31 December 2011	Share (%)
Philsa	207.725	25,00	236.190	25,00
Philip Morrissa	41.580	24,75	55.414	24,75
Dönkasan	-	-	4.213	21,86
Toplam	249.305		295.817	

Income from associates is as follows:

	31 Aralık 2012	31 Aralık 2011
Philsa	158.581	123.875
Philip Morrissa	33.877	35.221
Toplam	192.458	159.096

DKT BAĞIMSIZ DENETİM
VE SERBEST MÜHÜRLEME VE MALİ MÜŞAVİRLİK
ANONİM ŞİRKETİ

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 11 – INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

The summary financial information of associates is as follows:

	<u>31 December 2012</u>		<u>31 December 2011</u>	
	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total assets</u>	<u>Total liabilities</u>
Philsa	2.231.302	1.400.402	1.915.601	970.841
Philip Morrissa	731.697	563.697	734.772	510.881
Dönkasan	-	-	23.427	4.154
Toplam	2.962.999	1.964.099	2.673.800	1.485.876

Sales revenue

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Philsa ^(*)	12.401.105	9.456.362
Philip Morrissa	12.548.190	9.748.127

(*) Philsa conducts its sales activities through Philip Morrissa.

Net income

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Philsa	634.325	495.499
Philip Morrissa	136.876	142.308
Total	771.201	637.807

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NOTE 12 – INVESTMENT PROPERTY

The movements in investment property, for the years ended 31 December 2012 and 2011 are as follows:

	1 January 2012	Additions	Disposals	Impairment	Transfers	Transfers from Non-current assets held for sale	Change within the scope of consolidation	31 December 2012
Cost:								
Land	156.080	-	(150)	-	-	-	8	155.938
Buildings	27.124	-	-	-	-	-	16	27.140
Total	183.204	-	(150)	-	-	-	24	183.078
Accumulated depreciation:								
Buildings	24.590	1.299	-	(3.240)	-	-	3	22.652
Net book value	158.614							160.426
	1 January 2011	Additions	Disposals	Impairment	Transfers	Transfers from Non-current assets held for sale	Change within the scope of consolidation	31 December 2011
Cost:								
Land	142.321	13	(12.993)	-	26.926	5	(192)	156.080
Buildings	18.941	580	(757)	(3.606)	8.691	3.780	(505)	27.124
Total	161.262	593	(13.750)	(3.606)	35.617	3.785	(697)	183.204
Accumulated depreciation:								
Buildings	9.737	1.723	(124)	-	11.368	1.986	(100)	24.590
Net book value	151.525							158.614

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2012 is as follows:

Cost:	Currency translation		Additions	Disposals	Change within the scope of consolidation	Business combination	Transfers from non current assets held for sale	Transfers to non current assets held for sale	Transfers (**)	Impairment	31 December 2012
	1 January 2012	differences									
Land and land improvements	659.948	(1.207)	11.696	(2.756)	-	36.465	-	(6.904)	17.781	-	715.023
Buildings	2.377.461	(9.007)	31.370	(3.624)	1.122	7.909	-	(23.608)	22.028	-	2.403.651
Machinery and equipment	4.571.634	(62.175)	76.526	(72.946)	-	31.068	466	(108.484)	395.681	(496)	4.831.274
Motor vehicles	192.888	(295)	35.541	(49.595)	-	41	-	(88)	15.552	-	194.044
Furniture and fixtures	1.839.504	(4.403)	154.563	(144.160)	720	270	-	(4.141)	21.654	5.894	1.869.901
Total	9.641.435	(77.087)	309.696	(273.081)	1.842	75.753	466	(143.225)	472.696	5.398	10.013.893
Construction in progress	1.330.004	(7.701)	1.298.600	(4.250)	-	4	-	(924)	(480.838)	(25.589)	2.109.306
Total	10.971.439	(84.788)	1.608.296	(277.331)	1.842	75.757	466	(144.149)	(8.142)	(20.191)	12.123.199
Accumulated depreciation:											
Land and land improvements	102.909	(348)	11.142	(772)	-	-	-	(1.561)	-	-	111.370
Buildings	910.674	(3.816)	70.571	(1.204)	327	-	-	(11.011)	(381)	-	965.160
Machinery and equipment	2.615.537	(35.342)	214.936	(69.317)	-	-	-	(81.215)	-	5	2.644.604
Motor vehicles	106.321	400	15.431	(18.233)	-	-	-	(90)	-	-	103.829
Furniture and fixtures	1.363.910	(4.001)	147.958	(126.773)	550	-	-	(3.608)	287	6.168	1.384.491
Total	5.099.351	(43.107)	460.038	(216.299)	877	-	-	(97.485)	(94)	6.173	5.209.454
Net book value	5.872.088										6.913.745

(*) Results from the acquisition of Afyon Çimento detailed in Note 3.

(**) Transfers during the period consist of TL 8.048 to intangible assets.

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in property, plant and equipment for the year ended 31 December 2011 is as follows:

Cost:	1 January 2011	Currency translation differences	Additions	Disposals	Change within the scope of consolidation	Business combination	Transfers from non current assets held for sale	Transfers to non current assets held for sale	Transfers (**)	Impairment	31 December 2011
Land and land improvements	501.474	7.157	17.395	(272)	(713)	31	21.461	-	113.415	-	659.948
Buildings	2.385.787	28.650	21.729	(143.900)	(26.992)	-	62.959	-	59.047	(9.819)	2.377.461
Machinery and equipment	3.877.787	131.578	52.084	(60.797)	(3.320)	92	369.593	(4.494)	262.541	(53.430)	4.571.634
Motor vehicles	156.989	886	55.623	(35.867)	(636)	32	2.178	-	13.683	-	192.888
Furniture and fixtures	1.782.310	(6.996)	137.669	(97.134)	(17.929)	7.274	5.984	-	39.353	(11.027)	1.839.504
Total	8.704.347	161.275	284.500	(337.970)	(49.590)	7.429	462.175	(4.494)	488.039	(74.276)	9.641.435
Construction in progress	765.570	35.495	1.089.516	(22.329)	(71)	14.573	6.246	-	(558.996)	-	1.330.004
Total	9.469.917	196.770	1.374.016	(360.299)	(49.661)	22.002	468.421	(4.494)	(70.957)	(74.276)	10.971.439
Accumulated depreciation:											
Land and land improvements	97.831	3.488	8.680	(197)	(222)	-	4.824	-	(11.495)	-	102.909
Buildings	842.788	7.545	69.355	(32.960)	(7.482)	-	31.649	-	(10)	(211)	910.674
Machinery and equipment	2.208.146	58.558	191.791	(44.212)	(2.817)	33	251.283	(4.028)	-	(43.217)	2.615.537
Motor vehicles	106.239	(1.638)	15.373	(15.274)	(525)	11	2.135	-	-	-	106.321
Furniture and fixtures	1.317.832	3.952	140.433	(88.372)	(13.481)	2.230	4.768	-	-	(3.452)	1.363.910
Total	4.572.836	71.905	425.632	(181.015)	(24.527)	2.274	294.659	(4.028)	(11.505)	(46.880)	5.099.351
Net book value	4.897.081										5.872.088

(*) Related to acquisitions of Teknosa and Enerjisa detailed in Note 3.

(**) Transfers during the period consist of TL 24.249 to investment property and TL 35.203 to intangible assets.

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NOTE 14 – INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2012 and 2011 are as follows:

	1 January 2012	Currency translation differences	Additions	Disposals	Change within the scope of consolidation	Transfers	Business combinations	Transfers from non current assets held for sale	Impairment	31 December 2012
Cost	1.632.815	2.697	81.145	(13.923)	451	8.142	2.276	(2.091)	53	1.711.565
Accumulated amortisation (-)	(361.063)	(5.661)	(96.221)	12.994	(195)	(94)	-	1.472	(44)	(448.812)
Net book value	1.271.752									1.262.753

	1 January 2011	Currency translation differences	Additions	Disposals	Change within the scope of consolidation	Transfers	Business combinations (*)	Transfers from non current assets held for sale	Impairment	31 December 2011
Cost	1.353.706	10.980	71.492	(3.748)	(7.867)	35.340	164.872	10.367	(2.327)	1.632.815
Accumulated amortisation (-)	(277.002)	(5.776)	(78.431)	4.381	2.617	(137)	(636)	(6.079)	-	(361.063)
Net book value	1.076.704									1.271.752

(*) Enerjisa, a joint venture of the Group, acquired the share of İBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş., İtağen Elektrik Üretim A.Ş., Alpaslan II Enerji Üretim Sanayi ve Ticaret A.Ş. and Pervari Elektrik Üretim Sanayi ve Ticaret A.Ş. in 2011. As a result of this acquisition, the excess of the considerations paid over the net assets is associated with electricity generation licenses and TL 164.220 is accounted for under intangible assets in total.

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NOTE 15 - GOODWILL

The movements in goodwill for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
1 January	725.290	725.227
Additions	11.358	-
Currency translation differences	(20)	63
31 December	736.628	725.290

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. An operating segment-level summary of the goodwill allocation is presented below:

	31 December 2012	31 December 2011
Cement	199.540	188.202
Retail	144.363	144.363
Energy	366.404	366.404
Tire, tire reinforcement	26.321	26.321
Total	736.628	725.290

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations. These calculations use after tax cash flow projections based on financial budgets approved by management. Cash flows beyond five-year period are projected using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the operating segment in which the CGU operates.

