HACI ÖMER SABANCI HOLDİNG A.Ş.

ANNUAL REPORT 2018

SABANCI

CONTENTS

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HACI ÖMER SABANCI HOLDİNG A.Ş.
GENERAL ASSEMBLY MEETING AGENDA

THE 2018 ORDINARY GENERAL ASSEMBLY MEETING TO BE HELD ON MARCH 29, 2019 AT 14:00 PM

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2018 Annual Report of the Board of Directors,
3. Reading of the summary of 2018 Auditor's Report,
4. Reading, discussion and approval of the 2018 financial statements,
5. Release of the members of the Board of Directors with regard to the 2018 activities,
6. Determination of the usage of the 2018 profit and rate of dividend to be distributed,
7. Election of the members of the Board of Directors, determination of their duty term,
8. Determination of monthly gross fees to be paid to the members of the Board of Directors,
9. Election of the Auditor and Group Auditor,
10. Informing the General Assembly regarding the donations and grants made by the Company in 2018,
11. Determination of an upper limit for donations to be made in 2019,
12. Granting permission to the Chairman and members of the Board of Directors for the activities under the articles 395 and 396 of the Turkish Commercial Code.

2018 AT A GLANCE

AKBANK

TL 214 BILLION
LOANS
(2017: TL 210 billion)

16.8%
CAPITAL ADEQUACY RATIO
(2017: 15.8%)

13.6%
RETURN ON EQUITY
(2017: 16%)

HIGHLIGHTS

- 780 branches across Turkey and state-of-the-art technology distribution channels
- Effective risk management and sound asset structure
- Robust capital structure with 16.8% capital adequacy ratio
- Effective balance sheet management and strong liquidity
- Advantageous cost structure and high efficiency

* *BRSA results, unless stated otherwise.*

INSURANCE

TL 4.0 BILLION
COMBINED NET SALES
(2017: TL 3.1 billion)

TL 492 MILLION
COMBINED EBITDA
(2017: TL 324 million)

TL 157 MILLION
CONSOLIDATED NET INCOME
(2017: TL 107 million)

HIGHLIGHTS

Avivasa
- Leadership position in private pension fund size
- 20% growth in personal accident and life premium production

Aksigorta
- 30% growth in premium production
- Profitable growth across all products, channels and segments

ENERGY

TL 23.6 BILLION
COMBINED NET SALES
(2017: TL 16.5 billion)

TL 4.7 BILLION
COMBINED EBITDA
(2017: TL 3.5 billion)

TL 319 MILLION
CONSOLIDATED NET INCOME
(2017: TL 107 million)

HIGHLIGHTS

- 2 strong and leading energy companies on their business lines formed after the split
- Electricity supplier to one out of every four people in Turkey via Enerjisa Enerji, Turkey's leading electricity distribution and retail company
- TL 1.6 billion in capital investment and strong growth by Enerjisa Enerji in 2018
- Enerjisa Enerji's IPO, about five times oversubscribed in February 2018, is Turkey's largest IPO in TL terms conducted by the private sector
- Pioneering practices focused on digitalization in electricity distribution and retail
- Local and renewable resources account for 56% of energy generation at Enerjisa Üretim, a leading private energy generation company with 3,607 MW installed capacity.
- Competitive edge with a balanced, efficient and diversified generation portfolio: 12 hydroelectric power plants, 3 wind power plants, 2 solar plants and 1 local lignite power plant

CEMENT

TL 3.4 BILLION
COMBINED NET SALES
(2017: TL 3 billion)

TL 724 MILLION
COMBINED EBITDA
(2017: TL 680 million)

TL 135 MILLION
CONSOLIDATED NET INCOME
(2017: TL 164 million)

HIGHLIGHTS

- Market leadership in operating regions
- Important advantages both in local and in export markets: strong logistics network, company-owned ports and terminals

Akçansa
- Domestic cement and clinker sales at 5.5 million tons
- International cement and clinker sales at 1.7 million tons
- Turkey's leader in gray cement exports to USA

Çimsa
- TL 1.7 billion of turnover with 6.4 million tons of cement sold
- Focus on Industry 4.0 projects on the way to become the ''Digital Cement Company of the Future"

RETAIL

TL 8.7 BILLION
COMBINED NET SALES
(2017: TL 8 billion)

TL 59 MILLION
COMBINED EBITDA
(2017: TL 94 million)

601 THOUSAND M²
STORE SALES AREA
(2017: 626 thousand m²)

HIGHLIGHTS

- 596 stores in food retailing and 205 stores in technology retailing in 70+ provinces

Carrefoursa
- Reaching 163 million customers with 493 thousand m² sales area
- Projects to renew existing supermarkets, open new supermarkets, and support local production all with a focus on "differentiation"

Teknosa
- New breakthroughs in digital transformation and integrated omni-channel strategy
- Transition to Hybris e-commerce platform, improvements to Teknosa.com Click & Collect app, and new CRM platform

INDUSTRIALS

TL 8.8 BILLION
COMBINED NET SALES
(2017: TL 6.6 billion)

TL 1.3 BILLION*
COMBINED EBITDA
(2017: TL 1.2 billion)

TL 361 MILLION
CONSOLIDATED NET INCOME
(2017: TL 473 million)

HIGHLIGHTS

Kordsa
- Composite acquisitions in USA

Brisa
- Turkey's first smart tire factory in Aksaray

Temsa İş Makinaları
- All-time high market share in heavy commercial vehicle market with Volvo brand

Temsa Ulaşım Araçları
- Breakthrough in exports with the establishment of Temsa North America

Temsa Motorlu Araçları
- Turkey launch of new SUV model: Mitsubishi Eclipse Cross

Yünsa
- Turkey's leading wool fabric producer

** Including Philsa*

SABANCI GROUP IN BRIEF

Sabancı Holding has a dynamic and strategic portfolio management approach that prioritizes the performance culture.

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company and manages Sabancı Group's companies with a strategic portfolio approach. Turkey's most rapidly growing sectors – including banking, insurance, energy, cement, retail and industrials – are the main business areas of Sabancı Group. Sabancı Group companies are market leaders in their respective sectors.

Sabancı Holding's executive activities are carried out by the Executive Committee, consisting of the CEO, CFO, Strategic Business Unit Presidents and the President of Human Resources Group. The Executive Committee reports to the Board of Directors.

Sabancı Holding is responsible for:
- Coordinating and supporting the financing, strategy, business development and human resources functions in accordance with corporate governance principles,
- Fostering career development of the Group's senior and mid-level executives,
- Determining the Group's strategies,
- Deploying a performance culture across the Group,
- Creating shareholder value through intra-Group synergies.

