

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 INTO ENGLISH
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

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

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

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

Subsidiaries are companies in which Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related 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 presented 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 an integral part of these consolidated financial statements and have been translated from Turkish Lira ("TL"), for the sake of arithmetic computation only, by the official USD exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2016 for the consolidated balance sheet and by the USD average CBRT exchange rate for 2016 for the consolidated statement of profit or loss and consolidated statement of cash flows. The resulting difference from the use of different exchange rates for balance sheet and income statement is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency."

Reports on Other Legal and Regulatory Requirements

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

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

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

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



H. Erdem Selçuk
Partner

İstanbul, 23 February 2017

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HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2016 AND 2015

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

	Note References	Unaudited		
		Current Period 31 December 2016 USD (*)	Current Period 31 December 2016	Prior Period 31 December 2015
ASSETS				
Current Assets		42.847.774	150.789.884	123.206.744
Cash and Cash Equivalents	5	3.579.401	12.596.627	10.705.724
Financial Investments		1.089.867	3.835.458	1.702.308
- Held for Trading	6.a	18.164	63.921	40.513
- Available for Sale	6.b	866.922	3.050.872	1.540.670
- Held to Maturity	6.c	194.618	684.900	121.125
- Time Deposits	6.d	10.163	35.765	-
Trade Receivables	8	409.355	1.440.602	1.339.757
Receivables from Finance Sector Operations	30	24.962.635	87.848.505	78.541.392
Reserve Deposits with the Central Bank of the Republic of Turkey		9.425.944	33.171.783	24.007.327
Other Receivables	9	323.492	1.138.432	1.036.876
Derivative Financial Instruments	29	2.177.397	7.662.697	2.717.395
Inventories	10	569.941	2.005.735	2.021.777
Prepaid Expenses	11	138.303	486.716	338.199
Assets Related to Current Tax		1.329	4.678	4.478
Other Current Assets	20	163.921	576.871	677.290
		42.841.585	150.768.104	123.092.523
Non-current Assets Held for Sale		6.189	21.780	114.221
Non-current Assets		44.748.224	157.477.955	142.313.323
Financial Assets		13.941.547	49.063.092	52.415.563
- Available for Sale	6.b	9.027.906	31.771.008	41.848.155
- Held to Maturity	6.c	4.913.641	17.292.084	10.567.408
Trade Receivables	8	31.266	110.032	46.561
Receivables From Finance Sector Operations	30	26.351.074	92.734.698	75.896.951
Other Receivables	9	251.476	884.996	379.138
Derivative Financial Instruments	29	229.562	807.874	651.367
Investments Accounted Through Equity Method	12	1.733.634	6.101.005	5.970.431
Investment Property	13	79.130	278.476	292.103
Property, Plant and Equipment	14	1.410.692	4.964.509	4.282.958
Intangible Assets		479.536	1.687.584	1.544.798
- Goodwill	16	288.365	1.014.815	1.014.355
- Other Intangible Asset	15	191.171	672.769	530.443
Prepaid Expenses	11	36.675	129.067	55.557
Deferred Tax Assets	28	180.553	635.401	714.698
Other Non Current Assets	20	23.079	81.221	63.198
Total Assets		87.596.000	308.267.839	265.520.067

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

These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2017 and signed on its behalf by Zafer Kurtul, Member of Board of Directors and CEO and Barış Oran, Head of finance

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2016 AND 2015

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

	Note References	Unaudited Current Period 31 December 2016 USD(*)	Current Period 31 December 2016	Prior Period 31 December 2015
LIABILITIES				
Current Liabilities		60.630.626	213.371.296	189.599.353
Short Term Borrowings	7	2.511.577	8.838.741	8.678.744
Short Term Portion of Long Term Borrowings	7	3.870.446	13.620.874	12.862.826
Trade Payables	8	707.686	2.490.488	2.386.775
Payables from Finance Sector Operations	31	50.187.178	176.618.716	156.890.448
Payables related to Employee Benefits	19	17.952	63.177	56.405
Other Payables	9	1.342.687	4.725.183	4.441.032
Derivative Financial Instruments	29	1.312.181	4.617.826	1.772.169
Deferred Income	11	42.470	149.461	164.578
Current Tax Liabilities	28	98.774	347.607	402.774
Short Term Provisions		198.655	699.107	606.545
- Short Term Provisions for Employee	19	81.766	287.751	238.249
- Other Short Term Provisions	17	116.889	411.356	368.296
Other Short Term Liabilities	20	337.690	1.188.398	1.291.129
		60.627.296	213.359.578	189.553.425
Liabilities Related to Asset Group Held for Sale		3.330	11.718	45.928
Non-current Liabilities		14.233.121	50.089.200	35.949.276
Long Term Borrowings	7	7.518.316	26.458.459	19.137.143
Trade Payables	8	8	29	216
Payables from Finance Sector Operations	31	6.278.930	22.096.811	15.532.084
Other Payables	9	235.840	829.968	595.931
Derivative Financial Instruments	29	28.129	98.991	158.960
Deferred Income	11	34.176	120.273	114.297
Long Term Provisions		93.047	327.449	289.523
- Long Term Provisions for Employee	19	91.842	323.210	284.829
- Other Long Term Provisions	17	1.205	4.239	4.694
Deferred Tax Liabilities	28	39.540	139.150	118.323
Other Long Term Liabilities	20	5.135	18.070	2.799
EQUITY		12.732.253	44.807.343	39.971.438
Equity Attributable To The Parent	21	6.577.149	23.146.297	20.942.594
Share Capital	21	579.792	2.040.404	2.040.404
Adjustments to Share Capital		973.733	3.426.761	3.426.761
Share Premium	21	6.319	22.237	22.237
Capital adjustments due to cross-ownership(-)	21	(54.123)	(190.470)	-
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		(16.996)	(59.814)	(51.102)
- Actuarial Gain / Loss		(16.996)	(59.814)	(51.102)
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss		(76.310)	(268.550)	(332.327)
- Currency Translation Reserve	21	141.918	499.438	283.604
- Gains/Losses on Hedge	21	(91.871)	(323.312)	(175.630)
- Revaluation Reserve	21	(126.357)	(444.676)	(440.301)
Restricted Reserves	21	264.194	929.750	892.819
Retained Earnings		4.019.147	14.585.848	12.707.474
Net Profit for the Period		881.393	2.660.131	2.236.328
Non-controlling Interests		6.155.104	21.661.046	19.028.844
TOTAL EQUITY AND LIABILITIES		87.596.000	308.267.839	265.520.067

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2016

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

	Note References	Unaudited Current Period 31 December 2016 USD(*)	Current Period 1 January- 31 December 2016	Current Period 1 January- 31 December 2015
CONTINUING OPERATIONS				
Sales (net)	4,23	4.096.014	12.362.180	11.657.193
Cost of Sales (-)	4,23	(3.239.877)	(9.778.272)	(9.093.701)
Gross Profit from Non-Financial Operations		856.137	2.583.908	2.563.492
Interest, Premium, Commission and Other Income	4	7.410.485	22.365.586	18.378.397
Interest, Premium, Commission and Other Expense(-)	4	(4.041.633)	(12.198.054)	(9.990.453)
Gross Profit from Financial Operations		3.368.852	10.167.532	8.387.944
GROSS PROFIT		4.224.989	12.751.440	10.951.436
General and Administrative Expenses (-)	24	(1.633.822)	(4.931.039)	(4.926.706)
Marketing, Selling and Distribution Expenses (-)	24	(569.299)	(1.718.201)	(1.579.935)
Research and Development Expenses (-)	24	(1.907)	(5.756)	(3.323)
Other Income from Operating Activities	25	394.272	1.189.953	932.107
Other Expense from Operating Activities (-)	25	(286.337)	(864.195)	(567.842)
Share of Profit of Investments Accounted for Using the Equity Method	12	215.073	649.113	547.932
OPERATING PROFIT		2.342.969	7.071.314	5.353.669
Income from Investing Activities	26	28.562	86.203	177.633
Expense from Investing Activities (-)	26	(1.443)	(4.356)	(6.991)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		2.370.088	7.153.161	5.524.311
Financial Income	27	16.103	48.601	54.974
Financial Expenses (-)	27	(123.143)	(371.658)	(279.921)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		2.263.048	6.830.104	5.299.364
Tax Income from Continuing Operations		(421.989)	(1.273.606)	(973.144)
Current Tax Expense		(402.609)	(1.215.115)	(1.023.810)
Deferred Tax (Expense) / Income	27	(19.380)	(58.491)	50.666
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	27	1.841.059	5.556.498	4.326.220
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	22	(3.099)	(9.352)	94.862
PROFIT FOR THE PERIOD ALLOCATION OF PROFIT		1.837.960	5.547.146	4.421.082
- Non-controlling Interests		956.567	2.887.015	2.184.754
- Owner of the Company		881.393	2.660.131	2.236.328
Earnings per share				
- thousands of ordinary shares (TL)	33	4,32	13,04	10,96
Earnings per share from continuing operations				
- thousands of ordinary shares (TL)	33	4,33	13,08	10,50

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Accumulated Other Comprehensive Income or Loss That Will										Total			
	Not Be Reclassified					Be Reclassified								
	Share Capital	Adjustment to share capital	Capital adjustments due to cross-ownership(-) premium	Share premium	Actuarial gains / losses	Currency translation reserve	Hedge reserve	Revaluation funds	Restricted reserves	Retained earnings		Net Profit for the year	Equity attributable to the parent	Non-controlling interests
Balances at 1 January 2015	2,040,404	3,426,761	-	21,670	(10,526)	183,938	(188,975)	(95,908)	855,707	10,865,495	2,079,114	19,177,680	17,680,200	36,857,880
Transfers	-	-	-	-	-	-	-	-	45,931	2,033,183	(2,079,114)	-	-	-
Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	49,685	49,685
Effect of change in the effective ownership of subsidiaries	-	-	-	-	-	-	-	-	-	(1,827)	-	(1,827)	2,702	2,702
Effect of public offering of joint ventures shares	-	-	-	-	-	-	-	-	-	1,013	-	1,013	-	1,013
Share premium	-	-	-	567	-	-	-	-	-	-	-	567	503	1,070
Effect of disposal of subsidiaries' shares (**)	-	-	-	-	-	-	-	-	(6,141)	11,934	-	5,793	179,602	185,395
Effect of acquisition of subsidiaries(*)	-	-	-	-	-	-	-	-	(2,678)	18,710	-	16,032	(156,965)	(140,933)
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(221,034)	-	(221,034)	(485,478)	(706,512)
Total comprehensive income	-	-	-	-	(40,576)	99,666	13,345	(344,393)	-	-	2,236,328	1,964,370	1,758,595	3,722,965
Balances at 31 December 2015	2,040,404	3,426,761	-	22,237	(51,102)	283,604	(175,630)	(440,301)	892,819	12,707,474	2,236,328	20,942,594	19,028,844	39,971,438
Balances at 1 January 2016	2,040,404	3,426,761	-	22,237	(51,102)	283,604	(175,630)	(440,301)	892,819	12,707,474	2,236,328	20,942,594	19,028,844	39,971,438
Transfers	-	-	-	-	-	-	-	-	36,931	2,199,397	(2,236,328)	-	-	-
Acquisition of holding shares by subsidiaries(****)	-	-	-	(190,470)	-	-	-	-	-	-	-	(190,470)	-	(190,470)
The effect of shares sale(s)(*****)	-	-	-	-	-	-	-	-	-	3,034	-	3,034	1,729	4,763
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(324,057)	-	(324,057)	(467,570)	(791,627)
Subsidiary acquisition or removal(*****)	-	-	-	-	(8,712)	225,112	(147,682)	(4,375)	-	-	-	(9,278)	-	(9,278)
Total comprehensive income	-	-	-	-	(8,712)	499,438	(323,312)	(444,676)	929,750	14,585,848	2,660,131	23,146,297	3,098,043	5,822,517
Balances at 31 December 2016	2,040,404	3,426,761	-	22,237	(59,814)	499,438	(323,312)	(444,676)	929,750	14,585,848	2,660,131	23,146,297	21,661,046	44,807,343

(*) The share transfer agreement was signed on 13 January 2015 regarding the sale of all shares in Group's subsidiary SASA Polyester Sanayi A.Ş. corresponding to 51% of the share capital of the Company, to Erdemoglu Holding A.Ş. As of 30 April 2015 share transfer has been completed.

(**) The selling transaction of shares in Group's subsidiary Kordsa Global with a nominal value of TL 38,905,814, corresponding to 20%, to domestic and foreign institutional investors on the Wholesale Market of Istanbul Stock Exchange has been completed during May 2015. As a result of this transaction, Group's share in the capital of Kordsa Global has decreased from 91,11% to 71,11%.

(***) Dividends paid by the Holding per share with a TL 1 nominal value is TL 0,15 (2015: TL 0, 10).

(****) Represents Sabanci Holding shares held by Exsa A.Ş. According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)'s Board of Director decision on December 22, 2015, company has started to make repurchasing agreement at BIST (Istanbul Stock Market). Hence, with these transactions Exsa's share at Sabanci Holding reached at 1,17% as of 31 December 2016. These shares in consolidated equity are presented as capital adjustments due to cross-ownership.

(*****): Represents call option, which is in Equity of Group's subsidiaries Carrefoursa A.Ş. capital with a rate of 0,14% and nominal value of TL 946,986 was decided to sell the Istanbul Stock Exchange, within a year. In accordance with this decision as of 26, 27, 29 April and 2, 3, 4 and 10 May, 2016 dates regarding the share of Carrefoursa A.Ş. with range of price 6,85-7,88 amount of 946,986 nominal value per share sale was realized. With this transaction, the Group's share in Carrefoursa A.Ş. became 50,61%.

(*****): Accumulated translation reserves regarding Interkordsa GmbH, amounting to TL 9,278,326 in the financial statement and held under equity has been transferred to the statement of profit or loss in the current year.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Note	Unaudited Current Period 1 January 31 December 2016 USD (*)	Current Period 1 January- 31 December 2016	Prior Period 1 January- 31 December 2015
	References			
Net income before tax from continuing operations		2.263.123	6.830.104	5.299.364
Net income after tax from discontinued operations		(3.099)	(9.352)	94.862
Adjustments to reconcile income to net cash provided by operating activities:				
Depreciation and amortisation expenses	4	190.505	574.944	565.037
Provision for loan losses	30	815.411	2.457.893	2.407.045
Changes in the fair value of derivative instruments		(779.534)	(2.352.634)	(970.066)
Interest income and foreign exchange rate gains		(896.690)	(2.706.210)	(1.358.867)
Interest expense		60.494	182.572	61.041
Provision for employment termination benefits	19	48.380	146.012	136.020
Impairment charge on property, plant and equipment, intangible assets and investment property	13,14,15	26.190	79.042	48.668
Income from sale of property, plant and equipment, intangible assets and investment property		(21.819)	(64.214)	(159.626)
Income from associates and joint ventures	12	(215.081)	(649.113)	(547.932)
Income from sale of subsidiary		-	-	(102.989)
Provision for / (reversal of) inventory impairment charge	10	7.612	22.973	15.814
Provision for doubtful receivables		4.860	14.668	(11.973)
Other		1.681	5.074	(4.162)
Net cash provided by operating activities before changes in operating assets and liabilities		1.501.577	4.531.759	5.472.236
Changes in trade receivables		(59.306)	(178.984)	(290.694)
Changes in inventories		(2.914)	(8.795)	(197.983)
Changes in other receivables and other current assets		(246.933)	(745.245)	(943.082)
Changes in trade payables		34.303	103.526	577.292
Changes in other liabilities and other payables		180.798	545.649	1.472.179
Net cash provided in operating activities of non-current assets classified as held for sale		19.295	58.231	(62.729)
Currency translation differences		91.740	276.871	66.796
Changes in assets and liabilities in finance segment:				
Changes in securities held for trading		(7.965)	(24.038)	15.917
Changes in receivables from financial operations		(9.204.210)	(27.778.305)	(19.116.151)
Changes in payables from financial operations		8.652.730	26.113.938	22.370.640
Central Bank of the Republic of Turkey account		(3.769.665)	(11.376.849)	(5.562.187)
Income taxes paid		(401.689)	(1.212.297)	(904.642)
Employment termination benefits paid	19	(36.508)	(110.182)	(102.790)
Net cash provided by / (used) in operating activities		(3.249.411)	(9.806.721)	2.775.112
Cash flows from investing activities:				
Capital expenditures	4	(462.139)	(1.394.735)	(1.063.507)
Sale / (purchase) of available for sale and held to maturity		592.978	1.599.474	(6.435.505)
Proceeds from sale of non-current assets held for sale, property, plant and equipment and intangible assets		62.518	188.678	328.000
Dividends received		130.956	395.224	414.318
Cash outflow on acquisition of subsidiary	3	-	-	(492.283)
Effect on acquisition of subsidiary		-	-	(53.193)
Cash provided from the share sale of subsidiary		-	-	191.802
Cash provided from the sale of subsidiary		1.259	7.670	277.602
Net cash provided by investing activities		263.854	796.311	(6.832.766)
Cash flows from financing activities:				
Changes in financial liabilities		2.670.857	8.060.646	6.845.764
Dividends paid		(160.575)	(324.056)	49.685
Increase in non-controlling interest capital		-	-	(221.034)
Dividends paid to non-controlling interests		(154.927)	(467.570)	(485.478)
Capital increase in joint venture		-	-	(350.000)
Net cash provided by financing activities		2.408.555	7.269.020	5.838.937
Effect of change in foreign currency rates on cash and cash		469.310	1.416.377	934.340
Net increase/(decrease) in cash and cash equivalents		(107.692)	(325.013)	2.715.623
Cash and cash equivalents at the beginning of the period (**)		2.505.198	7.560.688	4.845.065
Cash and cash equivalents at the end of the period		2.397.507	7.235.675	7.560.688

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

Sabancı Center, 4. Levent, İstanbul, Türkiye.

