

ERB İSTANBUL HOLDİNG A.Ş.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ERB İstanbul Holding A.Ş.

Our opinion

1. In our opinion, the accompanying financial statements of ERB İstanbul Holding A.Ş. (the "Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

2. The financial statements of ERB İstanbul Holding A.Ş. comprise:
 - the statement of financial position as at 31 December 2016;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

4. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Responsibilities of management and those charged with governance for the financial statements

5. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

A handwritten signature in blue ink, appearing to read 'Engin Çubukçu', is written over a faint, stylized graphic element consisting of several vertical lines of varying heights.

Engin Çubukçu, SMMM
Partner

Istanbul, 7 June 2017

ERB İSTANBUL HOLDİNG A.Ş.

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ERB İSTANBUL HOLDİNG A.Ş.

BALANCE SHEET AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	31 December 2016	31 December 2015
ASSETS			
Current assets		272,367,107	234,684,811
Cash and cash equivalents	3	272,235,545	230,990,735
Other current assets	4	131,562	3,694,076
Non-current assets		2,226	3,937
Deferred income tax assets	8	2,226	3,937
Total assets		272,369,333	234,688,748
LIABILITIES AND EQUITY			
Current liabilities		4,154,762	45,478
Current tax liabilities	8	4,142,485	-
Other current liabilities	4	12,277	45,478
Equity		268,214,571	234,643,270
Share capital	5	8,696,327	8,696,327
Adjustment to share capital	5	24,789,022	24,789,022
Legal reserves	5	817,034	817,034
Retained earnings	5	200,340,887	169,852,820
Net income for the year		33,571,301	30,488,067
Total liabilities and equity		272,369,333	234,688,748

The financial statements for the year ended 31 December 2016 have been approved by Mr. Taraboulous Alvertos and Mr. Psychogios Spyros on 7 June 2017. General Assembly has the power to amend the financial statements.

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

ERB İSTANBUL HOLDİNG A.Ş.**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
CONTINUING OPERATIONS			
Financial income, net	6	42,105,251	38,305,535
Gross profit		42,105,251	38,305,535
General administrative expenses (-)	7	140,393	190,466
Profit before tax from continuing operations		41,964,858	38,115,069
Tax expense from continuing operations			
- Income tax expense	8	(8,391,846)	(7,628,839)
- Deferred tax (expense)/income	8	(1,711)	1,837
Profit from continuing operations		33,571,301	30,488,067
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
Total comprehensive income		33,571,301	30,488,067
Earnings per share (TL)	9	3.86	3.51

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

ERB İSTANBUL HOLDİNG A.Ş.

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Share capital	Adjustment to share capital	Legal reserves	Retained earnings	Net income for the year	Total equity
1 January 2015	5	8,696,327	24,789,022	817,034	153,555,140	16,297,680	204,155,203
Transfers to retained earnings		-	-	-	16,297,680	(16,297,680)	-
Total comprehensive income		-	-	-	-	30,488,067	30,488,067
31 December 2015	5	8,696,327	24,789,022	817,034	169,852,820	30,488,067	234,643,270
1 January 2016	5	8,696,327	24,789,022	817,034	169,852,820	30,488,067	234,643,270
Transfers to retained earnings		-	-	-	30,488,067	(30,488,067)	-
Total comprehensive income		-	-	-	-	33,571,301	33,571,301
31 December 2016	5	8,696,327	24,789,022	817,034	200,340,887	33,571,301	268,214,571

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

ERB İSTANBUL HOLDİNG A.Ş.**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		1 January -	1 January -
	Notes	31 December 2016	31 December 2015
Cash flows from operating activities:			
Net income for the year		33,571,301	30,488,067
Adjustments to reconcile net income to net cash from operating activities:			
Provision for taxation	8	8,393,557	7,627,002
Interest income	6	(3,261,172)	(3,958,350)
Interest received		3,067,214	4,753,014
Operating profit before changes in assets and liabilities:			
Net increase in other assets		(15,680)	(26,294)
Net increase in other liabilities		3,544,994	31,978
Taxes paid		(4,249,361)	(12,259,309)
Net cash from operating activities		41,050,853	26,656,108
Net increase in cash and cash equivalents		41,050,853	26,656,108
Cash and cash equivalents at the beginning of the year	3	230,940,952	204,284,844
Cash and cash equivalents at the end of the year	3	271,991,805	230,940,952

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

ERB İSTANBUL HOLDİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

ERB İstanbul Holding A.Ş. (the “Company”), (previously named as “EFG İstanbul Holding A.Ş.”), was established in April 1997 under the name İleri Yatırım Holding A.Ş..