Sabancı Holding prioritizes a performance culture. With the aim of creating value for all stakeholders, a short-term and long-term management incentive system is applied across the organization.

- On an annual basis, performance evaluation entails a number of performance criteria including revenue, operating income, net income, change in market capitalization compared to peers for the listed companies and also the market share, cash flow management, working capital efficiency and employee engagement are among other KPIs.
- Long-term incentive compensation is determined based on Sabancı Holding stock's total shareholder return (TSR) and discount to net asset value (NAV).

Sabancı Holding Investment Criteria	
Potential for geographic/sector-specific value creation	ROIC>WACC + 1-3%
Growth potential > Real GDP growth	√
Emerging stage of life-cycle	√
Transferability of current competencies	√

ROIC: Return on invested capital.
WACC: Weighted average cost of capital.

PERFORMANCE CRITERIA

SHORT-TERM KPIs

REVENUE, OPERATIONAL PROFITABILITY, NET PROFIT, COMPARATIVE CHANGE IN MARKET CAPITALIZATION, MARKET SHARE, CASH FLOW, WORKING CAPITAL, EMPLOYEE SATISFACTION, ET AL.

LONG-TERM KPIs

SAHOL TOTAL SHAREHOLDER RETURN, SAHOL NET ASSET VALUE DISCOUNT

In addition to the Audit, Corporate Governance and Early Risk Identification Committees which report to Sabancı Holding Board of Directors, the Portfolio Management Committee was established on March 30, 2017 to ensure a more balanced, dynamic portfolio management and capital allocation perspective. The Committee consists of Board Chairman Güler Sabancı; Vice Chairman Erol Sabancı, Board Members Suzan Sabancı Dinçer, Sevil Sabancı Sabancı, Serra Sabancı and CEO Mehmet Göçmen. The Committee convened five times in 2018 and submitted its assessments to the Board of Directors.

Sabancı Holding assesses business development projects both financially and strategically, and prioritizes projects where there is high value creation, real growth potential and current competencies within the Group that can be utilized effectively.

Sabancı Group companies currently operate in 13 countries and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America. Sabancı Group – thanks to its solid reputation, positive brand image, strong joint ventures, extensive experience and know-how about the Turkish market – has fostered its core businesses over the years. These enterprises collectively have also contributed significantly to the development of Turkey's economy.

Sabancı Holding's multinational business partners include prominent global companies such as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris.

In 2018, Sabancı Group posted combined sales revenue of TL 88 billion and consolidated net profit of TL 3.8 billion.

Sabancı Holding's own shares, as well as the shares of its 12 subsidiaries, are listed on Borsa Istanbul (BIST). The number of listed subsidiaries rose from 11 in 2017 to 12 this reporting year with the public offering of Enerjisa Enerji A.Ş., which began in early 2017 and ended in February 2018, where Sabancı Holding and E.ON sold an equal amount of shares. The Enerjisa Enerji initial public offering, oversubscribed by 4.8 times, set a record as Turkey's largest private sector IPO ever in Turkish Lira terms.

The Sabancı Family is collectively Sabancı Holding's majority shareholder with 53.9% ownership of the share capital. 42.8% of Sabancı Holding's shares are publicly traded.

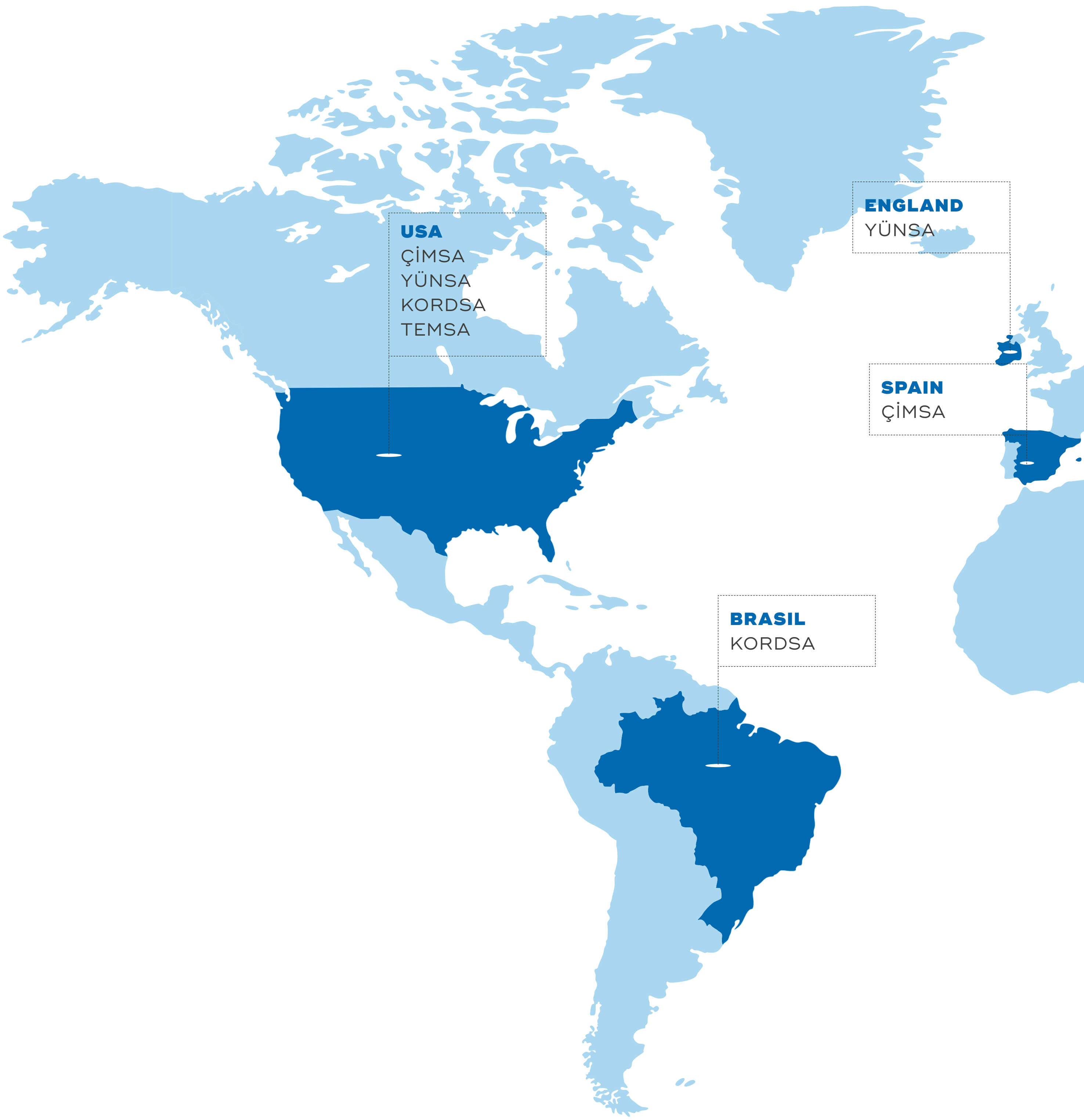
CHANGE IN ROE (%)	**2014**	**2015**	**2016**	**2017**	**2018**
Banking ROE(*)	14.1	12.1	16.0	6.2	13.6
Non-Banking ROE(**)	6.5	7.3	8.4	9.3	13.7
Sabancı Holding Consolidated ROE(**)	**10.6**	**10.1**	**12.7**	**14.5**	**13.7**

(*) BRSA results for the Bank. (**) One off income/expenses are excluded.
ROE: Return on equity.

