HACI ÖMER SABANCI HOLDİNG A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hacı Ömer Sabancı Holding A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. ("Holding" or the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2017 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 the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS")

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section for our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Emphasis of Matter

As explained in Note 2, 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 shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest. Our conclusion is not modified in respect of this matter.

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4. Key Audit Matters

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

Key audit matters	***How our audit addressed the key audit matter***
Impairment of loans and receivables (Note 30) The Group has total provision for impairment of TL 7 billion in respect to loans and advances of TL 212 billion which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2017. The reason we focused on this area during our audit is; the significance of loans and advances and the importance of estimation of impairment provision related to these loan and advances. Timely and correctly identification of loss event, methodologies and models used for impairment computation, forecasts for future cash flows, valuation of collaterals and other judgements made by the management have significant impacts on the amount of impairment provision for loans. Therefore, this area is considered as key audit matter.	Within our audit procedures, we assessed and tested the design and operating effectiveness of the relevant controls with respect to identification of which loans and advances are impaired and the calculation of impairment provision. We have carried credit test on a selected sample of loans and advances with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner. We tested individually impaired loans on a sample basis and checked the calculation for impairment provision by testing the forecasts of future cash flows and assessed the reasonableness of the assumptions. We assessed the appropriateness of the methodology and models used to calculate the provision including any changes in parameters and assumptions used in the models where the impairment was calculated on a modelled basis for collectively assessed portfolios. Based on our discussions with the Bank management, we evaluated whether key assumptions and other judgements underlying the estimation of impairment provision were reasonable.

4. **Key audit matters (Continued)**

Key audit matters	*How our audit addressed the key audit matter*
Valuation of Pension Fund Obligations (Note 2.3.19) The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers is authorized to determine the transfer date. The total obligation of the fund is estimated using different methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as transferrable social benefits, discount rates, salary increases, demographic assumptions used in the valuation of pension obligation and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

5. Other Matters

a) As explained in Note 2 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2017 for the consolidated balance sheet; and the official USD average CBRT bid rates of the year 2017 for the consolidated statement of income, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of these consolidated financial statements.

b) The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 23 February 2017 expressed an unqualified opinion.

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

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

7. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

7. **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 23 February 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Burak Özpoyraz, SMMM
Partner

İstanbul, 23 February 2018

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016

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

	Note References	Unaudited Current Period 31 December 2017 USD (*)	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
ASSETS				
Current Assets		**43.359.502**	**163.547.705**	**145.478.662**
Cash and Cash Equivalents	5	3.849.271	14.519.064	12.596.627
Financial Investments		2.341.614	8.832.334	3.835.458
- Held for Trading	6.a	10.576	39.890	63.921
- Available for Sale	6.b	1.110.964	4.190.446	3.050.872
- Held to Maturity	6.c	1.217.903	4.593.808	684.900
- Time Deposits	6.d	2.171	8.190	35.765
Trade Receivables	8	498.923	1.881.888	1.440.602
Receivables from Finance Sector Operations	30	25.854.544	97.520.756	87.848.505
Reserve Deposits with the Central Bank of the Republic of Turkey		8.763.615	33.055.479	33.171.783
Other Receivables	9	653.259	2.464.026	1.138.432
Derivative Financial Instruments	29	480.399	1.812.017	2.361.989
Inventories	10	612.979	2.312.094	1.995.221
Prepaid Expenses	11	198.630	749.214	486.716
Assets Related to Current Tax		2.411	9.093	4.678
Other Current Assets	20	98.242	370.559	576.871
		43.353.887	**163.526.524**	**145.456.882**
Non-current Assets Held for Sale	22	5.615	21.181	21.780
Non-current Assets		**50.528.129**	**190.587.046**	**162.789.177**
Financial Assets		14.036.620	52.944.726	49.063.092
- Available for Sale	6.b	10.248.252	38.655.381	31.771.008
- Held to Maturity	6.c	3.788.368	14.289.345	17.292.084
Trade Receivables	8	32.259	121.678	110.032
Receivables From Finance Sector Operations	30	30.272.872	114.186.246	92.734.698
Other Receivables	9	264.637	998.184	884.996
Derivative Financial Instruments	29	2.041.138	7.698.970	6.108.582
Investments Accounted Through Equity Method	12	1.707.154	6.439.214	6.101.005
Investment Property	13	74.898	282.506	278.476
Property, Plant and Equipment	14	1.466.037	5.529.745	4.964.509
Intangible Assets		448.102	1.690.195	1.687.584
- Goodwill	16	231.474	873.097	1.014.815
- Other Intangible Asset	15	216.628	817.098	672.769
Prepaid Expenses	11	6.124	23.098	129.067
Deferred Tax Assets	28	146.523	552.671	635.401
Other Non Current Assets	20	31.765	119.813	91.735
Total Assets		**93.887.631**	**354.134.751**	**308.267.839**

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2018 and signed on its behalf by Mehmet Göçmen, Member of Board of Directors and CEO and Barış Oran, Head of Finance. General Assembly has the right to change these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016

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

	Note References	Unaudited Current Period 31 December 2017	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
L1ABILITIES				
Current Liabilities		**65.608.159**	**247.467.413**	**211.488.434**
Short Term Borrowings	7	3.689.698	13.917.173	8.838.741
Short Term Portion of Long Term Borrowings	7	4.246.740	16.018.279	13.620.874
Trade Payables	8	764.164	2.882.349	2.490.488
Payables from Finance Sector Operations	31	54.267.716	204.692.399	176.618.716
Payables related to Employee Benefits	19	20.148	75.997	63.177
Other Payables	9	1.431.933	5.401.108	4.725.183
Derivative Financial Instruments	29	566.856	2.138.123	2.734.964
Deferred Income	11	57.635	217.393	149.461
Current Tax Liabilities	28	212.745	802.451	347.607
Short Term Provisions		172.650	651.217	699.107
- Short Term Provisions for Employee	19	84.382	318.279	287.751
- Other Short Term Provisions	17	88.268	332.938	411.356
Other Short Term Liabilities	20	176.479	665.662	1.188.398
		65.606.764	**247.462.151**	**211.476.716**
Liabilities Related to Asset Group Held for Sale	22	1.395	5.262	11.718
Non-current Liabilities		**14.493.862**	**54.669.399**	**51.972.062**
Long Term Borrowings	7	6.713.411	25.322.315	26.458.459
Trade Payables	8	-	-	29
Payables from Finance Sector Operations	31	6.274.002	23.664.909	22.096.811
Other Payables	9	408.689	1.541.534	829.968
Derivative Financial Instruments	29	894.895	3.375.454	1.981.853
Deferred Income	11	38.122	143.793	120.273
Long Term Provisions		110.548	416.977	327.449
- Long Term Provisions for Employee Benefits	19	109.325	412.364	323.210
- Other Long Term Provisions	17	1.223	4.613	4.239
Deferred Tax Liabilities	28	39.596	149.352	139.150
Other Long Term Liabilities	20	14.599	55.065	18.070
EQUITY		**13.785.610**	**51.997.939**	**44.807.343**
Equity Attributable To The Parent	**21**	**7.049.973**	**26.591.788**	**23.146.297**
Share Capital	21	540.949	2.040.404	2.040.404
Adjustments to Share Capital		908.497	3.426.761	3.426.761
Share Premium	21	5.895	22.237	22.237
Treasury shares (-)	21	(50.497)	(190.470)	(190.470)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		(20.250)	(76.380)	(59.814)
- Actuarial Gain/Loss		(20.250)	(76.380)	(59.814)
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss		(468.178)	64.615	(268.550)
- Currency Translation Reserve	21	(289.188)	724.660	499.438
- Gains/Losses on Hedge	21	(92.714)	(349.708)	(323.312)
- Revaluation Reserve	21	(82.276)	(310.337)	(444.676)
Restricted Reserves	21	273.845	1.032.916	929.750
Retained Earnings		4.900.540	16.790.619	14.585.848
Net Income for the Period		955.172	3.481.086	2.660.131
Non-controlling Interests		**6.735.637**	**25.406.151**	**21.661.046**
TOTAL EQUITY AND LIABILITIES		**93.887.631**	**354.134.751**	**308.267.839**

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Note References	Unaudited Current Period 31 December 2017 USD (*)	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
CONTINU1NG OPERATIONS				
Sales (net)	4,23	3.797.503	13.839.851	12.362.180
Cost of Sales (-)	4,23	(3.002.872)	(10.943.850)	(9.778.272)
Gross Profıt from Non-Financial Operations		**794.631**	**2.896.001**	**2.583.908**
Interest, Premium, Commission and Other Income	4	7.489.836	27.296.414	22.623.872
Interest, Premium, Commission and Other Expense (-)		(4.023.515)	(14.663.543)	(12.198.054)
Gross Profıt from Financial Operations		**3.466.321**	**12.632.871**	**10.425.818**
GROSS PROFIT		**4.260.952**	**15.528.872**	**13.009.726**
General and Administrative Expenses (-)	24	(1.463.858)	(5.334.974)	(4.931.039)
Marketing Expenses (-)	24	(478.826)	(1.745.064)	(1.718.201)
Research and Development Expenses (-)	24	(2.155)	(7.853)	(5.756)
Other Income from Operating Activities	25	364.562	1.328.631	931.666
Other Expense from Operating Activities (-)	25	(210.022)	(765.417)	(864.195)
Share of Profit of Investments Accounted for Using the Equity Method	12	158.152	576.380	649.113
OPERATING PROFIT		**2.628.005**	**9.580.575**	**7.071.314**
Income from Investing Activities	26	30.383	110.729	86.203
Expense from Investing Activities (-)	26	(4.844)	(17.653)	(4.356)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		**2.654.344**	**9.673.651**	**7.153.161**
Financial Income	27	38.715	141.096	48.601
Financial Expenses (-)	27	(163.743)	(596.754)	(371.658)
INCOME BEFORE TAX FROM CONTINU1NG OPERATIONS		**2.529.316**	**9.217.993**	**6.830.104**
Tax Expense from Continuing Operations				
Current Tax Expense		(492.251)	(1.793.988)	(1.215.115)
Deferred Tax Income/(Expense)	28	2.851	10.390	(58.491)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**2.039.916**	**7.434.395**	**5.556.498**
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	22	961	3.503	(9.352)
PROFIT FOR THE PERIOD		**2.040.877**	**7.437.898**	**5.547.146**
ALLOCATION OF PROFIT				
- Non-controlling Interests		1.085.705	3.956.812	2.887.015
- Owner of the Company		955.172	3.481.086	2.660.131
Earnings per share				
- thousands of ordinary shares (TRY)	33	4,68	17,06	13,04
Earnings per share from continuing operations				
- thousands of ordinary shares (TRY)	33	4,68	17,04	13,08

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY average exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Note References	Audited Current period 1 January - 31 December 2017	Audited Prior period 1 January - 31 December 2016
NET INCOME FOR THE YEAR		**7.437.898**	**5.547.146**
Other Comprehensive Income/(Loss):			
Items That Will Not Be Reclassified Subsequent To Profit or Loss		**(43.822)**	**(17.597)**
Actuarial (losses)/gains, after tax	28	(47.749)	(14.681)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax	28	3.927	(2.916)
Items That Will Be Reclassified To Profit or Loss		**786.527**	**292.968**
Net unrealized fair value gains/(losses) from available for sale financial assets, after tax	28	384.853	(52.994)
Gains/(losses) on available for sale financial assets transferred to the income statement income statement, after tax	28	(26.243)	39.774
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	(4.241)	(16.175)
Currency translation differences	28	539.555	499.113
Cash flow hedges, after tax	28	51.132	92.476
Income/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operation, after tax	28	(201.629)	(140.160)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		43.100	(129.066)
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		**742.705**	**275.371**
TOTAL COMPREHENSIVE INCOME		**8.180.603**	**5.822.517**
ALLOCATION OF TOTAL COMPREHENSIVE INCOME			
- Non-controlling Interests		4.382.918	3.098.043
- Equity Holders of the Parent		3.797.685	2.724.474

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

					Accumulated Other Comprehensive Income or Loss That Will									
					Not Be Reclassified	Be Reclassified to Profit or Loss								
	Share Capital	Adjustment to share capital	Treasury shares (-)	Share premium	Actuarial gains/ losses	Currency translation reserve	Hedge reserve	Revaluation funds	Restricted reserves	Retained earnings	Net income for the year	Equity attributable to the parent	Non-controlling interests	Total
Balances at 1 January 2016	**2.040.404**	**3.426.761**	**-**	**22.337**	**(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)	-	-	-
Holding share purchases by subsidiaries (*)	-	-	(190.470)	-	-	-	-	-	-	-	-	(190.470)	-	(190.470)
The effect of share sales (**)	-	-	-	-	-	-	-	-	-	3.034	-	3.034	1.729	4.763
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(324.057)	-	(324.057)	(467.570)	(791.627)
Subsidiary acquisition or removal (****)	-	-	-	-	-	(9.278)	-	-	-	-	-	(9.278)	-	(9.278)
Total comprehensive income	-	-	-	-	(8.712)	225.112	(147.682)	(4.375)	-	-	2.660.131	2.724.474	3.098.043	5.822.517
Balances at 31 December 2016	**2.040.404**	**3.426.761**	**(190.470)**	**22.237**	**(59.814)**	**499.438**	**(323.312)**	**(444.676)**	**929.750**	**14.585.848**	**2.660.131**	**23.146.297**	**21.661.046**	**44.807.343**
Balances at 1 January 2017	**2.040.404**	**3.426.761**	**(190.470)**	**22.237**	**(59.814)**	**499.438**	**(323.312)**	**(444.676)**	**929.750**	**14.585.848**	**2.660.131**	**23.146.297**	**21.661.046**	**44.807.343**
Transfers	-	-	-	-	-	-	-	-	103.166	2.556.965	(2.660.131)	-	-	-
Dividends paid (***)	-	-	-	-	-	-	-	-	-	(424.786)	-	(424.786)	(637.813)	(1.062.599)
Subsidiary acquisition or removal (*****)	-	-	-	-	-	-	-	-	-	72.592	-	72.592	-	72.592
Total comprehensive income	-	-	-	-	(16.566)	225.222	(26.396)	134.339	-	-	3.481.086	3.797.685	4.382.918	8.180.603
Balances at 31 December 2017	**2.040.404**	**3.426.761**	**(190.470)**	**22.237**	**(76.380)**	**724.660**	**(349.708)**	**(310.337)**	**1.032.916**	**16.790.619**	**3.481.086**	**26.591.788**	**25.406.151**	**51.997.939**

(*) Represents the share of Sabancı Holding that 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 perform share buybacks at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17 % as of 31 December 2017. These shares are represented in consolidated equity as capital adjustments due to cross-ownership.

(**) Represents 0,14% rate of shares that amounting to TRY 946.986 in equity of Carrefoursa A.Ş., a subsidiary of the Group which was held based on share call option was decided to be sold in Istanbul Stock Exchange, within a year. In accordance with this decision, as of 26, 27, 29 April, 2, 3, 4 and 10 May, 2016, regarding the share of Carrefoursa A.Ş. with range of price that is 6,85-7,88 and amounting to TRY 946.986 nominal value share sale was realized. With this transaction, the Group's share in Carrefoursa A.Ş. became 50,61%.

(***) Dividends paid by the Holding per share with a TRY 1 nominal value is TRY 0,20 (2016: TRY 0,15).

(****) Represents the cumulative conversion reserve of Interkordsa Gmbh amounting to Total TRY 9.278.326 that calculated in financials and held under equity has been added to the profit of the current year (Note 22).