Assumptions used for value in use calculations are as follows:

	Energy	
Cash Generating Unit:	Retail	Distribution
Weighted Average Cost of Capital (USD Dolar)(*):	10%	8.50%
Years of used cash flows:		until 2036

(*) The TL amount calculated for determination of the recoverable amount has been converted into USD by using estimated exchange rates.

	Retail	Tire, tire reinforcement	Cement
Growth rate (**)	%5,00	%17,00	%5,00
Discount rate (***)	%13,32	%9,52	%11,03
Years of used cash flows	until 2017	until 2017	until 2020

(**) Weighted average growth rates used to extrapolate cash flows beyond the budget period.

(***) After tax discount rate applied to the cash flow projections.

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NOTE 15 – GOODWILL (Continued)

Management determined gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

NOTE 16 – CONTINGENT ASSETS AND LIABILITIES

Commitments – Banking segment	31 December 2012	31 December 2011
Letters of guarantee given	12.050.871	8.857.504
Letters of credit	4.394.321	3.795.163
Foreign currency acceptance	199.864	120.751
Other guarantees given	1.698.493	1.221.178
Total	18.343.549	13.994.596

Commitments – Non-banking segment	31 December 2012	31 December 2011
Letters of guarantee given	1.052.352	760.542
Other guarantees given	187.908	230.848
Total	1.240.260	991.390

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 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Repurchase commitments	20.070.202	12.594.815
Resale commitments	-	8.210

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NOTE 16 – CONTINGENT ASSETS AND LIABILITIES (Continued)

Commitments to forward currency purchase/sale and swap transactions:

Trading derivative transactions:

	31 December 2012	31 December 2011
Foreign currency purchases	2.415.246	2.228.892
Foreign currency sales	2.422.464	2.244.317
Total	4.837.710	4.473.209

	31 December 2012	31 December 2011
Currency swap purchases	9.689.084	18.483.875
Currency swap sales	8.877.206	18.372.964
Interest rate swap purchases	12.170.185	8.480.649
Interest rate swap sales	12.170.185	8.480.649
Total	42.906.660	53.818.137

	31 December 2012	31 December 2011
Spot purchases	1.788.052	1.838.510
Spot sales	1.789.588	1.844.883
Total	3.577.640	3.683.393

Currency options purchases	10.252.775	8.351.839
Currency options sales	10.252.885	8.351.839
Total	20.505.660	16.703.678

Future purchases	-	-
Future sales	94.351	54.165
Total	94.351	54.165

Other purchase transactions	274.665	541.123
Other sales transactions	1.100.146	498.157
Total	1.374.811	1.039.280

Hedging derivative transactions:

	31 December 2012	31 December 2012
Interest swap purchases	3.275.494	3.500.793
Interest swap sales	3.275.494	3.500.793
Total	6.550.988	7.001.586

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NOTE 16 – CONTINGENT ASSETS AND LIABILITIES (Continued)

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 December 2012 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	873.597	11.177.274	12.050.871
Letters of credits	2.764.791	1.629.530	4.394.321
Acceptance credits	168.340	31.524	199.864
Other guarantees	911.991	786.502	1.698.493
Total	4.718.719	13.624.830	18.343.549

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 December 2011 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	521.733	8.335.771	8.857.504
Letters of credits	2.736.445	1.058.718	3.795.163
Acceptance credits	81.337	39.414	120.751
Other guarantees	637.598	583.580	1.221.178
Total	3.977.113	10.017.483	13.994.596

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Financial institutions	3.636.342	2.441.661
Construction	2.476.285	1.921.442
Chemicals	1.750.524	1.623.660
Whole sale	1.580.930	1.169.914
Small-scale retailers	1.344.949	1.143.565
Steel and mining	1.258.952	1.128.046
Electricity, gas and water	580.218	468.510
Automotive	470.233	429.891
Food and beverage	582.227	350.733
Textile	375.186	314.280
Other manufacturing	437.908	308.493
Electronics	420.803	252.812
Telecommunications	163.129	171.443
Transportation	238.898	144.319
Agriculture and forestry	82.150	84.201
Tourism	117.461	75.768
Other	2.827.354	1.965.858
Total	18.343.549	13.994.596

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NOTE 17 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by the Group at 31 December 2012 is as follows:

	31 December 2012				
	Total TL Equivalent	TL	USD	EUR	Other
A.Total amount of the Collaterals given for its own legal entity	1.317.924	735.739	223.918	48.099	69.914
B.Collaterals given on behalf of fully consolidated companies	465.241	164.155	88.585	14.705	108.593
C.Collaterals given on behalf of the third parties' debt for continuation of their economic activities	18.343.549	6.446.664	4.510.307	1.560.389	187.245
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	3.841	3.841	-	-	-
Total Colleteras	20.130.555	7.350.399	4.822.810	1.623.193	365.752
A.Total amount of the mortgages given for its own legal entity	3.089.700	-	17.734	1.300.373	-
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	3.089.700	-	17.734	1.300.373	-
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	-	-	-	-	-

As of 31 December 2012, the the ratio of other CPMs given by the Group to the equity is 0%.

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NOTE 17 – COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("CPM") given by the Group at 31 December 2011 is as follows:

	31 December 2011				
	Total TL Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	1.280.456	417.677	144.802	45.782	477.380
B. Collaterals given on behalf of fully consolidated companies	589.318	133.038	96.529	32.262	195.105
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	13.994.596	5.394.175	3.495.189	771.320	113.404
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 Collaterals	15.864.370	5.944.890	3.736.520	849.364	785.889
A. Total amount of the Mortgages given for its own legal entity	2.148.620	57.954	-	855.498	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of the 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	81	77	2	-	-
Total Mortgages	2.148.701	58.031	2	855.498	-
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 the 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	1.105	1.105	-	-	-
Total Pledges	1.105	1.105	-	-	-

As of 31 December 2011, the ratio of other CPMs given by the Group to the equity is %0.

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NOTE 18 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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 2012, the amount payable consists of one month's salary limited to a maximum of TL 3 (31 December 2011: TL 2,7) 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.

The reserve has been calculated by estimating the present value of the future probable obligation of the Holding arising from the retirement of the employees. IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate.

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 2011, 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 3,73% at the respective balance sheet date (31 December 2011: 4,66%). Severance pay ceiling is revised semi-annually. TL 3 severance pay ceiling, which is effective on 1 July 2012, has been considered in the provision for employment termination benefits calculations of the Group.

Movements in the provision for employment termination benefits for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
1 January	138.869	120.809
Charge for the period	72.021	46.702
Payments during the period	(40.105)	(37.497)
Transfer from non-current assets held for sale	-	12.745
Business combinations	1.138	-
Change within the scope of the consolidation	(2.746)	(1.692)
Actuarial income	4.600	(2.198)
31 December	173.777	138.869

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NOTE 19 – OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2012	31 December 2011
Cheques in clearance	566.639	205.449
Prepaid expenses	263.796	136.513
Income accruals	173.828	18.273
Deductible Value Added Tax (VAT)	136.517	123.378
Deferred commission expense	35.445	29.974
Other	104.591	258.786
Total	1.280.816	772.373

Other Non Current Assets	31 December 2012	31 December 2011
VAT receivables	185.431	97.194
TEİAŞ receivables (*)	42.800	25.197
Deferred commission expenses	27.133	25.242
Insurance receivables (**)	12.035	-
Other non current assets	46.600	37.878
Total	313.999	185.511

(*) Enerjisa, a joint venture of the Group, installs transmission lines on behalf of Turkish Electric Transmission Company (Türkiye Elektrik İletim A.Ş. – TEİAŞ) and charges those costs to the Company. As of 31 December 2012, this balance mainly consists receivables related to Tufanbeyli, Hacınoğlu, Menge and Kandil projects. These receivables will be collected by equal monthly installments with a maximum of ten years span.

(**) Consists of insurance receivables resulted from the accident happened at Köprü Project of Enerjisa, a joint venture of the Group.

Other Short Term Liabilities and Provisions

Liabilities	31 December 2012	31 December 2011
Cheques in clearance	973.641	355.431
Unearned commission income	232.729	48.045
Expense accruals	200.016	148.722
Unused vacation	58.842	47.944
Advances received	33.222	31.476
Saving deposits insurance	22.393	21.261
Deferred income	8.859	13.907
Other short term liabilities	13.132	1.301
	1.542.834	668.087

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NOTE 19 – OTHER ASSETS AND LIABILITIES (Continued)

Provisions	31 December 2012	31 December 2011
Credit card bonus provisions	166.622	150.524
Provision for unindemnified non-cash loans	21.715	78.460
Provision for lawsuit	20.970	20.281
Economical disadvantageous contracts	19.393	20.125
Other short term liability provisions	7.665	43.063
	236.365	312.453
Total	1.779.199	980.540

Other Long Term Liabilities and Provisions

	31 December 2012	31 December 2011
Unearned commission income	61.876	119.485
Other long term liability provisions	11.114	13.184
Total	72.990	132.669

NOTE 20 - EQUITY

The Holding's authorised and issued capital consists of 204.040.393.100 (31 December 2011: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2012 and 2011 is as follows:

Shareholders:	Share (%) 31 December 2012	Share (%) 31 December 2011		
Sabancı family members	43,61	890.027	43,61	890.027
Public quotation (*)	39,40	803.860	39,40	803.860
Sakıp Sabancı Holding A.Ş.	13,79	281.388	13,79	281.388
Sabancı University	1,51	30.769	1,51	30.769
Çimsa	1,06	21.534	1,06	21.534
H.Ö. Sabancı Foundation	0,63	12.826	0,63	12.826
Share capital	100	2.040.404	100	2.040.404
Treasury share (-)		(52.227)		(52.227)
Share premium		21.670		21.670

(*) Public quotation line includes Exsa and Tursa's, both of which are the Group's subsidiary, purchases from ISE which are respectively 1,29% and 0,21%. Besides, following the purchases of shareholders from public; Sabancı family's share reaches 43,65%, Sakıp Sabancı Holding A.Ş.'s share reaches 14,07% and Hacı Ömer Sabancı Foundation's share reaches 0,66%. The differences between above mentioned rates and this rates are included in public quotation line.