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

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

Subsidiaries

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

NOTE 1 - ORGANISATION AND OPERATIONS OF THE GROUP (Continued)

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

Joint Ventures

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

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

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

Affiliates

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Basis of Presentation*

2.1.1 Statement of compliance with TAS

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

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

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

Preparation of Financial Statements in Hyperinflationary Periods

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

Functional and Presentation Currency

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards

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

None.

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

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

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards (continued)

(b) New and revised standards applicable in 2016 with no material effect on the consolidated financial statements of the Group (continued)

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

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

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

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

Annual Improvements 2011-2013 Cycle

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

Amendments to TAS 1 Disclosure Initiative

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

Annual Improvements 2012-2014 Cycle

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards (continued)

(b) New and revised standards applicable in 2016 with no material effect on the consolidated financial statements of the Group (continued)

Amendments to TAS 27 Equity Method in Separate Financial Statements

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

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

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

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

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

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

TFRS 14 Regulatory Deferral Accounts

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards (continued)

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

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

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

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

TFRS 9 Financial Instruments

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

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

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

TFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

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

2.1.3 Basis of Consolidation

- a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the “Group”) on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1.1. The result of operations of Subsidiaries, Joint Ventures and Associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.
- b) Subsidiaries are companies in which the Holding has the power to control the financial and operating policies for the benefit of the Holding either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby the Holding exercises control over the voting rights of the shares held by them.

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.3 Basis of Consolidation

- c) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.
- d) When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39 "Financial instruments: recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.3 Basis of Consolidation (continued)

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

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

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

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1 Basis of Presentation (continued)

2.1.3 Basis of Consolidation (continued)

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

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

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

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

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

2.1.4 Offsetting

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

2.1.5 Comparatives and Restatement of Prior Year Consolidated Financial Statements

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

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

2.1 *Basis of Presentation (continued)*

2.1.6 US Dollar Translation

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

2.2 *Changes in Accounting Policies and Estimates and Errors*

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

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

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

2.3 *Summary of Significant Accounting Policies*

2.3.1 Cash and cash equivalents

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

2.3.2 Sale and repurchase agreements

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

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

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

2.3 *Summary of Significant Accounting Policies (continued)*

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

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

2.3.4 Trade receivables and allowance for doubtful receivables

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

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

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

2.3.5 Related parties

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

2.3.6 Inventories

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

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.7 Financial Instruments

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

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

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

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

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

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

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

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

2.3 *Summary of Significant Accounting Policies (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 TAS 39 and are therefore treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

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

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

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

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.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.8 Derivative financial instruments (continued)

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

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

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

2.3.9 Investment property

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

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.10 Property, plant and equipment

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

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

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

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

2.3.11 Intangible assets

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

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. 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 15).

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

2.3 *Summary of Significant Accounting Policies (continued)*

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 the consolidated statement of profit or loss.

2.3.13 TFRS Interpretation 12 - Service Concession Arrangements

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

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

The Group's joint venture Enerjisa Elektrik Dağıtım A.Ş.'s terms in the service concession arrangement with the government, a financial asset model where EEDAŞ recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied. This amount is recorded as a financial asset. The Group accounts the financial asset considering the cash basis given by the grantor or at the direction of the grantor associated with the electricity distribution services. The amount that should be paid by the grantor or at the direction of the grantor is accounted as a receivable in accordance with TAS 39 "Financial Instruments: Recognition and Measurement".

The Group's joint venture Enerjisa Elektrik Dağıtım A.Ş. has measured the financial asset at fair value, with the effective interest method which is calculated by discounting estimated future cash receipts with regards to the compensation of TOR and the initial and annual capital expenditures made by EEDAŞ, through the expected life of the arrangement and set "Financial Asset" on the consolidated financial position and recognizes the revenue on an effective interest method as "Finance Income from Service Concession Arrangements".

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

2.3 *Summary of Significant Accounting Policies (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 21).

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

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

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

2.3.15 Research expenses and development costs

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

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

2.3 *Summary of Significant Accounting Policies (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.

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

2.3.17 **Deferred financing charges**

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

2.3.18 **Income taxes**

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

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

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.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.18 **Income taxes (continued)**

Deferred Tax

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

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

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

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

Current and deferred tax for the period

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

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits

Retirement benefits

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits (continued)

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

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits (continued)

The principal actuarial assumptions used were as follows:

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

Provision for Employment Termination Benefit

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

2.3.20 Provisions, contingent liabilities and assets

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

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

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

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

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.21 **Loans and advances to customers and provisions for loan impairment**

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

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

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

2.3.22 **Investment incentives**

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

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 2016.

Outstanding claim and provision

The Group 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 2016.

The Group accounts for provisions for claims incurred but not reported based on The Regulation and the Communiqué numbered 27655 dated 28 July 2010 ("The Communiqué on the Principles of the Implementation of the Regulation on the technical 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 2014/16 and dated 5 September 2014.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.23 Insurance technical reserves (continued)

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 statistical 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.

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.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.24.2 The Group as a lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

2.3.25 Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills (Note 4.f.i).

Commission income and fees for various banking services are recorded as income at the time they affect the transactions to which they relate.

Insurance

Life:

Premium income represents premiums accrued on policies issued during the period, adjusted by the reserve for unearned premiums for annual life policies, during the period (Note 4 f.ii).

Non-Life:

Premium income represents premiums on policies written during the period, net of cancellations, as adjusted by the reserve for unearned premiums.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.25 Revenue recognition (continued)

Other segments

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

2.3.26 Earnings per share

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 33 earnings per share are calculated in accordance with TAS 33 "Earnings Per Share".

Income as per share stated in the income statement is calculated by dividing the net profit by the weighted average of the share certification available in the market during the whole year.

The companies in Turkey can increase their capitals that they distributed to their shareholders from the profits of previous year by "free of charge share certificates". Such "free of charge share" distributions are considered as issued share incalculation of profit as per share. Accordingly, number of weighted average shares used in these calculations is calculated considering the retrospective impacts of related share certificate.

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.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.27 Foreign currency transactions (continued)

Foreign Group companies

The results of Group undertakings using a measurement currency other than Turkish lira are first translated into Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into Turkish lira by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and year-end rates are included in translation reserve as a separate item in the shareholders' equity.

2.3.28 Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 *Income Taxes* and TAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the 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.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.28 **Business combinations (continued)**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is premeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.28 Business combinations (continued)

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 the financial statement model published by the POA.

2.3.29 Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has selected business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision- maker. The chief operating decision-maker is responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

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

2.4 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with POA Turkish Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied to the financials to see the effect on net profit / loss for the period.

a) Goodwill

Goodwill arising from the acquisition of an associate is the portion of the consideration paid that exceeds the fair value of the net identifiable assets, liabilities and contingent liabilities in the acquiree and the non-controlling interest in the acquiree.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination of goodwill. Each unit or unit group in which the honorifics are distributed is the smallest asset group of the business in which the honor is monitored for internal business purposes. Goodwill impairment is made more frequently once a year, or when the event or condition changes indicate a possibility of impairment. The book value of the goodwill is compared with the recoverable amount which is the greater of the fair value of the deducted value and the extinguishing costs. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and an impairment loss recognized for goodwill is not reversed in subsequent periods.

b) Provisions

In accordance with the accounting policies stated in Note 2.3, As a result of the Group's past events, a legal or constructive obligation exists and it is probable that an outflow of resources will be required to settle the obligation and the amount to be paid can be reliably estimated.

The Group is subject to various legal processes, requests and regulatory negotiations whose results are uncertain. The Group assesses the likelihood of adverse consequences as well as other factors, and the possibility of reasonably estimating losses. Unforeseeable events and changes in these factors may require an increase or decrease in any item or amount that the Group accounts for (whether it is considered unlikely or has not made a provision since a reasonable calculation can not be made).

c) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

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

2.4 Critical accounting estimates and assumptions (continued)

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows.

NOTE 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2016 are as follows:

None.

The business combinations between the period 1 January and 31 December 2015 are as follows:

On 15 May 2015, the the Group's subsidiary Carrefoursa has signed Share Purchase Agreement with Kiler Holding Anonim Şirketi, Nahit Kiler, Ümit Kiler, Vahit Kiler, Hikmet Kiler, Sevgül Kiler and Denge Reklam San. ve Tic. Ltd. Şti. ("Vendors"), in order to acquire 85% of the shares of Kiler Alışveriş, of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TL 429.574. The share purchase demand has been approved by Turkish Competition Authority on 30 June 2015, with decision numbered 61813209-120-6544. The Company has taken over the management of Kiler Alışveriş on 8 July 2015 by changing the members of the Board of Directors and has paid by cash the agreement amount of TL 429.574 to the vendors on the same day.

As a result of mandatory tender offer between 17 September - 5 October 2015, ownership rate of the Company has increased to 97,27% by paying additional TL 62.290.926 and started to consolidated on a line-byline basis. The decision of the Board of Directors dated 20 October 2015 and the decision of merger with Kiler Alışveriş is approved by the decision of Capital Markets Board ("CMB") dated 27 November 2015 and numbered 32/1493. As a result of the decision of the General Assembly dated 29 December 2015, the merger is ocured and registered on 31 December 2015. The company aims an inorganic growth in the market with this business combination. 0,1136598769 Carrefoursa shares are given to Kiler shareholders for 1 Kiler share regarding to Carrefoursa TL 417,7 capital increment. As a result of the merger, the effective shareholding of Sabancı Holding decreased from 50,93% to 50,74%.

NOTE 4 - SEGMENT REPORTING

Holding key management reviews the results and performance of its reportable operating segments based on EBITDA (earnings before interest, foreign currency gains and losses and due date income and expenses as part of other operating income and expenses and depreciation and amortization). In addition to the requirements of segment reporting, The Group's management presented this information for certain financial statement readers to benefit from this data during their analyses.

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NOTE 4 - SEGMENT REPORTING (Continued)

a) External Revenues (Consolidated):

	1 January - 31 December 2016	1 January - 31 December 2015
Finance / Banking	22.365.586	18.378.397
Industry	3.461.163	3.251.902
Retail	7.552.591	7.088.361
Cement	1.170.308	1.171.146
Other	178.118	145.784
Total (*)	34.727.766	30.035.590

(*) The distribution of income refers to total revenue in the consolidated income statement.

b) Segment assets (Consolidated):

	31 December 2016	31 December 2015
Finance / Banking	291.597.595	249.810.125
Industry	3.978.187	3.398.368
Retail	3.742.172	4.141.514
Cement	2.353.788	1.834.129
Other	2.072.580	1.680.947
Segment assets (*)	303.744.322	260.865.083
Assets classified as held for sale	21.780	114.221
Investments accounted through equity method (Note 12)	6.101.005	5.970.431
Unallocated assets	577.183	659.011
Less: intersegment eliminations	(2.176.451)	(2.088.679)
Total assets per consolidated financial statements	308.267.839	265.520.067

(*) Segment assets mainly comprise operating assets in the consolidated financial statements.

c) Segment liabilities (Consolidated):

	31 December 2016	31 December 2015
Finance / Banking	258.363.934	221.272.563
Industry	1.961.803	1.749.732
Retail	3.479.076	3.175.203
Cement	1.145.208	655.160
Other	185.066	213.034
Segment liabilities (*)	265.135.087	227.065.692
Assets classified as held for sale	11.718	45.928
Unallocated Liabilities	486.895	521.097
Less: intersegment eliminations	(2.173.204)	(2.084.088)
Total liabilities per consolidated financial statements	263.460.496	225.548.629

(*) Segment liabilities mainly comprise operating liabilities in the consolidated financial statements.

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NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment:

i) Banking:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Cash and cash equivalents	12.190.952	12.190.952	10.281.373	10.281.373
Financial investments	52.887.536	52.887.536	54.117.316	54.117.316
Derivative financial instruments	8.428.812	8.428.812	3.348.524	3.348.524
Reserve deposits with the Central Bank of Republic of Turkey	33.171.783	33.171.783	24.007.327	24.007.327
Receivables from finance sector operations	181.024.088	181.024.088	154.949.086	154.949.086
Property, plant and equipment	879.650	879.650	794.420	794.420
Intangible assets	361.527	361.527	224.105	224.105
Other receivables and other assets (***)	2.653.247	2.653.247	2.087.974	2.087.974
Total segment assets	291.597.595	291.597.595	249.810.125	249.810.125
Financial liabilities	46.114.960	46.114.960	38.667.696	38.667.696
Payables from finance sector operations	200.425.064	200.425.064	173.974.782	173.974.782
Derivative financial instruments	4.698.838	4.698.838	1.926.811	1.926.811
Other payables and other liabilities (***)	7.125.072	7.125.072	6.703.274	6.703.274
Total segment liabilities	258.363.934	258.363.934	221.272.563	221.272.563

(*) Combined data reflects the total amounts of the companies which belong to the related segment.

(**) Other receivables and other assets other payables and other liabilities accounts consists of deferred tax accounts. These accounts presented in assets and liabilities which are non-associated segments.

Banking segment consists of Akbank. Akbank's accumulated non-controlling interests calculated from its financial statements amounting to TL 19.740.859 as of 31 December 2016 (31 December 2015: TL 17.042.439).

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NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

ii) Insurance:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Cash and cash equivalents	1.005.273	-	1.006.854	-
Financial investments	1.253.502	-	1.020.931	-
Receivables from finance sector operations	535.958	-	550.954	-
Investments accounted through equity method (Note 12)	-	334.252	-	285.821
Property, plant and equipment	33.334	-	30.316	-
Intangible assets	58.619	-	47.788	-
Other receivables and other assets (***)	1.274.686	-	904.056	-
Total segment assets	4.161.372	334.252	3.560.899	285.821
Payables from finance sector operations	3.082.086	-	2.572.188	-
Other payables and other liabilities (***)	197.280	-	270.915	-
Total segment liabilities	3.279.366	-	2.843.103	-

(*) Combined data reflects the total amounts of the companies which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Insurance segment consist of Aksigorta and Avivasa.

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NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

iii) Energy:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Cash and cash equivalents	108.604	-	257.870	-
Financial investments	836	-	836	-
Trade receivables	2.217.760	-	1.987.498	-
Inventories	184.903	-	141.679	-
Investments accounted through equity method (Note 12)	-	4.743.060	-	4.719.888
Property, plant and equipment	10.414.681	-	10.023.084	-
Intangible assets	5.919.162	-	6.116.884	-
Other receivables and other assets (***)	9.438.584	-	7.760.894	-
Total segment assets	28.284.530	4.743.060	26.288.745	4.719.888
Financial liabilities	13.649.757	-	11.414.179	-
Payables to Privatization Administration	-	-	1.188.456	-
Trade payables	1.481.180	-	1.242.519	-
Other payables and other liabilities (***)	3.103.888	-	2.472.887	-
Total segment liabilities	18.234.825	-	16.318.041	-

(*) Combined data reflects the total amounts of the companies which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Energy segment consists of Enerjisa and its subsidiaries.

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NOTE 4 - SEGMENT REPORTING (continued)

d) The balance sheet items by segment (continued):

iv) Industry:	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Cash and cash equivalents	137.916	52.180	89.391	28.841
Financial investments	133	133	104	104
Trade receivables	2.000.824	1.128.229	1.722.989	930.694
Inventories	1.279.813	915.745	1.186.737	829.104
Investments accounted through equity method (Note 12)	359.858	608.625	275.573	558.031
Property, plant and equipment	2.486.357	1.378.219	1.879.884	1.188.731
Intangible assets	259.747	188.830	223.508	175.156
Other receivables and other assets (***)	678.163	336.631	702.666	359.959
Total segment assets	7.202.811	4.608.592	6.080.852	4.070.620
Financial liabilities	2.971.472	1.188.206	2.412.237	1.151.147
Trade payables	819.784	460.006	625.739	355.601
Other payables and other liabilities (***)	447.704	325.309	393.909	288.912
Total segment liabilities	4.238.960	1.973.521	3.431.885	1.795.660

(*) Combined data reflects the total amounts of the companies which belong to the related segment.

(**) Consolidated data reflects the total amounts of the companies before elimination which belong to the related segment considering the Holding's portion of ownership.

(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Industry segment consists of Kordsa, Temsa, Sasa, Yünsa, Brisa, Philsa and Philsa Morrissa.

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NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

v) Retail:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Cash and cash equivalents	430.971	430.971	579.374	579.374
Trade receivables	94.021	94.021	81.557	81.557
Inventories	912.283	912.283	1.094.659	1.094.659
Investment property	189.765	189.765	193.873	193.873
Property, plant and equipment	936.633	936.633	1.107.403	1.107.403
Intangible assets	89.142	89.142	100.122	100.122
Other receivables and other assets (***)	1.028.522	1.089.357	923.690	984.526
Total segment assets	3.681.337	3.742.172	4.080.678	4.141.514
Financial liabilities	1.264.617	1.264.617	990.803	990.803
Trade payables	1.744.103	1.744.103	1.780.732	1.780.732
Other payables and other liabilities (***)	470.355	470.356	403.668	403.668
Total segment liabilities	3.479.075	3.479.076	3.175.203	3.175.203

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Retail segment consists of Teknosa and Carrefoursa.