(*****) On 31 December 2017, the line of business, which previously operated as a different line of business within Enerjisa Enerji A.Ş., a joint venture of the Group, and conducted distribution operations, was transferred to the distribution companies. A consolidated deferred tax asset amounting to TRY 72.592, arising from recognition of the merge of companies under common control, is recognised under retained earnings. The impact will be amortized each year, and will be set to zero in five years.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Note References	Unaudited Current Period 1 January 31 December 2017 USD (*)	Current Period 1 January- 31 December 2017	Prior Period 1 January- 31 December 2016
Net income before tax from continuing operations		2.529.445	9.217.993	6.830.104
Net income after tax from discontinued operations		961	3.503	(9.352)
Adjustments to reconcile income to net cash provided by operating activities:				
Depreciation and amortisation expenses	4	197.952	721.392	574.944
Provision for loan losses	30	454.283	1.655.531	2.457.893
Changes in the fair value of derivative instruments		(35.830)	(130.573)	(2.352.634)
Interest income and foreign currency gains		(792.644)	(2.888.612)	(2.706.210)
Interest expense		40.058	145.981	182.572
Provision for employment termination benefits	19	28.365	103.369	124.950
Impairments charge on property, plant and equipment, intangible assets and investment property	13,14,15	(8.645)	(31.505)	79.041
Income from sale of property, plant and equipment, intangible assets and investment property			(91.451)	(64.214)
Income from associates and joint ventures	12	(158.160)	(576.380)	(649.113)
Provision for / (reversal of) inventory impairment	10	(934)	(3.402)	22.973
Provision for doubtful receivables		(38)	(138)	14.668
Impairment of goodwill		38.888	141.718	-
Other		2.999	10.930	5.074
Net cash provided by operating activities before changes in operating assets and liabilities		**2.271.606**	**8.278.356**	**4.510.696**
Changes in trade receivables		(124.248)	(452.794)	(178.984)
Changes in inventories		(83.421)	(304.009)	(8.795)
Changes in other receivables and other current assets		(392.947)	(1.432.006)	(747.245)
Changes in trade payables		107.520	391.832	103.526
Changes in other liabilities and other payables		256.202	933.671	566.713
Net cash provided in operating activities of non-current assets classified as held for sale		(1.607)	(5.857)	58.231
Currency translation differences		126.239	460.049	276.871
Changes in assets and liabilities in finance segment:				
Changes in securities held for trading		6.366	23.201	(24.038)
Changes in receivables from financial operations		(8.711.274)	(31.746.273)	(27.778.305)
Changes in payables from financial operations		8.101.194	29.522.976	26.113.938
Central Bank of the Republic of Turkey account		255.553	931.307	(11.376.849)
Income taxes paid		(343.168)	(1.250.598)	(1.212.297)
Employment termination benefits paid	19	(22.328)	(81.370)	(110.182)
Net cash provided by/(used) in operating activities		**1.445.688**	**5.268.485**	**(9.806.720)**
Cash flows from investing activities:				
Capital expenditures	4	(387.022)	(1.410.413)	(1.394.735)
Sale/(purchase) of available for sale and held to maturity		(2.009.987)	(7.324.945)	1.599.474
Proceeds from sale of non-current assets held for sale, property, plant and equipment and intangible assets		47.214	172.060	188.678
Dividends received		96.418	351.375	395.224
Cash provided from the sale of subsidiary		-	-	7.670
Net cash provided by investing activities		**(2.253.377)**	**(8.211.923)**	**796.311**
Cash flows from financing activities:				
Changes in financial liabilities		1.663.015	6.060.483	8.060.646
Dividends paid		(116.563)	(424.786)	(324.057)
Dividends paid to non-controlling interests		(175.018)	(637.813)	(467.570)
Net cash provided by financing activities		**1.371.435**	**4.997.884**	**7.269.019**
Effect of change in foreign currency rates on cash and cash equivalents		188.082	685.424	1.416.377
Net increase/(decrease) in cash and cash equivalents		751.829	2.739.870	(325.013)
Cash and cash equivalents at the beginning of the period (**)		1.985.491	7.235.675	7.560.688
Cash and cash equivalents at the end of the period		**2.737.320**	**9.975.545**	**7.235.675**

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY average exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

(**) Cash and cash equivalents at the end of the period comprise interest accruals of TRY 1.679 (31 December 2016: TRY 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 TRY 5.356.843 and TRY 4.541.840, respectively (31 December 2016: TRY 3.145.036 and TRY 5.356.843, respectively).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY 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 2017 is 63.152 (31 December 2016: 62.312). Holding's registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye.

The Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on Borsa Istanbul ("BIST") (previously known as the Istanbul Stock Exchange ("ISE")) since 1997. As of 31 December 2017, 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

The Holding, its subsidiaries, associates and joint ventures are together referred as the "Group". The Holding is managed by Sabancı Family.

Subsidiaries

As of 31 December 2017, 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**	**Business Segment**	**Number of Employees**
Akbank T.A.Ş. ("Akbank")	BIST	Banking	Banking	17.775
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	BIST	Trade of Consumer Goods	Retailing	12.170
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	BIST	Trade	Retailing	2.650
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	BIST	Cement and Clinker	Cement	2.468
Kordsa Teknik Tekstil A.Ş. ("Kordsa")	BIST	Tire Reinforcement	Industry	3.895
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	-	Automative	Industry	1.816
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	BIST	Textile	Industry	1.119
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	-	Trade	Other	9
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	-	Tourism	Other	2
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	-	Tourism	Other	5
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	-	Information Technologies	Other	158

Subsidiaries are registered in Turkey.

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

Joint Ventures

As at 31 December 2017, 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	648
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	BIST	Pension	Insurance	Aviva	1.615
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	BIST	Tire	Industry	Bridgestone	2.286
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	BIST	Cement and clinker	Cement	Heidelberg	2.568
Enerjisa Enerji A.Ş. ("Enerjisa Enerji") (*)	BIST	Energy	Energy	E.ON SE	9.625
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim") (*)	-	Energy	Energy	E.ON SE	622
Temsa İş Makinaları	-	Automotive	Industry	Marubeni	194

All joint ventures are registered in Turkey.

(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

Associates

As at 31 December 2017, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

Associates	Traded Stock Market	Type of Activity	Business 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	3.044

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

All affiliates are registered in Turkey.

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 TRY 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 and the announcement published by Public Oversight Accounting and Auditing Standards Authority ("POA") on 2 June 2016. 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.

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 TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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
None.

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

The Group has not implemented the following amendments and interpretations to existing standards that are not yet effective:

Amendments to IAS 7, 'Statement of cash flows'; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 12, 'Income Taxes'; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017: IFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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 (continued)

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach.

Amendment to IAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018.

Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018.

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,

IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018.

Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

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)

IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular.

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019.

IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements. As of 1 January 2018, there is no significant impact expected on the Bank's provision for impairment of loans and other receivables during the transition to TFRS 9.

2.1.3 Basis of Consolidation

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

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

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

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

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 companies which Holding has less that 50% shares are considered as subsidiaries since 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 shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest.

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 2017 and 2016:

	31 December 2017		31 December 2016	
Subsidiaries	**Direct and indirect ownership interest by the Holding and its Subsidiaries (%)**	**Proportion of ownership interest (%)**	**Direct and indirect ownership interest by the Holding and its Subsidiaries (%)**	**Proportion of ownership interest (%)**
AEO	76,85	76,85	76,85	76,85
Akbank	40,75	40,75	40,75	40,75
Bimsa	100,00	100,00	100,00	100,00
Çimsa	58,41	53,00	58,41	53,00
Exsa	61,68	46,23	61,68	46,23
Kordsa	71,11	71,11	71,11	71,11
Teknosa	60,28	60,28	60,28	60,28
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	50,61	50,61

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

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 2017 and 31 December 2016:

	31 December 2017		31 December 2016	
Joint Ventures	**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 (%)**
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
Enerji Üretim (*)	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

(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

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

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

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

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2017 and 31 December 2016:

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 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 2017 comparatively with the consolidated balance sheet as of 31 December 2016 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 2017 comparatively with the year 1 January - 31 December 2016.

As of 31 December 2016, TRY 5.300.708 has reclassified to long-term derivative financial assets, which is previously classified under short-term derivative financial assets. Also, TRY 1.882.862 has reclassified to long-term derivative financial liabilities, which is previously classified under short-term derivative financial liabilities.

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 TRY, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 31 December 2017 of TRY 3,7719 = USD 1 and TRY 3,6445 = USD 1, respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency.

2.2 Changes in Accounting Policies and Estimates and Errors

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

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

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

2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

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

2.3.2 Sale and repurchase agreements

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

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

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% - 24,% interval for deposits and other liabilities depending on their maturity structure, respectively (31 December 2016: 4% - 10,5% and 4,5% - 24,5%).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 invesment are valued at amortized cost by using the effective interest rate method (internal rate of return) and by reducing the amount of impairment.

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

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

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

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.

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

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 purhases, the Company enters into Euro selling/US Dollar buying, TRY selling/Euro buying and TRY selling/US 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. Fair values of investment properties are not materially different from costs. Depreciation periods are determined by useful lifes and between 20-49 years.

2.3.10 Property, plant and equipment

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

	Years
Land improvements	4-50
Buildings	10-50
Machinery and equipment	3-30
Motor vehicles	3-7
Furniture and fixtures	3-15
Other property, plant and equipment	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.

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

2.3 Summary of Significant Accounting Policies (continued)

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. Costumer relations and agreements are amortised using the straight-line method over their estimated useful life of 27 years and carried at cost less accumulated amortisation and impairment (Note 15).

2.3.12 Non-current assets held for sale and discontinued operations

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

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 fee received/to be received by Enerjisa Elektrik Dağıtım A.Ş., which is a subsidiary of the Group, for its distribution services will be recognised over the fair value of the service. The fee amount is recognised as a financial asset. Group recognises this financial asset in line with the cash paid by the licensee or paid by another party as instructed by the licensee in return for the electricity distribution service. The amount to be paid by the licensee or paid by another party as instructed by the licensee is recognised as a receivable as per TAS 39 "Financial Instruments: Recognition and Measurement".

A financial asset of Enerjisa Elekrik Dağıtım A.Ş., the Group's subsidiary, is recognised in its own statement of financial position under "Financial Assets" at the current market value calculated by discounting estimated future cash inflows to be realized during the project based on the annual investments determined with the transfer of the operational rights contract concluded in advance, using the effective interest rate method. The revenue calculated based on the effective interest rate method is recognised as "interest revenue earned from a service concession agreement".

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.

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.15 Research expenses and development costs

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

2.3.16 Borrowing costs

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

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

2.3.17 Deferred financing charges

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

2.3.18 Income taxes

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

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

<u>Current tax</u>

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

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.18 Income taxes (continued)

<u>Deferred Tax</u>

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

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

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

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

<u>Current and deferred tax for the period</u>

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.

NOTE 2 - BASIS OF PRESENTATION OF 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.

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

NOTE 2 - BASIS OF PRESENTATION OF 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 2017 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 TRY 487.493 (31 December 2016: TRY 317.383), the surplus of the Fund amounts to TRY 276.210 as of 31 December 2017 (31 December 2016: TRY 209.173.

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

	31 December 2017	**31 December 2016**
Current value of funded liabilities	(1.275.192)	(1.184.939)
- Pension benefits transferrable to SSI	(1.757.542)	(1.635.774)
- Post-employment medical benefits transferrable to SSI	969.843	768.218
- Other non-transferrable benefits	(487.493)	(317.383)
Fair value of plan assets	1.551.402	1.394.112
Surplus	**276.210**	**209.173**

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

The principal actuarial assumptions used were as follows:

Discount rate	**31 December 2017**	**31 December 2016**
- Pension benefits transferrable to SSI	%9,80	9,80%
- Post-employment medical benefits transferrable to SSI	%9,80	9,80%
- Other non-transferrable benefits	%4,21	4,49%

<u>Provision for Employment Termination Benefit</u>

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.

NOTE 2 - BASIS OF PRESENTATION OF 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.

NOTE 2 - BASIS OF PRESENTATION OF 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 premuiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Continued risk provisions

Within the framework of Regulation on Technical Reserves, insurance companies are requires to account for an unexpired risk reserve against the probability thati future lossed incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred lossed to current year earned premiums. If the loss ratio for a branch is higher than 95% the unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with the unearned premim reserve for the related branch. The difference between gross amount and net amount is considered as reinsurance portion. Opening outstanding claims provision amount is revised consistently with the current period, in calculation of expected loss ratio considered in the calculation of unexpired risk reserve as of 31 December 2017.

Outstanding claim and provision

Group insurance companies allocate outstanding claims reserve for accrued and unsettled but not yet reported unearned but unreported amounts in the previous accounting period or in the current accounting period. Compensations that have been filed before the accounting period but have been notified after these dates are regarded as realized but not reported compensation claims.

According to "Regulation Regarding the Amendment of the Regulation on the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Assets to be Invested in These Provisions" published in the Official Gazette dated July 28, 2010 and numbered 27655 and the "Circular on Outstanding Claims" dated 5 December 2014 and numbered 2014/16, the Company's Unfunded Claims Provisions were calculated using actuarial chain ladder methods.

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.23 Insurance technical reserves (continued)

<u>Life mathematical reserves</u>

Life mathematical reserves comprise actuarial mathematical reserves (those with minimum income guarantee determined by the tariffs approved by the Treasury and those including risk guarantees over one year) and life profit share reserved and represent the Company's total liability to the policyholders in the life branch.

Mathematical reserve; is the sum of reserves specified in the contract's technical terms and calculated using statical and actuarial methods in order to cover the liabilities of insurane companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The apptroval of mathematical reserves is made by the actuaries based on current mortaliy tables valid for Turkish insurance companies and prepared by considering mortality statics prepared abroad.

2.3.24 Leasing transactions

2.3.24.1 The Group as a lessee

<u>Finance leases</u>

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.

<u>Operating leases</u>

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.

NOTE 2 - BASIS OF PRESENTATION OF 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. Conditional leases are recognized as expense in the period in which they are incurred.

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).

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method". The Group ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest rate method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

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.

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.25 Revenue recognition (continued)

<u>Other segments</u>

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

2.3.26 Earnings per share

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

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

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

<u>Functional currency</u>

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.

<u>Foreign currency transactions and balances</u>

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.

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.27 Foreign currency transactions (continued)

<u>Foreign Group companies</u>

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

2.3.28 Business combinations

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income *Taxes* and TAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTE 2 - BASIS OF PRESENTATION OF 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.

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

2.3 Summary of Significant Accounting Policies (continued)

2.3.28 Business combinations (continued)

Partial share purchase-sale transactions with non-controling interests

The group applies a policy of treating transactions with non- controling interests as transactions with equity owners of the group. For purchases from non- controling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non- controling interests are also recorded in equity. For disposals to non- controling interests, differences between any proceeds received and the relevant share of non- controling interests are recorded in equity under retained earnings since there is no caption for these gains or losses in the financial statement model published by the POA.

2.3.29 Segment reporting

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

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.

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

2.4 Critical accounting estimates and assumptions

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

a) Goodwill

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

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

The Group recognised various goodwill balances arising from purchases made by the Group or its subsidiaries in different industries. Impairment tests for cash generating units are determined based on the recoverable value in use. Value in use is calculated by discounting the cash inflows expected to be realized with the permanent use of the unit. Goodwill impairment tests are made using projections for certain years. The fixed growth rate used when estimating the cash inflows realized in future periods is 7%, and the weighed capital cost after tax discount rate used to calculate the recoverable value of the unit is 13,7%.

b) Loan loss provisions

The Bank monitors the impairment of loans at each reporting period and accounts for any impairment in the income statement. In this context, management assesses the amounts and the periods of the future cash flows of the loans using various estimates. During this assessment, the Bank considers the financial position of the borrower and the net realizable value of the collateral. Loan impairment can be assessed on an individual basis, as well as low consistency loans with similar characteristics. The assessment for the credit portfolio focuses on risk and economic benefits (Note 30).

c) The Fund

The Retirement Fund Foundation (“Fund”) of the bank was established as per provisional article 20 of Law No. 506, and it is within the scope of funds to be transferred to SSI. The Council of Ministers is authorized to determine the date of transfer. Total liabilities of the fund, benefits to be transferred and additional benefits to remain the responsibility of the Fund are determined using separate methods and assumptions. Selecting appropriate assumptions for the valuation of retirement fund liabilities requires judgement and a high level of technical expertise. Bank management benefits from the services of an external actuary company for these valuations.

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

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

2.4 Critical accounting estimates and assumptions (continued)

d) 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.

e) 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 2017 are as follows:

None.

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

None.