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NOTE 20 – EQUITY (Continued)

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Holding's 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.

The details of restricted reserves mentioned above are as follows:

	31 December 2012	31 December 2011
Legal reserves	321.338	298.339
Investments sales income	333.369	281.885
Total	654.707	580.224

At 17 May 2012, Holding has completed the initial public offering of the nominal shares of Teknosa amounting to TL 12.650, a subsidiary of the Group. In order to provide price level stability, Holding repurchased a total of TL 1.650 nominal shares. Following these transactions, Holding's effective ownership rate decreased to 60.72%, however this transaction did not result in a change in control power. Net effect of change in the effective ownership rate, and the cost of public offering amounting to TL 58.562 is accounted as an increase under shareholders' equity.

Dividend Distribution

Based on CMB, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2010. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué No. IV-27, their articles of association and their previously publicly declared profit distribution policies. In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves.

Furthermore, Group companies that are obliged to prepare consolidated financial statements based on the related decision of General Assembly, are permitted to calculate net distributable profits based upon the net income for the period presented on consolidated financial statements that have been prepared within the framework of Communiqué XI, No: 29.

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NOTE 20 - EQUITY (Continued)

	Fair Value Revaluation Fund	Cash Flow Hedge	Net Investment Hedge	Currency translation differences
Balance as of 1 January 2011	713.203	(145.047)	(35.652)	7.728
Increases/ (decreases) during the period	(843.473)	(17.524)	(53.123)	135.195
Gains transferred to income statement	(152.315)	24.324	-	51.150
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	362	-	-	-
Transfer to retained earnings	21.419	-	-	-
Tax effect	200.959	(1.360)	10.625	-
Balance as of 31 December 2011	(59.845)	(139.607)	(78.150)	194.073
Balance as of 1 January 2012	(59.845)	(139.607)	(78.150)	194.073
Increases/ (decreases) during the period	1.461.927	(115.758)	54.925	(91.570)
Gains transferred to income statement	(511.930)	53.783	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(12.527)	-	-	-
Company liquidation	-	-	-	42.784
Tax effect	(187.470)	12.406	(10.985)	-
Balance as of 31 December 2012	690.155	(189.176)	(34.210)	145.287

NOTE 21 – NON CURRENT ASSETS HELD FOR SALE

As of 1 January – 31 December 2012:

The transfer agreement of the Group's total share in Olmuksa to International Paper Container Holdings (Spain), S.L. is signed at 19 September 2012. The transfer is completed at 3 January 2013. The entity is classified as assets held for sale at the consolidated financial statements. Following the completion of sale agreement of the shares of Olmuksa owned by the Group at 19 September 2012, Olmuksa's statement of income line items are classified as income or loss from discontinued operations. As of 31 December 2012 Olmuksa's net asset value in the consolidated financial statements is TL 95.731 .

Olmuksa's statement of income for the periods 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Income	187.403	182.189
Expense	(178.406)	(173.369)
Net income before tax	8.997	8.820
Tax	(1.757)	(1.950)
Net income	7.240	6.870

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NOTE 21 – NON CURRENT ASSETS HELD FOR SALE (Continued)

As of 1 January – 31 December 2011:

Kordsa decided to consolidate its cloth production plants located in South America at Brasil. Fixed assets that remained idle and are expected to be sold within twelve months have been transferred to assets held for sale and are shown separately on the balance sheet. Since the income that proceeds from the sale is expected to exceed the carrying value of the relevant asset, there was not any provision for impairment registered on these operations that are held for sale. The net carrying value of the fixed assets which are classified as assets held for sale is TL 466 as of 31 December 2011. The related asset has been transferred to property, plant and equipment in 2012.

Holding has sold its Advansa shares on 10 June 2011 which were owned by 99,93% and accounted as non current assets held for sale, to BBMMR Holding GmbH located in Germany at EUR 6.000. As of 31 December 2011, Advansa BV's income statement lineitems are classified as income or expense from discontinued operations.

Income statement of Advansa for the year ended 31 December 2011 is as follows:

Income statement

	1 January - 31 December 2011
Revenue and income	99.068
Expenses	(92.747)
Income before tax	6.321
Taxation	(2.048)
Net income for the year	4.273

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NOTE 22 – REVENUE AND COST OF SALES

Sales Revenue

	1 January - 31 December 2012	1 January - 31 December 2011
Domestic sales	10.174.269	9.073.859
Foreign sales	1.824.381	1.892.646
Less: Discounts	(409.601)	(370.855)
Total	11.589.049	10.595.650

Cost of sales

	1 January - 31 December 2012	1 January - 31 December 2011
Cost of raw materials and merchandises	7.935.353	7.087.590
Change in finished goods, work in process inventory and trade goods	519.212	557.632
Depreciation and amortisation	263.893	231.023
Personnel expenses	154.757	131.941
Other	815.336	573.820
Total	9.688.551	8.582.006

NOTE 23 – EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2012 and 2011 are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	7.534	5.539
Depreciation and amortisation	4.663	3.836
Repair and maintenance expenses	126	25
Energy expenses	22	228
Other	4.881	3.233
Total	17.226	12.861

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NOTE 23 – EXPENSES BY NATURE (Continued)

Marketing, selling and distribution expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2012 and 2011 are as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Personnel expenses	179.883	152.939
Rent expenses	118.507	100.652
Transportation, logistic and distribution expenses	88.313	41.861
Advertisement expenses	81.331	74.857
Depreciation and amortisation	34.551	31.127
Consultancy expenses	18.443	6.098
Energy expenses	13.748	10.942
Insurance expenses	9.743	7.342
Outsourced services	3.409	12.892
Communication expenses	2.417	2.176
Other	81.706	117.342
Total	632.051	558.228

General and administrative expenses:

Allocation of general and administrative expenses on nature basis for the years ended 31 December 2012 and 2011 are as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Personnel expenses	1.618.450	1.386.831
Credit card and banking service expenses	368.037	347.121
Depreciation and amortisation	250.686	235.067
Taxes and duties	223.121	235.067
Repair and maintenance expenses	207.187	144.002
Communication expenses	175.820	150.781
Consultancy expenses	134.656	114.839
Insurance expenses	102.015	89.226
Energy expenses	98.088	42.475
Rent expenses	78.079	70.870
Outsourced services	41.607	41.604
Transportation, logistic and distribution expenses	2.778	3.595
Other	565.310	574.128
Total	3.865.834	3.319.003

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NOTE 24 – OTHER OPERATING INCOME/ EXPENSES AND GAIN/ LOSS

The details of other operating income/expenses and gain/loss at 31 December 2012 and 2011 are as follows:

31 December 2012

According to the Share Purchase Agreement signed with E.ON SE dated 3 December 2012; Verbund AG's Enerjisa Enerji A.Ş. shares will be transferred to E.ON SE. As of 31 December 2012, legal procedures are ongoing. Related permission from Energy Market Regulatory Authority (EMRA) is obtained and official share transfer will be completed after completing all legal procedures in 2013. Since it is virtually certain that all legal procedures will be completed in 2013, service income of TL 129.543 from this transaction is accrued as other income from operations. Net income effect of this transaction after deducting charges and tax effects is TL 119.188.

Exsa A.Ş., a subsidiary of the group, donated a total of TL 11.088 during the year and this balance is included in other expenses.

31 December 2011

The agreement regarding the sale of the 50% of Aksigorta A.Ş. shares owned by the Group was signed on 18 February 2011 with Ageas Insurance International N.V. and 9.482.940.100 units of Aksigorta A.Ş. shares were sold to Ageas Insurance International N.V. at USD 220.029. TL 247.350 gain on sale of the subsidiary has been recognized in the consolidated financial statements under the other operating income. The sales of the shares has resulted in decrease of the Group's net asset value by TL 115.059 and non-controlling interests by TL 141.159.

Holding has sold its Advansa shares on 10 June 2011 which were owned by 99,93% and accounted as non current assets held for sale to BBMMR Holding GmbH located in Germany at EUR 6 million. TL 38.265 loss on sale of the subsidiary has been recognized in the consolidated financial statements under the other operating expenses.