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NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

vi) Cement:	31 December 2016		31 December 2015		31 December 2015	
	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
Cash and cash equivalents	55.502	41.353	249.187	234.263		
Financial investments	162.783	64	162.783	64		
Trade receivables	735.624	309.606	731.605	324.649		
Inventories	336.666	176.904	231.269	96.065		
Investments accounted through equity method (Note 12)	-	415.067	-	406.691		
Property, plant and equipment	2.331.300	1.533.985	1.685.449	944.201		
Intangible assets	59.639	18.947	61.733	19.363		
Other receivables and other assets (***)	455.430	272.929	363.203	215.523		
Total segment assets	4.136.944	2.768.855	3.485.229	2.240.819		
Financial liabilities	995.535	787.017	490.602	377.658		
Trade payables	550.621	274.366	475.337	204.388		
Other payables and other liabilities (***)	156.156	83.825	132.335	73.114		
Total segment liabilities	1.702.312	1.145.208	1.098.274	655.160		

(*) Combined data reflects the total amounts of the companies which belong to the related segment.

(**) Consolidated data reflects the total amounts of the companies before elimination which belong to the related segment considering the Holding's portion of ownership.

(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Cement segment consists of Çimisa and Akçansa.

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NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

vii) Other:	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Cash and cash equivalents	1.584.181	1.584.181	1.128.910	1.128.910
Financial investments	11.787.079	10.812	11.588.882	388
Trade receivables	35.955	35.787	65.838	64.321
Inventories	804	804	1.949	1.949
Property, plant and equipment	253.506	217.438	265.685	229.618
Intangible assets	14.359	14.359	11.733	11.733
Other receivables and other assets (***)	150.670	209.199	184.153	244.028
Total segment assets	13.826.554	2.072.580	13.247.150	1.680.947
Financial liabilities	4.254	4.254	-	-
Trade payables	28.928	28.928	65.231	65.231
Other payables and other liabilities (***)	181.406	151.884	147.802	147.803
Total segment liabilities	214.588	185.066	213.033	213.034

(*) Combined data reflects the total amounts of the companies which belong to the related segment.

(**) Consolidated data reflects the total amounts of the companies before elimination which belong to the related segment considering the Holding's portion of ownership and deducting the financial assets of Holding's consolidated subsidiaries, joint ventures and associates.

(***) Other receivables and other assets, other payables and other liabilities do not include deferred tax assets and liabilities. These items are included in non-segment assets and liabilities.

Other segment consists of Sabancı Holding A.Ş., Exsa, Tursa, AEO and Bimsa.

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NOTE 4 - SEGMENT REPORTING (Continued)

e) The reconciliation of the consolidated statement of profit or loss:

	1 January - 31 December 2016		1 January - 31 December 2015	
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments
Total revenue	34.819.778	(92.012)	30.116.283	(80.693)
Cost of sales and interest, premiums, commissions and other expenses	(22.213.624)	237.298	(19.249.451)	165.297
General administration expenses	(4.962.430)	31.391	(4.969.315)	42.609
Sales, marketing and distribution expenses	(1.734.874)	16.673	(1.581.678)	1.743
Research and development expenses	(5.756)	-	(3.323)	-
Other operating income/(expense) - net	376.405	(50.647)	399.563	(35.298)
Interest in income of joint ventures	649.112	1	547.932	-
Operating profit	6.928.611	142.704	5.260.011	93.658
Income/(expense) from investing activities - net	287.779	(205.932)	306.657	(136.015)
Operating profit before financial expense	7.216.390	(63.228)	5.566.668	(42.357)
Financial income/(expense) - net	(381.463)	58.406	(261.436)	36.489
Profit before tax	6.834.927	(4.822)	5.305.232	(5.868)
Tax	(1.273.606)	-	(973.144)	-
Profit/(loss) after tax from discontinued operations	(9.352)	-	94.862	-
Profit for the period	5.551.969	(4.822)	4.426.950	(5.866)
Net profit attributable to equity holders of the parent	5.551.969	(4.822)	4.426.950	(5.866)
			2.660.131	2.236.328

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss:

i) Banking:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Interest, commission and other income	22.410.514	22.410.514	18.414.285	18.414.285
Interest, commission and other expenses	(12.403.903)	(12.403.903)	(10.138.669)	(10.138.669)
General administration expenses	(4.464.914)	(4.464.914)	(4.500.390)	(4.500.390)
Other operating income/(expense) - net	656.527	656.527	451.571	451.571
Operating profit	6.198.224	6.198.224	4.226.797	4.226.797
Income/(expense) from investing activities - net	2.658	2.658	2.275	2.275
Operating profit before financial expense	6.200.882	6.200.882	4.229.072	4.229.072
Profit before tax	6.200.882	6.200.882	4.229.072	4.229.072
Tax	(1.269.792)	(1.269.792)	(871.921)	(871.921)
Net profit	4.931.090	4.931.090	3.357.151	3.357.151
Net profit attributable to equity holders of the parent	2.009.416	2.009.416	1.368.035	1.368.035
EBITDA	6.415.483	6.415.483	4.449.597	4.449.597

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

Akbank's net profit attributable to non-controlling interest is TL 2.921.664 as of 31 December 2016 (31 December 2015: TL 1.989.116).

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss (continued):

ii) Insurance:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Gross premiums	2.212.981	-	1.885.628	-
Premiums, commission and other expenses	(2.007.946)	-	(1.813.346)	-
General administration expenses	(358.364)	-	(316.242)	-
Other operating income/(expense) - net	343.695	-	340.744	-
Interest in income of joint ventures (Note 12)	-	60.366	-	26.546
Operating profit	190.366	60.366	96.784	26.546
Income/(expense) from investing activities - net	27.302	-	(13.772)	-
Operating profit before financial expense	217.668	60.366	83.012	26.546
Financial income/(expense) - net	(19.294)	-	(770)	-
Profit before tax	198.374	60.366	82.242	26.546
Tax	(40.405)	-	(19.880)	-
Net profit	157.969	60.366	62.362	26.546
Net profit attributable to equity holders of the parent	157.969	60.366	62.362	26.546
EBITDA	188.984	-	81.333	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss (continued):

iii) Energy:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Sales revenue (net)	12.564.568	-	11.827.277	-
Cost of sales	(9.329.016)	-	(9.222.850)	-
General administration expenses	(1.452.697)	-	(1.169.430)	-
Sales, marketing and distribution expenses	-	-	-	-
Other operating income/(expense) - net	201.418	-	28.758	-
Interest in income of joint ventures (Note 12)	-	147.175	-	141.911
Operating profit/(loss)	1.984.273	147.175	1.463.755	141.911
Operating profit/(loss) before financial expense	1.984.273	147.175	1.463.755	141.911
Financial income/(expense) - net	(1.450.068)	-	(1.028.005)	-
Profit/(loss) before tax	534.205	147.175	435.750	141.911
Tax	(239.855)	-	(148.569)	-
Net profit/(loss)	294.350	147.175	287.181	141.911
Net profit/(loss) attributable to equity holders of the parent	294.350	147.175	287.181	141.911
EBITDA	2.482.134	-	1.825.981	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss (continued):

iv) Industry:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Sales revenue (net)	5.227.858	3.461.385	5.053.786	3.251.902
Cost of sales	(4.052.682)	(2.803.451)	(3.853.224)	(2.612.225)
General administration expenses	(267.466)	(149.220)	(191.435)	(109.603)
Sales, marketing and distribution expenses	(426.172)	(199.115)	(400.385)	(181.063)
Research and development expenses	(12.478)	(5.756)	(21.118)	(3.323)
Other operating income/(expense) - net	145.093	79.403	119.029	70.948
Interest in income of joint ventures (Note 12)	295.609	335.011	190.191	274.038
Operating profit	909.762	718.257	896.844	690.674
Income/(expense) from investing activities - net	15.079	14.740	25.043	25.323
Operating profit before financial expense	924.841	732.997	921.887	715.997
Financial income/(expense) - net	(268.165)	(129.185)	(222.094)	(130.189)
Profit before tax	656.676	603.812	699.793	585.808
Tax	(42.928)	(39.725)	(50.062)	(43.917)
Profit after tax from discontinued operations	(9.352)	(9.352)	94.862	94.862
Net profit	604.396	554.735	744.593	636.753
Net profit attributable to equity holders of the parent	-	450.092	-	520.060
EBITDA	951.152	735.063	1.016.967	733.712

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss (continued):

	Combined(*)		Consolidated(**)		Combined(**)		Consolidated(**)	
	31 December 2016	31 December 2016	31 December 2016	31 December 2016	31 December 2015	31 December 2015	31 December 2015	31 December 2015
v) Retail:								
Sales revenue (net)	7.566.353	7.560.799	7.560.799	7.560.799	7.099.309	7.093.557	7.093.557	7.093.557
Cost of sales	(6.060.635)	(6.055.081)	(6.055.081)	(6.055.081)	(5.540.460)	(5.534.708)	(5.534.708)	(5.534.708)
General administration expenses	(169.618)	(168.711)	(168.711)	(168.711)	(192.460)	(192.460)	(192.460)	(192.460)
Sales, marketing and distribution expenses	(1.520.102)	(1.520.102)	(1.520.102)	(1.520.102)	(1.387.439)	(1.387.439)	(1.387.439)	(1.387.439)
Other operating income/(expense) - net	(389.519)	(389.519)	(389.519)	(389.519)	(150.793)	(150.793)	(150.793)	(150.793)
Operating profit/(loss)	(573.521)	(572.614)	(572.614)	(572.614)	(171.843)	(171.843)	(171.843)	(171.843)
Income/(expense) from investing activities - net	61.229	61.229	61.229	61.229	139.839	139.839	139.839	139.839
Operating profit/(loss) before financial expense	(512.292)	(511.385)	(511.385)	(511.385)	(32.004)	(32.004)	(32.004)	(32.004)
Financial income/(expense) - net	(214.634)	(214.634)	(214.634)	(214.634)	(102.455)	(102.455)	(102.455)	(102.455)
Profit/(loss) before tax	(726.926)	(726.019)	(726.019)	(726.019)	(134.459)	(134.459)	(134.459)	(134.459)
Tax	(726.926)	(726.019)	(726.019)	(726.019)	(134.459)	(134.459)	(134.459)	(134.459)
Net profit/(loss)	(592.726)	(591.819)	(591.819)	(591.819)	(126.594)	(126.594)	(126.594)	(126.594)
Net profit/(loss) attributable to equity holders of the parent		(315.537)	(315.537)	(315.537)		(73.147)	(73.147)	(73.147)
EBITDA	(332.714)	(331.808)	(331.808)	(331.808)	32.526	32.526	32.526	32.526

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss (continued):

vi) Cement:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
Sales revenue (net)	2.631.365	1.170.310	2.639.679	1.171.146
Cost of sales	(1.843.183)	(799.657)	(1.851.109)	(811.042)
General administration expenses	(144.242)	(79.925)	(119.511)	(65.246)
Sales, marketing and distribution expenses	(28.229)	(9.744)	(23.596)	(7.754)
Other operating income/(expense) - net	30.611	33.086	11.892	15.115
Interest in income of joint ventures (Note 12)	-	106.561	-	105.436
Operating profit	646.322	420.631	657.355	407.655
Income/(expense) from investing activities - net	36.191	3.552	8.509	3.480
Operating profit before financial expense	682.513	424.183	665.864	411.135
Financial income/(expense) - net	(71.512)	(37.072)	(49.539)	(22.312)
Profit before tax	611.001	387.111	616.325	388.823
Tax	(118.221)	(56.674)	(119.348)	(53.714)
Net profit	492.780	330.437	496.977	335.109
Net profit attributable to equity holders of the parent	223.574	223.574	223.574	225.927
EBITDA	735.350	444.261	776.495	458.182

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss (continued):

vii) Other:

	Combined(*) 31 December 2016	Consolidated(**) 31 December 2016	Combined(*) 31 December 2015	Consolidated(**) 31 December 2015
Sales revenue (net)	976.488	216.770	1.012.781	185.393
Cost of sales	(151.812)	(151.532)	(152.964)	(152.807)
General administration expenses	(104.973)	(99.660)	(106.431)	(101.616)
Sales, marketing and distribution expenses	(5.913)	(5.913)	(5.422)	(5.422)
Other operating income/(expense) - net	969	(3.092)	13.032	12.722
Operating profit	714.759	(43.427)	760.996	(61.730)
Income/(expense) from investing activities - net	205.600	205.600	135.740	135.740
Operating profit before financial expense	920.359	162.173	896.736	74.010
Financial income/(expense) - net	(572)	(572)	(6.480)	(6.480)
Profit before tax	919.787	161.601	890.256	67.530
Tax	(41.615)	(41.615)	(11.457)	(11.457)
Net profit	878.172	119.986	878.799	56.073
Net profit attributable to equity holders of the parent	85.046	85.046	26.994	26.994
EBITDA	739.508	(18.604)	784.354	(38.752)

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership.

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NOTE 4 - SEGMENT REPORTING (Continued)

g) Detail of net income/(loss) attributable to equity holders of the parent

The net profit attributable to equity holders of the parent with adjusted segments is as follows:

	31 December 2016	31 December 2015
Banking	1.978.569	1.368.035
Insurance	80.535	50.888
Industry	468.784	405.115
Cement	217.022	227.646
Energy	139.611	18.234
Retail	(161.262)	(84.423)
Other	76.257	38.400
Total	2.799.516	2.023.895

A reconciliation of adjusted net profit attributable to equity holders of the Parent is as follows:

	31 December 2016	31 December 2015
Adjusted net income for reported operating segments (Equity holders of the Parent)	2.799.516	2.023.895
Carrefoursa one-off income / expenses	(84.423)	45.037
One off expenses related to Teknosa	(69.852)	(33.761)
Akbank visa sales revenue	66.300	-
Akbank penalty expense of Ministry of Customs and Trade	(35.453)	-
Enerjisa Üretim - Gazipaşa Birkapılı sales	-	52.250
Yünsa one-off expenses	(12.981)	(3.260)
Gain on sale of SASA	-	102.989
Kordsa one-off income / expenses, net off	(8.353)	2.917
Gain on sale of Akçansa subsidiary	9.887	-
Other	(4.511)	46.261
Net profit (Equity holders of the Parent)	2.660.131	2.236.328

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NOTE 4 - SEGMENT REPORTING (Continued)

h) Depreciation and amortisation charges, impairment and capital expenditures (Consolidated):

1 January – 31 December 2016

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortisation	217.259	-	112.387	66.715	-	151.821	25.355	573.537
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	-	-	5.139	(3.912)	-	(80.267)	-	(79.041)
Capital expenditures	445.682	-	144.322	655.240	-	128.864	20.628	1.394.736

1 January – 31 December 2015

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortisation	222.800	-	113.025	73.083	-	133.131	22.998	565.037
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	-	-	4.760	-	-	43.908	-	48.668
Capital expenditures	159.528	-	164.049	244.310	-	461.059	34.560	1.063.506

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NOTE 4 - SEGMENT REPORTING (Continued)

h) Depreciation and amortisation charges, impairment and capital expenditures (Combined) (continued):

1 January – 31 December 2016

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortisation	217.259	17.718	194.371	141.834	526.179	151.821	25.283	1.274.465
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	-	-	(5.139)	(3.912)	-	(80.267)	-	(79.041)
Capital expenditures	445.682	32.524	670.394	787.244	2.044.682	128.864	20.628	4.130.018

1 January – 31 December 2015

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortisation	222.800	13.508	223.081	144.191	443.152	133.131	23.379	1.203.242
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	-	36.344	4.760	-	190.998	43.908	-	276.010
Capital expenditures	159.528	45.075	399.360	359.928	1.752.460	952.000	34.561	3.702.912

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NOTE 5 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Cash		
- Banking	1.840.502	1.466.112
- Other companies	35.706	26.764
Bank - time deposit	3.991.936	4.412.420
Bank - demand deposit	6.720.879	4.798.575
Other cash and cash equivalents	7.604	1.853
Total	12.596.627	10.705.724

Effective interest rates of USD, EUR and TL denominated time deposits are 2,24% (31 December 2015: 0,48%), 0,19% (31 December 2015: 0,47%) and 12,00% (31 December 2015: 10,86%), respectively.

The analysis of maturities at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Demand	8.604.653	6.293.304
Up to 3 months	3.991.974	4.412.420
Total	12.596.627	10.705.724

As of 31 December 2016, total amount of the restriction on the Group's off- shore cash and cash equivalents, payment accounts related to floating interest rate bond issue, time and demand deposits in the banks is TL 5.356.843 (31 December 2015: TL 3.145.036).

NOTE 6 – FINANCIAL ASSETS

a) Held for trading securities:

The analysis of financial assets at fair value through profit and loss is as follows:

	31 December 2016	31 December 2015
Share certificates	7.268	6.532
Government bonds	9.865	9.996
Eurobonds	-	107
Other	46.788	23.878
Total	63.921	40.513

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NOTE 6 – FINANCIAL ASSETS (Continued)

a) Held for trading securities (continued)

Effective interest rates of USD, EUR and TL denominated securities at fair value through profit and loss are as follow:

	31 December 2016	31 December 2015
EUR	-	3,26
TL	12,27	13,12

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TL 9.721 (31 December 2015: TL 8.463).

The analysis of maturities at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
3 to 12 months	40.715	13.069
1 to 5 years	15.937	10.954
No maturiy	7.269	16.490
Total	63.921	40.513

Period remaining to contractual repricing dates:

	31 December 2016	31 December 2015
Up to 3 months	47.292	14.334
3 to 12 months	9.360	9.668
1 to 5 years	-	21
No maturiy	7.269	16.490
Total	63.921	40.513

None of the Group companies has held for trading financial instruments except the Banking sector.