NOTE 4 - SEGMENT REPORTING

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

a) External Revenues (Consolidated):

	1 January - 31 December 2017	**1 January - 31 December 2016**
Finance/Banking	27.296.414	22.623.872
Industry	4.317.140	3.461.163
Retail	7.926.799	7.552.591
Cement	1.490.574	1.170.308
Other	105.338	178.118
Total (*)	**41.136.265**	**34.986.052**

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

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

NOTE 4 - SEGMENT REPORTING (Continued)

b) Segment assets (Consolidated):

	31 December 2017	31 December 2016
Finance/Banking	337.538.775	292.117.572
Industry	4.816.631	4.073.882
Retail	4.083.813	4.012.133
Cement	3.042.382	2.372.796
Other	2.600.517	2.077.992
Segment assets	**352.082.118**	**304.654.375**
Assets classified as held for sale	21.181	21.780
Investments accounted through equity method (Note 12)	6.439.214	6.101.005
Unallocated assets	(955.871)	(332.870)
Less: intersegment eliminations	(3.451.891)	(2.176.451)
Total assets as per consolidated financial statements	**354.134.751**	**308.267.839**

c) Segment liabilities (Consolidated):

	31 December 2017	31 December 2016
Finance/Banking	297.938.890	258.801.467
Industry	2.561.997	2.132.724
Retail	3.996.896	3.520.260
Cement	1.834.397	1.197.749
Other	195.468	244.298
Segment liabilities	**306.527.648**	**265.896.498**
Assets classified as held for sale	5.262	11.718
Unallocated Liabilities	(946.792)	(274.514)
Less: intersegment eliminations	(3.449.306)	(2.173.206)
Total liabilities as per consolidated financial statements	**302.136.812**	**263.460.496**

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

NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment:

i) Banking:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	13.881.583	13.881.583	12.190.952	12.190.952
Financial investments	61.764.824	61.764.824	52.887.536	52.887.536
Derivative financial instruments	9.452.332	9.452.332	8.428.812	8.428.812
Reserve deposits with the Central Bank of Republic of Turkey	33.055.479	33.055.479	33.171.783	33.171.783
Receivables from finance sector operations	212.706.936	212.706.936	181.024.088	181.024.088
Property, plant and equipment	973.573	973.573	879.650	879.650
Intangible assets	478.542	478.542	361.527	361.527
Other receivables and other assets	5.225.506	5.225.506	3.173.224	3.173.224
Total segment assets	**337.538.775**	**337.538.775**	**292.117.572**	**292.117.572**
Financial liabilities	51.890.944	51.890.944	46.114.960	46.114.960
Payables from finance sector operations	230.770.592	230.770.592	200.425.064	200.425.064
Derivative financial instruments	5.498.740	5.498.740	4.698.838	4.698.838
Other payables and other liabilities	9.778.614	9.778.614	7.562.605	7.562.605
Total segment liabilities	**297.938.890**	**297.938.890**	**258.801.467**	**258.801.467**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

As of 31 December 2017, the cash flows from operating activities of the Bank is TRY 2.204.903 (31 December 2016: TRY 2.426.612).
As of 31 December 2017, the cash flows from investing activities of the Bank is TRY (7.319.775) (31 December 2016: TRY 2.368.197).
As of 31 December 2017, the cash flows from financing activities of the Bank is TRY 4.299.418 (31 December 2016: TRY (493.176)).

Accumulated non-controlling interests of Akbank as of 31 December 2017 is TRY 23.464.002 (31 December 2016: TRY 19.740.859).

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

ii) Insurance:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	1.941.785	-	1.005.273	-
Financial investments	1.068.201	-	1.253.502	-
Receivables from finance sector operations	711.505	-	547.352	-
Investments accounted through equity method (Note 12)	-	435.071	-	334.252
Property, plant and equipment	45.619	-	33.334	-
Intangible assets	79.147	-	58.619	-
Other receivables and other assets	2.074.898	-	1.339.520	-
Total segment assets	**5.921.155**	**435.071**	**4.237.600**	**334.252**
Payables from finance sector operations	4.473.101	-	3.093.480	-
Other payables and other liabilities	326.724	-	289.315	-
Total segment liabilities	**4.799.825**	**-**	**3.382.795**	**-**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Insurance segment consists of Aksigorta and Avivasa.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

iii) Energy:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	208.188	-	108.604	-
Financial investments	836	-	836	-
Trade receivables	2.685.139	-	2.217.760	-
Inventories	217.618	-	184.903	-
Investments accounted through equity method (Note 12)	-	4.960.285	-	4.743.060
Property, plant and equipment	10.116.942	-	10.414.681	-
Intangible assets	5.715.215	-	5.919.162	-
Other receivables and other assets	13.748.493	-	9.438.584	-
Total segment assets	**32.692.431**	**4.960.285**	**28.284.530**	**4.743.060**
Financial liabilities	14.820.651	-	13.649.757	-
Payables to Privatization Administration	-	-	-	-
Trade payables	1.859.818	-	1.481.180	-
Other payables and other liabilities	6.091.391	-	3.103.888	-
Total segment liabilities	**22.771.860**	**-**	**18.234.825**	**-**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Energy segment consists of Enerjisa Enerji A.Ş. and Enerjisa Üretim Santralleri A.Ş.

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

NOTE 4 - SEGMENT REPORTING (continued)

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

iv) Industry:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	227.760	33.244	137.916	52.180
Financial investments	141	141	133	133
Trade receivables	2.185.680	1.354.018	2.000.824	1.128.807
Inventories	1.536.591	1.143.366	1.269.299	905.231
Investments accounted through equity method (Note 12)	367.944	666.147	359.858	608.626
Property, plant and equipment	3.305.540	1.593.964	2.486.357	1.378.219
Intangible assets	268.799	207.776	259.747	188.830
Other receivables and other assets	872.574	505.303	847.861	442.262
Total segment assets	**8.765.029**	**5.503.959**	**7.361.995**	**4.704.288**
Financial liabilities	3.420.139	1.390.144	2.971.472	1.188.206
Trade payables	1.211.567	624.032	819.784	460.583
Other payables and other liabilities	792.746	553.083	670.870	495.653
Total segment liabilities	**5.424.452**	**2.567.259**	**4.462.126**	**2.144.442**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

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

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

v) Retail:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	584.336	584.336	430.971	430.971
Trade receivables	118.254	117.720	94.021	94.021
Inventories	1.020.866	1.020.866	912.283	912.283
Investment property	186.962	186.962	189.765	189.765
Property, plant and equipment	904.493	904.493	936.633	936.633
Intangible assets	99.139	99.139	89.142	89.142
Other receivables and other assets	1.108.927	1.170.297	1.298.484	1.359.318
Total segment assets	**4.022.977**	**4.083.813**	**3.951.299**	**4.012.133**
Financial liabilities	1.599.951	1.599.951	1.264.617	1.264.617
Trade payables	1.939.207	1.938.672	1.744.103	1.744.103
Other payables and other liabilities	457.738	458.273	511.539	511.540
Total segment liabilities	**3.996.896**	**3.996.896**	**3.520.259**	**3.520.260**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Retail segment consists of Teknosa and Carrefoursa.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

vi) Cement:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	255.014	217.946	55.502	41.353
Financial investments	162.783	64	162.783	64
Trade receivables	999.154	513.467	735.624	309.606
Inventories	297.729	146.775	336.666	176.904
Investments accounted through equity method (Note 12)	-	377.711	-	415.067
Property, plant and equipment	2.682.867	1.855.212	2.331.300	1.533.985
Intangible assets	59.260	16.841	59.639	18.947
Other receivables and other assets	483.487	292.078	488.484	291.937
Total segment assets	**4.940.294**	**3.420.094**	**4.169.998**	**2.787.863**
Financial liabilities	1.762.257	1.376.837	995.535	787.017
Trade payables	578.203	290.768	550.621	274.366
Other payables and other liabilities	308.403	166.792	271.299	136.366
Total segment liabilities	**2.648.863**	**1.834.397**	**1.817.455**	**1.197.749**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Cement segment consists of Akçansa and Çimsa.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

vii) Other:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	2.216.076	2.216.076	1.584.181	1.584.181
Financial investments	11.788.296	12.032	11.787.079	10.812
Trade receivables	46.315	46.098	35.955	35.787
Inventories	1.087	1.087	804	804
Property, plant and equipment	219.983	183.920	253.506	217.438
Intangible assets	14.835	14.835	14.359	14.359
Other receivables and other assets	164.697	126.469	156.081	214.611
Total segment assets	**14.451.289**	**2.600.517**	**13.831.965**	**2.077.992**
Financial liabilities	-	-	4.254	4.254
Trade payables	43.501	43.482	28.928	28.928
Other payables and other liabilities	181.490	151.986	240.638	211.116
Total segment liabilities	**224.991**	**195.468**	**273.820**	**244.298**

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

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

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

	1 January - 31 December 2017			1 January - 31 December 2016		
	Total Consolidation of Segments Before Elimination	**Elimination and Consolidation Adjustments**	**Consolidated**	**Total Consolidation of Segments Before Elimination**	**Elimination and Consolidation Adjustments**	**Consolidated**
Total revenue	**41.270.922**	**(134.657)**	**41.136.265**	**35.078.064**	**(92.012)**	**34.986.052**
Cost of sales and interest, premiums, commissions and other expenses	(25.911.463)	304.070	(25.607.393)	(22.213.081)	236.755	(21.976.326)
General administration expenses	(5.406.271)	71.297	(5.334.974)	(4.962.430)	31.391	(4.931.039)
Sales, marketing and distribution expenses	(1.745.586)	522	(1.745.064)	(1.734.873)	16.672	(1.718.201)
Research and development expenses	(7.853)	-	(7.853)	(5.756)	-	(5.756)
Other operating income/(expense) - net	565.158	(1.944)	563.214	118.118	(50.647)	67.471
Interest in income of joint ventures	576.379	1	576.380	649.114	(1)	649.113
Operating profit	**9.341.286**	**239.289**	**9.580.575**	**6.929.156**	**142.158**	**7.071.314**
Income/(expense) from investing activities - net	396.365	(303.289)	93.076	287.780	(205.933)	81.847
Operating profit before financial expense	**9.737.651**	**(64.000)**	**9.673.651**	**7.216.936**	**(63.775)**	**7.153.161**
Financial income/(expense) - net	(519.222)	63.564	(455.658)	(381.463)	58.406	(323.057)
Income before tax	**9.218.429**	**(436)**	**9.217.993**	**6.835.473**	**(5.369)**	**6.830.104**
Tax	(1.783.598)	-	(1.783.598)	(1.273.606)	-	(1.273.606)
Profit/(loss) after tax from discontinued operations	3.503	-	3.503	(9.352)	-	(9.352)
Income for the period	**7.438.334**	**(436)**	**7.437.898**	**5.552.515**	**(5.369)**	**5.547.146**
Net income attributable to equity holders of the parent			**3.481.086**			**2.660.131**

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss:

i) Banking:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Interest, commission and other income	27.351.649	27.351.649	22.668.800	22.668.800
Interest, commission and other expenses	(14.958.755)	(14.958.755)	(12.403.903)	(12.403.903)
General administration expenses	(4.901.449)	(4.901.449)	(4.464.914)	(4.464.914)
Other operating income/(expense) - net	675.049	675.049	398.241	398.241
Operating profit	**8.166.494**	**8.166.494**	**6.198.224**	**6.198.224**
Income/(expense) from investing activities - net	2.658	2.658	2.658	2.658
Profit before tax	**8.169.152**	**8.169.152**	**6.200.882**	**6.200.882**
Tax	(1.684.367)	(1.684.367)	(1.269.803)	(1.269.803)
Net income	**6.484.785**	**6.484.785**	**4.931.079**	**4.931.079**
Net income attributable to equity holders of the parent		**2.642.546**		**2.009.415**
EBITDA	8.427.357	8.427.357	6.415.483	6.415.483

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

Net income of non-controlling interests of Akbank as of 31 December 2017 is TRY 3.842.239 (31 December 2016: TRY 2.921.664).

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

ii) Insurance:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Gross premiums	1.653.361	-	1.315.167	-
Gross written premiums	3.107.028	-	2.212.981	-
Unearned premiums reserves	(1.453.667)	-	(897.814)	-
Premiums, commission and other expenses	(1.352.370)	-	(1.110.132)	-
General administration expenses	(425.462)	-	(358.364)	-
Other operating income/(expense) - net	440.585	-	343.695	-
Interest in income of joint ventures (Note 12)	-	107.047	-	60.366
Operating profit	**316.114**	**107.047**	**190.366**	**60.366**
Income/(expense) from investing activities - net	44.592	-	27.302	-
Operating profit before financial expense	**360.706**	**107.047**	**217.668**	**60.366**
Financial income/(expense) - net	(8.219)	-	(19.294)	-
Profit before tax	**352.487**	**107.047**	**198.374**	**60.366**
Tax	(71.214)	-	(40.405)	-
Net income	**281.273**	**107.047**	**157.969**	**60.366**
Net income attributable to equity holders of the parent		**107.047**		**60.366**
EBITDA	324.218		188.984	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

iii) Energy:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Sales revenue (net)	16.510.145	-	12.564.568	-
Cost of sales	(12.070.041)	-	(9.329.016)	-
General administration expenses	(1.602.825)	-	(1.452.696)	-
Sales, marketing and distribution expenses	-	-	-	-
Other operating income/(expense) - net	444	-	201.418	-
Interest in income of joint ventures (Note 12)	-	106.994	-	147.175
Operating profit/(loss)	**2.837.723**	**106.994**	**1.984.274**	**147.175**
Income / (expense) from investment activities -net	(286.275)	-	-	-
Operating profit/(loss) before financial expense	**2.551.448**	**106.994**	**1.984.274**	**147.175**
Financial income/(expense) - net	(2.255.381)	-	(1.450.071)	-
Profit/(loss) before tax	**296.067**	**106.994**	**534.203**	**147.175**
Tax	(82.261)	-	(239.855)	-
Net income/(loss)	**213.806**	**106.994**	**294.348**	**147.175**
Net income/(loss) attributable to equity holders of the parent		**106.994**		**147.175**
EBITDA	3.468.228		2.482.077	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

iv) Industry:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Sales revenue (net)	6.613.036	4.318.900	5.227.858	3.461.385
Cost of sales	(5.234.243)	(3.549.257)	(4.052.682)	(2.803.451)
General administration expenses	(282.253)	(119.835)	(267.466)	(149.220)
Sales, marketing and distribution expenses	(458.194)	(228.968)	(426.172)	(199.115)
Research and development expenses	(7.836)	(6.296)	(12.478)	(5.756)
Other operating income/(expense) - net	161.638	122.198	145.095	79.405
Interest in income of joint ventures (Note 12)	268.581	310.119	295.609	335.011
Operating profit	**1.060.729**	**846.861**	**909.764**	**718.259**
Income/(expense) from investing activities - net	25.795	25.588	15.080	14.740
Operating profit before financial expense	**1.086.524**	**872.449**	**924.844**	**732.999**
Financial income/(expense) - net	(332.585)	(172.248)	(268.165)	(129.185)
Profit before tax	**753.939**	**700.201**	**656.679**	**603.814**
Tax	(53.368)	(51.265)	(42.928)	(39.725)
Profit after tax from discontinued operations	3.503	3.503	(9.352)	(9.352)
Net income	**704.074**	**652.439**	**604.399**	**554.737**
Net income attributable to equity holders of the parent		**473.476**		**450.092**
EBITDA	1.162.015	880.347	951.153	736.701

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

v) Retail:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Sales revenue (net)	7.951.844	7.946.868	7.566.353	7.560.799
Cost of sales	(6.170.358)	(6.165.388)	(6.060.644)	(6.054.538)
General administration expenses	(194.523)	(194.523)	(169.461)	(168.711)
Sales, marketing and distribution expenses	(1.501.124)	(1.500.496)	(1.520.102)	(1.520.102)
Other operating income/(expense) - net	(300.403)	(300.403)	(389.519)	(389.519)
Operating profit/(loss)	**(214.564)**	**(213.942)**	**(573.373)**	**(572.071)**
Income/(expense) from investing activities - net	15.643	15.643	61.229	61.229
Operating profit/(loss) before financial expense	**(198.921)**	**(198.299)**	**(512.144)**	**(510.842)**
Financial income/(expense) - net	(246.973)	(246.973)	(214.634)	(214.634)
Profit/(loss) before tax	**(445.894)**	**(445.272)**	**(726.778)**	**(725.476)**
Tax	42.076	42.076	134.200	134.200
Net income/(loss)	**(403.818)**	**(403.196)**	**(592.578)**	**(591.276)**
Net income/(loss) attributable to equity holders of the parent		**(202.437)**		**(315.537)**
EBITDA	94.252	94.874	(332.567)	(331.265)