Sabancı Holding Summary Financials	**2014**	**2015**	**2016**	**2017**	**2018**	**CAGR (2014-2018)**
Combined Net Sales (TL billion)	44.1	47.9	53.8	65.6	88.1	19%
Combined EBITDA (TL billion)	7.7	9.0	11.2	15.0	15.8	20%
Combined EBITDA(*) (TL billion)	7.2	8.0	10.8	14.2	15.4	21%
Consolidated Net Profit (Share of Parent Company, TL billion)	2.1	2.2	2.7	3.5	3.8	16%
Sabancı Holding Solo Cash Position (TL billion)	0.1	0.6	1.1	1.7	2.6	
Combined Net Financial Debt(**) (TL billion)	12.6	14.2	16.6	18.1	18.6	
Combined Net Financial Debt/EBITDA(**)	4.6	4.0	3.7	3.1	2.3	

(*) One off income/expense are excluded.
(**) One-off income/expenses, banking and net cash position of insurance are excluded.
CAGR: Compound annual growth rate.

SABANCI WORLDWIDE




GERMANY
ÇİMSA
YÜNSA
AKBANK
TEMSA
RUSSIA
ÇİMSA
ROMANIA
ÇİMSA
THAILAND
KORDSA
TRNC
ÇİMSA
INDONESIA
KORDSA
MALTA
AKBANK
ITALY
ÇİMSA
YÜNSA

CHAIRMAN'S LETTER

In line with our "Sabancı of New Generation" vision, despite the challenging economic conditions of 2018, we generated a long list of achievements at Sabancı Group thanks to our goal-oriented efforts, the strength we draw from our culture, and our trust in our country.

AT SABANCI GROUP, WE NEVER STOP INVESTING IN OUR BUSINESS AND OUR COUNTRY. WE HAVE INVESTED A TOTAL OF USD 20 BILLION OVER THE LAST DECADE.

Esteemed Investors, Business Partners and Valuable Employees,

2018 went down in history as a year of monumental changes and challenges for the entire world. From the Brexit debate to trade wars, shrinking liquidity to developments in Syria and our region, this was a period of constant tension. We envisage that the impact of these events will reverberate into 2019.

Turkey was affected by these developments to varying degrees and, domestically, our country experienced significant political changes and problems. Recently, we observe a more positive trend in macroeconomic indicators as a result of measures taken, and a correction and stabilization appear to have commenced across the economy.

However, at the micro-economic level, that is, in daily life, we will unfortunately continue to feel these negative effects for quite some time. The fight against inflation has always been a challenge. But our country will surely overcome today's challenges just as it has overcome those of the past.

What is more important for our country, as we manage our present day, is to take the necessary steps to avoid similar difficulties in the long-term. We must resume reforms in the economy and social infrastructure while shifting to a period of production-driven growth. Coming all together, we as a nation should launch a new development drive with a focus on technology, value-added production and export-oriented growth model. We must develop our new growth model according to current global conditions and competitive environment.

In line with our "Sabancı of New Generation" vision, despite the challenging economic conditions of 2018, we generated a long list of achievements at Sabancı Group thanks to our goal-oriented efforts, the strength we draw from our culture, and our trust in our country. The IPO of Enerjisa Enerji went down in history as Turkey's largest private sector IPO ever and was oversubscribed nearly five-fold. Akbank spearheaded the first syndication loan in the sector after a period of economic volatility, leading the way for the entire banking sector. The decision to increase Akbank's capital was another important step in strengthening our bank and moving forward with confidence. In the field of composites, a new generation business, Kordsa acquired three facilities in the USA. These key acquisitions made us a strategic supplier to the aerospace and aviation industries. Together with SabancıDx restructuring, we strive to become a role model in Turkey's digital transformation, just like in any other businesses that we operate.

At Sabancı Group, we have never stopped investing in our business or our country. We have invested a total of USD 20 billion over the last decade. In all of our businesses we continued our operations with focus on value creation for all our stakeholders and in accordance with our long-term perspective. We took steps to further enhance the competitive edge of our Group, and

our country, in the industries of the future. As a result, we closed the year with pioneering and exemplary achievements, as always.

In 2019, we as Sabancı Group will continue to do what we know best: working and producing for our country.

I would like to extend my gratitude to our employees, business partners, customers and stakeholders for their contribution to our successful results in 2018.

Güler Sabancı
Chairman and Executive Member

In 2019, we as Sabancı Group will continue to do what we know best: working and producing for our country.

CEO'S LETTER

We expect the discipline and stabilization process that started in the last quarter of 2018, to continue in 2019 with positive course in inflation, current account deficit and interest rates.

AT THIS POINT, TURKEY IS TRYING TO OVERCOME THOSE COMPLICATIONS TO REESTABLISH ITS BALANCE. THE SOLUTIONS THAT WE WILL PRODUCE THROUGH A SHARED RATIONALE AND A LONG-TERM PERSPECTIVE FOR OUR STRUCTURAL PROBLEMS WILL HELP RESTORE THE BALANCE.

Esteemed Investors, Valued Business Partners and Employees,

2018 was a critical turning point for the world and for Turkey.

The escalating wars of technology and economic leadership have moved the world economy towards more protectionist regional structures, while the global recession risk has started to be felt with the impact of trade wars and reduced liquidity. This has increased worries about the future. On a societal level, rising populism and social turmoil have created an environment of higher risk and uncertainty for all countries. The effect of these volatilities across the world has been felt even stronger in Turkey due to various geopolitical and regional risks.

The second half of 2018 was a particularly tough period for the domestic economy. However, in the aftermath of the August turbulence in Turkey's financial markets, the economy entered to a process of balancing and stabilization. The appropriate corrective measures taken by the government's economy management team, the tight monetary policy of the Central Bank, the announcement of the New Economic Policy and visible improvement in relations with the US also contributed to this process. As a result of these steps, inflation started to decelerate, the current account gap narrowed, and liquidity, market interest rates and the value of Turkish Lira all pursued a more positive course.