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NOTE 6 – FINANCIAL ASSETS (Continued)

b) Available for sale securities:

	31 December 2016	31 December 2015
Debt securities		
- Government bonds	17.912.731	19.376.723
- Eurobonds	11.328.132	15.929.477
- Investment funds	212.244	270.628
- Other bonds denominated in foreign currency	5.297.031	7.678.819
Sub-total	34.750.138	43.255.647
Equity securities		
- Listed	116	90
- Unlisted	71.626	133.088
Sub-total	71.742	133.178
Total financial investments available for sale	34.821.880	43.388.825

Effective interest rates of USD, EUR, JPY and TL denominated available-for-sale securities are 3,71% (31 December 2015: 3,80%), 2,38% (31 December 2015: 2,46%), 3,79% (31 December 2015: None) and 9,52% (31 December 2015: 9,68%), respectively. The Group's financial assets available for sale subject to funds provided from repo are TL 16.282.871 (31 December 2015: TL 20.185.224). Available for sale financial assets that are given as collateral because of the Group's financing activities are amounting to TL 2.062.303 (31 December 2015: TL 1.939.145). As of 31 December 2016, no available for sale financial asset exists whose risk is undertaken by insurance policy holders (31 December 2015: None).

Akbank has Consumer Price Index ("CPI") linked government bonds under available-for-sale and held-to maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. The Bank uses the index calculated by considering the estimated inflation rate as the inflation index at the balance sheet date which is used in the valuation of the relevant securities. The estimated inflation rate used is updated as needed within the year. As of December 31, 2016, the valuation of the related securities was based on the real coupon rates and the changes between the reference inflation index at the issue date and the inflation index at the balance sheet date.

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NOTE 6 – FINANCIAL ASSETS (Continued)

b) Available for sale securities (continued):

The maturity analysis in accordance with expiring date as at 31 December 2016 and 2015 is as follows:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	2.530.718	-	2.530.718	908.428	-	908.428
1 to 5 years	19.037.853	10.422	19.048.275	25.422.382	-	25.422.382
Over 5 years	12.722.733	-	12.722.733	16.292.593	-	16.292.593
No maturity	520.154	-	520.154	764.960	462	765.422
Total	34.811.458	10.422	34.821.880	43.388.363	462	43.388.825

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

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6.541.586	-	6.541.586	6.800.295	-	6.800.295
3 to 12 months	10.230.716	-	10.230.716	8.434.421	-	8.434.421
1 to 5 years	12.060.816	10.422	12.071.238	20.027.889	-	20.027.889
Over 5 years	5.698.755	-	5.698.755	7.722.413	-	7.722.413
No maturity	279.585	-	279.585	403.345	462	403.807
Total	34.811.458	10.422	34.821.880	43.388.363	462	43.388.825

c) Held-to-maturity investments:

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

	31 December 2016	31 December 2015
Government bonds	17.976.984	10.688.533
Total	17.976.984	10.688.533

Effective interest rates of USD, EUR and TL denominated debt securities are 4,05% (31 December 2015: 3,83%), 3,62% (31 December 2015: 3,69%) and TL is 9,82% (31 December 2015: 9,71%).

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NOTE 6 – FINANCIAL ASSETS (Continued)

c) Held-to-maturity investments (continued):

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

	31 December 2016	31 December 2015
1 January	10.688.533	10.800.186
Transfer (*)	5.882.043	382
Foreign exchange differences in monetary assets	1.269.337	864.389
Valuation effect	367.875	200.147
Disposals through sales and redemptions	(130.051)	(1.112.831)
Allowance for impairment	(100.753)	(63.740)
Total	17.976.984	10.688.533

(*) Due to the change in intention to hold, the Bank classifies the public borrowing with the nominal value of EUR 96.359 thousand and USD 1.591.672 thousand in the Available-for-Sale Financial Assets portfolio as the held to maturity in the Current Period. As of the reclassification date, book values representing the fair value of such securities are EUR 98.531 thousand and USD 1.650.112 thousand respectively and these values are accepted as new costs of the related securities. Valuation differences of the marketable securities previously accounted for under equity are amortized using the effective interest method over the remaining life of the investment to be held until maturity.

Period remaining to contractual maturity dates for held to maturity financial assets as at 31 December 2016 and 2015 is as follows:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	Other Companies	Total
3 to 12 months	684.786	114	684.900	121.031	94	121.125
1 to 5 years	14.763.517	-	14.763.517	7.364.090	-	7.364.090
Over 5 years	2.528.567	-	2.528.567	3.203.318	-	3.203.318
Total	17.976.870	114	17.976.984	10.688.439	94	10.688.533

Period remaining to contractual repricing dates for investment security, held to maturity financial assets at 31 December 2016 and 2015 is as follows:

	31 December 2016			31 December 2015		
	Banking	Other companies	Total	Banking	companies	Total
Up to 3 months	2.857.339	-	2.857.339	2.668.683	-	2.668.683
3 to 12 months	1.788.154	114	1.788.268	1.146.641	94	1.146.735
1 to 5 years	11.961.634	-	11.961.634	6.873.115	-	6.873.115
Over 5 years	1.369.743	-	1.369.743	-	-	-
Total	17.976.870	114	17.976.984	10.688.439	94	10.688.533

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NOTE 6 – FINANCIAL ASSETS (Continued)

d) Time Deposits:

The breakdown of maturities of time deposits over 3 months is as follows:

	31 December 2016	31 December 2015
3 to 12 months	35.765	-
Total	35.765	-

NOTE 7 – FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2016	31 December 2015
Short term	8.838.741	8.678.744
Short-term portion of long term	13.620.874	12.862.826
Total short term	22.459.615	21.541.570

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

Long term	26.458.459	19.137.143
Sub-Total	26.458.459	19.137.143
Total	48.918.074	40.678.713

Maturity analysis as of 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Up to 3 months	9.463.615	8.782.744
3 to 12 months	12.996.000	12.758.826
Short term borrowings and short term portion of long term borrowings	22.459.615	21.541.570
1 to 5 years	17.985.270	13.571.788
Over 5 years	8.473.189	5.565.355
Long term borrowings	26.458.459	19.137.143
Total financial liabilities	48.918.074	40.678.713

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NOTE 7 – FINANCIAL LIABILITIES (continued)

The maturity schedule of long term borrowings at 31 December 2016 and 2015 is summarised below:

	31 December 2016	31 December 2015
2016	-	5.065.465
2017	8.179.400	4.695.704
2018	3.556.033	1.106.934
2019	4.445.345	2.703.684
2020	1.804.492	5.565.356
2021 and beyond	8.473.189	-
Total	26.458.459	19.137.143

The repricing schedule of borrowings at 31 December 2016 and 2015 is summarized below:

	31 December 2016	31 December 2015
Up to 3 months	31.821.916	23.186.344
3 to 12 months	6.367.519	6.510.319
1 to 5 years	7.203.894	8.009.643
Over 5 years	3.524.745	2.972.407
Total	48.918.074	40.678.713

The transactions related with the funds and loans as of 31 December 2016 are as follows:

Akbank – Funds borrowed via syndicated credit

As of 31 December 2016, Akbank has three outstanding syndicated loan. On 18 August 2016, the syndicated loan signed and raised EUR 787,8 million and USD 327 million consisting of 1 year and 3 year maturities. The cost of 1 year maturity loan is Euribor + 100 bps and Libor + 110 bps and cost of 3 years maturity loan is Euribor + 190 bps. The first syndicated loan of EUR 783.5 million and USD 370.4 million with a maturity of 1 year was obtained through the loan agreement signed on 18 March 2016. The annual cost of the loan is Euribor + 75 bps and Libor + 85 bps. On 9 July 2015, the third syndicated loan facility signed and raised USD 335 million. The loan's maturity is 3 year with a cost of Euribor/Libor + 1,85%.

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NOTE 7 – FINANCIAL LIABILITIES (Continued)

Issued securities:

Securities issued consist of USD and TL assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2016		31 December 2015	
	USD	TL	USD	TL
2016	-	-	620.933	1.788.288
2017	822.429	2.878.501	751.749	2.165.036
2018	1.006.961	3.524.364	995.023	2.865.667
2019	757.205	2.650.218	301.974	869.684
2020	768.180	2.688.630	747.277	2.152.158
2021	647.571	2.266.499	53.713	154.693
2022	762.934	2.670.269	404.224	1.164.165
2023	434.528	1.520.848	28.490	82.051
2024	373.192	1.306.172	735.720	2.118.874
2025	380.722	1.332.527	325.773	938.226
2026	39.512	138.292	11.000	31.680
2027	20.524	71.834	11.000	31.680
2028	4.762	16.667	-	-
Total	6.018.520	21.064.821	4.986.876	14.362.202

The balance amounting to USD 6.018.520 consists of securitization deals and USD denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	EURO	TL	EURO	TL
2016	-	-	50.520	158.747
2017	63.951	235.960	63.708	200.183
2018	75.074	277.001	63.693	200.136
2019	93.317	344.312	47.846	150.342
2020	45.802	168.996	332	1.043
2021	23.062	85.092	319	1.002
2022	321	1.184	307	965
2023	309	1.140	295	927
2024	297	1.096	283	889
2025	285	1.052	272	855
2026	274	1.011	261	820
2027	264	974	251	789
2028	253	933	241	757
2029	6.289	23.205	6.043	18.988
Total	309.498	1.141.956	234.371	736.443

The balance amounting to EUR 309.498 consists of securitization deals and EUR denominated securities issued by the Group.

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NOTE 7 – FINANCIAL LIABILITIES (Continued)

Issued securities (continued):

	31 December 2016		31 December 2015	
	RON	TL	RON	TL
2016	-	-	4.805	3.321
2017	4.855	3.926	4.564	3.154
2018	78.228	63.263	75.413	52.110
2019	51.959	42.019	49.905	34.484
Total	135.042	109.208	134.687	93.069

The balance amounting to RON 135.042 consists of securization deals and RON denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	CZK	TL	CZK	TL
2016	-	-	350.610	41.253
2017	274.959	37.862	275.040	32.361
Total	274.959	37.862	625.650	73.614

The balance amounting to CZK 274.959 consists of securization deals and CZK denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	HUF	TL	HUF	TL
2019	796.798	9.562	786.358	7.989
Total	796.798	9.562	786.358	7.989

The balance amounting to HUF 796.798 consists of securization deals and HUF denominated securities issued by the Bank.

	31 December 2016		31 December 2015	
	JPY	TL	JPY	TL
2017	19.188	573	-	-
2018	18.757	560	-	-
2019	964.562	28.803	-	-
Total	1.002.507	29.936	-	-

The balance amounting to JPY 1.002.507 consists of securization deals and JPY denominated securities issued by the Bank.

Additionally, as of 31 December 2016, there are bonds issued by the Bank amounting to TL 987.990 with 3 months maturity, TL 299.259 with 4 months maturity, TL 48.085 with 6 months maturity, TL 223.708 with 2 years maturity and TL 997.225 with 5 years and over maturity (31 December 2015, there are bonds issued by the Bank amounting to TL 568.089 with 3 months maturity, TL 917.737 with 4 months maturity, TL 62.858 with 6 months maturity, TL 765.023 with 1 years maturity and TL 1.060.114 with years and over maturity).

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NOTE 8 ~~TRADE RECEIVABLES AND PAYABLES~~

Short and long term trade receivables:

	31 December 2016	31 December 2015
Trade receivables	1.200.777	1.191.385
Notes and cheques	435.838	265.485
	1.636.615	1.456.870
Less: allowance for doubtful receivables	(85.981)	(70.552)
Total	1.550.634	1.386.318

As of 31 December 2016, trade receivables of TL 95.588 were past due but not impaired (31 December 2015: TL 120.981). The aging analysis of these trade receivables is as follows:

	31 December 2016	31 December 2015
Up to 3 months	69.892	84.702
3 to 6 months	9.353	23.144
6 to 9 months	6.544	12.859
Over 9 months	9.799	276
Toplam	95.588	120.981

As of 31 December 2016 and 2015, the aging analysis of overdue and impaired trade receivables is as follows:

	31 December 2016	31 December 2015
Up to 3 months	215	251
3 to 6 months	600	587
Over 9 months	85.166	69.714
Toplam	85.981	70.552

Short and long term trade payables:

	31 December 2016	31 December 2015
Trade payables	2.487.626	2.384.416
Notes payables	949	360
Expense accruals	1.942	2.215
Toplam	2.490.517	2.386.991

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	31 December 2016	31 December 2015
Receivables from credit card payments	14.717	16.902
Other receivables	1.123.715	1.019.974
Total	1.138.432	1.036.876

Other long term receivables:	31 December 2016	31 December 2015
Deposits and guarantees given	43.710	34.951
Other receivables	841.286	344.187
Total	884.996	379.138

Other short term payables:	31 December 2016	31 December 2015
Payables related to credit card transactions	3.483.667	3.154.070
Taxes and funds payable	331.548	283.883
Export deposits and transfer orders	54.529	39.292
Payment orders to correspondent banks	15.036	206.384
Other	840.403	757.403
Total	4.725.183	4.441.032

Other long term payables:		
Financial lease payables	77.762	91.977
Other	752.206	503.954
Total	829.968	595.931

NOTE 10 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials	279.947	235.474
Work in process	239.939	127.657
Finished good and merchandises	1.397.737	1.609.602
Spare parts	60.756	39.431
Other	102.064	59.483
	2.080.443	2.071.647
Allowance for impairment on inventory (-)	(74.708)	(49.870)
Total	2.005.735	2.021.777

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NOTE 10 – INVENTORIES (Continued)

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

	2016	2015
1 January	(49.870)	(34.056)
Provisions	(77.488)	(24.225)
Provisions no longer required	54.515	8.429
Provision used	(1.865)	(18)
31 December	(74.708)	(49.870)

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses:	31 December 2016	31 December 2015
Prepaid expenses	461.018	319.668
Advance given for inventory purchases	25.418	18.309
Other	280	222
Total	486.716	338.199

Long-term prepaid expenses:	31 December 2016	31 December 2015
Advance given for property, plant and equipment purchases	36.804	49.735
Prepaid expenses	92.263	5.822
Total	129.067	55.557

Short-term deffered income:	31 December 2016	31 December 2015
Unearned commission income	91.317	79.963
Advances received	35.784	68.294
Deferred income	21.514	15.700
Other	846	621
Total	149.461	164.578

Long-term deffered income:	31 December 2016	31 December 2015
Unearned commission income	120.273	114.297
Total	120.273	114.297

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2016	Share (%)	31 December 2015	Share (%)
Aksigorta	153.769	36,00	126.198	36,00
Avivasa	180.483	40,00	159.623	40,00
Brisa	248.767	43,63	282.457	43,63
Akçansa	415.067	39,72	406.691	39,72
Enerjisa	4.743.060	50,00	4.719.888	50,00
Philsa	207.467	25,00	178.863	25,00
Philip Morrissa	71.476	24,75	24.434	24,75
Temsa Mısır	(11.162)	73,75	(15.535)	73,75
Temsa İş Makineleri	92.078	51,00	87.812	51,00
Total	6.101.005		5.970.431	

Share of income from Associates and Joint Ventures included in Holding's consolidated net profit is as follows:

	31 December 2016	31 December 2015
Aksigorta	25.398	(6.535)
Avivasa	34.968	33.081
Brisa	39.402	83.848
Akçansa	106.561	105.436
Enerjisa	147.175	141.911
Philsa	169.938	141.574
Philip Morrissa	119.416	44.238
Temsa Mısır	(1.388)	(1.514)
Temsa İş Makineleri	7.643	5.893
Total	649.113	547.932

The summary financial information of Associates and Joint Ventures is as follows:

	31 December 2016		31 December 2015	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	2.829.049	2.401.912	2.354.754	2.004.204
Avivasa	1.397.157	969.489	1.260.122	887.042
Brisa	2.887.859	2.317.684	2.338.617	1.691.225
Akçansa	1.677.606	619.706	1.544.135	507.325
Enerjisa	28.762.726	19.276.606	26.829.659	17.389.883
Philsa	4.125.277	3.295.411	3.518.240	2.802.787
Philip Morrissa	2.404.384	2.115.595	1.965.174	1.864.373
Temsa Mısır	9.943	25.077	27.294	48.358
Temsa İş Makineleri	349.078	168.533	344.729	215.869
Total	44.443.079	31.190.013	40.182.724	27.411.066

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

Sales

	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Aksigorta	1.895.559	1.622.171
Avivasa	317.422	263.457
Brisa	1.766.473	1.801.876
Akçansa	1.461.055	1.468.533
Enerjisa	12.564.568	11.827.277
Philsa(*)	20.167.930	17.365.487
Philip Morrissa	19.944.842	16.858.458
Temsa İş Makineleri	465.163	484.268

(*) Philsa, which is a manufacturing company, conducts its sales activities through Philip Morrissa, which is a marketing company.