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.
(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

vi) Cement:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Sales revenue (net)	3.009.581	1.490.580	2.631.365	1.170.310
Cost of sales	(2.313.682)	(1.100.486)	(1.843.183)	(799.657)
General administration expenses	(143.275)	(79.827)	(144.242)	(79.925)
Research and development expenses	(1.557)	(1.557)	-	-
Sales, marketing and distribution expenses	(30.581)	(10.984)	(28.229)	(9.744)
Other operating income/(expense) - net	24.776	28.526	30.612	33.086
Interest in income of joint ventures (Note 12)	-	52.219	-	106.561
Operating profit	**545.262**	**378.471**	**646.323**	**420.631**
Income/(expense) from investing activities - net	58.836	50.000	36.191	3.552
Operating profit before financial expense	**604.098**	**428.471**	**682.514**	**424.183**
Financial income/(expense) - net	(164.945)	(99.587)	(71.512)	(37.072)
Profit before tax	**439.153**	**328.884**	**611.002**	**387.111**
Tax	(78.360)	(47.462)	(118.221)	(56.674)
Net income	**360.793**	**281.422**	**492.781**	**330.437**
Net income attributable to equity holders of the parent		**163.635**		**223.574**
EBITDA	680.324	432.853	735.352	444.261

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

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

vii) Other:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Sales revenue (net)	1.046.801	162.925	976.488	216.770
Cost of sales	(137.869)	(137.577)	(151.812)	(151.532)
General administration expenses	(115.369)	(110.637)	(104.973)	(99.660)
Sales, marketing and distribution expenses	(5.138)	(5.138)	(5.913)	(5.913)
Other operating income/(expense) - net	45.031	39.787	969	(3.092)
Operating profit	**833.456**	**(50.640)**	**714.759**	**(43.427)**
Income/(expense) from investing activities - net	307.254	302.476	205.600	205.601
Operating profit before financial expense	**1.140.710**	**251.836**	**920.359**	**162.174**
Financial income/(expense) - net	(414)	(414)	(572)	(572)
Profit before tax	**1.140.296**	**251.422**	**919.787**	**161.602**
Tax	(42.580)	(42.580)	(41.614)	(41.615)
Net income	**1.097.716**	**208.842**	**878.173**	**119.987**
Net income attributable to equity holders of the parent		**189.825**		**85.046**
EBITDA	860.379	(23.876)	739.508	(18.836)

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

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

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

	31 December 2017	31 December 2016
Banking	2.642.546	1.978.567
Insurance	107.047	80.535
Industry	442.215	468.784
Cement	150.689	217.023
Energy	221.504	139.611
Retail	(110.016)	(161.261)
Other	161.292	76.257
Total	**3.615.278**	**2.799.516**

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

	31 December 2017	31 December 2016
Adjusted net income for reported operating segments (Equity holders of the Parent)	3.615.278	2.799.516
One off income/(expenses) related to Carrefoursa	(95.994)	(84.423)
One off income/(expenses) related to Teknosa	3.573	(69.852)
One off income/(expenses) related to Enerjisa	(114.510)	7.564
One off income/(expenses) related to Holding	31.126	(3.491)
One off income/(expenses) related to Akbank	-	30.848
Other	41.613	(20.031)
Net income (Equity holders of the Parent)	**3.481.086**	**2.660.131**

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

NOTE 4 - SEGMENT REPORTING (Continued)

h) Combined EBITDA Detail

31 December 2017	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interest	EBITDA
Banking	8.169.152	260.863	2.658	-	-	8.427.357
Industry	753.940	244.051	25.795	(332.585)	142.766	1.162.015
Cement	439.153	169.312	58.836	(164.945)	34.250	680.324
Retail	(445.894)	207.682	15.643	(246.973)	(101.134)	94.252
Energy	296.067	663.026	(286.275)	(2.255.381)	32.521	3.468.228
Insurance	352.487	25.021	44.592	(8.219)	16.917	324.218
Other	1.140.296	27.601	307.254	(414)	678	860.379

31 December 2016	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interest	EBITDA
Banking	6.200.882	217.259	2.658	-	-	6.415.483
Industry	656.679	194.371	15.080	(268.165)	152.982	951.153
Cement	611.002	141.835	36.191	(71.512)	52.806	735.352
Retail	(726.778)	151.821	61.229	(214.634)	(88.985)	(332.567)
Energy	534.203	526.179	-	(1.450.071)	28.377	2.482.077
Insurance	198.376	17.718	27.302	(19.294)	19.102	188.984
Other	919.787	25.283	205.600	(572)	534	739.508

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

1 January - 31 December 2017

	Finance							
	Banking	**Insurance**	**Industry**	**Cement**	**Energy**	**Retail**	**Other**	**Total**
Depreciation and amortisation	260.863	-	139.027	86.379	-	207.682	27.441	721.392
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	(1.478)	-	11.014	-	-	21.969	-	31.505
Capital expenditures	483.587	-	255.710	421.552	-	221.867	27.697	1.410.413

1 January - 31 December 2016

	Finance							
	Banking	**Insurance**	**Industry**	**Cement**	**Energy**	**Retail**	**Other**	**Total**
Depreciation and amortisation	217.259	-	114.025	66.715	-	151.821	25.124	574.944
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	-	-	5.139	(3.912)	-	(80.268)	-	(79.041)
Capital expenditures	445.681	-	144.322	655.240	-	128.864	20.628	1.394.735

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

1 January - 31 December 2017

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	260.863	25.021	244.051	169.312	663.026	207.682	27.601	1.597.556
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	(1.478)	-	11.014	-	-	21.969	-	31.505
Capital expenditures	483.586	58.107	968.112	539.283	1.972.521	221.867	27.697	4.271.173

1 January - 31 December 2016

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	217.259	17.718	194.371	141.835	526.179	151.821	25.283	1.274.466
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	-	-	5.139	(3.912)	-	(80.268)	-	(79.041)
Capital expenditures	445.682	32.524	670.394	787.244	2.044.682	128.864	20.628	4.130.018

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

NOTE 5 - CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Cash		
- Banking	2.307.696	1.840.502
- Other companies	43.920	35.706
Bank - time deposit	4.271.101	3.991.936
Bank - demand deposit	7.882.898	6.720.879
Other cash and cash equivalents	13.449	7.604
Total	**14.519.064**	**12.596.627**

Effective interest rates of USD, EUR and TRY denominated time deposits are 1,79% (31 December 2016: 2,24%), 0,10% (31 December 2016: 0,19%) and 16,21% (31 December 2016: 12,00%), respectively.

The maturity analysis as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Demand	10.247.962	8.604.653
Up to 3 months	4.271.102	3.991.974
Total	**14.519.064**	**12.596.627**

As of 31 December 2017, 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 TRY 4.541.840 (31 December 2016: TRY 5.356.843).

NOTE 6 - FINANCIAL ASSETS

a) Held for trading securities:

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

	31 December 2017	31 December 2016
Share certificates	23.432	7.268
Government bonds	9.525	9.865
Other	6.933	46.788
Total	**39.890**	**63.921**

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

NOTE 6 - FINANCIAL ASSETS (Continued)

a) Held for trading securities (continued)

Effective interest rates of TRY denominated securities at fair value through profit and loss are as follow:

	31 December 2017	31 December 2016
TRY	% 16,16	% 12,27

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TRY 9.731 (31 December 2016: TRY 9.721).

The maturity analysis of financial assets at fair value through profit and loss as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
3 to 12 months	16.459	40.715
1 to 5 years	-	15.937
No maturiy	23.431	7.269
Total	**39.890**	**63.921**

Period remaining to contractual repricing dates:

	31 December 2017	31 December 2016
Up to 3 months	2.060	47.292
3 to 12 months	14.399	9.360
No maturiy	23.431	7.269
Total	**39.890**	**63.921**

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

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

NOTE 6 - FINANCIAL ASSETS (Continued)

b) Available for sale securities:

	31 December 2017	31 December 2016
Debt securities		
- Government bonds	23.159.176	17.912.731
- Eurobonds	13.657.442	11.328.132
- Investment funds	277.987	212.244
- Other bonds denominated in foreign currency	5.648.781	5.297.031
Sub-total	**42.743.386**	**34.750.138**
Equity securities		
- Listed	116	116
- Unlisted	102.325	71.626
Sub-total	**102.441**	**71.742**
Total financial investments available for sale	**42.845.827**	**34.821.880**

Effective interest rates of USD, EUR, JPY and TRY denominated available-for-sale securities are 4,20 % (31 December 2016: 3,71%), 2,47% (31 December 2016: 2,38%), 3,09% (31 December 2016: 3,79) and 12,48% (31 December 2016: 9,52%), respectively. The Group's financial assets available for sale subject to funds provided from repo are TRY 20.055.533 (31 December 2016: TRY 16.282.871). Available for sale financial assets that are given as collateral because of the Group's financing activities are amounting to TRY 3.470.880 (31 December 2016: TRY 2.062.303). As of 31 December 2017, no available for sale financial asset exists whose risk is undertaken by insurance policy holders (31 December 2016: 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.

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

NOTE 6 - FINANCIAL ASSETS (Continued)

b) Available for sale securities (continued):

The maturity analysis in accordance with expiring date as at 31 December 2017 and 2016 is as follows:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	3.086.122	-	3.086.122	2.530.718	-	2.530.718
1 to 5 years	25.783.774	-	25.783.774	19.037.853	10.422	19.048.275
Over 5 years	12.871.607	-	12.871.607	12.722.733	-	12.722.733
No maturity	1.104.324	-	1.104.324	520.154	-	520.154
Total	**42.845.827**	**-**	**42.845.827**	**34.811.458**	**10.422**	**34.821.880**

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

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6.936.341	-	6.936.341	6.541.586	-	6.541.586
3 to 12 months	11.749.801	-	11.749.801	10.230.716	-	10.230.716
1 to 5 years	16.298.430	-	16.298.430	12.060.816	10.422	12.071.238
Over 5 years	7.485.228	-	7.485.228	5.698.755	-	5.698.755
No maturity	376.027	-	376.027	279.585	-	279.585
Total	**42.845.827**	**-**	**42.845.827**	**34.811.458**	**10.422**	**34.821.880**

c) Held-to-maturity investments:

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

	31 December 2017	31 December 2016
Government bonds	18.883.153	17.976.984
Total	**18.883.153**	**17.976.984**

Effective interest rates of USD, EUR and TRY denominated debt securities are 4,11% (31 December 2016: 4,05%), 3,62% (31 December 2016: 3,62%) and TRY is 13,22% (31 December 2016: 9,82%).

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

NOTE 6 - FINANCIAL ASSETS (Continued)

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

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

	31 December 2017	31 December 2016
1 January	**17.976.984**	**10.688.533**
Additions (*)	226	5.882.043
Foreign exchange differences in monetary assets	1.223.819	1.269.337
Valuation effect	523.600	367.875
Disposals through sales and redemptions	(766.185)	(130.051)
Allowance for impairment	(75.291)	(100.753)
Total	**18.883.153**	**17.976.984**

(*) Due to the change in intention to hold, the Bank classifies the public borrowing with the nominal value of EUR 96.359 and USD 1.591.672 in the Available-for-Sale Financial Assets portfolio as the Investments to be held in the Current Period. As of the reclassification date, book values representing the fair value of such securities are EUR 98.531 and USD 1.650.112 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 2017 and 2016 is as follows:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other Companies	Total
3 to 12 months	4.593.687	122	4.593.809	684.786	114	684.900
1 to 5 years	12.668.937	-	12.668.937	14.763.517	-	14.763.517
Over 5 years	1.620.407	-	1.620.407	2.528.567	-	2.528.567
Total	**18.883.031**	**122**	**18.883.153**	**17.976.870**	**114**	**17.976.984**

Period remaining to contractual repricing dates for investment security, held to maturity financial assets at 31 December 2017 and 2016 is as follows:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6.403.521	-	6.403.521	2.857.339	-	2.857.339
3 to 12 months	2.623.044	122	2.623.166	1.788.154	114	1.788.268
1 to 5 years	8.897.479	-	8.897.479	11.961.634	-	11.961.634
Over 5 years	958.987	-	958.987	1.369.743	-	1.369.743
Total	**18.883.031**	**122**	**18.883.153**	**17.976.870**	**114**	**17.976.984**

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

NOTE 6 - FINANCIAL ASSETS (Continued)

d) Time Deposits:

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

	31 December 2017	31 December 2016
3 to 12 months	8.190	35.765
Total	**8.190**	**35.765**

NOTE 7 - FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2017	31 December 2016
Short term	13.917.173	8.838.741
Short-term portion of long term	16.018.279	13.620.874
Total short term	**29.935.452**	**22.459.615**
Long-term funds borrowed, bank borrowings and debt securities:		
Long term	25.322.315	26.458.459
Total	**55.257.767**	**48.918.074**

Financial liability movement as of 31 December 2017 is as follows;

	2017
1 January	48.918.074
Additions	11.538.358
Payments	(5.477.339)
Interest accruals	134.944
Foreign exchange effects	82.620
Borrowing costs capitalized	61.110
31 December	**55.257.767**

Maturity analysis as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Up to 3 months	14.837.249	9.463.615
3 to 12 months	15.098.203	12.996.000
Short term borrowings and short term portion of long term borrowings	**29.935.452**	**22.459.615**
1 to 5 years	16.168.062	17.985.270
Over 5 years	9.154.253	8.473.189
Long term borrowings	**25.322.315**	**26.458.459**
Total financial liabilities	**55.257.767**	**48.918.074**

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

NOTE 7 - FINANCIAL LIABILITIES (continued)

The maturity schedule of long term borrowings at 31 December 2017 and 2016 is summarised below:

	31 December 2017	31 December 2016
2017	-	8.179.400
2018	5.296.171	3.556.033
2019	5.029.825	4.445.345
2020	2.191.491	1.804.492
2021 and beyond	12.804.828	8.473.189
Total	**25.322.315**	**26.458.459**

The repricing schedule of borrowings at 31 December 2017 and 2016 is summarized below:

	31 December 2017	31 December 2016
Up to 3 months	33.182.206	31.821.916
3 to 12 months	9.872.514	6.367.519
1 to 5 years	7.133.178	7.203.894
Over 5 years	5.069.869	3.524.745
Total	**55.257.767**	**48.918.074**

The transactions related with the funds and loans as of 31 December 2017 are as follows:

Akbank - Funds borrowed via syndicated credit

As of 31 December 2017, Akbank has four outstanding syndicated loan. On 18 August 2016, the first syndicated loan signed and raised EUR 787.8 million and USD 327 million consisting of 1 year and 3 year maturities. The current amount is EUR 90 million. The cost of 3 year maturity loan is Euribor + 215 bps. The second syndicated loan of EUR 738.3 million and USD 404.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 22 March 2017. The cost of 1 year maturity loan is Euribor + 135 bps and Libor + 145 bps and the cost of 2 years maturity loan is Euribor + 220 bps. The third syndicated loan of USD 335 million with a maturity of 3 year was obtained through the loan agreement signed on 9 July 2015. The cost of the loan is Euribor + 185 bps. The fourth syndicated loan of EUR 515.1 million and USD 542.6 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 15 August 2017. The cost of 1 year maturity loan is Euribor + 125 and Euribor + 135 bps and the cost of 2 year maturity loan is Euribor + 220 bps.

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

Issued securities:

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2017		31 December 2016	
	USD	**TRY**	**USD**	**TRY**
2017	-	-	822.429	2.878.501
2018	1.208.548	4.519.968	1.006.961	3.524.364
2019	452.230	1.691.340	757.205	2.650.218
2020	848.888	3.174.841	768.180	2.688.630
2021	516.436	1.931.471	647.571	2.266.499
2022	773.845	2.894.180	762.934	2.670.269
2023	464.207	1.736.134	434.528	1.520.848
2024	482.772	1.805.567	373.192	1.306.172
2025	426.707	1.595.884	380.722	1.332.527
2026	63.293	236.716	39.512	138.292
2027	293.150	1.096.381	20.524	71.834
2028	9.893	37.000	4.762	16.667
Total	**5.539.969**	**20.719.482**	**6.018.520**	**21.064.821**

The balance amounting to USD 5.539.969 consists of securitization deals and USD denominated securities issued by the Bank.