İleri Yatırım Holding A.Ş. sold to a group of investors, HC Securities & Investment S.A.E., Paulo Zapparoli, Hussein Choucri and Hussein El Sherbiny with a share transfer agreement signed on 28 June 2001. İleri Yatırım Holding A.Ş.’s name was changed to HC İstanbul Holding A.Ş., this change of name was announced in the Official Gazette (no.5448) on 20 December 2001.

The Company was the main shareholder of EFG İstanbul Menkul Değerler A.Ş. (previously named as “HC İstanbul Menkul Değerler A.Ş.”). Due to the change in shareholders of HC İstanbul Holding A.Ş. the Company’s trade name was changed to EFG İstanbul Holding A.Ş.. This change was announced in the Trade Registry Gazette dated 23 May 2005, numbered 6308.

The shares of EFG İstanbul Holding A.Ş. were purchased by Eurobank Ergasias S.A. which became the main shareholder of the Company by the announcement dated 27 August 2007 and numbered 2007/5. The shares of the subsidiary EFG İstanbul Menkul Değerler A.Ş. were purchased by Eurobank Tekfen A.Ş. by the announcement dated 28 September 2007 and numbered 24535.

According to the decision taken in the Board of Directors meeting held on 17 July 2014, the title of the Company was renamed as “ERB İstanbul Holding A.Ş.” in the 2nd section of the Articles of Association. The change in title of the Company was approved by Turkish Republic Ministry of Customs and Trade as of 6 June 2015 and by the Ordinary General meeting dated 30 September 2015, the Company’s title was changed.

The Company does not have any employees as of 31 December 2016 (31 December 2015: None).

The Company is registered in Turkey at the following address:

Büyükdere Cad, No: 118/8, Floor:8 34394 Esentepe Şişli/İstanbul.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

Accounting Standards

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Turkish Commercial Code and tax legislation.

The financial statements are based on the statutory records on historical cost convention, with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards (“IFRS”).

Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

A. BASIS OF PRESENTATION (Continued)

Adoption of new or revised international financial reporting standards and interpretations

The Company adopted the standards, amendments and interpretations published by the IASB and International Financial Reporting Interpretation Committee (“IFRIC”) and which are mandatory for the accounting periods beginning on or after 1 January 2016.

Standards, amendments and interpretations applicable as of 31 December 2016

New standards, amendments and interpretations effective as of 31 December 2016:

- Amendment to IFRS 14 regarding regulatory deferral accounts, effective from annual periods beginning on or after 1 January 2016. IFRS 14, ‘Regulatory deferral accounts’ permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Annual improvements 2014; effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - IFRS 5, ‘Non-current assets held for sale and discontinued operations’
 - IFRS 7, ‘Financial instruments: Disclosures’
 - IAS 19, ‘Employee benefits’
 - IAS 34, ‘Interim financial reporting’
- Amendment to IFRS 11, ‘Joint arrangements’ on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 41, ‘Agriculture’, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to IAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements

ERB İSTANBUL HOLDİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

A. BASIS OF PRESENTATION (Continued)

- Amendment to IFRS 10 ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to IAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

New TFRS standards and amendments effective after 31 December 2016:

- 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 clarifies certain other aspects of accounting for deferred tax assets.
- 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. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- 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.

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

A. BASIS OF PRESENTATION (Continued)

- 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.
- 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 far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- 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. The amended standard will:
 - Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard- IAS 39.
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

A. BASIS OF PRESENTATION(Continued)

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These set of amendments impacts 3 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 effective 1 January 2018.
 - 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.
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

The Company management does not foresee any material impact of adoption of the aforementioned standards and interpretations on the financial statements of the Company in the upcoming periods.