Net profit/ (loss)

	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Aksigorta	70.550	(18.152)
Avivasa	87.419	80.514
Brisa	90.309	192.180
Akçansa	286.979	282.979
Enerjisa	294.350	283.822
Philsa	679.752	566.294
Philip Morrissa	482.492	178.738
Temsa Mısır	(1.882)	(2.053)
Temsa İş Makineleri	14.986	11.557

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NOTE 13 - INVESTMENT PROPERTY

The movements in investment property, for the years ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	Disposals	Impairment	Currency translation differences	31 December 2016
Cost:						
Land	185.465	3.754	(20.423)	5.139	6.794	180.729
Building	128.500	114	(1.355)	(4.020)	-	123.239
Total	313.965	3.868	(21.778)	1.119	6.794	303.968

Accumulated depreciation						
Buildings	(21.862)	(4.022)	392	-	-	(25.492)
Net book value	292.103					278.476

	1 January 2015	Additions	Disposals	Impairment	Currency translation differences	31 December 2015
Cost:						
Land	205.126	-	(19.661)	-	5.682	190.847
Building	155.076	408	(26.984)	-	-	128.500
Total	360.202	408	(46.645)	-	5.682	319.347

Accumulated depreciation						
Buildings	(34.420)	(5.247)	11.946	177	-	(27.544)
Net book value	325.782					292.103

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2016 is as follows:

	1 January 2016	Currency translation differences			Transfers (*)	Impairment	Count Differences	31 December 2016
Cost:								
Land and land improvements	586.172	4.936	40.677	(10.064)	4.512	-	48	626.281
Buildings	2.352.264	56.551	14.592	(25.155)	(673)	-	5.408	2.402.987
Machinery and equipment	2.887.108	268.398	48.456	(17.089)	61.745	-	-	3.248.618
Motor vehicles	111.801	1.669	5.138	(6.032)	1.003	-	-	113.579
Furniture and fixtures	2.711.864	12.082	269.025	(151.768)	39.977	-	1.902	2.883.082
Total	8.649.209	343.636	377.888	(201.108)	106.564	-	7.358	9.274.547
Construction in progress	346.690	7.250	742.970	(9.347)	(143.279)	-	-	944.284
Total	8.995.899	350.886	1.120.858	(219.455)	(36.715)	-	7.358	10.218.831
Accumulated depreciation:								
Land and land improvements	(224.464)	(3.399)	(6.241)	181	13	(733)	(48)	(234.731)
Buildings	(893.849)	(23.976)	(52.238)	12.715	-	(13.161)	(5.408)	(975.917)
Machinery and equipment	(1.678.897)	(130.653)	(118.250)	12.914	-	-	-	(1.914.886)
Motor vehicles	(86.671)	(1.274)	(12.058)	4.138	-	-	-	(95.865)
Furniture and fixtures	(1.829.060)	(9.293)	(225.950)	94.902	(13)	(61.607)	(1.902)	(2.032.923)
Total	(4.712.941)	(168.595)	(414.737)	124.580	-	(75.541)	(7.358)	(5.254.322)
Net book value	4.282.958							4.964.509

(*) Transfers that have been realized from Construction in progress during the period amounting to TL 36.715 is presented as intangible assets.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in property, plant and equipment for the year ended 31 December 2015 is as follows:

	1 January 2015	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	Transfers to non-current assets held for sale	Count Differences	Additions due to acquisition of the subsidiary	Transfer to assets held for sale	31 December 2015
Cost:											
Land and land improvements	601.530	3.616	3.470	(22.441)	3.818	-	(3.310)	(511)	-	-	586.172
Buildings	2.293.440	41.378	42.426	(35.212)	30.157	-	(20.266)	341	-	-	2.352.264
Machinery and equipment	2.712.186	147.647	43.312	(62.556)	127.650	-	(85.766)	3.610	-	1.025	2.887.108
Motor vehicles	108.230	904	7.757	(19.853)	9.082	-	(476)	6.157	-	-	111.801
Furniture and fixtures	2.454.869	(6.512)	319.762	(140.929)	92.418	-	(1.814)	(22.325)	16.395	-	2.711.864
Total	8.170.255	187.033	416.727	(280.991)	263.125	-	(111.632)	(12.728)	16.395	1.025	8.649.209
Construction in progress	197.800	9.191	442.958	(4.795)	(279.760)	(19.067)	-	363	-	-	346.690
Total	8.368.055	196.224	859.685	(285.786)	(16.635)	(19.067)	(111.632)	(12.365)	16.395	1.025	8.995.899
Accumulated depreciation:											
Land and land improvements	(214.975)	(3.096)	(6.918)	-	-	(41)	-	566	-	-	(224.464)
Buildings	(847.050)	(12.198)	(60.917)	21.142	-	(6.036)	5.154	6.056	-	-	(893.849)
Machinery and equipment	(1.582.488)	(53.137)	(129.145)	51.113	-	-	35.580	198	-	(1.018)	(1.678.897)
Motor vehicles	(89.846)	(577)	(8.958)	16.147	-	-	280	(3.717)	-	-	(489.080)
Furniture and fixtures	(1.735.124)	6.981	(218.289)	127.327	-	(15.878)	1.736	4.187	-	-	(1.426.651)
Total	(4.469.483)	(62.027)	(424.227)	215.729	-	(21.955)	42.750	7.290	-	(1.018)	(4.712.941)
Net book value	3.898.572										4.282.958

(*) Transfers that have been realized from Construction in progress during the period amounting to TL 16.635 presented as intangible assets.

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NOTE 15 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Currency translation differences	Additions	Impairment/ (provision)	Disposals	Transfers	Count difference	31 December 2016
Cost	1.167.409	19.688	270.010	-	(16.055)	36.715	(3.087)	1.474.680
Accumulated amortisation (-)	(636.966)	(11.263)	(156.185)	(4.619)	7.122	-	-	(801.911)
Net book value	530.443							672.769

	1 January 2015	Currency translation differences	Additions	Impairment/ (provision)	Disposals	Transfers	Count difference	31 December 2015
Cost	921.948	18.778	203.412	-	(2.714)	16.635	16.823	1.174.882
Accumulated amortisation (-)	(485.649)	(9.227)	(135.563)	(7.809)	1.633	-	(7.809)	(644.439)
Net book value	436.299							530.443

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NOTE 16 - GOODWILL

The movements in goodwill for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	1.014.355	478.935
Additions (Note 3)	460	545.476
Disposals (*)	-	(10.056)
Total	1.014.815	1.014.355

No impairment has occurred in the cash-generating units in 2016.

(*) Includes goodwill effect due to sale from real estate of Group's subsidiary Carrefoursa.

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	31 December 2016	31 December 2015
Provision for liabilities	350.048	334.659
<i>Credit bonus provision</i>	90.654	141.262
<i>Litigation (*)</i>	124.477	68.664
<i>Uncompensated and not encashed non-cash loans</i>	73.085	83.688
<i>Onerous contracts</i>	30.091	34.000
<i>Other short-term provisions</i>	31.741	7.045
Other	61.308	33.637
Total	411.356	368.296

(*) The balance is mainly consists of termination penalties and personnel cases.

Other long term provisions	31 December 2016	31 December 2015
Provision for liabilities	4.239	4.694
<i>Other long-term provisions</i>	4.239	4.694
Total	4.239	4.694

Commitments – Banking segment	31 December 2016	31 December 2015
Letters of guarantee given	26.900.857	22.551.263
Letters of credit	4.993.055	5.359.136
Foreign currency acceptance	3.583.106	933.230
Other guarantees given	3.962.153	3.513.090
Total	39.439.171	32.356.719

Commitments – Non-banking segment	31 December 2016	31 December 2015
Letters of guarantee given	558.419	477.230
Other guarantees given	297.193	289.631
Mortgages, guarantees and pledges for tangible assets	83.208	74.870
Total	938.820	841.731

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NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Repurchase commitments	25.877.459	23.885.500
Transactions for held for trading		
	31 December 2016	31 December 2015
Foreign currency purchases	8.911.930	6.686.807
Foreign currency sales	9.064.075	6.782.859
Total	17.976.005	13.469.666
	31 December 2016	31 December 2015
Currency swap purchases	87.664.943	42.647.513
Currency swap sales	86.427.026	39.246.203
Interest swap purchases	42.198.785	29.350.383
Interest swap sales	42.198.785	29.350.383
Total	258.489.539	140.594.482
	31 December 2016	31 December 2015
Spot purchases	8.257.572	2.169.146
Spot sales	8.318.772	2.155.390
Total	16.576.344	4.324.536
	31 December 2016	31 December 2015
Currency, interest and securities options purchases	43.145.261	34.647.992
Currency, interest and securities options sales	43.319.700	34.776.488
Total	86.464.961	69.424.480
	31 December 2016	31 December 2015
Future purchases	-	1.856
Future sales	55.335	83.775
Total	55.335	85.631
	31 December 2016	31 December 2015
Other purchase transactions	7.170.681	4.594.069
Other sales transactions	5.154.039	6.436.738
Total	12.324.720	11.030.807

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NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Types of derivative transactions held for hedges:

	31 December 2016	31 December 2015
Interest swap purchases	8.814.305	4.791.937
Interest swap sales	8.814.305	4.791.937
Total	17.628.610	9.583.874

	31 December 2016	31 December 2015
Foreign currency purchases	203.533	115.886
Foreign currency sales	73.346	246.300
Total	276.879	362.186

	31 December 2016	31 December 2015
Currency swap purchases	3.257.872	1.871.978
Currency swap sales	2.505.565	1.348.580
Total	5.763.437	3.220.558

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2016 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	3.932.167	22.968.691	26.900.858
Letters of credits	2.118.797	2.874.258	4.993.055
Acceptance credits	3.569.249	13.857	3.583.106
Other guarantees	1.335.410	2.626.742	3.962.152
Total	10.955.623	28.483.548	39.439.171

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2015 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	1.450.808	20.112.780	21.563.588
Letters of credits	3.725.510	1.528.180	5.253.690
Acceptance credits	920.299	12.931	933.230
Other guarantees	1.349.002	1.932.013	3.281.015
Total	7.445.619	23.585.904	31.031.523

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NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

On 22 January 2013, Exsa, a subsidiary of the Group, is subjected to a tax penalty statement due to the corporate tax calculation in 2010 with an additional tax amounting to TL 39 million and its penalty amounting to TL 58 million. The main comment at the tax investigation report in accordance with the penalty is related to the spin-off transaction that took part in 2010 which was previously subjected to another investigation report in 2011. Regarding to that report in 2011, the Company has already reached a reconciliation with the Ministry of Finance. On 22 January 2013, the Company applied to the Ministry of Finance to reach a reconciliation settlement according to the same issue and the same year but no reconciliation was provided. The Company filed a lawsuit related to this matter. The case was concluded on 9 May 2014 in favor of Exsa and the decision was appealed by the revenue administration. As of 31 December, 2016, Exsa paid Total TL 9.101.888 by taking advantage of tax amnesty the tax payer within the scope of "Law No. 6736 on Restructuring Certain Receivables".

Aksigorta, one of the Group's joint ventures, has been subjected to tax investigation by the T.C. Ministry of Finance Tax Audit Board with starting 24 June 2014 for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of Total TL 1,8 million and tax penalty of Total TL 2,8 million for the year 2009, tax of Total TL 2 million and tax penalty of Total TL 3 million for the year 2010, tax of Total TL 3 million and tax penalty of Total TL 4,6 million for the year 2011 and tax of Total TL 4,3 million and tax penalty of Total TL 6,4 million for the year 2012 and in total tax and tax penalty of Total TL 27,9 million related to Banking Insurance Transaction Tax were imposed to the Aksigorta. Aksigorta has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. The company has requested reconciliation for the year 2009 tax penalty on 16 January 2015 and for the year 2010, 2011 and 2012 tax penalty on 20 February 2015 to the Ministry of Finance Central Reconciliation Commission.

The Aksigorta was subject to tax investigation regarding corporate tax calculation for the year 2010 and additional tax amounting to Total TL 60.908.125.96 and related penalty amounting to Total TL 91.362.188.94 were charged to the Company. As a favorable result of the judgment made by the 6th Tax Court of Istanbul, and due to the material event disclosures dated 5 February 2013, 24 October 2013, and 11 July 2014, the Company decided to benefit from of tax amnesty within scope of law numbered 6736 Regarding Restructuring of Some Tax Receivable. As of 31 December 2016, the Company has made Total TL 14.080.984 tax penalty payment regarding to tax investigation that was related to the spin off transaction.

Deduction of book value of shares related to subsidiary from the profit of the company by Yünsa in 2010 because of the liquidation of its subsidiary SKT Giyim San. ve Tic, A.Ş. was criticized since there is no provisions allowing the aforementioned deduction in tax laws and a tax principal and a tax loss fine at an amount of Total TL 7.083.889 and Total TL 19.067.234 respectively is requested related to the year 2010 2011, 2012 and 2013 by Büyük Mükellefler Vergi Dairesi. No payment shall be made since the aforementioned tax assessment is considered to be against tax laws and the case shall be brought to law. It is considered that it is not required to make a provision in accordance with the "TAS 37 Contingent Debts and Contingent Liabilities" standard since there is no liability sourcing as of the end of reporting period because of aforementioned assessments made in an unlawful manner when all the explanations made above are taken into consideration. However, the Board of Directors has decided to take advantage of tax amnesty the tax payer within the scope of "Law No. 6736 on Restructuring Certain Receivables". In accordance with the law no. 6736, 50% of tax principal, all tax loss fine and all penalty for delay are deleted. Interest amount is calculated over remaining tax principale by using producer price index ("PPI") ratio and as of 31 December 2016, Yünsa paid tax penalty amounting to TL 4.010.242.

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NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Competition Board resolved to commence a prosecution by the resolution no. 15-08/108-M dated 19 February 2015 against Teknosa and other companies mentioned in the resolution requesting their statement in order to predict if the Law No. 4054 is violated or not. By the resolution no. 15-28/319-M dated 7 July 2015 of the inquiry has been extended as consumer electronics and has been with former investigation. All of defense statements fort his investigation has been mentioned. Verbal self defense was also completed on 25 October 2016. For both files, the final decision of the Competition Board on 11 November 2016 was published on the official website of the board. In accordance with the decision, Teknosa and Kliksa has imposed tax penalty amounting to TL 18.026 thousand. The decision has not been notified yet and, upon annuciation, the company will be resorted to administrative court. In addition, within 30 days from the date of communique, 3/4 of the penalty amounted TL 13.517 thousand will be paid in accordance with Article 17/6 of the Misdemeanor Law and the company record provision for the same amount under Other Operating Expenses.

The Competition Board decided in December 2016 that Enerjisa Dağıtım A.Ş. (Company) to comply with the Competition Law (Law No. 4054) due to the the preliminary investigation made in November 2016. The investigation is expected to be completed by the end of August 2018. As the notification made by Competition Board about the investigation has very limited information, it can not be evaluated as violating the Competition Act or taking a fine. The Company and its subsidiaries, operating their activities under the Competition Act and other legal regulations.

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Financial institutions	6.433.036	4.680.024
Construction	4.652.569	3.753.902
Chemicals	2.910.411	3.157.227
Wholesale	8.348.084	6.141.969
Small-scale retailers	3.845.270	3.461.873
Steel and mining	2.086.619	1.771.624
Food and beverage	616.372	455.109
Electricity, gas and water	1.977.548	1.807.922
Automotive	620.213	767.684
Other manufacturing	1.445.639	1.599.379
Electronics	639.372	420.290
Textile	934.968	711.655
Transportation	1.170.174	318.507
Telecommunications	153.924	61.115
Tourism	246.057	187.396
Agriculture and forestry	54.738	53.886
Other	3.304.177	1.681.961
Total	39.439.171	31.031.523

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

NOTE 18 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by the Subsidiaries at 31 December 2016 is as follows:

	31 December 2016				TL Equivalent Other
	Total TL Equivalent	TL	USD	EUR	
A. Total amount of the Collaterals given for its own legal entity	884.294	199.537	121.439	58.351	912
B. Collaterals given on behalf of fully consolidated companies	918.961	234.727	82.544	106.134	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	39.439.172	15.741.725	4.108.779	2.400.827	308.838
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	41.202.427	16.175.989	4.312.762	2.565.312	309.750
A. Total amount of the mortgages given for its own legal entity	73.369	-	-	19.777	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	73.369	-	-	19.777	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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

NOTE 18 – COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“CPM”) given by the Joint Ventures at 31 December 2016 is as follows:

	31 December 2016				TL Equivalent Other
	Total TL Equivalent	TL	USD	EUR	
A. Total amount of the Collaterals given for its own legal entity	1.118.066	895.219	61.434	1.792	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties’ debt for continuation of their economic activities	541	540	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	1.118.607	895.759	61.434	1.792	-
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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

NOTE 18 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“CPM”) given by the Subsidiaries at 31 December 2015 is as follows:

	31 December 2015				TL Equivalent Other
	Total TL Equivalent	TL	USD	EUR	
A. Total amount of the Collaterals given for its own legal entity	750.267	131.461	144.484	58.869	11.642
B. Collaterals given on behalf of fully consolidated companies	1.347.914	979.321	59.675	61.393	-
C. Collaterals given on behalf of the third parties’ debt for continuation of their economic activities	31.031.523	12.783	4.334.931	1.682.094	298.623
D. Total amount of other 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	33.129.704	13.894.415	4.539.090	1.802.356	310.265
A. Total amount of the mortgages given for its own legal entity	75.535	-	-	23.771	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	75.535	-	-	23.771	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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

NOTE 18 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“CPM”) given by the Joint Ventures at 31 December 2015 is as follows;

	31 December 2015				TL Equivalent Other
	Total TL Equivalent	TL	USD	EUR	
A. Total amount of the Collaterals given for its own legal entity	1.480.870	1.476.498	246	1.151	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties’ debt for continuation of their economic activities	79	79	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	203	203	-	-	-
Total Collaterals	1.481.152	1.476.780	246	1.151	-
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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NOTE 19 – EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2016	31 December 2015
Due to personnel	29.579	27.339
Social security premiums payable	31.987	27.455
Other	1.611	1.611
Total	63.177	56.405

Short-term provision for employee benefits:

	31 December 2016	31 December 2015
Unused vacation pay provision	106.454	90.928
Bonus provision	30.998	26.034
Other	150.299	121.287
Total	287.751	238.249

Long-term provision for employee benefits:

	31 December 2016	31 December 2015
Unused vacation pay provision	2.890	2.318
Provision for employment termination benefits	303.541	269.402
Other	16.779	13.109
Total	323.210	284.829

Provision for retirement pay liability:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2016, the amount payable consists of one month's salary limited to a maximum of TL 4,30 (31 December 2015: TL 3,82) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above.

The liability is not funded, as there is no funding requirement.