	31 December 2017		31 December 2016	
	EURO	**TRY**	**EURO**	**TRY**
2017	-	-	63.951	235.960
2018	75.260	336.963	75.074	277.001
2019	93.331	417.871	93.317	344.312
2020	45.817	205.136	45.802	168.996
2021	23.075	103.314	23.062	85.092
2022	334	1.495	321	1.184
2023	321	1.437	309	1.140
2024	309	1.383	297	1.096
2025	297	1.330	285	1.052
2026	285	1.276	274	1.011
2027	274	1.227	264	974
2028	263	1.178	253	933
2029	6.543	29.295	6.289	23.205
Total	**246.109**	**1.101.905**	**309.498**	**1.141.956**

The balance amounting to EUR 246.109 consists of securitization deals and EUR denominated securities issued by the Group.

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

Issued securities (continued):

	31 December 2017		31 December 2016	
	RON	**TRY**	**RON**	**TRY**
2017	-	-	4.855	3.926
2018	80.994	77.398	78.228	63.263
2019	54.049	51.649	51.959	42.019
Total	**135.043**	**129.047**	**135.042**	**109.208**

The balance amounting to RON 135.043 consists of securization deals and RON denominated securities issued by the Bank.

	31 December 2017		31 December 2016	
	HUF	**TRY**		
2019	782.916	11.431	796.798	9.562
Total	**782.916**	**11.431**	**796.798**	**9.562**

The balance amounting to HUF 782.916 consists of securization deals and HUF denominated securities issued by the Bank.

	31 December 2017		31 December 2016	
	JPY	**TRY**	**JPY**	**TRY**
2017	-	-	19.188	573
2018	9.925	329	18.757	560
2019	992.585	32.894	964.562	28.803
Total	**1.002.510**	**33.223**	**1.002.507**	**29.936**

The balance amounting to JPY 1.002.510 consists of securization deals and JPY denominated securities issued by the Bank.

	31 December 2017		31 December 2016	
	CZK	**TRY**	**CZK**	**TRY**
2017	-	-	274.959	37.862
Total	**-**	**-**	**274.959**	**37.862**

As of 31 December 2016, the balance amounting to CZK 274.959 consists of securization deals and CZK denominated securities issued by the Bank.

Additionally, as of 31 December 2017, there are bonds issued by the Bank amounting to TRY 3.533.520 with 3 months maturity, TRY 1.122.952 with 4 months maturity and TRY 2.480.799 with 5 years and over maturity (31 December 2016, there are bonds issued by the Bank amounting to TRY 987.990 with 3 months maturity, TRY 299.259 with 4 months maturity, TRY 48.085 with 6 months maturity, TRY 223.708 with 2 years maturity and TRY 997.225 with 5 years and over maturity).

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short and long term trade receivables:

	31 December 2017	31 December 2016
Trade receivables	1.542.005	1.200.777
Notes and cheques	547.529	435.838
	2.089.534	**1.636.615**
Less: allowance for doubtful receivables	(85.968)	(85.981)
Total	**2.003.566**	**1.550.634**

As of 31 December 2017, trade receivables of TRY 148.463 were past due but not impaired (31 December 2016: TRY 95.588). The aging analysis of these trade receivables is as follows:

	31 December 2017	31 December 2016
Up to 3 months	92.542	69.892
3 to 6 months	30.421	9.353
6 to 9 months	2.139	6.544
Over 9 months	23.361	9.799
Total	**148.463**	**95.588**

As of 31 December 2017 and 2016, the aging analysis of overdue and impaired trade receivables is as follows:

	31 December 2017	31 December 2016
Up to 3 months	1.068	215
3 to 6 months	1.056	600
Over 9 months	83.844	85.166
Total	**85.968**	**85.981**

Short and long term trade payables:	31 December 2017	31 December 2016
Trade payables	2.881.047	2.487.626
Notes payables	-	949
Expense accruals	1.302	1.942
Total	**2.882.349**	**2.490.517**

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	**31 December 2017**	**31 December 2016**
Receivables from credit card payments	38.266	14.717
Other receivables	2.425.760	1.123.715
Total	**2.464.026**	**1.138.432**

Other long term receivables:	**31 December 2017**	**31 December 2016**
Deposits and guarantees given	709.870	415.241
Other receivables	288.314	469.755
Total	**998.184**	**884.996**

Other short term payables:	**31 December 2017**	**31 December 2016**
Payables related to credit card transactions	3.988.420	3.483.667
Taxes and funds payable	420.915	331.548
Export deposits and transfer orders	71.952	54.529
Payment orders to correspondent banks	268.028	15.036
Financial lease payables	31.976	34.130
Other	619.817	806.273
Total	**5.401.108**	**4.725.183**

Other long term payables:		
Financial lease payables	59.490	77.762
Taxes and funds payable	3.981	-
Other	1.478.063	752.206
Total	**1.541.534**	**829.968**

NOTE 10 - INVENTORIES

	31 December 2017	**31 December 2016**
Raw materials	312.005	279.947
Work in process	277.804	239.939
Finished goods and merchandises	1.542.792	1.397.737
Spare parts	64.886	60.756
Other	186.965	91.550
	2.384.452	**2.069.929**
Allowance for impairment on inventory (-)	(72.358)	(74.708)
Total	**2.312.094**	**1.995.221**

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

	2017	**2016**
1 January	(74.708)	(49.870)
Provisions	(24.490)	(77.488)
Provisions no longer required	26.840	52.650
31 December	**(72.358)**	**(74.708)**

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

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses:	**31 December 2017**	**31 December 2016**
Prepaid expenses	734.945	461.018
Advance given for inventory purchases	12.157	25.418
Other	2.112	280
Total	**749.214**	**486.716**

Long-term prepaid expenses:	**31 December 2017**	**31 December 2016**
Advance given for property, plant and equipment purchases	3.551	36.804
Prepaid expenses	19.547	92.263
Total	**23.098**	**129.067**

Short-term deferred income:	**31 December 2017**	**31 December 2016**
Unearned commission income	140.937	91.317
Advances received	53.594	35.784
Deferred income	22.144	21.514
Other	718	846
Total	**217.393**	**149.461**

Long-term deferred income:	**31 December 2017**	**31 December 2016**
Unearned commission income	143.793	120.273
Total	**143.793**	**120.273**

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

NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2017	Share (%)	31 December 2016	Share (%)
Aksigorta	205.889	36,00	153.769	36,00
Avivasa	229.182	40,00	180.483	40,00
Brisa	298.202	43,63	248.767	43,63
Akçansa	377.711	39,72	415.067	39,72
Enerjisa Üretim Santralleri (*)	2.020.084	50,00	-	-
Enerjisa Enerji (*)	2.940.201	50,00	4.743.060	50,00
Philsa	207.015	25,00	207.467	25,00
Philip Morrissa	51.490	24,75	71.476	24,75
Temsa Mısır	(1.248)	73,75	(11.162)	73,75
Temsa İş Makineleri	110.688	51,00	92.078	51,00
Total	**6.439.214**		**6.101.005**	

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

	1 January - 31 December 2017	1 January - 31 December 2016
Aksigorta	49.160	25.398
Avivasa	57.887	34.968
Brisa	41.537	39.402
Akçansa	52.219	106.561
Enerjisa Üretim Santralleri (*)	(387.011)	-
Enerjisa Enerji (*)	494.005	147.175
Philsa	159.736	169.938
Philip Morrissa	74.132	119.416
Temsa Mısır	11.296	(1.388)
Temsa İş Makineleri	23.419	7.643
Total	**576.380**	**649.113**

(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

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

NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

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

	31 December 2017		31 December 2016	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	4.098.960	3.527.045	2.829.049	2.401.912
Avivasa	1.822.195	1.272.780	1.397.157	969.489
Brisa	3.540.658	2.857.178	2.887.859	2.317.684
Akçansa	1.778.315	814.465	1.677.606	619.706
Enerjisa Üretim Santralleri (*)	12.649.409	8.609.240	-	-
Enerjisa Enerji (*)	20.043.023	14.162.620	28.762.726	19.276.606
Philsa	3.276.178	2.448.119	4.125.277	3.295.411
Philip Morrissa	1.529.981	1.321.939	2.404.384	2.115.595
Temsa Mısır	23.120	24.814	9.943	25.077
Temsa İş Makineleri	551.677	374.999	349.078	168.533
Total	**49.313.516**	**35.413.199**	**44.443.079**	**31.190.013**

Sales

	1 January - 31 December 2017	1 January - 31 December 2016
Aksigorta	2.635.576	1.895.559
Avivasa	471.452	317.422
Brisa	2.294.136	1.766.473
Akçansa	1.519.001	1.461.055
Enerjisa Üretim Santralleri (*)	4.165.327	-
Enerjisa Enerji (*)	12.344.818	12.564.568
Philsa (**)	21.453.357	20.167.930
Philip Morrissa	22.412.588	19.944.842
Temsa İş Makineleri	700.259	465.163

(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

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

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

NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

Net profit/(loss)

	1 January - 31 December 2017	1 January - 31 December 2016
Aksigorta	136.557	70.550
Avivasa	144.719	87.419
Brisa	95.203	90.309
Akçansa	148.814	286.979
Enerjisa Üretim Santralleri (*)	(774.022)	-
Enerjisa Enerji (*)	988.010	294.350
Philsa	638.944	679.752
Philip Morrissa	299.522	482.492
Temsa Mısır	15.315	(1.882)
Temsa İş Makineleri	45.920	14.986

(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

The movement of the joint ventures is as follows;

	2017	2016
1 January	**6.101.005**	**5.970.431**
Profit/(loss) share	576.380	649.113
Dividend income from joint ventures	(358.216)	(396.984)
Dividends paid to joint ventures	6.842	7.179
Other comprehensive income/(expense) shares	40.611	(128.734)
Effect of business combination subject to common control (**)	72.592	-
31 December	**6.439.214**	**6.101.005**

(**) As of 31 December 2017, distribution services business line of Enerjisa Enerji A.Ş., which previously operated as a different line of business, was transferred to Enerjisa Enerji A.Ş.'s distribution companies. A consolidated deferred tax asset amounting to TRY 72.592, arising from this transaction between companies under common control is recognised under retained earnings. The impact will be amortized each year, and will be set to zero in five years.

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

NOTE 13 - INVESTMENT PROPERTY

The movements in investment property, for the years ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Disposals	Impairment	Currency translation differences	31 December 2017
Cost:						
Land	180.729	-	-	10.760	(3.846)	187.643
Building	123.239	1.056	-	-	(75)	124.220
Total	**303.968**	**1.056**	**-**	**10.760**	**(3.921)**	**311.863**
Accumulated depreciation						
Buildings	(25.492)	(3.940)	-	-	75	(29.357)
Net book value	**278.476**					**282.506**

	1 January 2016	Additions	Disposals	Impairment	Curency 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**

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2017 is as follows:

	1 January 2017	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	31 December 2017
Cost:							
Land and land improvements	626.281	4.623	8.810	(96.200)	36.091	(30.036)	549.569
Buildings	2.402.987	33.364	35.859	10.400	207.847	(1.474)	2.688.983
Machinery and equipment	3.248.618	122.629	73.852	(166.493)	625.784	2.431	3.906.821
Motor vehicles	113.579	(7.473)	11.768	(7.464)	833	-	111.243
Furniture and fixtures	2.883.082	5.558	338.340	(94.992)	20.909	(9.867)	3.143.030
Total	**9.274.547**	**158.701**	**468.629**	**(354.749)**	**891.464**	**(38.946)**	**10.399.646**
Construction in progress	944.284	910	640.268	(5.079)	(935.763)	-	644.620
Total	**10.218.831**	**159.611**	**1.108.897**	**(359.828)**	**(44.299)**	**(38.946)**	**11.044.266**
Accumulated depreciation:							
Land and land improvements	(234.731)	1.956	(7.954)	5.515	-	-	(235.214)
Buildings	(975.917)	(14.904)	(32.732)	36.010	3.441	7.062	(977.040)
Machinery and equipment	(1.914.886)	(67.366)	(156.685)	148.771	-	-	(1.990.166)
Motor vehicles	(95.865)	472	(6.625)	6.275	-	-	(95.743)
Furniture and fixtures	(2.032.923)	(3.660)	(310.946)	82.784	(3.441)	51.828	(2.216.358)
Total	**(5.254.322)**	**(83.502)**	**(514.942)**	**279.355**	**-**	**58.890**	**(5.514.521)**
Net book value	**4.964.509**						**5.529.745**

(*) Transfers that have been realized from Construction in progress during the period amounting of TRY 44.299 recognized to intangible assets.

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2016	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	Count Differences	31 December 2016
Cost:								
Land and land improvements	586.172	4.936	40.677	(10.064)	4.512	-	48	626.281
Buildings	2.352.264	56.551	14.592	(25.155)	(673)	-	5.408	2.402.987
Machinery and equipment	2.887.108	268.398	48.456	(17.089)	61.745	-	-	3.248.618
Motor vehicles	111.801	1.669	5.138	(6.032)	1.003	-	-	113.579
Furniture and fixtures	2.711.864	12.082	269.025	(151.768)	39.977	-	1.902	2.883.082
Total	**8.649.209**	**343.636**	**377.888**	**(210.108)**	**106.564**	**-**	**7.358**	**9.274.547**
Construction in progress	346.690	7.250	742.970	(9.347)	(143.279)	-	-	944.284
Total	**8.995.899**	**350.886**	**1.120.858**	**(219.455)**	**(36.715)**	**-**	**7.358**	**10.218.831**
Accumulated depreciation:								
Land and land improvements	(224.464)	(3.399)	(6.241)	181	13	(733)	(48)	(234.731)
Buildings	(893.849)	(23.976)	(52.238)	12.715	-	(13.161)	(5.408)	(975.917)
Machinery and equipment	(1.678.897)	(130.653)	(118.250)	12.914	-	-	-	(1.914.886)
Motor vehicles	(86.671)	(1.274)	(12.058)	4.138	-	-	-	(95.865)
Furniture and fixtures	(1.829.060)	(9.293)	(225.950)	94.902	(13)	(61.607)	(1.902)	(2.032.923)
Total	**(4.712.941)**	**(168.595)**	**(414.737)**	**124.580**	**-**	**(75.541)**	**(7.358)**	**(5.254.322)**
Net book value	**4.282.958**							**4.964.509**

(*) Transfers that have been realized from Construction in progress during the period amounting of TRY 36.715 recognized to intangible assets.

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NOTE 15 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Currency translation differences	Additions	Impairment	Disposals	Transfers	Count differences	31 December 2017
Cost	1.474.680	10.957	300.459	(2.315)	(600)	48.377	(3.841)	1.827.717
Accumulated amortisation (-)	(801.910)	(5.704)	(202.510)	3.116	467	(4.078)	-	(1.010.619)
Net book value	**672.769**							**817.098**

	1 January 2016	Currency translation differences	Additions	Impairment	Disposals	Transfers	Count differences	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**

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

NOTE 16 - GOODWILL

The movements in goodwill for the years ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
1 January	1.014.815	1.014.355
Additions	-	460
Impairment provision (*)	(141.718)	-
Total	**873.097**	**1.014.815**

(*) The Group's subsidiary Carrefoursa booked impairment amounting to Total TRY 141.718.000 for its goodwill during the period. This impairment provision is recognised under other income/expense from operating activities.

If the discount rate after tax and long term growth rates applied on cash flow estimations was 1% more than the estimation of the management, the Group would recognise an extra impairment provision amounting to Total TRY 14.749.520 for the goodwill in its consolidated financial statements.