The Group realised TL 89.965 impairment charge based on the difference between the fair value and carrying amount of Advansa that is transferred to non-current asset held for sale as of 31 December 2009. The impairment of the relevant sale of Advansa shares has been removed from financial statements. Holding participates Sasa shares in the portfolio of Advansa directly in 26 May 2011 and as a result of this situation, impairment excluded the sold part was reversed via taking into consideration the net book value of the company, TL 71.902 was indicated in other operating income at the consolidated financial statements.

Teknosa, a subsidiary of the Group purchased 100% share of İstanbul Mağazacılık Ltd.Şti.'nin (Best Buy) amounting to TL 27.148. The acquisition resulted in negative goodwill amounting to TL 20.625 and it is recognized in other operating income on consolidated financial statements. The consultancy expenses resulting from the acquisition transaction amounting TL 2.916 is recognized in general and administrative expenses.

Group's tax compromise expenses are TL 25.112 for the year ended 31 December 2011.

Group's gain on sale of tangible assets is TL 164.428 for the year ended 31 December 2011.

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NOTE 25 – FINANCIAL INCOME/EXPENSES

	1 January- 31 December 2012	1 January- 31 December 2011
Financial income		
Foreign exchange income	220.143	510.667
Interest income	90.065	71.982
Total	310.208	582.649
Financial expenses		
Foreign exchange losses	205.763	598.937
Interest expense	185.400	175.150
Other financial expenses	111.584	96.440
Total	502.747	870.527

Financial expenses relate to segments other than banking.

NOTE 26 – TAX ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
Corporate and income taxes payable	1.288.258	329.468
Less: prepaid taxes	(818.919)	(192.316)
Total taxes payable	469.339	137.152

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 corporation tax rate of the fiscal year 2012 is 20% (2011: 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.

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

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.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

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 can not be carried back to offset profits from previous periods.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Group are as follows:

Exemption for participation in subsidiaries

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.

Preferential right certificate sales and issued 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 centre 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 centre 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 cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realised.

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate can not benefit from this exemption.

Exemption for investment allowance

According to the regulation, published in the 27659 numbered Official Gazette on August 1, 2010 based on Law No. 6009 through article 5, the phrase " regarding only the years 2006, 2007 and 2008" on temporary article 69 of Income Tax Law No.193 has been revised which was abolished by The Constitutional Court decision numbered 2009/144 published in the Official Gazette on 8 January 2010. With respect to this revision, undeductible investment allowance due to insufficient income and deferred investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the relevant year. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

As of 9 February 2012, the Constitutional Court has rescinded the phrase of the temporary article 69 of Income Tax Law stating that "Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the relevant year" which had been added through the article 5 of Law No.6009. The decision of the Constitutional Court numbered 2012/9 published in the 28208 numbered Official Gazette on 18 February 2012 and states that the %25 of the profit for the relevant year limitation has been removed from the temporary article 69 of Income Tax Law. This decision has not been executed till its announcement in the Official Gazette in order to prevent any possible legal disputes, losses or any other abortive claims. As a result of this revision, %100 of investments allowances are allowed to be deducted in the tax declarations, including both temporary and annual declarations, up to total amount of the relevant period profit subject to deduction.

The current year tax charge for comprehensive income stated on the statement of consolidated comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	31 December 2012			31 December 2011		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
Net unrealized fair value from available for sale financial assets	3.583.930	716.786	2.867.144	(2.073.481)	(414.696)	(1.658.785)
Net gain on available for sale financial assets transferred to the income statement	(1.255.695)	(251.139)	(1.004.556)	(373.358)	(74.672)	(298.686)
Net gain included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(30.731)	(6.146)	(24.585)	889	178	711
Cash flow hedges	(88.129)	(17.626)	(70.503)	93.340	18.668	74.672
Gain/ (loss) on net foreign investment hedge	134.739	26.948	107.791	(130.219)	(26.044)	(104.175)
Currency translation differences	(179.382)	-	(179.382)	308.187	-	308.187
Other comprehensive income	2.164.732	468.823	1.695.909	(2.174.642)	(496.566)	(1.678.076)

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of the current year tax charge for the years ended 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Profit before tax	4.675.522	4.261.431
Expected tax charge according to parent company's tax rate %20 (2011: %20)	(935.104)	(852.286)
Tax rate differences of subsidiaries	(7.965)	(11.372)
Expected tax charge of the Group	(943.069)	(863.658)
Revenue that is exempt from taxation	28.802	96.655
Expenses that are not deductible in determined in taxable profit	(57.127)	(38.349)
Timing differences not subject to tax	6.790	420
Investment allowance incentives	(712)	2.620
Tax penalty	-	(5.022)
Other	45.281	65.883
Current year tax charge of the Group	(920.035)	(741.451)

As of 31 December 2011, Sasa and Çimsa benefited from Tax Law 6111 Restructuring of Miscellaneous Receivables in order to avoid the tax risks by withdrawing the lawsuit for assessed tax and tax penalty in the investigation report issued by TC Ministry of Finance. In this context, agreed tax and tax penalty has been calculated as TL 25.112.

Deferred taxes

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes, carry forward tax losses and investment incentive exceptions.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20%.

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2012 and 2011 using the enacted tax rates, is as follows:

	31 December 2012		31 December 2011	
	Cumulative temporary differences	Deferred income tax assets/(liabilities)	Cumulative temporary differences	Deferred income tax assets/(liabilities)
Deferred income tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment and intangible assets	(586.712)	117.909	(487.995)	97.593
- Inventories	(76.689)	15.496	(53.302)	11.193
Provision for loan losses	(1.208.184)	241.637	(812.438)	162.488
Provision for employment termination benefits	(146.168)	29.563	(137.890)	28.041
Expense accruals	(101.263)	20.253	(74.206)	14.841
Provision for lawsuits	(20.670)	4.134	(49.459)	9.892
Carry forward tax losses	(157.655)	31.612	(197.041)	43.301
Repricing of fair value derivative instruments	(362.972)	72.594	(232.929)	46.586
Valuation differences on securities	-	-	(356.918)	71.384
Economically disadvantageous contracts	(19.393)	3.879	(20.125)	4.025
Investment incentives	(106.458)	6.707	(132.642)	14.000
Other temporary differences (*)	(517.069)	114.413	(408.856)	83.290
Deferred income tax assets		658.197		586.634
Deferred income tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment and intangible assets	1.138.101	(221.338)	919.091	(193.869)
- Inventories	2.060	(412)	11.618	(2.324)
Reversal of country risk provision	74.038	(23.692)	85.513	(27.216)
Deferred financing charges	717	(143)	62.962	(12.592)
Repricing of fair value derivative instruments	-	-	212.774	(42.555)
Valuation differences on securities	862.982	(172.629)	3.137	(627)
IFRIC 12 "Service Concession Arrangements" correction	294.922	(58.984)	211.088	(42.218)
Customer relations and operating rights concession arrangements	554.995	(110.999)	578.550	(115.710)
Other temporary differences	294.543	(27.476)	67.248	(14.678)
Deferred income tax liabilities		(615.673)		(451.789)
Deferred tax asset/(liability), net		42.524		134.845

(*) Other temporary differences mostly include valuation difference on investment securities and other provisions.

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Implications of net presentation form for the consolidated balance sheet of the Group are reflected, in consequence of joint ventures and subsidiaries as an independent tax payers, presented their deferred income tax assets and liabilities as a net, however temporary differences, deferred income tax assets and liabilities shown in the table above are prepared on the basis of the gross value of items.

At 31 December 2012 the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TL 95.603 which can be offset against future taxable profits for a period of five years (31 December 2011: TL 80.911). The amount of the carry forward tax losses and the last fiscal periods that they can be utilized as of 31 December 2012 and 2011 is presented below:

	31 December 2012	31 December 2011
2013	6.728	14.796
2014	18.206	12.860
2015	39.412	52.876
2016	-	60
2017	31.257	319
Total	95.603	80.911

The movements in deferred income tax assets/liabilities for the years ended at 31 December 2012 and 2011 are as follows:

	2012	2011
1 January	134.845	53.121
Charged to income statement	71.363	27.504
Charged to equity	(160.127)	59.265
Business combinations	(5.079)	9.521
Change within the scope of consolidation	59	(2.613)
Transfer from assets held for sale	-	(1.296)
Transfer to assets held for sale	1.024	(1.368)
Currency translation differences	5.436	(6.063)
Other	(4.997)	(3.226)
31 December	42.524	134.845

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NOTE 27 – DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2012

	Fair Value	
	Asset	Liability
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales	402.626	(406.341)
Forward currency purchases and sales	29.421	(38.485)
Currency and interest rate futures purchases and sales	50.637	(48.066)
Currency options purchases and sales	54.989	(61.841)
Total derivative instruments held for trading	537.673	(554.733)
Derivative instruments held for hedging:		
Forward currency purchases and sales	-	(810.600)
Interest rate swap purchases and sales	1.239	(462)
Currency options purchases and sales	269	-
Total derivative instruments held for hedging	1.508	(811.062)
Total derivative instruments	539.181	(1.365.795)

31 December 2011

	Fair Value	
	Asset	Liability
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales	647.922	(502.462)
Forward currency purchases and sales	55.833	(58.914)
Currency and interest rate futures purchases and sales	54.569	(35.946)
Currency options purchases and sales	65.235	(69.770)
Other	9.042	(7.004)
Total derivative instruments held for trading	832.601	(674.096)
Derivative instruments held for hedging:		
Interest rate swap purchases and sales	-	(330.918)
Forward currency purchases and sales	1.351	-
Total derivative instruments held for hedging	1.351	(330.918)
Total derivative instruments	833.952	(1.005.014)

Akbank and Enerjisa hedge cash flow risk arising from the 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 "Hedge Funds" within equity. Akbank also hedges its TL denominated fixed rate financial assets and foreign currency denominated financial liabilities with cross currency swaps.