Despite these relatively favorable economic developments in the last quarter of the year, Turkey recorded a 20.3% inflation rate for 2018. In 2018, the biggest challenge for the Turkish economy has been the rising financing costs in paralel to the increased inflation. One of the major factors underlying the increase in financing costs was the depreciation of the Turkish Lira against the US Dollar and Euro in one year, by 39% and 33%, respectively.

We expect the discipline and stabilization process that started in the last quarter of 2018, to continue in 2019 with positive course in inflation, current account deficit and interest rates. As such, we consider that this deceleration in economic activity, which has started in the second half of 2018 onwards, will come to an end and our economy will start a recovery process.

At this point, Turkey is trying to overcome those complications to reestablish its balance. The solutions that we will produce through a shared rationale and a long-term perspective for our structural problems will help restore the balance.

As Sabancı Group, despite all the economic challenges, we completed fiscal year 2018 with success. As per determined target and one of the major priorities, strong balance sheet and cash management, along with our efficient and agile risk management approach that enables us to adapt to changing market conditions and our strong corporate governance helped us to complete the year successfully. In 2018, we continued to prioritize digitalization and technology initiative to enhance our competitive edge, productivity and growth in our existing business units. We successfully managed our operations with a flexible and agile management approach, strong shareholders' equity, an ability to generate cash and highly competent human resources. Our focus on operational excellence and supply chain management has provided us with a significant competitive edge.

At Sabancı Group, in 2018, we achieved exemplary successes across all our business areas.

We completed the Enerjisa Enerji IPO, Turkey's largest private sector IPO, with nearly five times booked, record high investor demand.

Enerjisa Enerji maintained its industry leadership position in both distribution and sales by delivering electricity to one out of every four people across Turkey. In 2018, the Company successfully undertook capital expenditure totaling TL 1.6 billion, thereby increasing its Regulated Asset Base by four-fold over 2014 and strengthening its sector leading position in distribution network capex spending.

Kordsa continued to develop in-house value added technologies in composites sector not only for Sabancı Group but also for Turkey, while becoming a strategic player in space and civil aviation industry through its US acquisitions.

THE SHARE ISSUANCE DECISION MADE IN DECEMBER AND VERY HIGH RATE OF 99,9% PARTICIPATION FROM THE INVESTORS IN THE PROCESS RECONFIRMED THE THE TRUST OF OUR SHAREHOLDERS IN AKBANK'S AND TURKEY'S FUTURE PROSPECTS.

Turkey's largest private sector power generator, Enerjisa Üretim greatly improved the capacity utilization of its power plants in 2018 thanks to its focus on operational excellence. Enerjisa Üretim accounts for nearly 4% of Turkey's entire electricity generation. We achieved significant gains in profitability with production optimization at our power plants. In addition, we created added value thanks to our commercial activities within the country and along the borders. In 2018, Enerjisa Üretim's debt level was reduced significantly due to strong cash generation capacity. We are moving closer to our goal of preparing Enerjisa Üretim for public offering as improvements in the Company's financial structure set an example for its sector.

Akbank continued to support Turkey's economy in 2018 with its financial strength, stability and trust-focused banking approach and recorded net profit of TL 5.7 billion. The bank made a real difference in the industry with the syndication it signed in September. This transaction enabled the Turkish banking sector to re-access to the syndication markets, paved the way for foreign borrowing, and was followed by successful syndicated loans by other banks. Subsequently, the share issuance decision made in December and very high rate of 99,9% participation from the investors in the process reconfirmed the the trust of our shareholders in Akbank's and Turkey's future prospects.

As chosen to be the growth platform of advanced technology and high value-added products, Kordsa continued to develop inhouse value added technologies in composites sector not only for Sabancı Group but also for Turkey, while becoming a strategic player in space and civil aviation industry through its US acquisitions. With the positive contribution of revenue from the composite companies acquired in the USA, accurate market forecasts, efficient management of raw materials and sales prices, and FX based revenues, Kordsa maintained its sustainable and profitable growth in 2018. Our focus to grow in composites industry through Kordsa will continue in 2019.

Brisa – the undisputed leader of Turkey's tire market – started production at its second factory located in Aksaray, thus launching the very first Industry 4.0 application in the tire sector. In 2018, the Company achieved remarkable results with its focused efforts in efficient supply chain management and posted record-breaking figures in operational and free cash flow.

Our Cement Group companies were adversely affected by the sharp contraction in domestic demand and soaring FX-based costs in the second half of 2018. However, due to the strong export structure and highly disciplined cost management, the negative impact of this challenging environment was kept at a limit. With its deep expertise and extensive logistics network in white cement and special products, Çimsa ranks among Turkey's export champions. In 2018, Çimsa boosted its exports by 16%, while Akçansa singlehandedly accounted for 12% of Turkey's total cement exports. We also completed our investment at Çimsa's Afyon facility.

Yünsa – the biggest integrated high segment worsted fabric manufacturer under one roof in Turkey – maintained its competitive edge in international markets with its domestic production.

Temsa Ulaşım Araçları, which extended its leadership in Turkey toward European and American markets, set up Temsa North America to bolster its operations in the US.

Our insurance business continued its strong growth in 2018. Combined sales in this business line rose 28% to TL 4.0 billion, while consolidated net profit at our companies increased 47% to TL 157 million. At Aksigorta, we further strengthened our sector leadership with a focus on innovation and technology. In fiscal year 2018, the motor-own-damage, non-motor and health insurance branches continued to record profitable growth. The agency channel was further strengthened via growth in the traffic branch. At Avivasa, we maintained leadership in terms of asset under management size and boosted our market share with a 20% increase in life and personal accident premium production.

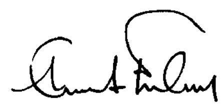
Teknosa maintained its market leading position in technology retailing by effectively executing an omni-channel strategy. In 2018, the Company took measures to mitigate the effects of the tough market conditions and the infrastructure projects that will support the future market position of Teknosa have been completed. At Carrefoursa, we posted significant improvements in our business results thanks to ongoing restructuring and efficiency boosting efforts. In addition, Carrefoursa significantly improved its debt level with the sale of Maltepe Park Shopping Mall in June.

In 2018, we took another major step forward in our digital transformation drive. Bimsa, which has a 43-year long track record of success under Sabancı Group, was restructured and renamed SabancıDx. We plan to turn SabancıDx into a platform that focuses primarily on intra-Group opportunities and collaborations to create more value, especially in technology-focused transformation and advanced data analytics. Over the long-term, our aim is to create new global brands with the products and business models that we implement in our own ecosystem under the coordination of SabancıDx.