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	**31 December 2017**	**31 December 2016**
Provision for liabilities	241.673	350.048
Credit bonus provision	*69.960*	*90.654*
Litigation	*97.249*	*124.477*
Uncompensated and not encashed non-cash loans	*67.754*	*73.085*
Onerous contracts	*4.260*	*30.091*
Other short-term provisions	*2.450*	*31.741*
Other	91.265	61.308
Total	**332.938**	**411.356**

Other long term provisions	**31 December 2017**	**31 December 2016**
Provision for liabilities	4.613	4.239
Other long-term provisions	*4.613*	*4.239*
Total	**4.613**	**4.239**

Commitments - Banking segment	**31 December 2017**	**31 December 2016**
Letters of guarantee given	34.576.533	26.900.857
Letters of credit	6.579.073	4.993.055
Foreign currency acceptance	3.757.710	3.583.106
Other guarantees given	5.914.738	3.962.154
Total	**50.828.054**	**39.439.172**

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

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

Commitments - Non-banking segment	31 December 2017	31 December 2016
Letters of guarantee given	649.971	558.419
Other guarantees given	294.789	297.193
Mortgages, guarantees and pledges for tangible assets	25.185	83.208
Total	**969.945**	**938.820**

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 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Repurchase commitments	29.229.448	25.877.459

Transactions for held for trading

	31 December 2017	31 December 2016
Foreign currency purchases	10.601.547	8.911.930
Foreign currency sales	10.564.713	9.064.075
Total	**21.166.260**	**17.976.005**

	31 December 2017	31 December 2016
Currency swap purchases	111.502.891	87.664.943
Currency swap sales	106.924.680	86.427.026
Interest swap purchases	46.369.365	42.198.785
Interest swap sales	46.369.365	42.198.785
Total	**311.166.301**	**258.489.539**

	31 December 2017	31 December 2016
Spot purchases	5.034.625	8.257.572
Spot sales	5.050.637	8.318.772
Total	**10.085.262**	**16.576.344**

	31 December 2017	31 December 2016
Currency, interest and securities options purchases	50.144.128	43.145.261
Currency, interest and securities options sales	50.460.763	43.319.700
Total	**100.604.891**	**86.464.961**

	31 December 2017	31 December 2016
Future sales	-	55.335
Total	**-**	**55.335**

	31 December 2017	31 December 2016
Other purchase transactions	6.225.924	7.170.681
Other sales transactions	8.623.132	5.154.039
Total	**14.849.056**	**12.324.720**

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

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

Types of derivative transactions held for hedges:

	31 December 2017	31 December 2016
Interest swap purchases	11.759.837	8.814.305
Interest swap sales	11.759.837	8.814.305
Total	**23.519.674**	**17.628.610**

	31 December 2017	31 December 2016
Foreign currency purchases	31.708	203.533
Foreign currency sales	97.386	73.346
Total	**129.094**	**276.879**

	31 December 2017	31 December 2016
Currency swap purchases	3.482.506	3.257.872
Currency swap sales	2.507.376	2.505.565
Total	**5.989.882**	**5.763.437**

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2017 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	6.616.283	27.960.249	34.576.532
Letters of credits	5.188.694	1.390.378	6.579.072
Acceptance credits	2.900.711	857.000	3.757.711
Other guarantees	2.497.120	3.417.619	5.914.739
Total	**17.202.808**	**33.625.246**	**50.828.054**

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	2.626.743	3.962.153
Total	**10.955.623**	**28.483.549**	**39.439.172**

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

Aksigorta, one of the Group's joint ventures, has been subjected to a tax investigation by the T.C. Ministry of Finance Tax Audit Board that started in 24 June 2014. As a result of this limited tax investigation related to Banking Insurance Transaction Tax covering years 2009, 2010, 2011 and 2012; Total TRY 1,8 Million tax and Total TRY 2,8 Million tax penalty for year 2009, Total TRY 2 Million tax and Total TRY 3 Million tax penalty for year 2010, Total TRY 3 Million tax and Total TRY 4,6 Million tax penalty for year 2011, Total TRY 4,3 Million tax and Total TRY 6,4 Million tax penalty for year 2012, and totally TRY 27,9 Million tax and tax penalty has been charged to the company for the claim recovery and salvage operations of the banking and insurance transactions that were not subject to tax. The Company has not booked any provision on financial statements. On 16 January 2015, the Company filed a reconciliation request for the year 2009 and on 20 February 2015 filed a reconciliation request for the years 2010,2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. The negotiations with the Ministry of Finance Central Reconciliation Commission at the date of 15 February 2018 has not reached a reconciliation. At this stage, no payment will be made regarding to the mentioned tax rights and tax penalties and legal proceedings will be started by the Company.

The Competition Authority resolved to start an investigation by the resolution numbered 15-08/108-M and dated 19 February 2015 against Teknosa which is a subsidiary of the Group and other companies mentioned in the resolution requesting their deference in order to detect if the Act no. 4054 is violated or not. By the resolution numbered 15-28/319-M and dated 7 July 2015, the investigation was extended as consumer electronics and was merged with former investigation. Teknosa submitted its written defence for this investigation. Verbal defense is also provided on 25 October 2016. Similarly, by the resolution numbered 15-28/319-M and dated 7 July 2015 Kliksa which was %100 owned by Teknosa in the previous periods was included to the investigation and Teknosa submitted the written defense on behalf of Kliksa. The final decision of the Competition Authority was published on its official website for these two investigations on 11 November 2016. In accordance with decision, the Competition Authority claimed administrative fine by Total TRY 18.025.556 to Teknosa and Kliksa. Actual settlement was declared by the Competition Authority to Teknosa on 8 March 2017. Teknosa paid 3/4 of this fine amounting to Total TRY 13.519.167 by using early payment discount with a payment notice on 6 April 2017. Legal action has been initiated on 5 May 2017 during the legal term of 60 days period.

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

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Financial institutions	7.006.200	6.433.036
Construction	6.252.263	4.652.569
Chemicals	2.791.301	2.910.411
Wholesale	9.970.378	8.348.084
Small-scale retailers	4.806.478	3.845.270
Steel and mining	3.152.082	2.086.619
Food and beverage	798.144	616.372
Electricity, gas and water	1.926.591	1.977.548
Automotive	855.703	620.213
Other manufacturing	2.965.513	1.445.639
Electronics	676.712	639.372
Textile	1.423.271	934.968
Transportation	621.471	1.170.174
Telecommunications	224.582	153.924
Tourism	278.993	246.057
Agriculture and forestry	165.071	54.738
Other	6.913.301	3.304.178
Total	**50.828.054**	**39.439.172**

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NOTE 18 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by the Subsidiaries at 31 December 2017 is as follows:

	31 December 2017				
	Total TRY Equivalent	**TRY**	**USD**	**EUR**	**TRY Equivalent Other**
A. Total amount of the Collaterals given for its own legal entity	1.295.945	434.563	133.887	78.704	987
B. Collaterals given on behalf of fully consolidated companies	1.135.741	276.886	64.605	135.303	3.528
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	50.828.054	21.370.968	4.744.023	2.471.376	385.992
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	**53.259.740**	**22.082.417**	**4.942.515**	**2.685.383**	**390.507**
A. Total amount of the mortgages given for its own legal entity	97.082	-	-	21.500	-
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	**97.082**	**-**	**-**	**21.500**	**-**
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	**-**	**-**	**-**	**-**	**-**

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

NOTE 18 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("CPM") given by the Joint Ventures at 31 December 2017 is as follows:

	31 December 2017				
	Total TRY Equivalent	**TRY**	**USD**	**EUR**	**TRY Equivalent Other**
A. Total amount of the Collaterals given for its own legal entity	895.128	893.057	393	130	-
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	495	495	-	-	-
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	**895.623**	**893.552**	**393**	**130**	-
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	**-**	**-**	**-**	**-**	**-**

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

NOTE 18 - COMMITMENTS (Continued)

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

	31 December 2016				
	Total TRY Equivalent	**TRY**	**USD**	**EUR**	**TRY Equivalent Other**
A. Total amount of the Collaterals given for its own legal entity	844.294	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	**-**	**-**	**-**	**-**	**-**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY 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				
	Total TRY Equivalent	TRY	USD	EUR	TRY Equivalent Other
A. Total amount of the Collaterals given for its own legal entity	1.118.066	895.219	61.434	1.791	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	541	540	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	**1.118.607**	**895.759**	**61.434**	**1.791**	**-**
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	**-**	**-**	**-**	**-**	**-**
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties'debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	**-**	**-**	**-**	**-**	**-**

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

NOTE 19 - EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2017	31 December 2016
Due to personnel	27.587	29.579
Social security premiums payable	46.798	31.987
Other	1.612	1.611
Total	**75.997**	**63.177**

Short-term provision for employee benefits:

	31 December 2017	31 December 2016
Unused vacation pay provision	117.631	106.454
Bonus provision	26.220	30.998
Other	174.428	150.299
Total	**318.279**	**287.751**

Long-term provision for employee benefits:

	31 December 2017	31 December 2016
Unused vacation pay provision	3.785	2.890
Provision for employment termination benefits	385.500	303.541
Other	23.079	16.779
Total	**412.364**	**323.210**

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 2017, the amount payable consists of one month's salary limited to a maximum of TRY 4,73 (31 December 2016: TRY 4,30) 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 2016, 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 %3,70 - %5,10 at the respective balance sheet date (31 December 2016: 3,40%). Severance pay ceiling is revised semi-annually. TRY 5,00 severance pay ceiling, which is effective on 1 January 2018, has been considered in the provision for employment termination benefits calculations of the Group.

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

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 2017 and 2016 are as follows:

	2017	**2016**
1 January	303.541	269.402
Charge for the period	99.616	119.520
Payments	(81.370)	(110.182)
Interest cost	3.753	5.430
Foreign currency translation adjustments	1.113	(29)
Actuarial losses	58.847	19.400
31 December	**385.500**	**303.541**

NOTE 20 - OTHER ASSETS AND LIABILITIES

Other Current Assets	**31 December 2017**	**31 December 2016**
Cheques in clearance	149.829	418.721
Deductible, deferred and other VAT	156.615	114.087
Other	64.115	44.063
Total	**370.559**	**576.871**

Other Non-Current Assets	**31 December 2017**	**31 December 2016**
Long term tax claims and other legal receivables	26.941	29.434
Deductible, deferred and other VAT	4.928	3.027
Other non-current assets	87.944	59.274
Total	**119.813**	**91.735**

Other Short Term Liabilities	**31 December 2017**	**31 December 2016**
Cheques in clearance	291.353	778.619
Saving deposits insurance	50.641	45.569
Other short term liabilities	323.668	364.210
Total	**665.662**	**1.188.398**

Other Long Term Liabilities	**31 December 2017**	**31 December 2016**
Other Long Term Liabilities	55.065	18.070
Total	**55.065**	**18.070**

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

NOTE 21 - EQUITY

The Holding's authorised and issued capital consists of 204.040.393.100 (31 December 2016: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2017 and 2016 is as follows:

Shareholders:	Share (%)	31 December 2017	Share (%)	31 December 2016
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**	**100,00**	**2.040.404**
Treasury shares (-)		**(190.470)**		**(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 perform share buybacks at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17 % as of 31 December 2017. These shares are shown in consolidated equity as capital adjustments due to treasury shares.

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 2017	31 December 2016
Legal reserves	699.547	596.381
Investments sales income	333.369	333.369
Total	**1.032.916**	**929.750**

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

NOTE 21 - EQUITY (Continued)

Dividend Distribution

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

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

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

	Fair Value Revaluation Fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency translation differences
Balance as of 1 January 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**
Balance as of 1 January 2017	**(444.676)**	**(177.288)**	**(146.024)**	**499.438**
Increases/(decreases) during the period	189.636	46.922	(102.703)	225.222
Gains transferred to income statement	(13.368)	23.735	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(2.160)	-	-	-
Tax effect	(39.769)	(14.891)	20.541	-
Balance as of 31 December 2017	**(310.337)**	**(121.522)**	**(228.186)**	**724.660**

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

1 January - 31 December 2017

As of 31 December 2017, Temsa, a subsidiary of the Group acquired a real estate with value of TRY 16.671.395 in return of receivables as a guarantee. The Entity has intention to dispose of the real estate and impairment is booked amounting to total TRY 6.685.000. The remaining TRY 9.986.395 is accounted under "Assets Held for Sale".

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period profit amounting to Total TRY 3.503.342 as of 31 December 2017 (31 December 2016: TRY 1.230.919 Total loss). For the year ended 31 December 2017 and 31 December 2016, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements. The amount recognised under "Assets Held For Sale" is Total TRY 11.194.785 as of 31 December 2017 (31 December 2016: Total TRY 21.780.383). The amount recognised under "Liabilities Held For Sale" is Total TRY 5.261.866 as of 31 December 2017 (31 December 2016: Total TRY 11.718.193).

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 TRY 1.230.919 (31 December 2015: Total TRY 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.

Kordsa's subsidiary Interkordsa GmbH's loss for the period is total TRY 8.121.076 (31 December 2015: total TRY 188.207 income). In 31 December 2016 and 31 December 2015 consolidated financial statements the operating result of this company is classified as income/expense from discontinued operations.

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NOTE 23 - REVENUE AND COST OF SALES

Revenue	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Domestic sales	12.191.647	11.274.733
Foreign sales	2.209.411	1.589.220
Less: Discounts	(561.207)	(501.773)
Total	**13.839.851**	**12.362.180**

Cost of sales	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Cost of raw materials and merchandises	(9.085.652)	(8.164.348)
Change in finished good work in process inventory and merchandises	(88.261)	(104.574)
Depreciation and amortization expenses	(214.672)	(185.861)
Personnel expenses	(427.389)	(339.790)
Other	(1.127.876)	(983.699)
Total	**(10.943.850)**	**(9.778.272)**

NOTE 24 - EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	**1 January- 31 December 2016**
Personnel expenses	(2.016)	(1.854)
Consultancy expenses	(2.839)	(272)
Depreciation and amortization expenses	(2.456)	(91)
Repair and maintenance expenses	(408)	(128)
Other	(134)	(3.411)
Total	**(7.853)**	**(5.756)**

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

NOTE 24 - EXPENSES BY NATURE (Continued)

Marketing expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(648.231)	(637.489)
Rent expenses	(392.214)	(399.361)
Depreciation and amortization expenses	(146.473)	(108.574)
Transportation, logistic and distribution expenses	(84.680)	(85.094)
Advertisement expenses	(70.269)	(66.344)
Maintenance and repair expenses	(41.242)	(44.476)
Outsourced services	(38.408)	(50.435)
Consultancy expenses	(24.835)	(45.254)
Energy expenses	(24.691)	(36.732)
Insurance expenses	(9.355)	(6.090)
Material expenses	(3.828)	(4.725)
Communication expenses	(1.886)	(2.153)
Other	(258.952)	(231.474)
Total	**(1.745.064)**	**(1.718.201)**

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

NOTE 24 - EXPENSES BY NATURE (Continued)

General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(2.222.383)	(1.970.997)
Credit card and banking service expenses	(549.689)	(504.803)
Consultancy expenses	(171.874)	(229.265)
Depreciation and amortization expenses	(357.791)	(280.308)
Repair and maintenance expenses	(350.364)	(281.311)
Insurance expenses	(208.442)	(184.270)
Communication expenses	(152.069)	(140.094)
Advertisement expenses	(147.058)	(138.608)
Taxes, duties and charges	(185.104)	(107.031)
Energy expenses	(51.783)	(50.092)
Material expenses	(37.585)	(26.643)
Outsourced services	(9.951)	(3.425)
Other	(890.881)	(1.014.192)
Total	**(5.334.974)**	**(4.931.039)**

NOTE 25 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign currency gains resulting from operations	395.410	454.321
Due date income from trade receivables	53.012	39.700
Other income	880.209	437.645
Total	**1.328.631**	**931.666**

The details of other expenses from operating activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign currency losses resulting from operations	(250.798)	(328.667)
Goodwill impairment provision expenses	(141.718)	-
Due date expense from trade payables	(118.578)	(182.799)
Provision expense	(38.383)	(101.818)
Other expenses	(215.940)	(250.911)
Total	**(765.417)**	**(864.195)**

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

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 2017 and 2016 are are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Fixed asset sales profit	91.451	68.480
Dividend income	2.698	2.696
Interest income on time deposits	1.971	4.616
Other	14.609	10.411
Total	**110.729**	**86.203**

Expenses from investing activities

The details of other expenses from investing activities for the years ended 31 December 2017 and 2016 are are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Loss on sale of fixed assets	(10.968)	(4.356)
Other	(6.685)	-
Total	**(17.653)**	**(4.356)**

NOTE 27 - FINANCE INCOME/EXPENSES

	1 January- 31 December 2017	1 January- 31 December 2016
Financial income		
Foreign currency gains	141.096	48.601
Total	**141.096**	**48.601**
Financial expenses		
Foreign currency losses	(195.996)	(174.982)
Interest expense	(338.727)	(176.514)
Other financial expenses	(62.031)	(20.162)
Total	**(596.754)**	**(371.658)**

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

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

NOTE 28 - TAX ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Corporate and income taxes payable	1.705.443	1.157.130
Less: prepaid taxes	(902.992)	(809.523)
Total taxes payable	**802.451**	**347.607**

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 2017 is 20% (2016: 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.