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NOTE 28 – RECEIVABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

Loans and advances to customer	31 December 2012	31 December 2011
Consumer loans and credit cards receivables	32.809.930	25.287.278
Small-scale enterprises	7.220.195	5.229.867
Construction	6.180.005	5.854.753
Other manufacturing industries	3.920.649	2.991.087
Financial institutions	3.572.952	3.595.713
Mining	3.506.317	2.732.393
Chemicals	2.875.014	2.995.353
Food and beverage, wholesale and retail	2.587.937	2.419.997
Textile	1.583.831	1.192.345
Telecommunication	1.527.280	1.964.739
Tourism	1.187.446	757.384
Automotive	1.142.310	889.707
Project finance loans	1.061.433	1.268.737
Health care and social services	694.031	3.982.466
Agriculture and forestry	545.259	306.684
Electronics	447.923	249.521
Other	20.250.229	11.588.621
	91.112.741	73.306.645
Non-performing loans	1.115.456	1.262.659
Total loans and advances to customers	92.228.197	74.569.304
Allowance for loan losses	(2.224.103)	(1.976.426)
Net loans and advances to customers	90.004.094	72.592.878

Effective interest rates of USD, EUR and TL denominated loans and advances to customers are 4,91% p.a. (31 December 2011: 4,68% p.a.), 4,44% p.a. (31 December 2011: 5,10% p.a.) and 12,77% p.a. (31 December 2011: 13,03% p.a.), respectively.

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NOTE 28 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

The movement of loan loss provision of banking segment as of 31 December 2012 by class is as follows:

	Corporate	Commercial	Total
1 January	1.078.978	897.448	1.976.426
Gross provisions	431.027	734.537	1.165.564
Recoveries	(99.183)	(178.366)	(277.549)
Written-off (*)	(267.538)	(372.795)	(640.333)
Currency translation differences	(5)	-	(5)
31 December	1.143.279	1.080.824	2.224.103

(*) TL 500,1 thousand of the Bank's non-performing loan portfolio has been sold to Girişim Varlık Yönetimi A.Ş. for TL 95,1 thousand on 1 October 2012. The amount that's been sold is shown under "Write-offs" in the above table.

The movement of loan loss provision of banking segment as of 31 December 2011 by class is as follows:

	Corporate	Commercial	Total
1 January	969.340	828.320	1.797.660
Gross provisions	309.673	361.624	671.297
Recoveries	(152.011)	(207.583)	(359.594)
Written-off	(48.043)	(84.913)	(132.956)
Currency translation differences	19	-	19
31 December	1.078.978	897.448	1.976.426

The maturity schedule of loans and advances to customers at 31 December 2012 and 2011 are summarised below:

	31 December 2012	31 December 2011
Up to 3 months	33.389.858	24.096.237
3 to 12 months	17.269.552	15.989.617
Current	50.659.410	40.085.854
1 to 5 years	27.929.837	24.156.809
Over 5 years	11.414.847	8.350.215
Non-current	39.344.684	32.507.024
Total	90.004.094	72.592.878

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NOTE 28 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

The repricing schedule of loans and advances to customers at 31 December 2012 and 2011 are summarised below:

	31 December 2012	31 December 2011
Up to 3 months	49.040.233	35.947.093
3 to 12 months	19.543.894	20.413.180
1 to 5 years	18.097.408	13.748.109
Over 5 years	3.322.559	2.484.496
Total	90.004.094	72.592.878

Long-term and the short-term lease receivables of Ak Finansal Kiralama A.Ş. as a subsidiary of Akbank at 31 December 2012 and 2011 are summarised below:

Financial Lease Receivables:

	31 December 2012	31 December 2011
Gross investment in finance leases	2.352.020	1.650.376
Less: unearned finance income	(325.093)	(204.496)
Total investment in finance leases	2.026.927	1.445.880
Less: provision for impairment	(25.295)	(36.237)
Net investment in finance leases	2.001.632	1.409.643

Lease receivables represent the principal lease balances for lease agreements. The maturity schedule as of 31 December 2012 and 2011 of lease receivables is summarised below:

	31 December 2012	31 December 2011
Up to 1 year	757.804	349.463
1 to 5 years	994.151	639.289
Over 5 years	249.677	420.891
Total	2.001.632	1.409.643

b) Insurance

	31 December 2012	31 December 2011
Receivables from insurance operations (net)	204.850	155.267

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NOTE 29 – PAYABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

	31 December 2012			31 December 2011		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	6.355.668	41.716.837	48.072.505	3.903.466	40.858.803	44.762.269
Commercial deposits	6.145.817	20.889.328	27.035.145	5.204.736	17.906.634	23.111.370
Bank deposits	321.791	10.426.882	10.748.673	392.604	9.893.214	10.285.818
Funds provided from repo transactions	-	19.712.067	19.712.067	-	12.420.360	12.420.360
Other	830.282	2.442.909	3.273.191	221.261	1.019.525	1.240.786
Total	13.653.558	95.188.023	108.841.581	9.722.067	82.098.536	91.820.603

Effective interest rates of USD, EUR and TL denominated customer deposits are 1,72% p.a. (31 December 2011: 2,77% p.a.), 1,47% p.a. (31 December 2011: 2,92% p.a.) and 6,81% p.a. (31 December 2011: 8,77% p.a.).

As at 31 December 2012 and 2011, the contractual maturity date and contractual repricing schedules based on the remaining period of banking customer deposits are as follows:

	31 December 2012	31 December 2011
Demand	13.653.558	9.722.067
Up to 3 months	79.682.373	74.551.473
3 to 12 months	10.257.507	6.066.014
1 to 5 years	2.309.107	904.628
Over 5 years	2.939.036	576.421
Total	108.841.581	91.820.603

b) Insurance

	31 December 2012	31 December 2011
Payables from insurance operations (net)	72.171	59.130
Insurance technical reserves	546.400	520.986
Total	618.571	580.116

NOTE 30 – MUTUAL FUNDS

As of 31 December 2012, the Group manages 41 (31 December 2011: 40) mutual funds ve 27 (31 December 2011: 19) pension funds which were established under Capital Markets Board Regulations. At 31 December 2012, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of TL 7.939.581 (31 December 2011: TL 6.951.505). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates, provides other services and charges management fees ranging from 0,0000274% - 0,0001000%. At 31 December 2012, management fees and commissions earned by the Group amounted to TL 63.779 (31 December 2011: TL 124.882).

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NOTE 31 – 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 2012	31 December 2011
Earnings per share in full TL		
- ordinary share ('000)	9,10	9,20
Earnings per share of continuing operations in full TL		
- ordinary share ('000)	9,06	9,15
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 basic and diluted earnings per share for any class of shares for any of these periods.

NOTE 32 – 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, unused vacation, premium bonuses and incentive premiums. Other long term benefits include private pension system payments. Benefits resulted from discharge include severance pay and unused vacation payments for executive management who is discharged as a result of transfer or retirement.

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Short term benefits	15.298	13.377
Benefits resulted from discharge	244	233
Other long term benefits	188	161
Total	15.730	13.771

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

33.1 *Financial Instruments and Financial Risk Management*

33.1.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by individual Subsidiaries and Joint Ventures under policies, approved by their Board of Directors.

33.1.1.1 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 aims to lower foreign exchange risk arising from assets and liabilities by using swap and forward derivative instruments.

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). The Bank keeps the amount exposed to foreign exchange risk within the limits determined by the 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. When necessary swap and forward contracts are used as a tool to hedge the foreign exchange risk.

The Group is exposed to foreign exchange risk arising primarily from the EUR, USD and GBP.

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations at 31 December 2012 and 2011 terms of TL are as follows:

	31 December 2012	31 December 2011
Assets	67.142.436	56.749.714
Liabilities	(73.856.883)	(68.569.141)
Net foreign currency balance sheet position	(6.714.447)	(11.819.427)
Net foreign currency position of off-balance sheet derivative financial instruments	6.709.990	11.224.319
Net foreign currency balance sheet and off-balance sheet position	(4.457)	(595.108)

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.1 Foreign Exchange Risk (Continued)

31 December 2012

	Total TL Equivalent	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	4.376.753	2.395.346	1.809.351	20.910	151.146
Financial assets	12.256.506	8.643.262	3.613.244	-	-
Receivables from financial operations	37.006.716	25.176.303	11.758.634	29.078	42.701
Reserve deposits at Central Bank	12.688.205	6.555.054	3.930.968	-	2.202.183
Trade receivables	611.558	261.753	289.272	5.247	55.286
Other current assets	202.698	62.043	80.973	90	59.592
Total Assets	67.142.436	43.093.761	21.482.442	55.325	2.510.908
Liabilities:					
Funds borrowed and debt securities in issue	21.802.583	13.928.826	7.840.704	3.751	29.302
Customer deposits	50.966.998	32.709.906	15.236.139	899.240	2.121.713
Trade payables	428.627	149.446	201.198	626	77.357
Other payables and provisions	658.675	435.236	179.483	1.658	42.298
Total Liabilities	73.856.883	47.223.414	23.457.524	905.275	2.270.670
Net foreign currency position of off-balance sheet derivative financial instruments	6.709.990	5.044.684	1.065.305	848.294	(248.293)
Net foreign currency position	(4.457)	915.031	(909.777)	(1.656)	(8.055)
Net foreign currency monetary position	(4.457)	915.031	(909.777)	(1.656)	(8.055)
Net foreign currency monetary position (*)	(490.769)				

(*) As of 31 December 2012; net foreign currency position excluding the effects of Enerjisa's capitalized borrowing costs, banking industrial position and other foreign exchange assets and liabilities that do not result in foreign exchange gain/loss is TL (490.769).