Comparatives and restatement of prior periods' financial statements

In order to determine the financial status and performance trends, the financial statements of the Company have been prepared in comparison with the financial statements of previous periods The Company prepared its statement of balance sheet as of 31 December 2016 in comparison with the statement of balance sheet prepared as of 31 December 2015; prepared statement of comprehensive income, statement of changes in equity and statement of cash flows between 1 January - 31 December 2016 in comparison with 1 January - 31 December 2015.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below:

(a) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using year-end exchange rates of Central Bank of the Republic of Turkey's bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

ERB İSTANBUL HOLDİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Earnings per share

Earnings per share disclosed in these statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year concerned (Note 9).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

(c) Subsequent events

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements (Note 13).

(d) Related parties

For the purpose of these financial statements, the shareholders, key management personnel and Board members, in each case together with companies controlled by or affiliated with them are considered and referred to as related parties (Note 10).

(e) Deferred tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 8).

(f) Reporting of cash flows

For the purposes of cash flows statement, cash and cash equivalents include cash due from banks, trading and available-for-sale securities with original maturity periods of less than three months (Note 3).

(g) Taxation on corporate income

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognized in operating expenses (Note 8).

ERB İSTANBUL HOLDİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

C. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Banks		
Time deposits	270,822,700	224,070,583
Demand deposits	1,412,845	6,920,152
	272,235,545	230,990,735

(*) As of 31 December 2016, deposit amount in banks is TL 272,107,727 includes only related party balances (31 December 2015: TL 229,996,458) (Note 10).

As of 31 December 2016 and 2015, time deposit details is as follows:

Currency	31 December 2016			31 December 2015		
	Original Amount	TL Equivalent	Interest Rate (%)	Original Amount	TL Equivalent	Interest Rate (%)
Euro	73,000,000	270,822,700	1.35	70,515,667	224,070,583	1.00
TL	-	-	-	-	-	-
		270,822,700			224,070,583	

Cash and cash equivalents of the Company are shown in cash flow statement in 31 December 2016 and 2015 by deducing interest accruals:

	31 December 2016	31 December 2015
Cash and cash equivalents	272,235,545	230,990,735
Interest accruals	(243,740)	(49,783)
	271,991,805	230,940,952

ERB İSTANBUL HOLDİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 4 - OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Other current assets		
Transferring value added taxes receivables (“VAT”)	130,537	108,439
Advances given to suppliers	1,025	7,438
Current period tax asset (Note 8)	-	3,578,199
	131,562	3,694,076
Other current liabilities		
Current income tax liabilities (Note 8)	4,142,485	-
Expense accruals	11,422	44,749
Taxes and duties payable	855	729
	4,154,762	45,478

NOTE 5 - EQUITY

Share capital

The share capital of the Company is TL 8,696,327 (31 December 2015: TL 8,696,327) and consists of 8,696,327 (31 December 2015: 8,696,327) authorized shares with a nominal value of TL1 each.

At 31 December 2016 and 2015 the issued and fully paid-in share capital held is as follows:

Shareholders	31 December 2016		31 December 2015	
	TL	Share %	TL	Share %
Eurobank Ergasias S.A.	8,696,323	99.99995	8,696,323	99.99995
Other	4	0.00005	4	0.00005
	8,696,327	100	8,696,327	100
Adjustment to share capital	24,789,022		24,789,022	
Total paid-in share capital	33,485,349		33,485,349	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital due to the inflation adjustments. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in share capital. The second legal reserve is appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit. 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.

As of 31 December 2016 legal reserve of the Company amount to TL 817,034 (31 December 2015: TL 817,034). The Company has TL 200,340,887 retained earnings as of 31 December 2016 (31 December 2015 TL 169,852,820).