Sabancı Group aims to extend this bright picture that we created in 2018 to subsequent years with ongoing cultural transformation and investment in people. With this perspective, we revisited and refreshed the values constituting the core of Sabancı of New Generation through a common understanding. Subsequently, we redesigned our models of conduct and competencies, which will make this transformation possible. We formulated our Leadership Model during the year. We designed Development Programs suitable for these new models. We launched these programs under the leadership of our top management. We established Sabancı Advanced Data Analytics Academy with the collaboration of Sabancı University and now have our first graduates. In 2019, we plan to continue developing and investing in Talent Management and all our business processes that involve people.

Thanks to the successful results we achieved, we outperformed our own expectations announced at the beginning of 2018. During the reporting year, the Group's combined net sales amounted to TL 88 billion, up 34% over the prior year. Our combined operating profit increased 5% to TL 15.8 billion and our consolidated net profit totaled TL 3.8 billion.

I would like to extend my gratitude to all our stakeholders, especially our employees, who have contributed to our successful completion of fiscal year 2018.



Mehmet Göçmen
Board Member and CEO

BOARD OF DIRECTORS

Güler Sabancı

Chairman and Executive Member

Güler Sabancı was born in Adana, and graduated from Boğaziçi University, Department of Business Administration. She has held various executive roles in the Group and currently serves as Chairman and Executive Member of Sabancı Holding. She is also the Founding President of Sabancı University, Chairman of the Board of Trustees of Sabancı Foundation and Chairman of Sakıp Sabancı Museum.

Erol Sabancı

Vice Chairman

Erol Sabancı was born in Kayseri in 1938 and completed his undergraduate education at Manchester College of Commerce in the UK. In addition to his position as Vice Chairman of Sabancı Holding, he is Honorary Chairman and Consultant to the Board. Mr. Sabancı has served as Board Member at Akbank since 1967. He is married and has two children.

Sevil Sabancı Sabancı

Board Member

Sevil Sabancı Sabancı was born in Istanbul in 1973, and graduated from Marmara University, Department of Business Administration (English). She worked in different positions within the Group and has served as a Member of the Board of Directors since 1997. Ms. Sabancı is also a Member of the Board of Trustees of Sabancı University and Board Member at Sakıp Sabancı Museum.

Serra Sabancı

Board Member

Serra Sabancı was born in Adana in 1975 and graduated from University of Portsmouth, and Istanbul Bilgi University, Department of Economics, where she graduated as top student in her class. Having worked at Temsa, Serra Sabancı participated in Institute of Directors (IOD) seminars and courses on Board Membership, Mergers and Acquisitions in London after becoming a Board Member at Sabancı Holding. In addition, she is a Member of the Board of Trustees at Sabancı Foundation and Board Member of various Sabancı Group companies.

Suzan Sabancı Dinçer

Board Member

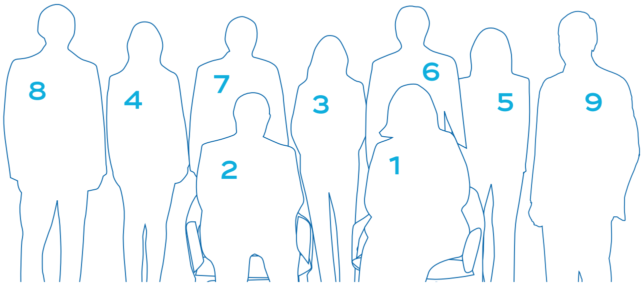
Suzan Sabancı Dinçer received her BA in Finance from Richmond College in the UK. She also holds an MBA from Boston University in the USA. Suzan Sabancı Dinçer began her banking career in 1986 and went on to join Akbank as Executive Vice President in charge of Treasury. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed Executive Board Member to oversee the bank-wide change and transition program in 2001. Mrs. Sabancı Dinçer is a Member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board. She is also a Member of Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an Emeritus Member of the Harvard Business School's Middle East and North Africa Advisory Board. Mrs. Sabancı Dinçer is a Member of the Global Board of Advisors at the Council on Foreign Relations (CFR) and a Member of the Board of Managing Directors. Currently serving as Akbank Chairperson, Mrs. Sabancı Dinçer is married and has two children.

Mehmet Göçmen

Board Member and CEO

Mehmet Göçmen was born in Bursa in 1957. He graduated from Middle East Technical University, Department of Industrial Engineering in 1981, and received his Master's degree from Syracuse University, Department of Industrial Engineering in 1983.

After holding a number of positions at Çelik Halat and Lafarge, Mr. Göçmen served as General Manager at Akçansa from 2003 to 2008. He was appointed President of the Human Resources Group on August 1, 2008 and held this position until 2011. Mr. Göçmen was named President of the Cement Group on July 20, 2009 and served in this role until September 1, 2014. After serving as Energy Group President between June 16, 2014 and March 30, 2017, Mr. Göçmen was appointed CEO and Member of the Board of Directors at Sabancı Holding on March 30, 2017. Mehmet Göçmen is married and has two children.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Güler Sabancı (1)
Chairman and Executive Member

Erol Sabancı (2)
Vice Chairman

Sevil Sabancı Sabancı (3)
Board Member

Serra Sabancı (4)
Board Member

Suzan Sabancı Dinçer (5)
Board Member

Mehmet Göçmen (6)
Board Member and CEO

Nafiz Can Paker (7)
Independent Board Member

Ahmet Erdem (8)
Independent Board Member

Mehmet Mete Başol (9)
Independent Board Member

Ahmet Erdem

Independent Board Member

Ahmet Erdem is a graduate of Istanbul Technical University, Department of Civil Engineering. He also studied Engineering Management at Istanbul University, Institute of Management. From 1990 onwards, he assumed senior positions at Shell's Turkey, Middle East and Europe operations. He participated in Royal Dutch Shell's risk management training and has an experience of 20 years in risk management. In 2006, Mr. Erdem performed a major role in establishing the Shell & Turcas joint venture.

He was appointed Shell Kenya Country President for the period 2008-2009, and currently serves as Shell Turkey Country President. Aside from his responsibilities at Shell, Mr. Erdem also serves as Chairman of the International Investors Association (YASED); Petroleum and Petroleum Products Industry Council President at TOBB (Union of Chambers and Commodity Exchanges of Turkey); Independent Board Member at Sabancı Holding; Board Member at Oil Industry Association (PETDER), Foreign Economic Relations Board (DEİK), Energy Efficiency Association (ENVER); and Advisory Board Member at British Chamber of Commerce.