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.1 Foreign Exchange Risk (Continued)

31 December 2011

	Total TL Equivalent	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	4.991.131	2.846.134	2.005.017	20.573	119.407
Financial assets	7.288.979	4.024.172	3.264.807	-	-
Receivables from financial operations	34.938.562	24.474.068	10.359.787	41.238	63.469
Reserve deposits at Central Bank	8.609.832	8.163.721	-	-	446.111
Trade receivables	705.232	287.420	338.736	6.501	72.575
Other current assets	215.978	75.903	52.666	474	86.935
Total Assets	56.749.714	39.871.418	16.021.013	68.786	788.497
Liabilities:					
Funds borrowed and debt securities in issue	23.206.015	16.070.513	7.084.785	10.851	39.866
Customer deposits	44.233.111	29.335.078	13.398.351	806.780	692.902
Trade payables	586.115	130.062	234.431	416	221.206
Other payables and provisions	543.900	154.762	333.824	3.783	51.531
Total Liabilities	68.569.141	45.690.415	21.051.391	821.830	1.005.505
Net foreign currency position of off-balance sheet derivative financial instruments	11.224.319	6.382.269	3.954.376	756.744	130.930
Net foreign currency position	(595.108)	563.272	(1.076.002)	3.700	(86.078)
Net foreign currency monetary position	(595.108)	563.272	(1.076.002)	3.700	(86.078)
Net foreign currency monetary position	1.889				

(*) As of 31 December 2011; net foreign currency position excluding the effects of Enerjisa's capitalized borrowing costs, banking industrial position and other foreign exchange assets and liabilities that do not result in foreign exchange gain/loss is TL 1.889.

	31 December 2012	31 December 2011
Total export	1.770.613	1.732.516
Total import	2.156.346	2.443.090

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.1 Foreign Exchange Risk (Continued)

Change of foreign currency has no material effect on financial statements because foreign exchange risk of the Bank is not material.

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 31 December 2012 and 2011 is summarized as follows:

31 December 2012	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	(9.491)	9.491	-	-
Hedged items (-)	-	-	-	-
USD net effect	(9.491)	9.491	-	-
Change in EUR against TL by 10%				
EUR net assets/liabilities	(24.244)	68.973	-	-
Hedged items (-)	-	-	-	-
EUR net effect	(24.244)	68.973	-	-
Change in GBP against TL by 10%				
GBP net assets/liabilities	198	(198)	-	-
Hedged items (-)	-	-	-	-
GBP net effect	198	(198)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	1.247	(1.247)	-	-
Hedged items (-)	-	-	-	-
Other currency net effect	1.247	(1.247)	-	-
	(32.290)	77.019	-	-
31 December 2011				
Change in USD against TL by 10%				
USD net assets/liabilities	30.571	(30.571)	-	-
Hedged items (-)	-	-	-	-
USD net effect	30.571	(30.571)	-	-
Change in EUR against TL by 10%				
EUR net assets/liabilities	(33.988)	60.923	-	-
Hedged items (-)	-	-	-	-
EUR net effect	(33.988)	60.923	-	-
Change in GBP against TL by 10%				
GBP net assets/liabilities	283	(283)	-	-
Hedged items (-)	-	-	-	-
GBP net effect	283	(283)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(6.909)	6.909	-	-
Hedged items (-)	-	-	-	-
Other currency net effect	(6.909)	6.909	-	-
	(10.043)	36.978	-	-

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.2 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

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 2012 and 2011, the Group's borrowings at floating rates are denominated in TL, USD, EUR and GBP.

The interest rate risk of Group companies other than that of the banking segment for the years ended 31 December 2012 and 2011 is summarized below as follows: (Please refer to Note 33.1.1.5 for banking industrial segment).

	31 December 2012	31 December 2011
Fixed interest rate financial instruments		
Financial assets	294.269	502.306
Financial assets at fair value through profit of loss	2.918	9.890
Available-for-sale financial assets	173.201	318.761
Time deposits	118.150	173.655
Financial liabilities	1.393.733	1.080.825
Floating interest rate financial instruments		
Financial assets	11.939	7.952
Financial liabilities	934.240	2.076.011

Group composed various scenarios for borrowings issued at floating rates taking into account hedging position, alternative funding and renew state of positions. According to these scenarios: (Please refer to Note 33.1.1.5 for banking industrial segment).

At 31 December 2012, 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 1.826 (31 December 2011: TL 5.043) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2012, 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 68 (31 December 2011: TL 179) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2012, 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 45 (31 December 2011: TL 18) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.3 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.

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 2012 and 2011 the contractual cash flows of the non-derivative financial liabilities of the Group companies banking segment are as follows:

31 December 2012							
Liabilities	Book value	Contractual cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Customer deposits	108.841.581	109.686.548	82.721.726	10.808.347	10.420.707	2.572.273	3.163.495
Funds borrowed and debt securities in issue	22.212.514	24.208.518	1.129.543	4.328.042	8.632.952	7.867.483	2.250.498
Interbank money market deposits, funds borrowed and debt securities in issue	407.551	407.551	407.551	-	-	-	-
	131.461.646	134.302.617	84.258.820	15.136.389	19.053.659	10.439.756	5.413.993
31 December 2011							
Liabilities	Book value	Contractual cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Customer deposits	91.820.603	92.649.738	71.309.377	13.328.364	6.393.888	974.744	643.365
Funds borrowed and debt securities in issue	22.549.125	24.516.166	2.388.454	3.884.574	9.137.351	7.491.001	1.614.786
Interbank money market deposits, funds borrowed and debt securities in issue	640.869	640.869	640.869	-	-	-	-
	115.010.597	117.806.773	74.338.700	17.212.938	15.531.239	8.465.745	2.258.151

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.3 Liquidity Risk (Continued)

ii) Other industrial segment

The table below depicts the cash outflows the Group companies other than that of the banking segment will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Group performs its liquidity risk management by considering expected non-discounted cash flows.

As of 31 December 2012 and 2011 the contractual cash flows of the non-derivative financial liabilities of the Group companies other than that of the banking segment are as follows:

31 December 2012 ⁽¹⁾⁽²⁾	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	3.188.421	3.614.318	647.299	1.236.102	968.759	762.158
Financial lease obligations	10.524	11.150	192	1.239	4.986	4.733
Trade payables	1.967.702	2.011.448	1.875.684	114.175	19.499	2.090
Payables from insurance operations	37.176	37.176	6.777	27.074	3.325	-
Other payables	308.166	308.166	182.404	20.118	36.112	69.532
	5.511.989	5.982.258	2.712.356	1.398.708	1.032.681	838.513
31 December 2011 ⁽¹⁾⁽²⁾	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	2.787.245	2.815.782	547.844	742.698	949.315	575.925
Financial lease obligations	9.028	8.717	754	1.616	1.425	4.922
Trade payables	1.801.264	1.837.093	1.794.696	40.162	145	2.090
Payables from insurance operations	32.525	32.525	32.462	63	-	-
Other payables	384.067	384.067	140.634	41.842	88.920	112.671
	5.014.129	5.078.184	2.516.390	826.381	1.039.805	695.608

- (1) Maturity analysis is performed for only financial assets. Legal obligations are not considered in the analysis.
- (2) The aforementioned cash flows are contractual and non-discounted amounts. Since, discounted amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the book value.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 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 monitors this risk by reference to credit risk ratings and by limiting the aggregate risk to any individual counterparty, group of companies and industry. 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 determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements.

When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

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 in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

Akbank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent 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.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

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).

The default probabilities of counterparties are calculated by using scoring tools tailored to various categories of counterparty and are derived credit rating for corporate and commercial, SME, consumer and credit card loan portfolios.