ERB İSTANBUL HOLDİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - FINANCIAL INCOME/ (EXPENSES), NET

	31 December 2016	31 December 2015
Financial income, net		
Foreign exchange gain/(loss), net	38,844,080	34,347,185
Interest income from time deposits (Note 10)	3,261,171	3,958,350
	42,105,251	38,305,535

NOTE 7 - GENERAL ADMINISTRATIVE EXPENSES

	31 December 2016	31 December 2015
Consultancy fees	89,057	111,011
Other	51,336	79,455
	140,393	190,466

NOTE 8 - TAX ASSETS AND LIABILITIES

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS and its statutory tax financial statements. These temporary differences are generally due to income and expense recorded in different reporting periods according to IFRS and Tax Laws.

	31 December 2016	31 December 2015
Corporate tax payable	8,391,846	7,628,839
Prepaid taxes	(4,249,361)	(11,207,038)
Tax (asset)/liability, net	4,142,485	(3,578,199)
Current income tax expense	8,391,846	7,628,839
Deferred income tax income	1,711	(1,837)
	8,393,557	7,627,002

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NOTE 8 - TAX ASSETS AND LIABILITIES (Continued)

Expected income tax reconciliation using the Company's statutory tax rate:

	31 December 2016	31 December 2015
Profit before tax	41,964,858	38,115,069
Theoretical income tax at the applicable tax rate of 20%	8,392,972	7,623,014
Additions	585	3,988
Current year tax expense	8,393,557	7,627,002

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2016 (2015: %20) The corporate tax rate is calculated on the total income of the Company after adjusting for certain disallowable expenses, exempt income and other allowances. 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 to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period 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.

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS and its statutory tax financial statements.

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming periods under the liability method is 20%.

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NOTE 8 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the related deferred tax assets and liabilities as of 31 December 2016 and 2015 calculated using the enacted tax rates, are as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Expense accruals	17,355	19,685	2,226	3,937
Deferred tax assets			2,226	3,937
Deferred tax liabilities			-	-
Deferred tax assets, (net)			2,226	3,937

Movement of deferred income tax assets in 2016 and 2015 is as follows:

	2016	2015
At 1 January	3,937	2,100
Charge to the statement of income	(1,711)	1,837
At 31 December	2,226	3,937

NOTE 9 - EARNINGS PER SHARE

Earnings per share are calculated through division of net profit to weighted average number of shares.

	31 December 2016	31 December 2015
Profit attributable to equity holders of the Company	33,571,301	30,488,067
Weighted average number of ordinary shares in issue	8,696,327	8,696,327
Earnings per share (TL)	3.86	3.51

NOTE 10 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Balances with related parties at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Bank deposits due from related parties (Note 3)		
Eurobank Private Bank Luxemburg S.A.	272,107,727	229,996,458
	272,107,727	229,996,458

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NOTE 10 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

b) As of 31 December 2016 and 2015 interest income from related parties are as follows:

	31 December 2016	31 December 2015
Interest income from related parties (Note 6)		
Eurobank Private Bank Luxemburg S.A.	3,261,171	3,958,350
	3,261,171	3,958,350

c) Salaries and other benefits paid to the Board of Directors and top management:

Total salaries and benefits paid to members of the Board of Directors and other top management amount does not exist (1 January - 31 December 2015: None).

NOTE 11 - FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

i. Information on credit risk

The Company's credit risk is primarily attributable to bank deposits. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

31 December 2016	<u>Trade Receivables</u>		<u>Other Receivables</u>		Bank deposits (*)
	<u>Related parties</u>	<u>Other parties</u>	<u>Related parties</u>	<u>Other parties</u>	
Maximum credit risk exposure as of the financial statements date	-	-	-	-	272,235,545
Net book value of financial assets which are neither past due nor impaired	-	-	-	-	272,235,545
Net book value of impaired financial assets	-	-	-	-	-
- Past due financial assets (Gross)	-	-	-	-	-
- Impairment charge	-	-	-	-	-
- Collateralized portion of the net exposure	-	-	-	-	-

(*) Bank deposits include related party deposits which is TL 272,107,727 (Note 10).