In Turkey, corporate tax rate is 20%. This ratio will be applied as 22% for a period of three years, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017.

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

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

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

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. As of 1 January 2018, the exemption for real estate has been revised to 50%. 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%).

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

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 2017 and 2016 are as follows:

	31 Aralık 2017			31 Aralık 2016		
	Before Tax	**Tax Charge**	**After Tax**	**Before Tax**	**Tax Charge**	**After Tax**
Net unrealized fair value from available for sale financial assets	484.371	(96.874)	387.497	(67.338)	13.468	(53.870)
Net gain on available for sale financial assets transferred to the income statement	(32.804)	6.561	(26.243)	49.718	(9.944)	39.774
Net gain included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(5.301)	1.060	(4.241)	(20.219)	4.044	(16.175)
Cash flow hedges	113.190	(22.638)	90.552	(36.513)	7.303	(29.210)
Income/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operations	(252.034)	50.405	(201.629)	(175.200)	35.040	(140.160)
Change in foreign currency translation differences	540.592	-	540.591	492.609	-	492.609
Actuarial gain/losses	(55.778)	11.956	(43.822)	(21.996)	4.339	(17.597)
Other comprehensive income	**793.235**	**(49.530)**	**742.705**	**221.061**	**54.310**	**275.371**

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

NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of the current year tax charge for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Profit before tax included in the consolidated financial statements	9.217.993	6.830.104
Expected tax charge according to parent company's tax rate 20% (2016: 20%)	(1.843.599)	(1.366.021)
Tax rate differences of subsidiaries	7.871	5.183
Expected tax charge of the Group	**(1.835.728)**	**(1.360.838)**
Revenue that is exempt from taxation	142.915	71.331
Non-deductible expenses	(187.404)	(113.614)
Utilizing carryforward tax losses that are not subject to deferred tax	(19.627)	(7.019)
Impact of profits from investments valued by equity method	115.276	129.823
Investment incentives impact	5.604	7.423
Real estate sales profit exemption	2.319	157
Other	(6.953)	(869)
Current year tax charge of the Group	**(1.783.598)**	**(1.273.606)**

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.

According to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017 and temporary 10th Article added to Corporate Income Tax Law No. 5520, tax ratio will be applied as 22% for the periods of 2018, 2019 and 2020. After these three years, it is foreseen that the tax rate will be 20%. The Council of Ministers is authorised to reduce the rate up to 20%.

For the period ended 31 December 2017, tax on the income generated for the three-month periods are paid at the rate of 20% (2016: 20%) according to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

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

NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax (continued)

At 31 December 2017, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY 1.142.324 which can be offset against future taxable profits for a period of five years (31 December 2016: TRY 819.512). As of 31 December 2017 and 31 December 2016 carry forward tax losses and the latest annual periods are as follows:

	31 December 2017	31 December 2016
2018	-	17.548
2019	11.970	58.126
2020	41.345	743.838
2021	741.504	-
2022	347.505	-
Total	**1.142.324**	**819.512**

Deferred tax assets/(liabilities) for the years ended at 31 December 2017 and 2016 are as follows:

	2017	2016
Deferred tax assets	552.671	635.401
Deferred tax liabilities	(149.352)	(139.150)
Net Deferred Tax Assets	**403.319**	**496.251**

The movements in deferred income tax assets/(liabilities) for the six-month periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	496.251	596.375
Charged to equity	(99.691)	(29.960)
Change in foreign currency translation differences	(3.403)	(12.686)
Charged to statement of profit or loss	10.390	(58.491)
Other	(228)	1.013
31 December	**403.319**	**496.251**

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

NOTE 29 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2017	**Fair Value**	
Derivative instruments held for trading:	**Asset**	**Liability**
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	6.104.829	4.722.590
Forward currency purchases and sales transactions	421.897	457.597
Currency purchases and sales options	203.603	242.212
Other purchases and sales transactions	1.587.534	5.092
Total derivative instruments held for trading	**8.317.863**	**5.427.491**
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	1.136.284	75.710
Forward currency purchases and sales transactions	19.817	10.376
Currency purchases and sales transactions	37.023	-
Total derivative instruments held for hedging	**1.193.124**	**86.086**
Total derivative instruments	**9.510.987**	**5.513.577**

31 December 2016	**Fair Value**	
Derivative instruments held for trading:	**Asset**	**Liability**
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	5.242.799	3.900.948
Forward currency purchases and sales transactions	467.073	418.684
Currency purchases and sales options	262.589	289.771
Other purchases and sales transactions	1.649.098	4.709
Total derivative instruments held for trading	**7.621.559**	**4.614.112**
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	807.874	98.991
Forward currency purchases and sales transactions	895	3.714
Currency purchases and sales transactions	40.243	-
Total derivative instruments held for hedging	**849.012**	**102.705**
Total derivative instruments	**8.470.571**	**4.716.817**

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

NOTE 29 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	31 December 2017	31 December 2016
Consumer loans and credit cards receivables	48.763.903	45.037.601
Project finance loans (*)	35.328.282	26.431.817
Construction	29.093.069	24.078.639
Financial institutions	28.290.165	20.779.263
Small-scale enterprises	17.271.905	14.706.397
Mining	6.746.537	6.262.631
Telecommunication	6.804.962	5.819.867
Other manufacturing industries	6.418.826	5.537.903
Food and beverage, wholesale and retail	5.392.196	4.939.823
Textile	5.273.075	4.109.589
Chemicals	4.099.549	3.377.208
Automotive	3.616.780	2.413.289
Other	15.759.297	19.070.543
Total loans and advances to customers	**212.858.546**	**182.564.570**
Provision for loan losses	(6.963.538)	(6.964.606)
Leasing receivables	5.811.994	4.983.239
Net loans and advances to customers	**211.707.002**	**180.583.203**

The above table includes the total live and follow-up lending of the bank and the credit risk reserve is set as a result of the bank evaluation considering the whole credit risk.

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

NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (Continued)

(*) As of 31 December 2017, within the scope of acquisition financing of an entity operating in the telecommunication sector, on the basis of participating in the syndication, which is made up of other domestic and foreign banks, with share pledge there is a cash loan risk of 1.685 Billion USD (Total TRY 1,5 billion). Negotiations on restructuring of the loan have been continuing among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of the Company and it is expected that negotiations will produce a positive outcome. Respective loan is classified "loans and other receivables" under close monitoring as of 31 December 2017.

The details of the loans are as follows:

	31 December 2017			
	Commercial Loans	**Consumer Loans & Credit Cards**	**Leasing receivables**	**Total**
Neither past due nor impaired	155.086.230	45.485.413	5.669.203	206.240.846
Past due and not individually impaired	7.065.496	688.697	65.599	7.819.792
Individually impaired	2.191.560	2.341.151	287.070	4.819.781
Total gross	**164.343.286**	**48.515.261**	**6.021.872**	**218.880.419**
Less: allowance for individually impaired loans	(1.651.263)	(2.341.151)	(156.454)	(4.148.868)
Less: allowance for collectively impaired loans	(2.401.255)	(569.869)	(53.425)	(3.024.549)
Total allowance for impairment	**(4.052.518)**	**(2.911.020)**	**(209.879)**	**(7.173.417)**
Total net	**160.290.768**	**45.604.241**	**5.811.993**	**211.707.002**

	31 December 2016			
	Commercial Loans	**Consumer Loans & Credit Cards**	**Leasing receivables**	**Total**
Neither past due nor impaired	128.554.979	41.118.343	4.900.068	174.573.390
Past due and not individually impaired	7.491.516	1.132.540	43.363	8.667.419
Individually impaired	1.639.126	2.628.065	153.422	4.420.613
Total gross	**137.685.621**	**44.878.948**	**5.096.853**	**187.661.422**
Less: allowance for individually impaired loans	(1.195.119)	(2.628.065)	(88.252)	(3.911.436)
Less: allowance for collectively impaired loans	(2.467.162)	(674.259)	(25.362)	(3.166.783)
Total allowance for impairment	**(3.662.281)**	**(3.302.324)**	**(113.614)**	**(7.078.219)**
Total net	**134.023.340**	**41.576.624**	**4.983.239**	**180.583.203**

Effective interest rates of USD, EUR,YEN and TRY denominated loans and advances to customers are 5,93% p.a. (31 December 2016: 5,07% p.a.), 3,73% p.a. (31 December 2016: 3,66% p.a.), 4,24% p.a. (31 December 2016: 4,27% p.a.), and 14,55% (31 December 2016: 13,04% p.a) respectively.

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

NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (Continued)

As of 31 December 2017, aging of the past due and not impaired receivables amounting to TRY 7.819.792 (31 December 2016: TRY 8.667.419) is as follows;

	31 December 2017			
	Commercial loans	Consumer Loans and Credit Cards	Operating Lease Receivables	Total
30 to 60 day	418.903	460.870	2.861	882.634
60 to 90 day	344.577	227.827	5.384	577.788
Over 90 day	6.302.016	-	57.354	6.359.370
Total	**7.065.496**	**688.697**	**65.599**	**7.819.792**

	31 December 2016			
	Commercial loans	Consumer Loans and Credit Cards	Operating Lease Receivables	Total
30 to 60 day	1.604.735	763.089	4.231	2.372.055
60 to 90 day	370.792	369.451	3.278	743.521
Over 90 day	5.515.989	-	35.854	5.551.843
Total	**7.491.516**	**1.132.540**	**43.363**	**8.667.419**

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

	Corporate	Commercial	Total
1 January 2017	**3.662.282**	**3.302.324**	**6.964.606**
Gross provisions	803.777	844.244	1.648.021
Collections	(337.650)	(584.286)	(921.936)
Written-off (*)	(186.184)	(540.969)	(727.153)
31 December 2017	**3.942.225**	**3.021.313**	**6.963.538**

(*) Akbank has sold TRY 709 million (total TRY amount) in the following loans portfolio to four companies which are İstanbul Varlık Yönetim A.Ş., Efes Varlık Yönetim A.Ş., Hayat Varlık Yönetimi A.Ş. and Final Varlık Yönetimi A.Ş. for a consideration of TRY 39 million (total TRY amount).

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

NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

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 TRY 450,1 million (total TRY amount) which is previously 100% impaired in the following loans portfolio to Güven Varlık Yönetimi A.Ş. for a consideration of TRY 49,1 (total TRY amount) million.

The maturity analysis of loans and advances given to customers at 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Up to 3 months	52.114.105	49.297.126
3 to 12 months	43.286.730	36.937.861
Current	**95.400.835**	**86.234.987**
1 to 5 years	86.445.812	67.482.991
Over 5 years	24.048.361	21.881.986
Non-current	**110.494.173**	**89.364.977**
Total	**205.895.008**	**175.599.964**

The repricing dates of the loans and advances given to customers as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Up to 3 months	76.335.391	72.647.190
3 to 12 months	48.493.144	42.692.991
1 to 5 years	71.314.084	51.031.046
Over 5 years	9.752.389	9.228.737
Total	**205.895.008**	**175.599.964**

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

NOTE 31 - PAYABLES FROM FINANCE SECTOR OPERATIONS

Banking

	31 December 2017			31 December 2016		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	17.851.983	89.346.331	107.198.314	14.430.486	76.583.302	91.013.788
Commercial deposits	17.616.473	57.209.394	74.825.867	14.750.250	53.845.681	68.595.931
Interbank deposits	1.187.569	12.741.468	13.929.037	972.501	6.229.124	7.201.625
Funds provided from repo transactions	-	28.850.276	28.850.276	-	26.042.359	26.042.359
Other	546.072	3.007.742	3.553.814	566.748	5.295.076	5.861.824
Total	**37.202.097**	**191.155.211**	**228.357.308**	**30.719.985**	**167.995.542**	**198.715.527**

Effective interest rates of USD, EUR and TRY denominated customer deposits are 1,97% p.a. (31 December 2016: 1,62% p.a.), 0,49% p.a. (31 December 2016: 0,43% p.a.) and 10,81% p.a. (31 December 2016: 9,42% p.a.).

As of 31 December 2017 and 2016, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2017	**31 December 2016**
Demand	35.239.920	29.247.950
Up to 3 months	166.467.421	142.247.469
3 to 12 months	19.360.469	20.413.857
1 to 5 years	6.693.448	6.335.809
Over 5 years	596.050	470.442
Total	**228.357.308**	**198.715.527**

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NOTE 32 - 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 2017	31 December 2016
Earnings per share total TRY - ordinary share ('000)	17,06	13,04
Earnings per share from continuing operations total TRY - ordinary share ('000)	17,04	13,08
Number of treasury shares	(190.470.000)	(190.470.000)
Earnings per share excluding treasury shares (total TRY) - ordinary share ('000)	17,08	13,05
Earnings per share from continuing operations excluding treasury shares (total TRY) - ordinary share ('000)	17,06	13,10
Weighted average number of shares as of the reporting date (per share of Kr 1 nominal value) - ordinary share	204.040.393.100	204.040.393.100

NOTE 33 - 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 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Short term benefits provided to senior executive	21.759	22.561
Benefits provided by termination	2.165	1.185
Other long term benefits	234	271
Total	**24.158**	**24.017**

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NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIALINSTRUMENTS

34.1 Financial Instruments and Financial Risk Management

34.1.1 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.

34.1.1.1 Foreign Exchange Risk

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

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

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

Foreign currency denominated assets and liabilities held by the Group before consolidation elimination at 31 December 2017 and 2016 terms of TRY are as follows:

	31 December 2017	31 December 2016
Assets	161.104.048	149.842.289
Liabilities	(182.835.953)	(156.415.980)
Net foreign currency balance sheet position	**(21.731.905)**	**(6.573.691)**
Net foreign currency position of off-balance sheet derivative financial instruments	25.034.376	6.631.869
Net foreign currency balance sheet and off-balance sheet position	**3.302.471**	**58.178**

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.1 Foreign Exchange Risk (continued)

31 December 2017	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and Cash Equivalents	12.318.462	7.893.806	4.145.078	52.544	227.034
Financial Investments	32.180.170	25.185.618	6.392.315	-	602.237
Receivables From Financial Operations	83.896.510	41.048.634	42.768.170	11.770	67.936
Reserve Deposits at Central Bank	26.021.620	15.713.902	5.189.660	-	5.118.058
Trade Receivables	1.121.971	376.046	606.215	8.308	131.402
Other Assets	5.565.315	4.003.835	1.376.868	135	184.477
Total Assets	**161.104.048**	**94.221.841**	**60.478.306**	**72.757**	**6.331.144**
Liabilities:					
Funds Borrowed and Debt Securities in Issue	45.039.292	32.586.221	12.256.491	4.043	192.537
Customer Deposits	133.504.077	84.394.537	44.909.486	2.020.256	2.179.798
Trade payables	511.452	335.149	126.560	432	49.311
Other Payables and Provisions	3.781.132	1.378.168	2.238.673	6.000	158.291
Total Liabilities	**182.835.953**	**118.694.075**	**59.531.210**	**2.030.731**	**2.579.937**
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	**25.034.376**	**26.382.824**	**314.075**	**1.961.391**	**(3.623.914)**
Monetary items net assets/(liabilities) foreign currency position	**3.302.471**	**1.910.590**	**1.261.171**	**3.417**	**127.293**

Net profit effect of the consolidated to the total net foreign currency position is TRY 447.981 as of 31 December 2017 (Bank and Philsa-Philip Morrissa excluded).