Scoring systems calculate the risk of default for different types of customers and form different rating systems. The rating tool concentration by risk classes are as follows:

	31 December 2012	31 December 2011
Above average	35,79%	37,44%
Average	47,73%	49,48%
Below average	12,46%	10,88%
Unrated	4,02%	2,20%

The credit risks of the consumer loans and credit cards and financial lease receivables given by rating system for the period ended 31 December 2012 and 2011 are summarized below as follows:

31 December 2012	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Standard loans	55.935.444	32.232.677	1.977.916	90.146.037
Close monitoring loans	608.822	2.335.798	11.585	2.956.205
Loans under follow up	484.949	630.507	37.426	1.152.882
Total	57.029.215	35.198.982	2.026.927	94.255.124
Provisions	(1.143.279)	(1.080.824)	(25.295)	(2.249.398)
	55.885.936	34.118.158	2.001.632	92.005.726

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

31 December 2011	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Standard loans	47.539.164	24.509.421	1.380.210	73.428.795
Close monitoring loans	480.203	777.857	12.025	1.270.085
Loans under follow up	643.600	619.059	53.645	1.316.304
Total	48.662.967	25.906.337	1.445.880	76.015.184
Provisions	(1.078.978)	(897.448)	(36.237)	(2.012.663)
	47.583.989	25.008.889	1.409.643	74.002.521

The aging analysis of the loans under close monitoring for the year ended 31 December 2012 and 2011 are as follows:

31 December 2012	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Past due up to 1 month	369.463	1.486.151	4.333	1.859.947
Past due 1- 2 months	107.779	651.485	4.024	763.288
Past due 2-3 months	131.580	198.162	254	329.996
Leasing payment receivables (uninvoiced)	-	-	2.974	2.974
	608.822	2.335.798	11.585	2.956.205

31 December 2011	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Past due up to 1 month	328.919	334.239	534	663.692
Past due 1-2 months	110.354	332.423	972	443.749
Past due 2-3 months	40.930	111.195	1.021	153.146
Leasing payment receivables (uninvoiced)	-	-	9.498	9.498
	480.203	777.857	12.025	1.270.085

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

Maximum exposure to credit risk of banking industrial segment:

	31 December 2012	31 December 2011
Loans and advances to banks	3.190.672	3.463.003
Loans and advances	90.004.094	72.592.878
<i>Consumer loans and advances</i>	34.118.158	25.008.889
<i>Corporate loans and advances</i>	55.885.936	47.583.989
Financial lease receivables	2.001.632	1.409.643
Trading financial assets	14.153	150.314
Trading purpose derivative financial assets	537.674	826.711
Available for sale and held to maturity financial assets	46.011.981	43.786.048
Other assets	1.130.325	766.545
Total	142.890.531	122.995.142

The Moody's rating analysis of trading securities, available for sale financial assets and held to maturity financial assets of the banking industrial segment for the years ended for 31 December 2012 and 2011 are as follows:

31 December 2012	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	17.731	-	17.731
A1, A2, A3	3.268	457.002	-	460.270
Baa1, Baa2, Baa3	-	1.033.864	-	1.033.864
Ba2 (*)	10.885	40.865.916	3.637.468	44.514.269
C	-	-	-	-
Total	14.153	42.374.513	3.637.468	46.026.134

31 December 2011	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	162.927	-	162.927
A1, A2, A3	-	599.615	-	599.615
Baa1, Baa2, Baa3	-	362.127	-	362.127
Ba2 (*)	150.314	37.650.892	4.655.135	42.456.341
C	-	-	-	-
Total	150.314	38.775.561	4.655.135	43.581.010

(*) Government bond and treasury bills of Turkish Treasury.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2012 and 2011 are summarized as follows:

31 December 2012	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	526.879	251.150	2.376.123	36.520	3.190.672
Loans and advances	88.312.214	73.060	1.270.012	348.808	90.004.094
<i>Consumer loans and advances</i>	34.118.158	-	-	-	34.118.158
<i>Corporate loans and advances</i>	54.194.056	73.060	1.270.012	348.808	55.885.936
Financial lease receivables	2.001.632	-	-	-	2.001.632
Trading financial assets	14.153	-	-	-	14.153
Derivative financial instruments	333.929	30	118.516	85.199	537.674
Available for sale and held to maturity financial assets	45.191.606	9.390	677.652	133.333	46.011.981
Other assets	1.112.580	-	17.088	658	1.130.326
Total	137.492.993	333.630	4.459.391	604.518	142.890.532

31 December 2011	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	454.533	444.378	2.514.436	49.656	3.463.003
Loans and advances	70.491.688	122.675	1.482.258	496.257	72.592.878
<i>Consumer loans and advances</i>	25.008.889	-	-	-	25.008.889
<i>Corporate loans and advances</i>	45.482.799	122.675	1.482.258	496.257	47.583.989
Financial lease receivables	1.409.643	-	-	-	1.409.643
Trading financial assets	150.314	-	-	-	150.314
Derivative financial instruments	336.621	6	459.782	30.302	826.711
Available for sale and held to maturity financial assets	42.523.431	-	1.221.942	40.675	43.786.048
Other assets	735.501	-	29.412	1.632	766.545
Total	116.101.731	567.059	5.707.830	618.522	122.995.142

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2012 and 2011 are summarized as follows:

	Financial institutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to banks	3.190.672	-	-	-	-	-	3.190.672
Loan and advances	3.647.509	1.865.079	12.005.765	21.821.799	16.545.784	34.118.158	90.004.094
Consumer loans	-	-	-	-	-	34.118.158	34.118.158
Corporate loans	3.647.509	1.865.079	12.005.765	21.821.799	16.545.784	-	55.885.936
Financial lease receivables	84.169	-	9.913	16.829	1.828.518	62.203	2.001.632
Trading financial assets	3.689	10.464	-	-	-	-	14.153
Derivative financial instruments	150.981	-	-	-	386.013	680	537.674
Available for sale and assets held for sale financial assets	1.697.091	43.909.170	-	-	405.720	-	46.011.981
Other assets	1.130.325	-	-	-	-	-	1.130.325
31 December 2012	9.904.436	45.784.713	12.015.678	21.838.628	19.166.035	34.181.041	142.890.531
31 December 2011	10.011.399	43.912.556	8.968.724	16.002.669	18.822.830	25.276.964	122.995.142

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (Continued)

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 credit risks of the financial instruments of Group companies other than that of the banking segment for the years ended 31 December 2012 and 2011 is summarized below as follows:

31 December 2012	Trade receivables	Receivables from insurance operations	Other receivables(*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.565.399	78.918	329.290	400.012	1.508
Collateralized or secured with guarantees part of maximum credit	628.092	2.213	3.483	-	-
A. Neither past due nor impaired	1.329.616	77.102	329.290	392.663	1.508
B. Restructured otherwise accepted as past due and impaired	38.971	-	-	-	-
C. Past due but not impaired net book value	196.222	-	-	7.349	-
guaranteed amount by commitment	33.608	-	-	-	-
D. Net book value of impaired assets	590	1.816	-	-	-
- Past due (Gross amount)	135.445	18.309	3.250	-	-
- Impairment	(134.855)	(16.493)	(3.250)	-	-
- Collateralized or guaranteed part of net value	648	-	-	-	-

(*) Tax and other legal receivables are not included.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.4 Credit Risk (Continued)

ii) Other industrial segment (Continued)

31 December 2011	Trade receivables	Receivables from insurance operations	Other receivables(*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.566.557	84.199	286.986	469.498	1.351
Collateralized or secured with guarantees part of maximum credit	369.159	-	526	-	-
A. Neither past due nor impaired	1.394.580	82.385	286.986	469.498	1.351
B. Restructured otherwise accepted as past due and impaired	486	-	-	-	-
C. Past due but not impaired					
net book value	168.690	-	-	-	-
guaranteed amount by commitment	26.940	-	-	-	-
D. Net book value of					
impaired assets	2.821	1.814	-	-	-
- Past due (Gross amount)	127.048	14.914	3.285	-	-
- Impairment	(124.227)	(13.100)	(3.285)	-	-
- Collateralized or guaranteed part of net value	1.189	-	-	-	-

(*) Tax and other legal receivables are not included.

33.1.1.5 Value at Risk

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of Akbank, include interest rate stress testing. Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Asset Liability Committee (ALCO) performs daily management of interest rate risk in accordance with the risk limits set by the Executive Risk Committee in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

The interest rate risk arising from banking book is calculated and reported on a monthly basis according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no. 28034 on 23 August 2011.

As of 31 December 2012, 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;

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.5 Value at Risk (Continued)

Currency	Applied Schock (+/- x basis points)	31 December 2012		31 December 2011	
		Gains / Losses	Gains / Shareholders Equity- Losses / Shareholders Equity	Gains / Losses	Gains / Shareholders Equity- Losses / Shareholders Equity
TL	-400	2.171.947	9,53%	2.267.658	11,97%
TL	500	(2.283.194)	(10,02%)	(2.404.360)	(12,69%)
US Dollar	-200	680.741	2,99%	168.709	0,89%
US Dollar	200	(461.521)	(2,03%)	(50.532)	(0,27%)
Euro	-200	154.670	0,68%	359.510	1,90%
Euro	200	(228.395)	(1,00%)	(313.325)	(1,65%)
Total (for negative shocks)		3.007.358	13,20%	2.795.877	14,76%
Total (for positive shocks)		(2.973.110)	(13,05%)	(2.768.217)	(14,61%)

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 boundaries and control efficiency is increased.

Reinforced with scenario analyses and stress testing, VaR analyses also take into consideration the impact of events and market fluctuations that are unexpected and highly improbable but engender great consequences. The outputs of the model are regularly checked by back-tests.