Nafiz Can Paker

Independent Board Member

Nafiz Can Paker was born in Istanbul in 1942. He received his undergraduate degree from Technical University of Berlin, MBA from Columbia University in 1973, and his PhD in Mechanical Engineering from Yıldız Technical University. Beginning in 1971, he assumed top management positions at Türk Henkel A.Ş. and served as General Manager of Türk Henkel from 1984 to 2004. Currently, Mr. Paker still heads B.O.Y. Consulting which he established in 2004.

Mr. Paker has served as Member of Sabancı Holding Board of Directors, Sabancı University Board of Trustees, Dedeman Holding Board of Directors, Golden Horn Ventures Board of Directors, TÜSİAD (Turkish Industry & Business Association) Board of Directors, TÜSİAD Court of Honor, Istanbul Culture and Arts Foundation Board of Directors, and Robert College Board of Trustees. He was also Chairman of the Board of Directors of Turkish Economic and Social Studies Foundation (TESEV) between 1997 and 2015.

Mr. Paker currently serves as Chairman of the Board of Directors at Inovent Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A. Ş. (İnovent Intellectual Property Rights Management, Trade and Investment). He is a Member of Akbank's Board of Directors, and Founding Member of the Public Policy and Democratic Studies Association (PODEM). Mr. Paker is married and has one child.

Mehmet Mete Başol

Independent Board Member

Mehmet Mete Başol was born in 1957. He received a BSc in Economics from Arizona State University. Mr. Başol started his professional career in 1984 at Interbank.

In 1988, he was named Treasury, Fund Management and Foreign Relations Manager at Turk Merchant Bank, established as a joint venture between Bankers Trust Co. New York and İşbank. In 1992, he became Assistant General Manager, assuming the responsibility of the Capital Markets Group as well.

In 1995, Mr. Başol was appointed Board Member and Credit Committee member at the bank, which was acquired by Bankers Trust. From 1997 to 2001, he served as Chairman and General Manager of the bank, which was renamed Bankers Trust A.Ş.

Between 2001 and 2003, Mr. Başol took office as Managing Director of the Public Banks Joint Executive Board (T.C. Ziraat Bankası, T. Halk Bankası, T. Emlak Bankası).

Subsequently, he provided financial and administrative consultancy services to SMEs at Tridea Consultancy, which he established with two partners. After 2009, Mr. Başol continued to deliver his consultancy services under his own company.

He served as Board Member at Galatasaray Sportif A.Ş. (2011-2012), T. İş Bankası A.Ş. (2011-2014), Dedeman Holding A.Ş. (2008-2014) and Dedeman Turizm Otelcilik Yatırım A.Ş. (2012-2014) and Independent Board Member at Coca-Cola İçecek A.Ş. (2012-2018) and Anadolu Efes Biracılık ve Malt Sanayii A.Ş. (2012-2018).

Currently, Mr. Başol is a Board Member at Enerji Yatırım Holding A.Ş. (2015), Enerya Gaz Dağıtım A.Ş. (2015), Enerya Gaz Ticaret A.Ş. (2015), Nurol Yatırım Bankası A.Ş. (2014) and Independent Board Member at H.Ö Sabancı Holding (2018) and ENKA İnşaat ve San. A.Ş. (2018).

In addition, he served as Early Risk Identification Committee Member at Coca Cola İçecek A.Ş. and Enerya Enerji A.Ş.

CEO AND STRATEGIC BUSINESS UNIT PRESIDENTS

Mehmet Göçmen

Board Member and CEO

Mehmet Göçmen was born in Bursa in 1957. He graduated from Middle East Technical University, Department of Industrial Engineering in 1981, and received his Master's degree from Syracuse University, Department of Industrial Engineering in 1983.

After holding a number of positions at Çelik Halat and Lafarge, Mr. Göçmen served as General Manager at Akçansa from 2003 to 2008. He was appointed President of the Human Resources Group on August 1, 2008 and held this position until 2011. Mr. Göçmen was named President of the Cement Group on July 20, 2009 and served in this role until September 1, 2014. After serving as Energy Group President between June 16, 2014 and March 30, 2017, Mr. Göçmen was appointed CEO and Member of the Board of Directors at Sabancı Holding on March 30, 2017. Mehmet Göçmen is married and has two children.

Barış Oran

Chief Financial Officer

Barış Oran graduated from Boğaziçi University, Department of Business Administration and received an MBA from University of Georgia. Beginning his professional career as an auditor at PricewaterhouseCoopers in 1995, he held positions at Sara Lee Corp. (Chicago, IL) initially in audit, then in the finance and treasury/capital markets areas from 1998 to 2003. Between 2003 and 2006, Mr. Oran served as Senior Manager at Ernst & Young, first in Minneapolis, MN, and then Senior Manager in charge of Europe, Middle East, Africa and India. Mr. Oran joined Kordsa in 2006 and held the positions of Internal Audit Director, Global Finance Director, and Chief Financial Officer (CFO). He was appointed Sabancı Holding Finance Director in 2011 and Sabancı Holding's President of Planning, Reporting and Finance Department in 2012. Mr. Oran has served as Chief Financial Officer at Sabancı Holding since 2016.

Mr. Oran serves as Chairman of SabancıDx, and is a Board Member at Brisa, Enerjisa Enerji, Enerjisa Üretim, Carrefoursa and Çimsa. He is also a Member of the Board of Directors of TÜSİAD, BÜMED and TÜYİD.

Ata Köseoğlu

Retail

Ata Köseoğlu holds an undergraduate degree from Boğaziçi University Department of Mechanical Engineering; Master of Science degree from Lehigh University, Department of Electrical Engineering; and an MBA from Boston University, School of Management. Mr. Köseoğlu started his banking career in 1987. He was member of the founding team of Finansbank where he served as Executive Vice President until 1994.

Subsequently, Mr. Köseoğlu served as Managing Director at Bear Stearns in New York, Société Générale in Paris and Credit Suisse First Boston Bank in London. He later joined BNP Paribas/TEB Group, where he served as Chairman of the Board and CEO of TEB Investment.

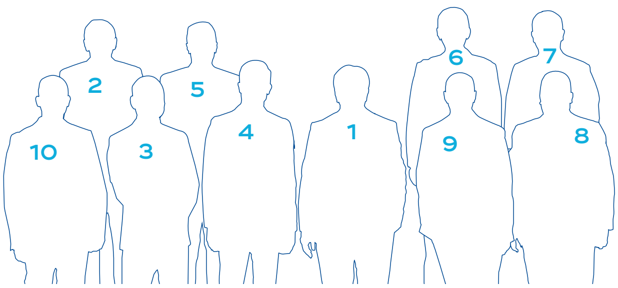
In July 2011, he joined Sabancı Holding as President of the Strategy and Business Development Group. As of April 1, 2017, Mr. Köseoğlu serves as President of the Retail Group. In addition, he is Chairman of Carrefoursa and Teknosa. He is also an Associate Member of European Roundtable of Industrialists (ERT), Chairman of US Network at TÜSİAD (Turkish Business & Industry Association), Board Member of Istanbul Rotary Club and Chairman of the Boston University Alumni Office in Turkey.