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2015, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. However the discount rate used in the calculation of the provisions differs for each subsidiary and associate, the average discount rate is 3,50% at the respective balance sheet date (31 December 2015: 3,40%). Severance pay ceiling is revised semi-annually. 4,43 TL severance pay ceiling, which is effective on 1 January 2017, has been considered in the provision for employment termination benefits calculations of the Group.

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

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NOTE 19 – EMPLOYEE BENEFITS (Continued)

Provision for retirement pay liability (continued):

Movements in the provision for employment termination benefits for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	269.402	165.236
Charge for the period	119.520	107.133
Payments	(110.182)	(102.790)
Interest cost	5.430	2.897
Foreign currency translation adjustments	(29)	220
Business combinations	-	6.300
Actuarial losses / (gain)	19.400	90.406
31 December	303.541	269.402

NOTE 20 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2016	31 December 2015
Cheques in clearance	418.721	513.180
Deductible, deferred and other VAT	114.087	100.018
Other	44.063	64.092
Total	576.871	677.290

Other Non-Current Assets	31 December 2016	31 December 2015
Long term tax claims and other legal receivables	29.434	5.157
Deductible, deferred and other VAT	3.027	17.778
Other non-current assets	48.760	40.263
Total	81.221	63.198

Other Short Term Liabilities	31 December 2016	31 December 2015
Cheques in clearance	778.619	1.028.687
Saving deposits insurance	45.569	35.641
Other short term liabilities	364.210	226.801
Total	1.188.398	1.291.129

Other Long Term Liabilities	31 December 2016	31 December 2015
Other Long Term Liabilities	18.070	2.799
Total	18.070	2.799

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NOTE 21 - EQUITY

The Holding's authorised and issued capital consists of 204.040.393.100 (31 December 2015: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2016 and 2015 is as follows:

Shareholders:	Share (%)	31 December 2016	Share (%)	31 December 2015
Sakıp Sabancı Holding A.Ş.	14.07	287.100	14,07	287.100
Serra Sabancı	7.21	147.160	7,21	147.160
Suzan Sabancı Dinçer	6.94	141.567	6,94	141.567
Çiğdem Sabancı Bilen	6.94	141.567	6,94	141.567
Other	64.84	1.323.010	64,84	1.323.010
Share capital	100.00	2.040.404	100	2.040.404
Capital adjustments due to cross-ownership (-)		(190.470)		-
Share premium		22.237		22.237

According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)'s Board of Director decision on 22 December 2015, company has started to make repurchasing agreement at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17 % as of 31 December 2016. These shares in consolidated equity as capital adjustments due to cross-ownership.

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Furthermore, to be entitled to the exemption for sale of participation shares and property, 75% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. Based on the exemption for sale of participation shares and property, 75% of the related gain is required to be held in account "gain on sale of subsidiaries". In 2012, related to the initial public offering of Teknosa, Holding accounted for 75% of this gain in this account.

The details of restricted reserves mentioned above are as follows:

	31 December 2016	31 December 2015
Legal reserves	596.381	559.450
Investments sales income	333.369	333.369
Total	929.750	892.819

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NOTE 21 - EQUITY (Continued)

Dividend Distribution

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

Group companies distribute their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

Accumulated Other Comprehensive Income or Loss to be Reclassified to Profit or Loss

	Fair Value Revaluation Fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency translation differences
Balance as of 1 January 2015	(95.908)	(127.903)	(61.072)	183.938
Increases/ (decreases) during the period	(419.923)	37.982	(34.796)	99.666
Gains transferred to income statement	(10.370)	14.053	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(737)	-	-	-
Tax effect	86.637	(10.853)	6.959	-
Balance as of 31 December 2015	(440.301)	(86.721)	(88.909)	283.604
Balance as of 1 January 2016	(440.301)	(86.721)	(88.909)	283.604
Increases/ (decreases) during the period	(18.026)	(133.633)	(71.394)	215.834
Gains transferred to income statement	19.920	21.275	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(8.239)	-	-	-
Tax effect	1.970	21.791	14.279	-
Balance as of 31 December 2016	(444.676)	(177.288)	(146.024)	499.438

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NOTE 22 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

1 January – 31 December 2016

According to the Kordsa Global's Board of Management decision numbered 2015/29 dated 31 December 2015, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. with %51 of rates, would be classified as "Assets Held for sale" in the balance sheet. Hence, the financial results of Nile Kordsa Company for Industrial Fabrics S.A.E. were classified as "Assets Classified as Sales for Sale" in the Group's consolidated financial statements as of 31 December 2016 and 31 December 2015.

As of 31 December 2016, Nile Kordsa Industrial Fabrics Company S.A.E., one of the subsidiary of Kordsa Global, has a loss of Total TL 1.230.919 (31 December 2015: Total TL 8.315.396 profit). For the year ended 31 December 2016 and 31 December 2015, operating results of this company reclassified as income / expense from the discontinued operations in consolidated financial statements.

Profit/Loss Statements of Nile Kordsa as of 31 December 2016 and 31 December 2015 are as follows:

Statement of profit or loss of Nile Kordsa	1 January - 31 December 2016	1 January - 31 December 2015
Income	519	41.820
Expense	(1.750)	(49.453)
Net profit / (loss) before tax	(1.231)	(7.633)
Tax / deferred tax income / (loss), (net)	-	(682)
Net profit / (loss)	(1.231)	(8.315)

As of 31 October 2016, Interkordsa GmbH ("Interkordsa"), one of the subsidiary of Kordsa Global, has a loss of Total TL 8.121.076 (31 December 2015: Total TL 188.207 profit). For the year ended 31 October 2016 and 31 December 2015, operating results of this company reclassified as income / expense from the discontinued operations in consolidated financial statements. The sales of Interkordsa amounted to EUR 3.750.000 occurred at 16 November 2016, as reported in the Public Disclosure Platform.

Profit/Loss Statements of Nile Kordsa as of 31 October 2016 and 31 December 2015 are as follows:

Statement of profit or loss of Interkordsa	1 January - 31 October 2016	1 January - 31 December 2015
Income	43.982	45.594
Expense	(52.028)	(45.437)
Net profit / (loss) before tax	(8.046)	157
Tax / deferred tax income / (loss), (net)	(75)	31
Net profit / (loss)	(8.121)	188

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NOTE 22 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

1 January – 31 December 2015

The share transfer agreement was signed on 13 January 2015 regarding the sale of all shares in Group's subsidiary SASA Polyester Sanayi A.Ş, corresponding to 51 % of the share capital of the Company, to Erdemoğlu Holding A.Ş. According the share transfer agreement, all of the shares owned by Sabanci Holding on 30 April 2015 were sold amounting to Total TL 277.602.495 (Total USD 104 million) and the profit on sale amounting Total TL 102.989.011 was recorded as income / (expense) from discontinued operations on 31 December 2015 on the consolidated statement of profit or loss. The net asset value of Sasa as of 30 April 2015 is amounting to Total TL 331.751.000. In the year 2014, profit or loss items of Sasa are classified as income or expenses from discontinued operations on the consolidated statement of profit or loss.

Statement of balance sheet of SASA for the period ended 30 April 2015 as follows:

Statement of profit or loss	1 January - 30 April 2015
Income	390.717
Expense	(383.745)
Net loss before tax	6.972
Tax	4.443
Net profit	11.415

NOTE 23 – REVENUE AND COST OF SALES

Revenue

	1 January- 31 December 2016	1 January- 31 December 2015
Domestic sales	11.274.733	10.734.167
Foreign sales	1.589.220	1.428.005
Less: Discounts	(501.773)	(504.979)
Total	12.362.180	11.657.193

Cost of sales

	1 January- 31 December 2016	1 January- 31 December 2015
Cost of raw materials and merchandises	(8.164.348)	(7.608.310)
Personnel expenses	(339.790)	(290.131)
Depreciation and amortization expenses	(185.861)	(187.915)
Change in finished good work in process inventory and merchandises	(104.574)	2.991
Other	(983.699)	(1.010.336)
Total	(9.778.272)	(9.093.701)

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NOTE 24 - EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	(1.854)	(1.251)
Consultancy expenses	(272)	(93)
Repair and maintenance expenses	(128)	(22)
Depreciation and amortization expenses	(91)	(1.352)
Other	(3.411)	(605)
Total	(5.756)	(3.323)

Marketing, selling and distribution expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	(637.489)	(547.423)
Rent expenses	(399.361)	(353.593)
Depreciation and amortization expenses	(108.574)	(94.540)
Transportation, logistic and distribution expenses	(85.094)	(82.919)
Advertisement expenses	(66.344)	(99.922)
Outsourced services	(50.435)	(54.377)
Consultancy expenses	(45.254)	(43.227)
Maintenance and repair expenses	(44.476)	(35.866)
Energy expenses	(36.732)	(43.867)
Insurance expenses	(6.090)	(5.575)
Material expenses	(4.725)	(3.484)
Communication expenses	(2.153)	(1.636)
Other	(231.474)	(213.506)
Total	(1.718.201)	(1.579.935)

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NOTE 24 - EXPENSES BY NATURE (Continued)

General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	(1.970.997)	(1.908.086)
Credit card and banking service expenses	(504.803)	(504.390)
Consultancy expenses	(229.265)	(187.754)
Depreciation and amortization expenses	(280.308)	(281.230)
Repair and maintenance expenses	(281.311)	(227.982)
Insurance expenses	(184.270)	(188.959)
Communication expenses	(140.094)	(126.131)
Advertisement expenses	(138.608)	(124.080)
Taxes, duties and charges	(107.031)	(186.223)
Energy expenses	(50.092)	(49.241)
Material expenses	(26.643)	(17.245)
Outsourced services	(3.425)	(886)
Other	(1.014.192)	(1.124.499)
Total	(4.931.039)	(4.926.706)

NOTE 25 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency gains resulting from operations	454.321	391.039
Due date income from trade receivables	39.700	38.489
Other income	695.932	502.579
Total	1.189.953	932.107

The details of other expenses from operating activities for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency losses resulting from operations	(328.667)	(291.939)
Provision expense	(182.799)	(33.852)
Due date expense from trade payables	(101.818)	(89.342)
Other expenses	(250.911)	(152.709)
Total	(864.195)	(567.842)

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NOTE 26 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities

The details of other income from investing activities for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Interest income:		
Time deposit	4.616	7.356
Dividend income	2.696	2.293
Fixed asset sales profit	68.480	161.680
Subsidiary sales profits	-	975
Other	10.411	5.329
Total	86.203	177.633

Expenses from investing activities

The details of other expenses from investing activities for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Loss on sale of fixed assets	(4.356)	(2.054)
Other	-	(4.937)
Total	(4.356)	(6.991)

NOTE 27 – FINANCE INCOME/EXPENSES

	1 January- 31 December 2016	1 January- 31 December 2015
Financial income		
Foreign currency gains	48.601	54.974
Total	48.601	54.974
Financial expenses		
Foreign currency losses	(99.566)	(126.608)
Interest expense	(208.137)	(115.503)
Other financial expenses	(63.955)	(37.810)
Total	(371.658)	(279.921)

Financial income and financial expenses relate to segments outside of banking.

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NOTE 28 - TAX ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Corporate and income taxes payable	1.157.130	953.826
Less: prepaid taxes	(809.523)	(551.052)
Total taxes payable	347.607	402.774

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

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The effective tax rate of the fiscal year 2016 is 20% (2015: 20%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations calculate corporate tax quarterly at the rate of 20% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

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

Affiliation Privilege

Dividend income from participation in shares of capital of another full-fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax

Emission premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business center in Turkey (except for corporations whose principal activity is financial leasing or by investment of marketable securities) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

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

Exemption for Investment Incentive

Article 5 of the Law No. 6009 published in the Official Gazette No. 27659 dated August 1, 2010 and Law No. 193 of the Income Tax Law No. 193 canceled by the Constitutional Court Decree No. 2009/144 published in the Official Gazette dated 8 January 2010 The provisional 69th article "only for 2006, 2007 and 2008" has been rearranged. With the new regulation, it is ensured that the beneficiary can continue to benefit from the exemption of the investment that can not be deducted due to insufficient income and transferred to the following periods without the year limitation. However, the amount to be deducted as the investment reduction exception in the determination of the tax bases is foreseen not to exceed 25%. Again with the amendment, it is accepted that the ones who will benefit from the investment allowance is not the 30% of the corporate tax rate but the current rate (20%).

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NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

With regard to the 25% limit added to the provisional article 69 of the Law No. 6009, the amount to be deducted as an investment reduction exception in the determination of the tax bases shall not exceed 25% of the relevant income, contrary to the Constitution The Constitutional Court dated February 9, 2012 and published in the Official Gazette dated February 18, 2012 and numbered 28208 and E: 2010/93. K: Canceled by Decision No. 2012/9 (Suspension of Execution). The justified decision of the Constitutional Court regarding the issue has been published in the Official Gazette dated 26 July 2013 and numbered 28719.

The tax charges for comprehensive income statement items for the years ended 31 December 2016 and 2015 are as follows:

	31 Aralık 2016			31 Aralık 2015		
	Before Tax	Tax Charge	After Tax	Before Tax	Tax Charge	After Tax
Net unrealized fair value from available for sale financial assets	(67.338)	13.468	(53.870)	(1.034.169)	206.834	(827.335)
Net gain on available for sale financial assets transferred to the income statement	49.718	(9.944)	39.774	(25.448)	5.090	(20.358)
Net gain included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(20.219)	4.044	(16.175)	(1.808)	362	(1.446)
Cash flow hedges	(36.513)	7.303	(29.210)	76.160	(15.232)	60.928
Income/ (loss) from the derivative financial assets related to the hedging of net investment in a foreign operations	(175.200)	35.040	(140.160)	(85.390)	17.078	(68.312)
Change in foreign currency translation differences	492.609	-	492.609	238.089	-	238.089
Actuarial gain/losses	(21.996)	4.399	(17.597)	(99.604)	19.921	(79.683)
Other comprehensive income	221.061	54.310	275.371	(932.170)	234.053	(698.117)

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NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of the current year tax charge for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Profit before tax included in the consolidated financial statements	6.830.104	5.299.364
Expected tax charge according to parent company's tax rate %20 (2015: %20)	(1.366.021)	(1.059.873)
Tax rate differences of subsidiaries	5.183	3.342
Expected tax charge of the Group	(1.360.838)	(1.056.531)
Revenue that is exempt from taxation	71.331	29.541
Non-deductible expenses	(113.614)	(54.364)
Utilizing carryforward tax losses that are not subject to deferred tax	(7.019)	(19.663)
Timing differences not subject to tax	-	395
Impact of profits from investments valued by equity method	129.823	109.586
Investment incentives impact	7.423	7.107
Tax impact of assets that are hold for sale purpose	-	5.421
Real estate sales profit exemption	157	2.138
Other	(869)	3.225
Current year tax charge of the Group	(1.273.606)	(973.144)

Deferred tax

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for TAS and tax purposes, carry forward tax losses and investment incentive exceptions. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% in Turkey.

Since the subsidiaries and joint ventures which are separately taxpayers presented their deferred tax assets and liabilities as net values in their financial statements, the effect of the presentation of the net amounts has been reflected to the Group's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented in the table below are based on the gross values.

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NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax (continued)

At 31 December 2016, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TL 819.512 which can be offset against future taxable profits for a period of five years (31 December 2015: TL 105.255). As of 31 December 2016 and 31 December 2015 carry forward tax losses and the latest annual periods are as follows:

	31 December 2016	31 December 2015
2016	-	11.196
2017	-	8.405
2018	17.548	11.899
2019	58.126	29.736
2020	743.838	44.019
Total	819.512	105.255

Deferred tax assets/ (liabilities) for the years ended at 31 December 2016 and 2015 are as follows:

	2016	2015
Deferred tax assets	635.401	714.698
Deferred tax liabilities	(139.150)	(118.323)
Net Deferred Tax Assets	496.251	596.375

The movements in deferred income tax assets/ (liabilities) for the six-month periods ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	596.375	362.437
Change in consolidation method due to acquisition of shares	-	25.909
Charged to equity	(29.960)	171.455
Change in foreign currency translation differences	(12.686)	(19.610)
Charged to statement of profit or loss	(58.491)	50.666
Transfers to assets held for sale	-	7.071
Other	1.013	(1.553)
31 December	496.251	596.375

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NOTE 29 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2016	Fair Value	
	Asset	Liability
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	5.242.799	3.900.948
Forward currency purchases and sales transactions	467.073	418.684
Currency purchases and sales options	262.589	289.771
Other purchases and sales transactions	1.649.098	4.709
Total derivative instruments held for trading	7.621.559	4.614.112
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	807.874	98.991
Forward currency purchases and sales transactions	895	3.714
Currency purchases and sales transactions	40.243	-
Total derivative instruments held for hedging	849.012	102.705
Total derivative instruments	8.470.571	4.716.817
31 December 2015	Fair Value	
Derivative instruments held for trading:	Asset	Liability
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	1.340.366	1.260.512
Forward currency purchases and sales transactions	106.964	162.414
Currency purchases and sales options	222.214	257.901
Other purchases and sales transactions	1.032.735	89.293
Total derivative instruments held for trading	2.702.279	1.770.120
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	651.367	158.961
Forward currency purchases and sales transactions	14.743	2.048
Currency purchases and sales transactions	373	-
Total derivative instruments held for hedging	666.483	161.009
Total derivative instruments	3.368.762	1.931.129

Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa are protected from cash flow risk through the use of interest rate swaps against the cash flow risk arising from financial borrowings. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under hedge reserves within equity. Akbank is also protected against cross-currency swaps and Turkish currency fixed interest rate financial assets and foreign currency financial debt arising from fair value risk. Brisa, in order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purchases, the Company enters into Euro selling/US buying, TL selling/Euro buying and TL selling/Dollar buying forward exchange contracts.