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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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.1.5 Value at Risk (Continued)

The average market risk table of Akbank at 31 December 2012 is as follows (*);

	31 December 2012		
	Average	Maximum	Minimum
Interest Rate Risk	94.460	130.739	58.182
Share Certificates Risk	1.785	748	2.821
Currency Risk	-	-	-
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	2.850	742	4.957
Counterparty Credit Risk	11.588	3.762	19.414
Total Amount Subject to Risk (**)	110.683	135.991	85.374

(*) The table above has been prepared using Akbank's consolidated financial statements prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, related to the 5411 numbered Banking Law which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency.

(**) Total balance represents the total capital requirement for market risk.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

33.1.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. Net debt is calculated as the total liability less cash and cash equivalents and tax liabilities (current period and deferred income tax liabilities).

The net liability/invested capital ratios at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Total financial liabilities	143.957.561	124.913.252
Cash and cash equivalents	(6.717.644)	(6.643.010)
Net liability	137.239.917	118.270.242
Equity	30.513.044	25.473.142
Invested capital	167.752.961	143.743.384
Net liability/ invested capital ratio	82%	82%

NOTE 34 – 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 exchange.

For all other segments other than those of the banking segment the following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

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 uncollectibility are carried at amortised cost using the effective yield method, and hence are considered to approximate their fair values.

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NOTE 34 – FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

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.

Trade payables are stated at their fair values and accordingly their carrying amounts 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 value hierarchy 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 .

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NOTE 34 – FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

i) Banking industrial segment

Fair values of the financial assets and liabilities of the Group's banking segment as of 31 December 2012 and 2011 are as follows:

	31 December 2012			Total
	Level 1	Level 2	Level 3	
Held for trading securities	32.978	-	-	32.978
- Government bonds	7.495	-	-	7.495
- Eurobonds	2.969	-	-	2.969
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	18.825	-	-	18.825
- Other	3.689	-	-	3.689
Derivative financial instruments	50.529	487.145	-	537.674
Available for sale securities	40.441.079	455.428	-	40.896.507
- Government bonds	38.703.853	-	-	38.703.853
- Eurobonds	-	-	-	-
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	239.122	-	-	239.122
- Equity securities	-	-	-	-
- Other	1.498.104	455.428	-	1.953.532
Total Assets	40.524.586	942.573	-	41.467.159
Trading derivative financial instruments	48.065	505.874	-	553.939
Hedging derivative financial instruments	-	658.845	-	658.845
Total liabilities	48.065	1.164.719	-	1.212.784

Share certificates classified as available for sale are carried at cost less impairment since they are not traded in active markets and their fair values can not be measured reliably.

There are no transfers between the first and the second levels in the current year.

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NOTE 34 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

i) Banking industrial segment (continued)

	31 December 2011			Total
	Level 1	Level 2	Level 3	
Held for trading securities	159.000	2.317	-	161.317
- Government bonds	116.161	-	-	116.161
- Eurobonds	26.623	-	-	26.623
- Government bonds denominated in foreign currency	-	2.317	-	2.317
-Treasury bills	-	-	-	-
-Share certificates	14.249	-	-	14.249
-Other	1.967	-	-	1.967
Derivative financial instruments	54.569	772.142	-	826.711
Available for sale securities	35.553.222	1.794.046	-	37.347.268
-Government bonds	30.344.783	849.004	-	31.193.787
-Eurobonds	4.062.865	-	-	4.062.865
-Treasury bills	-	-	-	-
-Government bonds denominated in foreign currency	-	646.297	-	646.297
-Mutual funds	186.017	-	-	186.017
- Equity securities	-	-	-	-
-Other	959.557	298.745	-	1.258.302
Total Assets	35.766.791	2.568.505	-	38.335.296
Trading derivative financial instruments	35.946	637.089	-	673.035
Hedging derivative financial instruments	-	219.851	-	219.851
Total liabilities	35.946	856.940	-	892.886

Share certificates classified as available for sale are carried at cost less impairment since they are not traded in active markets and their fair values can not be measured reliably.

There have been no transfers between the first and the second levels in the current and prior year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 34 – FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

ii) Other industrial segment

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Held for trading securities	6.772	-	-	6.772
Available for sale securities	186.368	-	-	186.368
Derivatives held for trading	-	-	-	-
Derivatives held for hedging	-	1.508	-	1.508
Total Assets	193.140	1.508	-	194.648
Derivatives held for trading	-	794	-	794
Derivatives held for hedging	-	152.217	-	152.217
Total Liabilities	-	153.011	-	153.011

	31 December 2011			
	Level 1	Level 2	Level 3	Total
Held for trading securities	9.685	-	-	9.685
Available for sale securities	181.148	-	-	181.148
Derivatives held for trading	-	6.703	-	6.703
Derivatives held for hedging	-	1.351	-	1.351
Total Assets	190.833	8.054	-	198.887
Derivatives held for trading	-	2.547	-	2.547
Derivatives held for hedging	-	111.706	-	111.706
Total Liabilities	-	114.253	-	114.253

Share certificates classified as available for sale are carried at cost less impairment since they are not traded in active markets and their fair values can not be measured reliably.

There have been no transfers between the first and the second levels in the current and prior year.

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NOTE 34 – FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments and fair value

31 December 2012	Note	financial assets	Held to maturity including cash and cash equivalents	Loans and receivables (cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Book value	Fair value
Financial Assets								
Cash and cash equivalents	5	-	-	6.717.644	-	-	6.717.644	6.717.644
Trade receivables	8	-	-	1.565.399	-	-	1.565.399	1.565.399
Other financial assets (*)	6, 9	3.637.468	-	1.187.379	41.096.111	-	45.920.958	45.985.695
Receivables from finance sector operations	28	-	-	92.210.576	-	-	92.210.576	96.229.839
Financial Liabilities								
Financial payables	7	-	-	-	-	25.805.254	25.805.254	25.805.254
Trade payables	8	-	-	-	-	1.963.602	1.963.602	1,963,602
Other financial liabilities (**)	9	-	-	-	-	3,456,167	3,456,167	3,456,167
Payables from finance sector operations (***)	29	-	-	-	-	108,913,752	108,913,752	108,960,460

31 December 2011

Financial Assets								
Cash and cash equivalents	5	-	-	6.643.010	-	-	6.643.010	6.643.010
Trade receivables	8	-	-	1.566.557	-	-	1,566,557	1,566,557
Other financial assets (*)	6, 9	4,655,135	-	1,180,649	37,561,386	-	43,397,170	43,568,094
Receivables from finance sector operations	28	-	-	74,157,788	-	-	74,157,788	74,072,429
Financial Liabilities								
Financial payables	7	-	-	-	-	25,830,882	25,830,882	25,830,882
Trade payables	8	-	-	-	-	1,801,264	1,801,264	1,801,264
Other financial liabilities (**)	9	-	-	-	-	2,787,066	2,787,066	2,787,066
Payables from finance sector operations (***)	29	-	-	-	-	91,879,733	91,879,733	91,512,159

(*) Other financial assets consist of other receivables, time deposits, securities available for sale and held for trading.

(**) Other financial liabilities consist of other payables.

(***) Technical Insurance Reserves are not included.

DRT BAĞIMSIZ DENETİM
VE SERBEST MUHASEBİLER MALİ MÜŞAVİRLİK
ANONİM ŞİRKETİ

HACI ÖMER SABANCI HOLDİNG A.Ş.

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NOTE 35 – EVENTS AFTER THE BALANCE SHEET DATE

Akbank, a subsidiary of the Group, has made necessary applications to issue Turkish Lira denominated bank bonds with different maturities, up to TL 400.000 of which will be offered to public and up to TL 800.000 of which will be allocated or sold to qualified investors.

Akbank has issued bonds abroad with nominal value of TL 1.000.000 redemption date of 5 February 2018 and fixed rate, 5 year term and 6 month coupon payments have been priced with an annual simple interest rate of 7,5%.

The transfer agreement of the Group's total share in Olmuksa to International Paper Container Holdings (Spain),S.L. at TL 101.230 is signed at 19 September 2012. The transfer is completed at 3 January 2013.

Aksigorta has been subjected to tax investigation in 2012 regarding corporate tax calculation of the year 2010 and additional tax amounting to TL 60.908 and its penalty amounting to TL 91.362 has been charged to the Company at 4 February 2013. The Company will utilize its legal rights against the claims and in this respect no payment is planned at this stage. No provision is accounted for in the financial statements regarding this matter.

The tax investigation was related to the spin off transaction which was subject to tax investigation in 2010. Upon reconciliation with the Ministry of Finance, adjustments have been made on the tax burden and the inter-related tax penalty that have been charged to the Company in 2010, amounting to TL 101.531 and TL 152.296 respectively, where the tax penalty has been waived and the total tax burden of TL 101.531 has been decreased to TL 8.500.

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 39.219 and its penalty amounting to TL 58.829. 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 reconciliation with the Ministry of Finance. On 22 January 2013, the Company applied to the Ministry of Finance to reach a reconciliation according to the same issue and the same year. No provision is accounted for in the financial statements regarding this matter.

On 3 December 2012, Verbund International and E.ON SE entered into a Share Purchase Agreement for the sale and transfer of all Verbund shares in Enerjisa Enerji A.Ş. to E.ON SE. As of 31 December 2012 legal procedures are ongoing. Related permission from Energy Market Regulatory Authority (EMRA) is obtained and official share transfer will be completed after completing all legal procedures in 2013.