Hakan Timur

Human Resources

Hakan Timur graduated from Istanbul University, Department of Economics (English) and holds a Master's degree from Sabancı University, Energy and Technology Management Program. He began his professional career in 1997 at Marsa-Kraft Foods International. Mr. Timur continued his career in Sabancı Group as Food Group Human Resources Manager; Sabancı Holding Human Resources Manager; Global Human Resources Director at Kordsa Global; Deputy General Manager of Human Resources at Akçansa; Human Resources and Corporate Competencies President at Enerjisa. He has served as President of the Human Resources Group since February 1, 2018.

Hakan Timur also serves as Executive Committee Member at Sabancı Holding and Board Member at Kordsa Global, Çimsa, Avivasa, Carrefoursa, Teknosa and SabancıDx.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Mehmet Göçmen (1)
Board Member and CEO

Barış Oran (2)
Chief Financial Officer

Ata Köseoğlu (3)
Retail

Hakan Timur (4)
Human Resources

Hayri Çulhacı (5)
Banking

Haluk Dinçer (6)
Insurance

Cenk Alper (7)
Industrials

Tamer Saka (8)
Cement

Kıvanç Zaimler (9)
Energy

Gökhan Eyigün (10)
Secretary General

Hayri Çulhacı

Banking

Hayri Çulhacı has served as Vice Chairman of Akbank's Board of Directors since July 18, 2010 and Chairman of the Audit Committee and Executive Risk Committee since January 17, 2011. He joined Akbank in 1990 and went on to serve as Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; Advisor to the Chairman; and Executive Board Member. Prior to joining Akbank, Hayri Çulhacı worked as Financial Analyst and Department Head in the Ministry of Finance. A graduate of Ankara University, Faculty of Political Sciences, he holds an MBA from Northeastern University in the US. Mr. Çulhacı is also a Member of the Board of Trustees of Sabancı Foundation, and Board Member at Aksigorta and Avivasa.

Haluk Dinçer

Insurance

Haluk Dinçer was appointed President of Sabancı Holding's Insurance Group in June 2016. Prior, he served as Retail and Insurance Group President from 2011 to 2016; Retail Group President between 2007 and 2011; Food and Retail Group President from 2004 until 2007; and Food Group President between 2002 and 2004. Mr. Dinçer has held significant leadership positions in the Group's automotive, food and retail companies since joining Sabancı in 1995.

Mr. Dinçer is an Executive Committee Member at B20 Turkey and International Advisory Council Member at Brookings Institute, a Washington, DC-based think tank. Previously, Mr. Dinçer served as President of TÜSİAD (Turkish Industry & Business Association) and Chairman of Foreign Economic Relations Board (DEİK) Turkish-American Business Council for three terms.

Mr. Dinçer holds a Bachelor's degree in Mechanical Engineering and an MBA from University of Michigan. Haluk Dinçer is married and has two children.

Cenk Alper

Industrials

Cenk Alper received his Bachelor's and Master's degrees in Mechanical Engineering from Middle East Technical University, in 1991 and 1994, respectively. He completed his MBA at Sabancı University in 2002. Mr. Alper commenced his professional career as Process Engineer at Beksa in 1996. He held a number of managerial positions in Bekaert's overseas organizations between 2000 and 2007.

Mr. Alper joined Kordsa in 2007 and went on to serve as Global Technology Director, Vice President of Technology and Market Development, and Vice President of Operations. On June 17, 2013, he was appointed CEO at Kordsa. Cenk Alper has served as Industry Group President since April 1, 2017.

Tamer Saka

Cement

Tamer Saka completed his undergraduate, graduate and doctoral studies at Istanbul University, Faculty of Business Administration. He served as Manager and Senior Manager responsible for Risk Management Consultancy at Arthur Andersen and Ernst & Young. In 2004, Mr. Saka joined Sabancı Holding as Risk Management Director. In 2010 and 2011, he worked at Willis London as Managing Director in charge of business development activities in nearly 20 countries including Turkey. In December 2011, Tamer Saka joined Kibar Holding as Strategy and Business Development Coordinator; where he served as CEO from 2014 until 2018. Tamer Saka was appointed President of the Cement Group at Sabancı Holding on April 2, 2018.

Kıvanç Zaimler

Energy

Kıvanç Zaimler graduated from Istanbul Technical University, Department of Industrial Engineering in 1991. Mr. Zaimler started his professional career in 1992; until 2008, he held various managerial positions at Türk Elektrik Endüstrisi, RAM Dış Ticaret and Aygaz. Kıvanç Zaimler joined Sabancı Group in 2008 and served as Trade Director at Enerjisa from 2013 to 2015. He was Enerjisa Distribution Business Unit Vice President between 2013 and 2015, and Sales Unit Vice President from August 2015 until March 2016, before being appointed Enerjisa Enerji CEO in March 2016. As of July 1, 2018, Kıvanç Zaimler assumed the position of President of the Energy Group at Sabancı Holding.

SABANCI HOLDING MANAGEMENT

Committee Members

Portfolio Management Committee
Güler Sabancı
Erol Sabancı
Suzan Sabancı Dinçer
Sevil Sabancı Sabancı
Serra Sabancı
Mehmet Göçmen

Audit Committee
Mehmet Mete Başol
Ahmet Erdem

Corporate Governance Committee
Nafiz Can Paker
Sevil Sabancı Sabancı
Serra Sabancı
Gökhan Eyigün
Levent Demirağ

Early Risk Identification Committee
Mehmet Mete Başol
Sevil Sabancı Sabancı
Gökhan Eyigün

Senior Management

Gökhan Eyigün
Secretary General

Fuat Öksüz
President of Audit

Levent Demirağ
President of Finance and Accounting Department

Burak Orhun
Director – Strategy and Business Development

Filiz Karagül Tüzün
Director – Corporate Communication

Güven Oktay
Director – Risk, Documentation and Reporting

İlker Yıldırım
Director – Accounting

Mustafa Özturan
Director – Human Resources and Labor Relations

Olcay Gürdal
Coordinator, Security

Ruba Unkan
Director – Legal Affairs

Seval Kor
Director – Human Resources

Sinan Baştaş
Director – Cement

Şerafettin Karakış
Director – Financial Affairs

Şermin Mutlu
Director – Financial Planning, Analysis, Financing and Investor Relations

Taner Aytan
Director – Audit

Tuğba Gök
Director – Human Resources

Vecih Yılmaz
Director – Planning, Financial Analysis and Reporting

SABANCI OF NEW GENERATION

Our new strategic roadmap, which we call Sabancı of New Generation, underlines the ever-changing conditions of today's world. Sabancı of New Generation emphasizes Sabancı Group's objective of adapting rapidly and effectively to a world where what is considered "new" changes every single day.