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NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	31 December 2016	31 December 2015
Consumer loans and credit cards receivables	45.037.601	41.583.279
Project finance loans (*)	26.431.817	23.426.197
Construction	24.078.639	13.830.334
Other manufacturing industries	20.779.263	12.366.884
Small-scale enterprises	14.706.397	13.297.020
Minig	6.262.631	3.731.339
Telecommunication	5.819.867	4.582.047
Other manufacturing industries	5.537.903	8.925.988
Food and beverage, wholesale and retail	4.939.823	2.884.201
Textile	4.109.589	3.606.524
Chemicals	3.377.208	1.472.391
Automotive	2.413.289	1.727.979
Other	19.070.542	24.747.580
Total loans and advances to customers	182.564.570	156.181.764
Allowance for loan losses	(6.964.606)	(5.701.872)
Leasing receivables	4.983.239	3.958.451
Net loans and advances to customers	180.583.203	154.438.343

The above table includes the total performing loans and loans under follow-up of bank and the loan loss provision is set as a result of the bank evaluation considering the overall credit risk.

(*) As of December 31, 2016, within the scope of acquisition financing of an entity operating in the telecommunication sector, on the basis of participating in the syndication, which is formed by other domestic and foreign banks, with share pledge there is a cash loan risk of USD 1.5 Billion (Total TL 5.2 billion). As of the balance sheet date, negotiations have been initiated by institutional partners, creditor banks and related public institutions regarding the restructuring of overdue credit risk, which may include shareholder change, and these negotiations are expected to result in a positive development.

Effective interest rates of USD, EUR, YEN and TL denominated loans and advances to customers are 5,07% p.a. (31 December 2015: 4,35% p.a.), 3,66% p.a. (31 December 2015: 3,69% p.a.), 4,27% p.a. (31 December 2015: 3,36% p.a.), and 13,04% (31 December 2015: 9,71% p.a) respectively.

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NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (cont'd)

The movement of loan loss provision of banking segment as of 31 December 2016 by class is as follows:

	Corporate	Commercial	Total
1 January 2016	2.679.248	3.022.624	5.701.872
Gross provisions	1.297.181	1.160.712	2.457.893
Collections	(207.054)	(518.520)	(725.574)
Written-off (*)	(107.093)	(362.492)	(469.585)
31 December 2016	3.662.282	3.302.324	6.964.606

(*) The Bank has sold TL 450,1 million (total TL amount) in the following loans portfolio to Güven Asset Management Inc. for a consideration of TL 49,1 million (total TL amount).

The movement of loan loss provision of banking segment as of 31 December 2015 by class is as follows:

	Corporate	Commercial	Total
1 January 2015	2.016.841	2.254.267	4.271.108
Gross provisions	979.442	1.427.603	2.407.045
Collections	(182.014)	(452.290)	(634.304)
Written-off (*)	(135.021)	(206.956)	(341.977)
31 December 2015	2.679.248	3.022.624	5.701.872

(*) The Bank has sold TL 248,5 million (total TL amount) in the following loans portfolio to Girişim Asset Management Inc. for a consideration of TL 40,3 (total TL amount) million.

The maturity analysis of loans and advances given to customers at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Up to 3 months	49.297.126	42.616.346
3 to 12 months	36.937.861	34.802.687
Current	86.234.987	77.419.033
1 to 5 years	67.482.991	53.425.747
Over 5 years	21.881.986	19.635.112
Non-current	89.364.977	73.060.859
Total	175.599.964	150.479.892

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NOTE 30 - ASSET FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (cont'd)

The repricing dates of the loans and advances given to customers as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Up to 3 months	72.647.190	60.788.870
3 to 12 months	42.692.991	44.549.095
1 to 5 years	51.031.046	39.025.020
Over 5 years	9.228.737	6.116.907
Total	175.599.964	150.479.892

NOTE 31 – LIABILITIES FROM FINANCE SECTOR OPERATIONS

Banking

	31 December 2016			31 December 2015		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	14.430.486	76.583.302	91.013.788	11.275.748	67.455.714	78.731.462
Commercial deposits	14.750.250	53.845.681	68.595.931	10.134.810	42.515.523	52.650.333
Interbank deposits	972.501	6.229.124	7.201.625	256.697	12.661.189	12.917.886
Funds provided from repo transactions	-	26.042.359	26.042.359	-	24.169.207	24.169.207
Other	566.748	5.295.076	5.861.824	1.028.245	2.925.399	3.953.644
Total	30.719.985	167.995.542	198.715.527	22.695.500	149.727.032	172.422.532

Effective interest rates of USD, EUR and TL denominated customer deposits are 1,62% p.a. (31 December 2015: 1,02% p.a.), 0,43% p.a. (31 December 2015: 0,51% p.a.) and 9,42% p.a. (31 December 2015: 9,53% p.a.).

As of December 31, 2016 and 2015, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2016	31 December 2015
Demand	29.247.950	19.971.284
Up to 3 months	142.247.469	125.277.763
3 to 12 months	20.413.857	11.521.758
1 to 5 years	6.335.809	13.118.878
Over 5 years	470.442	2.532.849
Total	198.715.527	172.422.532

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NOTE 32 - MUTUAL FUNDS

As of December 31, 2016, the Group is the founder and manager of 44 investment funds (31 December 2015: 43) with a total aggregate value of TL 3.916.212 (31 December 2015: TL 3.283.444). Documents for participation of the funds established within the framework of the Capital Markets Board Legislation are preserved at Istanbul Settlement and Custody Bank Inc.

NOTE 33 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class that have been outstanding during the year.

	31 December 2016	31 December 2015
Earnings per share in full TL		
- ordinary share ('000)	13,04	10,96
Earnings per share from continuing operations in full TL		
- ordinary share ('000)	13,08	10,50
Weighted average number of shares with TL 0,01 face value each		
- ordinary shares	204.040.393.100	204.040.393.100

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus calculated before 1 January 2004. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year. When the number of ordinary shares outstanding increases as a result of bonus shares after the balance sheet date but before the issue of financial statements, the earnings per share calculation is based on the new number of shares.

There were no differences between the basis and relative gain per share for any class of shares for any of these periods.

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NOTE 34 - RELATED PARTY DISCLOSURES

Key management personnel compensation:

The Group defined its key management as board of directors, general manager, general secretary, group chiefs, head of departments and group directors belonging to a group and over. Short term benefits include wages, bonuses, social security, health insurance, premium bonus and incentive premium. Other long term benefits include private pension system payments. Benefits provided for retirement include retirement and unused vacation payments paid to senior executives for retirement and transfer.

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Short term benefits provided to senior executive	22.561	20.754
Benefits provided by termination	1.185	883
Other long term benefits	271	259
Total	24.017	21.896

NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

35.1 Financial Instruments and Financial Risk Management

35.1.1 Financial risk management

The Group's activities expose it to a variety of financial risks. These risks; market risk (including currency risk, fair value interest rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on seek to minimizing the variability of financial markets and the potential adverse effects on the Group's financial performance. The Group benefits from derivative financial instruments to hedge against various risks that it is exposed to.

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

35.1.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position. The Group benefits from derivative instruments with the aim of minimizing the foreign exchange risk arising from balance sheet items by using swap and forward usage is limited to foreign exchange risk.

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the "Net Foreign Currency ("FC") position" and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). Akbank's exposure to currency risk is within the limits set by Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. As a means of managing foreign exchange risk, futures contracts such as swap and forward are also used when necessary to provide hedging protection.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.1 Foreign Exchange Risk (continued)

The Group is mainly exposed to foreign exchange risk in EUR, USD and GBP.

Foreign currency denominated assets and liabilities held by the Group before consolidation elimination at 31 December 2016 and 2015 terms of TL are as follows:

	31 December 2016	31 December 2015
Assets	149.842.286	128.626.065
Liabilities	(156.415.980)	(136.166.574)
Net foreign currency balance sheet position	(6.573.694)	(7.540.509)
Net foreign currency position of off-balance sheet derivative financial instruments	6.631.871	8.402.706
Net foreign currency balance sheet and off-balance sheet position	58.177	862.197

31 December 2016	Total TL Equivalent	USD TL Equivalent	EUR TL Equivalent	GBP TL Equivalent	Other TL Equivalent
Assets:					
Cash and Cash Equivalents	11.622.582	8.832.383	2.599.686	76.124	114.389
Financial Investments	29.098.496	22.981.074	5.603.484	-	513.938
Receivables From Financial Operations	77.712.296	41.652.192	35.942.621	18.424	99.059
Reserve Deposits at Central Bank	28.943.471	21.185.548	7.023.056	-	734.867
Trade Receivables	925.201	288.557	525.755	3.617	107.268
Other Assets	1.540.243	972.613	505.501	56	62.073
Total Assets	149.842.286	95.912.367	52.200.103	98.221	1.631.594
Liabilities:					
Funds Borrowed and Debt Securities in Issue	42.993.036	31.813.593	10.957.565	4.607	217.270
Customer Deposits	111.134.033	68.971.285	38.666.933	1.479.832	2.015.983
Trade payables	430.287	289.770	97.751	1.367	41.400
Other Payables and Provisions	1.858.624	833.338	953.497	2.201	69.588
Total Liabilities	156.415.980	101.907.986	50.675.746	1.488.007	2.344.241
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	6.631.871	4.478.023	(56.837)	1.388.984	821.699
Net assets/(liabilities) foreign currency affecting income statement position	58.177	(1.517.596)	1.467.520	(802)	109.052
Monetary items net assets/(liabilities) foreign currency position	58.177	(1.517.596)	1.467.520	(802)	109.052

Net profit effect of the consolidated to the total net foreign currency position is TL 502.179 as of 31 December 2016 (Bank and Philsa-Philip Morrissa excluded).

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.1 Foreign Exchange Risk (continued)

31 December 2015	Total TL Equivalent	USD TL Equivalent	EUR TL Equivalent	GBP TL Equivalent	Other TL Equivalent
Assets:					
Cash and Cash Equivalents	8.229.608	5.864.491	2.213.366	34.705	117.046
Financial Investments	29.204.701	23.367.054	5.837.647	-	-
Receivables From Financial Operations	66.913.937	40.103.231	26.747.536	12.698	50.472
Reserve Deposits at Central Bank	22.776.999	15.304.344	3.865.549	-	3.607.106
Trade Receivables	764.041	286.725	365.522	26.084	85.710
Other Assets	736.780	475.138	182.051	2.140	77.451
Total Assets	128.626.066	85.400.983	39.211.671	75.627	3.937.785
Liabilities:					
Funds Borrowed and Debt					
Securities in Issue	36.031.708	26.354.414	9.468.915	5.273	203.106
Customer Deposits	98.496.275	68.859.632	26.690.548	1.523.676	1.422.419
Trade payables	274.414	165.358	84.117	1.077	23.862
Other Payables and Provisions	1.364.178	623.653	692.714	2.582	45.229
Total Liabilities	136.166.575	96.003.057	36.936.294	1.532.608	1.694.616
Net assets/(liabilities) foreign currency position of off- balance sheet derivative financial instruments					
	8.402.706	10.025.671	(908.680)	1.459.007	(2.173.292)
Net assets/(liabilities)foreign currency affecting income statement position					
	862.197	(576.403)	1.366.697	2.026	69.877
Monetary items net assets/(liabilities) foreign currency position					
	862.197	(576.403)	1.366.697	2.026	69.877

Net profit effect of the consolidated to the total net foreign currency position is TL 2.774 as of 31 December 2015 (Bank and Philsa-Philip Morrissa excluded).

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.1 Foreign Exchange Risk (continued)

As the Bank is exposed to a negligible foreign currency position risk, exchange rate changes have no significant effect on the financial statements.

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 31 December 2016 and 2015 is summarized as follows:

31 Aralık 2016	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by %10				
USD net assets/liabilities	(1.207)	1.207	(36.691)	36.691
USD hedge items (-)			-	-
USD net effect	(1.207)	1.207	(36.691)	36.691
Change in EUR against TL by %10				
EUR net assets/liabilities	31.090	(31.090)	(10.571)	10.571
EUR hedge items (-)			-	-
EUR net effect	31.090	(31.090)	(10.571)	10.571
Change in GBP against TL by %10				
GBP net assets/liabilities	14	(14)	3	(3)
GBP hedge items (-)			-	-
GBP net effect	14	(14)	3	(3)
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(1.054)	1.054	-	-
Other Hedges items(-)			-	-
Other currency net effect	(1.054)	1.054	-	-

31 Aralık 2015	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by %10				
USD net assets/liabilities	(28.385)	28.385	(20.693)	20.693
USD hedge items (-)		-	-	-
USD net effect	(28.385)	28.385	(20.693)	20.693
Change in EUR against TL by %10				
EUR net assets/liabilities	23.600	(23.600)	(4.582)	4.582
EUR hedge items (-)	-	-	-	-
EUR net effect	23.600	(23.600)	(4.582)	4.582
Change in GBP against TL by %10				
GBP net assets/liabilities	14	(14)	-	-
GBP hedge items (-)	-	-	-	-
GBP net effect	14	(14)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(2.240)	2.240	5	(5)
Other Hedges items(-)	-	-	-	-
Other currency net effect	(2.240)	2.240	5	(5)

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.2 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. In addition to the natural hedges that arise from offsetting interest rate sensitive assets and liabilities, the Group also manages this risk through derivative transactions for hedging purposes.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings at floating rates are denominated in TL, USD, EUR and GBP.

The interest position table of the non-banking segment of the Group as of 31 December 2016 and 2015 is set out below as follows: (Please refer to Note 35.1.1.5 for banking industrial segment)

	31 December 2016	31 December 2015
Fixed interest rate financial instruments		
Financial assets	113.237	188.928
Time deposits	113.237	188.928
Financial liabilities	1.951.775	1.130.266
Floating interest rate financial instruments		
Financial liabilities	273.870	529.275

Renewing existing positions for non-banking industrial segments by the Group. Various scenarios were prepared for bank loans with floating interest rates taking into account alternative financing and hedging. According to this scenarios: (Please refer to Note 35.1.1.5 for banking industrial segment).

At 31 December 2016, if the annual interest rate on TL denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL (1.323) (31 December 2015: TL (1.099)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2016, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TL 1.825 (31 December 2015: TL 512) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2016, if the annual interest rate on EUR denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TL (75) (31 December 2015: TL (146)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims to maintaining flexibility in funding by keeping committed credit lines available.

i) Banking industrial segment

A major objective of Akbank's asset and liability management is to ensure that sufficient liquidity is available to meet Akbank's commitments to customers and to satisfy Akbank's own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities. The primary funding sources of Akbank are equity placed in interest bearing assets, well-distributed and stable deposits and medium to long term borrowings obtained from international markets.

In spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of Akbank indicate that these deposits will provide a long-term and stable source of funding for Akbank.

As of 31 December 2016 and 2015 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

Liabilities	31 December 2016						
	Book value	Contractual Cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Customer deposits	200.010.473	202.918.006	132.335.034	27.281.514	19.871.777	19.599.073	3.830.608
Credit obtained and debt securities in issue	44.837.338	49.526.658	1.277.155	6.550.365	12.473.118	19.888.947	9.337.073
Interbank money market deposits	1.277.622	1.277.622	1.277.622	-	-	-	-
	246.125.433	253.722.286	134.889.811	33.831.879	32.344.895	39.488.020	13.167.681

Liabilities	31 December 2015						
	Book value	Contractual Cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Customer deposits	173.640.02	175.956.942	121.993.491	25.234.138	11.985.377	13.988.530	2.755.406
Credit obtained and debt securities in issue	38.587.062	42.266.675	1.132.501	7.362.329	12.772.790	14.751.396	6.247.659
Interbank money market deposits	80.633	80.633	50.082	30.551	-	-	-
	212.307.721	218.304.250	123.176.074	32.627.018	24.758.167	28.739.926	9.003.065

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.3 Liquidity Risk (continued)

ii) Other industrial segment

The table below depicts the cash outflows the cash outflows of the Group's non-banking industrial segments for the balance sheet liabilities as of the balance sheet date. The amounts shown in the table are the contractual undiscounted cash flow amounts and the Group considers the liquidity management based on the expected undiscounted cash flows.

As of December 31, 2016 and 2015, the Group's analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2016	Book value	Contractual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	2.971.235	3.070.285	585.156	1.575.216	895.713	14.199
Financial lease obligations	110.442	117.105	8.563	26.044	64.289	18.209
Trade payables	1.760.091	1.741.314	1.461.957	279.357	-	-
Other payables	57.890	64.077	62.793	1.284	-	-
	4.899.658	4.992.781	2.118.469	1.881.901	960.002	32.408

31 December 2015	Book value	Contractual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	2.293.413	2.367.515	505.280	888.157	935.171	38.907
Financial lease obligations	118.265	129.552	7.434	22.446	83.313	16.359
Trade payables	1.423.803	1.529.844	1.478.743	50.885	216	-
Other payables	48.916	56.032	54.557	1.475	-	-
	3.884.397	4.082.943	2.046.014	962.963	1.018.700	55.266

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.4 Credit Risk

i) Banking industrial segment

Credit risk of the banking industrial segment is the risk that the counterparties of Akbank may be unable to meet the terms of their agreements. Akbank sets credit limits to counterparties in order to limit the risk of credit risk to credit limitations and does not extend credit limits beyond these limits. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously defined credit limits are constantly revised as a result of assessing general economic developments and monitoring changes in customers' financial information and activities. Loan limits are provided on the basis of customer-specific types and amounts of guarantees

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

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

Derivatives are also carried out when necessary in order to meet and control the credit risks that may arise especially from foreign exchange and interest rate fluctuations.