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.1 Foreign Exchange Risk (continued)

31 December 2016	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY 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	107.272
Other Assets	1.540.243	972.613	505.501	56	62.073
Total Assets	**149.842.289**	**95.912.367**	**52.200.103**	**98.221**	**1.631.598**
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	41.399
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	**6.631.869**	**4.478.023**	**(56.837)**	**1.388.984**	**821.699**
Monetary items net assets/(liabilities) foreign currency position	**58.178**	**(1.517.596)**	**1.467.520**	**(802)**	**109.056**

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.1 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 2017 and 2016 is summarized as follows:

31 December 2017	**Profit/Loss**	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
USD net assets/liabilities	83.764	(83.764)
USD hedge items (-)	-	-
USD net effect	**83.764**	**(83.764)**
Change in EUR against TL by 10%		
EUR net assets/liabilities	50.938	(50.938)
EUR hedge items (-)	-	-
EUR net effect	**50.938**	**(50.938)**
Change in GBP against TL by 10%		
GBP net assets/liabilities	449	(449)
GBP hedge items (-)	-	-
GBP net effect	**449**	**(449)**
Change in other currency against TL by 10%		
Other currency net assets/liabilities	1.593	(1.593)
Other Hedges items(-)	-	-
Other currency net effect	**1.593**	**(1.593)**

31 December 2016	**Profit/Loss**	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
USD net assets/liabilities	(1.207)	1.207
USD hedge items (-)	-	-
USD net effect	**(1.207)**	**1.207**
Change in EUR against TL by 10%		
EUR net assets/liabilities	31.090	(31.090)
EUR hedge items (-)	-	-
EUR net effect	**31.090**	**(31.090)**
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	(1.054)	1.054
Other Hedges items(-)	-	-
Other currency net effect	**(1.054)**	**1.054**

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.2 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 2017 and 2016, the Group's borrowings at floating rates are denominated in TRY, USD, EUR and GBP.

The interest position table of the non-banking segment of the Group as of 31 December 2017 and 2016 is set out below as follows: (Please refer to Note 34.1.1.5 for banking industrial segment

	31 December 2017	31 December 2016
Fixed interest rate financial instruments		
Financial assets	104.893	113.237
Time deposits	104.893	113.237
Financial liabilities	3.156.886	1.951.775
Floating interest rate financial instruments		
Financial liabilities	260.643	273.870

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 34.1.1.5 for banking industrial segment).

At 31 December 2017, if the annual interest rate on TRY 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 TRY (6.500) (31 December 2016: TRY (1.323)).lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2017, 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 TRY (1.751) (31 December 2016: TRY 1.825) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2017, 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 TRY (777) (31 December 2016: TRY (75)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.3 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 2017 and 2016 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

	31 December 2017						
Liabilities	**Book value**	**Contractual Cash flows**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	229.539.315	233.007.988	162.168.054	27.359.136	18.683.908	22.468.014	2.328.876
Credit obtained and debt securities in issue	51.383.423	53.972.764	1.851.982	11.685.351	14.307.046	18.181.632	7.946.753
Interbank money market deposits	507.522	508.623	470.052	38.571	-	-	-
	281.430.260	**287.489.375**	**164.490.088**	**39.083.058**	**32.990.954**	**40.649.646**	**10.275.629**

	31 December 2016						
Liabilities	**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**

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.3 Liquidity Risk (continued)

ii) Other industrial segments

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 31 December 2017 and 2016, the Group's analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2017	Book value	Contractual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	3.910.837	4.145.969	1.066.078	1.831.196	1.247.033	1.663
Financial lease obligations	87.136	93.822	9.228	23.582	39.009	22.004
Trade payables	2.844.742	2.856.362	1.854.926	1.001.436	-	-
Other payables	130.536	144.666	144.666	-	-	-
	6.973.251	**7.240.819**	**3.074.898**	**2.856.214**	**1.286.042**	**23.667**

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**

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 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.

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

i) <u>Banking industrial segment (continued)</u>

Akbank assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties based on Advanced Internal Rating Based Approach (Advanced IRB Approach).

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

Akbank calculates the differantial of customers defaulting through rating systems created for different types of customers. Concentration data for the classed loans were given using the following tablature rating systems.

The rating tool concentration by risk classes are as follows:

	31 December 2017	**31 December 2016**
Above average	% 42,96	54,14%
Average	% 44,96	34,66%
Below average	% 11,84	10,88%
Unrated	% 0,24	0,40%

As of 31 December 2017, the Group's loans in the medium risk group are TRY 11.360.451 (31 December 2016: TRY 6.067.766) and the aging analysis is as follow:

31 December 2017	**Corporate loans**	**Consumer loans and credit cards**	**Financial lease receivable**	**Total**
Up to 1 month	2.472.410	1.044.055	24.194	3.540.659
Between 1 to 2 months	418.903	460.870	2.861	882.634
Between 2 to 3 months	344.577	227.827	5.384	577.788
Rental payment receivables (Uninvoiced)	6.302.016	-	57.354	6.359.370
	9.537.906	**1.732.752**	**89.793**	**11.360.451**

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

Maximum exposure to credit risk of banking industrial segment is as follow:

	31 December 2017	31 December 2016
Loans and advances to other banks	44.637.555	43.557.998
Loans and advances	206.894.944	175.599.964
Consumer loans and advances	*45.493.948*	*41.576.624*
Corporate loans and advances	*161.400.996*	*134.023.340*
Financial lease receivables	5.811.992	4.983.239
Securities held for trading (*)	16.459	56.653
Derivative financial assets held for trading	8.316.049	7.620.938
Derivative financial assets held for cash flow hedges	1.136.284	807.874
Available for sale and held to maturity financial assets	61.336.793	52.504.342
Other assets	2.467.680	1.693.831
Total	**330.617.756**	**286.824.839**

(*) Marketable securities are not included.

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

Marketable securities of the banking industrial segment as of 31 December 2017 and 2016. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2017	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	192.304	-	192.304
A1, A2, A3	-	114.203	-	114.203
Baa1, Baa2, Baa3	-	671.056	-	671.056
Ba1	16.459	41.279.319	18.406.623	59.702.401
Ba2	-	196.879	476.409	673.288
Total	**16.459**	**42.453.761**	**18.883.032**	**61.353.252**

31 December 2016	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	132.700	-	132.700
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	2.073.074	-	2.073.074
Ba1	56.653	32.321.698	17.976.870	50.355.221
Total	**56.653**	**34.527.472**	**17.976.870**	**52.560.995**

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2017 and 2016 are summarized as follows:

31 December 2017	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to other banks	36.446.551	1.033.775	7.129.962	27.267	44.637.555
Loans and advances	199.896.496	34.280	6.119.657	844.511	206.894.944
Consumer loans and advances	*45.493.948*	-	-	-	*45.493.948*
Corporate loans and advances	*154.402.548*	*34.280*	*6.119.657*	*844.511*	*161.400.996*
Financial lease receivables	5.811.992	-	-	-	5.811.992
Assets held for commercial purposes	16.459	-	-	-	16.459
Securities held for trading	3.822.067	77	4.475.740	18.165	8.316.049
Derivative financial assets held for trading	-	-	1.136.284	-	1.136.284
Available for sale and held to maturity financial assets	60.428.260	-	908.533	-	61.336.793
Other assets	2.467.680	-	-	-	2.467.680
Total	**308.889.505**	**1.068.132**	**19.770.176**	**889.943**	**330.617.756**

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

i) Banking industrial segment (continued)

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2017 and 2016 are summarized as follows:

	Financial instutions	**Public Sector**	**Wholesale and retail trade**	**Manufacturing**	**Other**	**Individual**	**Total**
Loans and advances to other banks	44.637.555	-	-	-	-	-	44.637.555
Loans and advances	27.973.169	1.590.714	30.035.841	61.484.587	40.316.685	45.493.948	206.894.944
Consumer loans and advances	-	-	-	-	-	*45.493.948*	*45.493.948*
Corporate loans and advances	*27.973.169*	*1.590.714*	*30.035.841*	*61.484.587*	*40.316.685*	-	*161.400.996*
Financial lease receivables	47.280	-	103.272	427.061	5.234.379	-	5.811.992
Securities held for trading	4.904	9.525	-	-	2.030	-	16.459
Derivative financial assets held for trading	4.482.862	-	-	-	3.777.547	55.640	8.316.049
Derivative financial assets held for cash flow hedges	1.136.284	-	-	-	-	-	1.136.284
Available for sale and held to maturity financial assets	7.600.523	53.279.120	-	130.206	326.944	-	61.336.793
Other assets	2.467.680	-	-	-	-	-	2.467.680
31Aralık2017	**88.350.297**	**54.879.359**	**30.139.113**	**62.041.854**	**49.657.585**	**45.549.588**	**330.617.756**
31Aralık2016	**78.730.535**	**49.436.283**	**24.448.567**	**51.378.667**	**41.254.163**	**41.576.624**	**286.824.839**

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

ii) Other industrial segments

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 31 December 2017 and 2016 is as follows.

31 December 2017	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	**1.979.006**	**-**	**225.219**	**514.624**	**35.294**
Collateralized or secured with guarantees part of maximum credit	1.049.682	-	-	-	-
A. Neither past due nor impaired	1.820.517	-	225.219	514.624	35.294
B.Restructed otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	176.524	-	18.854	-	-
Guaranteed amount by commitment	86.503	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (Gross amount)	85.968	-	-	-	-
- Impairment	(85.968)	-	754	-	-
- Collateralized or guaranteed part			(754)	-	-
of net value	1.348	-	-	-	-

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.4 Credit Risk (Continued)

ii) Other industrial segments (continued)

31 December 2016	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	**1.513.988**	-	**157.588**	**79.309**	**913**
Collateralized or secured with guarantees part of maximum credit	914.660	-	13.012	2.645	-
A. Neither past due nor impaired	1.417.268	-	157.588	79.309	913
B. Restructed otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	102.957	-	-	-	-
Guaranteed amount by commitment	35.839	-	-	-	-
D. Net book value of impaired assets	(6.237)	-	-	-	-
- Past due (Gross amount)	79.744	-	755	-	-
- Impairment	(85.981)	-	(755)	-	-
- Collateralized or guaranteed part of net value	1.348	-	-	-	-

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

34.1.1.5 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.

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.1.5 Value at Risk (Continued)

As of 31 December 2017 and 2016, the fair value changes of Turkish Lira and foreign exchange after performing 500 and 200 basis points in the account balances subject to the calculation is as follows;

		31 December 2017		31 December 2016	
Currency	**Applied Shock (+/- x basis points)**	**Gains/Losses**	**Gains/ Shareholders Equity - Losses /Shareholders Equity**	**Gains/Losses**	**Gains/ Shareholders Equity - Losses /Shareholders Equity**
TRY	(400)	4.767.280	10,68%	3.522.632	10,12%
TRY	500	(4.987.185)	(11,19)%	(3.732.576)	(10,71)%
US Dollar	(200)	(193.390)	(0,43)%	(534.093)	(1,53)%
US Dollar	200	203.408	0,46%	509.074	1,47%
Euro	(200)	(272.548)	(0,61)%	57.075	0,15%
Euro	200	(157.953)	(0,35)%	(270.409)	(0,78)%
Total (for negative shocks)		**4.301.342**	**9,64%**	**3.045.614**	**8,74%**
Total (for positive shocks)		**(4.941.730)**	**(11,08)%**	**(3.493.911)**	**(10,02)%**

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.

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

34.1.2 Capital risk management

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

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

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

The net liability/invested capital ratios at 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
Total financial liabilities	300.454.367	262.362.778
Cash and cash equivalents	14.519.064	12.596.627
Net liability	285.935.303	249.766.151
Equity	51.997.939	44.807.343
Invested capital	337.993.242	294.573.494
Net liability/invested capital ratio	%85	%85

NOTE 35 - 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:

<u>Financial assets</u>

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

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

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (contuniued)

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 2017 and 2016 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 35 - 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 2017 and 2016 are as follows:

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Securities held for trading	**32.957**	**6.933**	**-**	**39.890**
- Government bonds	9.525	-	-	9.525
- Marketable securities	23.432	-	-	23.432
- Other	-	6.933	-	6.933
Available for financial assets	**42.743.386**	**102.441**	**-**	**42.845.827**
- Government bonds	23.159.176	-	-	23.159.176
- Eurobonds	13.657.442	-	-	13.657.442
- Mutual funds	277.987	-	-	277.987
- Listed shares	-	116	-	116
- Other	5.648.781	102.325	-	5.751.106
Trading derivative financial assets	**2.328**	**8.313.721**	**-**	**8.316.049**
Hedging derivative financial assets	**-**	**1.136.284**	**-**	**1.136.284**
Total Assets	**42.778.671**	**9.559.379**	**-**	**52.338.050**
Trading derivative financial instruments	**186**	**5.423.642**	**-**	**5.423.828**
Hedging derivative financial instruments	**-**	**75.710**	**-**	**75.710**
Total liabilities	**186**	**5.499.352**	**-**	**5.499.538**

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.

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

i) Banking industrial segment (continued)

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

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.

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

ii) Other industrial segments

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivatives held for trading	-	1.814	-	1.814
Derivatives held for hedging	-	56.840	-	56.840
Total Assets	**-**	**58.654**	**-**	**58.654**
Derivatives held for trading	-	3.663	-	3.663
Derivatives held for hedging	-	10.376	-	10.376
Total Liabilities	**-**	**14.039**	**-**	**14.039**

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivatives held for trading	-	621	-	621
Derivatives held for hedging	-	41.138	-	41.138
Total Assets	**-**	**41.759**	**-**	**41.759**
Derivatives held for trading	-	14.265	-	14.265
Derivatives held for hedging	-	3.714	-	3.714
Total Liabilities	**-**	**17.979**	**-**	**17.979**

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.

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments and fair value

31 December 2017	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	-	14.519.064	-	-	14.519.064	14.519.064
Trade receivables	8	-	2.003.566	-	-	2.003.566	2.003.566
Other financial asset (*)	6,9	18.883.153	3.470.400	42.845.827	-	65.199.380	65.369.313
Receivables from financial operations	30	-	211.707.002	-	-	211.707.002	190.926.453
Financial Liabilities							
Financial payables	7	-	-	-	55.257.767	55.257.767	55.257.767
Trade payables	8	-	-	-	2.882.349	2.882.349	2.882.349
Other financial liabilities (**)	9	-	-	-	6.942.642	6.942.642	6.942.642
Payables from financial operations	31	-	-	-	228.357.308	228.357.308	227.590.819
31 December 2016							
Financial Assets	5						
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

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

NOTE 36 - EVENTS AFTER THE REPORTING PERIOD

Aksigorta, one of the Group's joint ventures, has been subjected to tax investigation as mentioned in Note 17 by the T.C. Ministry of Finance Tax Audit Board which covers years 2009, 2010, 2011 and 2012. The negotiations with the Ministry of Finance Central Reconciliation Commission at the date of 15 February 2018 has not reached a reconciliation. No payment will be made at this stage regarding tax incentives and penalties, and legal proceedings will be started by the Company.

In the meeting that performed by the Board of Directors on February 22, 2018, the dividend distribution policy of the Holding has been changed as; not less 5% and up to 20% of the distributable net income of the period with cash and/or non paid up share that calculated according to the Turkish Commercial Code, Capital Markets Legislation and articles of association. It has been decided to submit to the approval of the shareholders at the General Assembly that will be held in 2018.

Initial public offering of Enerjisa Enerji on 08 February 2018 has been completed as the biggest public offering in TRY terms completed by the private sector in Turkey.

The capital balance of credit receivables of the bank amounting to TRY 774 million (total TRY), was sold to three companies, including Güven Varlık Yönetimi A.Ş., Efes Varlık Yönetim A.Ş., and Hayat Varlık Yönetimi A.Ş., for total TRY 36 million.

Kordsa Inc., which is a 100% affiliate of Kordsa, a subsidiary of the Group and resident in the USA, decided to acquire two companies named "Fabric Development, Inc." and "Textile Products, Inc.", which provide advanced composite materials to the commercial aviation industry that fully owned by Piyush A.Shah and Abantika P.Shah, for approximately total USD 100.000.000 (one hundred million) by obtaining all legal approvals in Turkey and the USA and providing the required conditions, and perform closing transactions after the approvals are obtained. The acquisition amount will become final after the closing conditions that regarding approvals from competition law in USA and the foreign investments committee.

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