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2015	<u>Trade Receivables</u>		<u>Other Receivables</u>		Bank deposits (*)
	<u>Related parties</u>	<u>Other parties</u>	<u>Related parties</u>	<u>Other parties</u>	
Maximum credit risk exposure as of the financial statements date	-	-	-	-	230,990,735
Net book value of financial assets which are neither past due nor impaired	-	-	-	-	230,990,735
Net book value of impaired financial assets	-	-	-	-	-
- Past due financial assets (Gross)	-	-	-	-	-
- Impairment charge	-	-	-	-	-
- Collateralized portion of the net exposure	-	-	-	-	-

(*) Bank deposits include related party deposits which is TL 229,996,458 (Note 10).

For the purposes of the table above, collaterals and other guarantees which increase the collectability of the financial asset are not taken into account.

ii. *Information on liquidity risk*

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. A decrease in funding sources mainly due to market instability or a decrease in credit risk results in liquidity risk. The Company manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The Company does not have any derivative or other financial liabilities.

iii. *Information on market risk*

Foreign currency risk

Assets and liabilities denominated in foreign currency held by the Company at 31 December 2016 and 2015 in original currency and total TL equivalents are as follows:

	<u>31 December 2016</u>			<u>31 December 2015</u>		
	<u>TL Equivalent</u>	<u>Euro</u>	<u>USD</u>	<u>TL Equivalent</u>	<u>Euro</u>	<u>USD</u>
Cash and cash equivalents	272,107,727	73,346,378	-	229,996,458	72,380,557	-
Total assets	272,107,727	73,346,378	-	229,996,458	72,380,557	-
Trade payables	-	-	-	2,004	-	641
Other liabilities (-)	11,130	3,000	-	19,685	5,250	-
Total liabilities (-)	11,130	3,000	-	21,689	5,250	641
Net foreign currency position	272,096,597	73,343,378	-	229,974,769	72,375,307	(641)

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NOTE 11 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis

31 December 2016

	<u>Profit/loss</u>		<u>Shareholder’s equity</u>	
	<u>Appreciation of foreign</u>	<u>Depreciation of foreign</u>	<u>Appreciation of foreign</u>	<u>Depreciation of foreign</u>
10% change in EUR foreign currency rate				
EUR net asset/(liability)	27,209,660	(27,209,660)	27,209,660	(27,209,660)
Hedged portion against EUR risk (-)	-	-	-	-
Net effect of EUR	27,209,660	(27,209,660)	27,209,660	(27,209,660)
10% change in USD foreign currency rate				
USD net asset/(liability)	-	-	-	-
Hedged portion against USD risk (-)	-	-	-	-
Net effect of USD	-	-	-	-
Total foreign currency effect	27,209,660	(27,209,660)	27,209,660	(27,209,660)

31 December 2015

	<u>Profit/loss</u>		<u>Shareholder’s equity</u>	
	<u>Appreciation of foreign</u>	<u>Depreciation of foreign</u>	<u>Appreciation of foreign</u>	<u>Depreciation of foreign</u>
10% change in EUR foreign currency rate				
EUR net asset/(liability)	22,997,677	(22,997,677)	22,997,677	(22,997,677)
Hedged portion against EUR risk (-)	-	-	-	-
Net effect of EUR	22,997,677	(22,997,677)	22,997,677	(22,997,677)
10% change in USD foreign currency rate				
USD net asset/(liability)	(200)	200	(200)	200
Hedged portion against USD risk (-)	-	-	-	-
Net effect of USD	(200)	200	(200)	200
Total foreign currency effect	22,997,477	(22,997,477)	22,997,477	(22,997,477)

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NOTE 12 - FINANCIAL INSTRUMENTS

Fair value of the financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment 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 Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets:

The fair values of certain financial assets carried at cost, including cash and due from banks, are considered to approximate their respective carrying values.

Financial liabilities:

The fair value of monetary liabilities is considered to approximate their respective carrying values.

The fair values and carrying values of financial asset and liabilities of the Company are as follows:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	Fair value	Carrying value	Fair value	Carrying value
Cash and cash equivalents	272,324,781	272,235,545	231,146,836	230,990,735

NOTE 13 - SUBSEQUENT EVENTS

None.

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