Non-cash loans transformed into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed by Akbank according to Akbank's credit risk management and follow-up principles. The financial status and business activities of the relevant customer are analyzed continuously and the related units are monitored whether principal and interest payments are made according to the renewed plan.

Within the framework of Akbank's risk management approach, it is assumed that long-term commitments are exposed to more credit risk than short-term commitments and that risk factors such as risk limits and guarantees for long-term risks are covered more broadly than short-term risks.

Akbank's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies. When considered within the financial activities of other financial institutions, Akbank as an active participant in the national and international banking market is not exposed to a significant credit risk when evaluated together with the financial activities of other financial institutions.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.3 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).

With the help of scoring systems created for different customers, the probability of default is calculated and rating systems for corporate, commercial, SME, consumer and credit cards are created separately.

Akbank calculates the differential of customers defaulting through rating systems created for different types of customers. Concentration data for the classed loans were given using the following tabulation rating systems. The rating tool concentration by risk classes are as follows:

	31 December 2016	31 December 2015
Above average	% 54,14	% 49,10
Average	% 34,66	% 37,10
Below average	% 10,88	% 13,30
Unrated	% 0,40	% 0,50

As of 31 December 2016, the Group's loans in the medium risk group are TL 6.067.766 (31 December 2015: TL 4.942.479) and the aging analysis is as follows:

	Corporate loans	Consumer loans and credit cards	Financial lease receivable	Total
31 December 2016				
Up to 1 month	1.815.084	1.094.832	6.420	2.916.336
Between 1 to 2 months	1.604.735	763.089	4.231	2.372.055
Between 2 to 3 months	370.792	369.451	3.278	743.521
Rental payment receivables (Uninvoiced)	-	-	35.854	35.854
	3.790.611	2.227.372	49.783	6.067.766

	Corporate loans	Consumer loans and credit cards	Financial lease receivable	Total
31 December 2015				
Up to 1 month	1.647.651	1.639.137	9.741	3.296.529
Between 1 to 2 months	304.223	701.961	1.632	1.007.816
Between 2 to 3 months	297.395	318.812	1.444	617.651
Rental payment receivables (Uninvoiced)	-	-	20.483	20.483
	2.249.269	2.659.910	33.300	4.942.479

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

Maximum exposure to credit risk of banking industrial segment:

	31 December 2016	31 December 2015
Loans and advances to other banks	43.557.998	32.822.588
Loans and advances	175.599.964	150.479.892
<i>Consumer loans and advances</i>	41.576.624	40.539.198
<i>Corporate loans and advances</i>	134.023.340	109.940.694
Financial lease receivables	4.983.239	3.958.451
Securities held for trading (*)	56.653	33.981
Derivative financial assets held for trading	7.620.938	2.697.157
Derivative financial assets held for cash flow hedges	807.874	651.368
Available for sale and held to maturity financial assets	52.504.342	53.673.459
Other assets	1.693.831	1.098.566
Total	286.824.839	245.415.462

(*) Marketable securities are not included.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

Marketable securities of the banking industrial segment as of December 31, 2016 and 2015. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2016	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	132.700	-	132.700
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	2.073.074	-	2.073.074
Bal	56.653	32.321.698	17.976.870	50.355.221
Total	56.653	34.527.472	17.976.870	52.560.995

31 December 2015	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	171	-	-	171
A1, A2, A3	8.434	255.376	-	263.810
Baa1, Baa2, Baa3	15.418	42.220.320	10.688.440	52.924.178
Bal	-	509.323	-	509.323
Total	24.023	42.985.019	10.688.440	53.697.482

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.5 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 2016 and 2015 are summarized as follows:

31 December 2016	Turkey	USA	EU Contries	Non-EU Contries	Total
Loans and advances to other banks	35.895.539	570.116	7.075.974	16.369	43.557.998
Loans and advances	168.570.422	26.219	6.230.289	773.034	175.599.964
<i>Consumer loans and advances</i>	41.576.624	-	-	-	41.576.624
<i>Corporate loans and advances</i>	126.993.798	26.219	6.230.289	773.034	134.023.340
Financial lease receivables	4.983.239	-	-	-	4.983.239
Securities held for trading	56.653	-	-	-	56.653
Derivative financial assets held for trading	1.425.067	237.280	5.941.598	16.993	7.620.938
Derivative financial assets held for cash flow hedges	-	-	807.874	-	807.874
Available for sale and held to maturity financial assets	51.605.660	-	898.682	-	52.504.342
Other assets	1.693.831	-	-	-	1.693.831
Total	264.230.411	833.615	20.954.417	806.396	286.824.839

31 December 2015	Turkey	USA	EU Contries	Non-EU Contries	Total
Loans and advances to other banks	27.428.611	788.144	4.591.356	14.477	32.822.588
Loans and advances	145.663.561	10	3.947.392	868.929	150.479.892
<i>Consumer loans and advances</i>	40.539.198	-	-	-	40.539.198
<i>Corporate loans and advances</i>	105.124.363	10	3.947.392	868.929	109.940.694
Financial lease receivables	3.958.451	-	-	-	3.958.451
Securities held for trading	33.981	-	-	-	33.981
Derivative financial assets held for trading	1.037.090	192.519	1.445.505	22.043	2.697.157
Derivative financial assets held for cash flow hedges	-	-	651.368	-	651.368
Available for sale and held to maturity financial assets	52.687.976	-	985.483	-	53.673.459
Other assets	1.090.213	-	6.854	1.499	1.098.566
Total	231.899.883	980.673	11.627.958	906.948	245.415.462

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2016 and 2015 are summarized as follows:

	Financial institutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to other banks	43.557.998	-	-	-	-	-	43.557.998
Loans and advances	20.466.628	1.954.400	24.303.529	50.959.579	36.339.204	41.576.624	175.599.964
Consumer loans and advances	-	-	-	-	-	41.576.624	41.576.624
Corporate loans and advances	20.466.628	1.954.400	24.303.529	50.959.579	36.339.204	-	134.023.340
Financial lease receivables	76.360	-	145.038	288.882	4.472.959	-	4.983.239
Securities held for trading	3.758	9.865	-	-	43.030	-	56.653
Derivative financial assets held for trading	7.620.938	-	-	-	-	-	7.620.938
Derivative financial assets held for cash flow hedges	807.874	-	-	-	-	-	807.874
Available for sale and held to maturity financial assets	4.503.148	47.472.018	-	130.206	398.970	-	52.504.342
Other assets	1.693.831	-	-	-	-	-	1.693.831
31Aralık2016	78.730.535	49.436.283	24.448.567	51.378.667	41.254.163	41.576.624	286.824.839
31Aralık2015	55.454.791	47.602.240	29.548.791	36.632.734	35.622.185	40.554.721	245.415.462

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.4 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 Group's exposure to types of financial instruments of other industrial segments as of December 31, 2016 and 2015 is as follows.

31 December 2016	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.513.988	-	157.588	79.209	913
Collateralized or secured with guarantees part of maximum credit	914.660	-	13.012	2.645	-
A. Neither past due nor impaired	1.417.268	-	157.588	79.209	913
B. Restructured otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	102.957	-	-	-	-
Guaranteed amount by commitment	35.839	-	-	-	-
D. Net book value of impaired assets	(6.237)	-	-	-	-
- Past due (Gross amount)	79.744	-	755	-	-
- Impairment	(85.981)	-	(755)	-	-
- Collateralized or guaranteed part of net value	1.348	-	-	-	-

(*)Tax and other receivables are not included.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.4 Credit Risk (continued)

ii) Other industrial segment (continued)

31 December 2015	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.305.480	-	97.237	93.668	14.410
Collateralized or secured with guarantees part of maximum credit	662.359	-	-	-	-
A. Neither past due nor impaired	1.217.159	-	97.237	93.668	14.410
B. Restructured otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired					
net book value	92.158	-	-	-	-
Guaranteed amount by commitment	51.027	-	-	-	-
D. Net book value of impaired assets	(3.837)	-	-	-	-
- Past due (Gross amount)	66.175	-	754	-	-
- Impairment	(70.552)	-	(754)	-	-
- Collateralized or guaranteed part of net value	4.135	-	-	-	-

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

35.1.1.5 Value at Risk

Stress tests provide indications of the extent of the damage that may occur in unusual circumstances. The stress test conducted by the Akbank Risk Management department includes the interest rate stress test as predicted by Akbank's market risk policies. For all banking transactions except for the trading portfolio, the interest rate risk is monitored under the interest rate risk arising from banking accounts. The results of the stress test are analyzed by the Asset and Liability Committee (ALCO).

Calculation and reporting of interest rate risk arising from banking accounts the monthly rate is calculated in accordance with the "Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts Based on Standard Shock" published in the Official Gazette dated 23 August 2011 and numbered 28034.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.1.5 Value at Risk (continued)

As of 31 December 2016 and 2015, the fair value changes of Turkish Lira and foreign exchange after performing 500 and 200 basis points in the account balances subject to the calculation is as follows;

Currency	Applied Schock (+/- x basis points)	31 December 2016		31 December 2015	
		Gains / Losses	Gains / Shareholders Equity- Losses /Shareholders Equity	Gains / Losses	Gains / Shareholders Equity- Losses /Shareholders Equity
TL	(400)	3.522.632	%10,12	3.388.004	%11,14
TL	500	(3.732.576)	(%10,71)	(3.577.919)	(%11,77)
US Dollar	(200)	(534.093)	(%1,53)	567.488	%1,87
US Dollar	200	509.074	%1,47	(592.080)	(%1,94)
Euro	(200)	57.075	%0,15	84.302	%0,27
Euro	200	(270.409)	%0,78	(500.965)	(%1,65)
Total (for negative shocks)		3.045.614	%8,74	4.039.794	%13,28
Total (for positive shocks)		(3.493.911)	(%10,02)	(4.670.964)	(%15,36)

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. Market risk is measured by two method named as “inherent method” and “standard method”.

According to the “inherent method”, the market risk related to the trading portfolio is measured through the Value at Risk (VaR) approach, which takes into consideration diverse risk factors. To calculate the VaR, the Bank uses the variance-covariance, historical simulation and Monte Carlo simulation methods. The software used for this purpose is able to make calculations based on forward efficiency curves and volatility models. The VaR model is based on the assumption of a 99% confidence interval and a 10-day retention period. VaR analyses are reported daily to senior management and are also used as a risk parameter and limit management tool for the bond portfolio. The Risk Management Committee sets risk limits for market risk and closely monitors the risk limits in the light of market conditions. The risk limits are under authorization bounders and control efficiency is increased.

RMD analyzes are supported by scenario analyzes and stress tests, which are unexpected and unlikely to occur, but take into account the effects of major events and fluctuations in the market. Retrospective testing of model outputs is regularly carried out.

According to the “standard method”, market risk is measured on securities portfolio basis in a way that includes the Group's exchange risk daily and weekly, and reported to the senior management.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

35.1.2 Capital risk management

The Group manages its capital to ensure that entities in the Group's objectives are to maintain the Group ability to operate in order maintain optimal capital structure in order to benefit other shareholders and reduce capital cost.

In order to maintain or recapitalise the capital structure, the Group will determine the dividend payable to shareholders, issue new shares and sell its assets to reduce debt.

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

The gearing ratios at 31 December 2016 and 2015 were as follows:

	31 December 2016	31 December 2015
Total financial liabilities	262.392.300	224.504.454
Cash and cash equivalents	12.596.627	10.705.724
Net liability	249.795.673	213.798.730
Equity	44.807.343	39.971.438
Invested capital	294.603.016	253.770.168
Net liability/ invested capital ratio	%85	%84

NOTE 36 - FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The estimated fair values of financial instruments have been determined by the Holding and its Subsidiaries and Joint Ventures using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Holding and its subsidiaries and joint ventures could realise in a current market transaction.

The following methods and assumptions were used in estimating the fair value of the financial instruments for which the fair value of the Group can be determined:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature. The fair value of investment securities has been estimated based on the market prices at balance sheet dates.

The trade receivables along with the related allowances for doubtful receivables uncollectibility are carried at amortised cost using the effective yield method, and hence are accepted to approximate their fair values.

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NOTE 36 - 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 valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

Derivative financial instruments

The fair value of forward foreign exchange contracts and currency/interest rate swaps is estimated based on quoted market rates prevailing at the balance sheet date.

Fair values of the financial assets and liabilities of the Group's banking segment as of 31 December 2016 and 2015 are as follows:

Fair value classifications of the financial assets and liabilities of the Group carried at fair value is as stated below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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NOTE 36 - 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 2016 and 2015 are as follows:

	31 December 2016			Total
	Level 1	Level 2	Level 3	
Securities held for trading	63.921	-	-	63.921
- Government bonds	9.865	-	-	9.865
- Marketable securities	7.268	-	-	7.268
- Other	46.788	-	-	46.788
Available for financial assets	34.572.009	222.051	-	34.794.060
- Government bonds	17.912.731	-	-	17.912.731
- Eurobonds	11.328.132	-	-	11.328.132
- Mutual funds	212.244	-	-	212.244
- Listed shares	-	54.344	-	54.344
- Other	5.118.902	167.707	-	5.286.609
Trading derivative financial assets	2.642	7.618.296	-	7.620.938
Hedging derivative financial assets	-	807.874	-	807.874
Total Assets	34.638.572	8.648.221	-	43.286.793
Trading derivative financial instruments	4.389	4.595.458	-	4.599.847
Hedging derivative financial instruments	-	98.991	-	98.991
Total liabilities	4.389	4.694.449	-	4.698.838

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the current year.

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NOTE 36 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

i) Banking industrial segment (continued)

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Securities held for trading	40.513	-	-	40.513
- Government bonds	9.996	-	-	9.996
- Eurobonds	107	-	-	107
- Marketable securities	6.532	-	-	6.532
- Other	23.878	-	-	23.878
Available for financial assets	43.029.205	342.399	-	43.371.604
- Government bonds	19.376.723	-	-	19.376.723
- Eurobonds	15.929.478	-	-	15.929.478
- Mutual funds	270.627	-	-	270.627
- Listed shares	-	115.958	-	115.958
- Other	7.452.377	226.441	-	7.678.818
Trading derivative financial assets	-	2.697.157	-	2.697.157
Hedging derivative financial assets	-	651.368	-	651.368
Total Assets	43.069.718	3.690.924	-	46.760.642
Hedging derivative financial instruments	-	1.767.851	-	1.767.851
Total liabilities	-	158.960	-	158.960
Total liabilities	-	1.926.811	-	1.926.811

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the prior year.

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NOTE 36 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

ii) Other industrial segment

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	16	-	16
Derivatives held for hedging	-	41.137	-	41.137
Total Assets	-	41.153	-	41.153
Derivatives held for trading	-	5.639	-	5.639
Derivatives held for hedging	-	3.145	-	3.145
Total Liabilities	-	8.785	-	8.785

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	1.843	-	1.843
Derivatives held for hedging	-	13.466	-	13.466
Total Assets	-	15.309	-	15.309
Derivatives held for trading	-	1.807	-	1.807
Derivatives held for hedging	-	1.215	-	1.215
Total Liabilities	-	3.022	-	3.022

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the current year.

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NOTE 36 – FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments and fair value

31 December 2016	Note	Held to maturity securities	Loans and Receivables (cash and cash equivalents included)	Available for sale financial Assets	Financial liabilities measured at amortized cost	Book value	Fair value
Financial Assets							
Cash and cash equivalents	5	-	12.596.627	-	-	12.596.627	12.596.627
Trade receivables	8	-	1.550.634	-	-	1.550.634	1.550.634
Other financial asset (*)	6, 9	17.976.984	2.059.193	34.821.880	-	54.858.057	54.813.247
Receivables from financial operations	30	-	180.583.203	-	-	180.583.203	182.983.685
Financial Liabilities							
Financial payables	7	-	-	-	48.918.074	48.918.074	48.085.309
Trade payables	8	-	-	-	2.490.517	2.490.517	2.490.517
Other financial liabilities (**)	9	-	-	-	5.584.673	5.584.673	5.584.673
Payables from financial operations	31	-	-	-	176.655.157	176.655.157	175.888.596
31 December 2015							
Financial Assets							
Cash and cash equivalents	5	-	10.705.724	-	-	10.705.724	10.705.724
Trade receivables	8	-	1.386.318	-	-	1.386.318	1.386.318
Other financial asset (*)	6, 9	10.688.533	1.416.014	43.388.825	-	55.493.372	55.645.761
Receivables from financial operations	30	-	154.438.343	-	-	154.438.343	155.016.752
Financial Liabilities							
Financial payables	7	-	-	-	40.678.713	40.678.713	40.240.524
Trade payables	8	-	-	-	2.386.991	2.386.991	2.386.991
Other financial liabilities (**)	9	-	-	-	5.036.963	5.036.963	5.036.963
Payables from financial operations	31	-	-	-	172.422.532	172.422.532	172.521.373

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

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

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NOTE 37 - EVENTS AFTER THE REPORTING PERIOD

The resignation of Zafer Kurtul, Chief Executive Officer ("CEO") from his current position and the appointment of Mehmet Göçmen as CEO as of 30 March 2017 has been accepted meeting of Board of Directors on 20 February 2017.

Carrefoursa, one of the subsidiaries of the Group, has been collected the TL 80.346.116 of receivable from trade center sale on 30 January 2017, which was presented as other receivables as of 31 December 2016.

At the meeting of Akbank's Board of Directors held on 11 January 2017, decided to increase the registered capital ceiling of the Bank by TL 2.000.000 and to extend the registered capital ceiling authorization period by the end of 2021. With respect to this increment new capital ceiling is raised from TL 8,000,000 to TL 10,000,000. With respect to this, amendment of the 9th article of the Bank's Articles of Association and to authorize the General Directorate to carry out the transactions with the competent authorities in order to carry out the said amendments is decided.