With over 90 years of experience, Sabancı Group operates companies that are industry leaders and rank among Turkey's most reputable enterprises. The Group has forged strong partnerships with world-renowned companies and maintained these with success over long periods. Sabancı Group complies with corporate governance principles and implements strategic portfolio management.

Our mission at Sabancı Group is to manage a competitive strategic portfolio with sustainable growth potential, by creating value for stakeholders.

Our new strategic roadmap, which we call **Sabancı of New Generation,** underlines the ever-changing conditions of today's world. Sabancı of New Generation emphasizes Sabancı Group's objective of adapting rapidly and effectively to a world where what is considered "new" changes every single day.

Our vision for Sabancı of New Generation is built upon three strategic priorities:

- **Dynamic Portfolio Management**
- **Technology and Advanced Data Analytics**
- **Talent Management**

In today's fast-changing market conditions, where the competitive environment has been upended by new technologies, Sabancı Group aims to boost the growth potential of its companies while generating more cash and managing its portfolio in a dynamic fashion.

Our vision is to integrate high technology and advanced data analytics into every company and function across Sabancı Group in order to create a competitive edge. We use our capital efficiently while also investing in data analytics, digitalization and fast-growing sectors based on the latest technologies.

The vision of building Sabancı of New Generation also includes investment in cultural transformation and human resources that will help us make a difference. Talent management policies at Sabancı Group are designed to offer personnel an unrivaled, equitable work experience and give staff members well-defined goals. Our talent management approach allows employees to realize themselves by fostering a culture of continuous development, participation, high performance and diversity. The objective is to make Sabancı Group the "Employer of Choice" for our current and potential employees.

The culture as defined in accordance with the vision of Sabancı of New Generation and the strategic priorities listed above, as well as the values that identify indispensable standards of conduct expected of all Sabancı employees, are stated below:

The culture of Sabancı of New Generation:

- Putting the needs and expectations of customers & all stakeholders at focus,
- Valuing different perspectives and taking decisions by considering comprehensive inclusion,
- Being the pioneer of innovation,
- Being courageous to make mistakes and seeing it as a learning & development opportunity,
- Focusing on long-term and sustainable value creation.

OUR VALUES

Sincerity

We place authenticity, respect and trust at the heart of our relations with all stakeholders, thus appearing as we are and being as we appear.

Courage

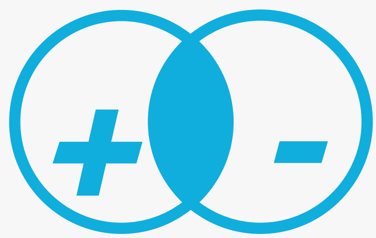
We express our thoughts freely and take risks. We are not afraid to make mistakes. We take the initiative and assume responsibility. We take action.

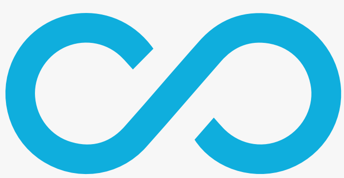
Passion

We approach all tasks with enthusiasm, excitement and perseverance. We mobilize our community with our energy.

Continuous Development

We question ourselves and our work with a positive curiosity based on excitement about innovation. To get better and better, we learn from our past experiences, develop in line with our vision for the future, and become the pioneer of change.





Inclusion

We build environments that encourage the inclusion of all stakeholders, value different ideas, and deliver the highest benefit through multiple partnerships.

INVESTOR RELATIONS AND DIVIDEND POLICY

Investor relations activities are designed to increase Sabancı Holding's value for current shareholders and attract new potential investors.

13*

13 LISTED COMPANIES

** Includes Sabancı Holding.*

8%

8% OF THE TOTAL MARKET CAPITALIZATION OF BORSA ISTANBUL

Please contact the Investor Relations Department at investor.relations@sabanci.com for more information.

Investor Relations

Sabancı Holding management maintains open and frequent communications with its shareholders. Investor relations activities are designed to increase Sabancı Holding's value for current shareholders and attract new potential investors. Therefore, Sabancı Holding management is committed to timely and transparent communication of strategic plans and operational results with analysts and investors. The focus on transparency is also reflected in the Holding's management structure. In line with this approach, three independent Board Members serve on Sabancı Holding's Board of Directors.

At Sabancı Holding, investor relations are managed by the Investor Relations Department under the Finance Group. The Department handles daily information flow to the investment community. In 2018, the investor relations team responded to numerous investor and equity analyst requests by phone and e-mail. The team also proactively contacted interested parties after quarterly results announcements or any new material development. Sabancı Holding's Investor Relations Department conducts its activities on a global scale. Department representatives attended conferences and held in-person meetings at the Company's headquarters and in various financial centers across Europe and the USA throughout the year.

In 2018, the Investor Relations Department organized a Capital Markets Day for overseas investors. In addition, the Department held Sector Days to bring together local research analysts with the Presidents of the Insurance, Cement and Industrials Groups as well as the relevant listed companies. Group Presidents and company CEOs provided information to analysts regarding industry-specific developments and corporate strategies.

Shareholder relations activities, in accordance with the Capital Markets Board (CMB)'s Corporate Governance Principles, are managed by the Investor Relations Department. The Department aims to pursue close dialogue and relationships with existing and potential shareholders by continuing to deliver the strategic agenda and implementation plans to investors in 2019.

Investor Relations Department can be contacted at investor.relations@sabanci.com for all inquiries and needs.

Dividend Policy

Hacı Ömer Sabancı Holding A.Ş.'s Dividend Policy is to distribute dividend up to 20%, but not less than 5% of the distributable profit of the year calculated in accordance with the provisions of the Turkish Commercial Code, Capital Markets Legislation and the provisions of our Articles of Association, in cash and/or in the form of shares. Implementation of this policy is determined by the General Assembly in accordance with Sabancı Holding's medium- and long-term strategies as well as domestic and global economic conditions.

Dividends are paid to the owners of all shares, regardless of their date of issuance or acquisition, equally within the legally mandated timeframes on the date determined by the Board of Directors after approval of the General Assembly of Shareholders.

(TL Million)	2014	2015	2016	2017	2018
Dividends Received	629	822	755	884	1,212
Dividends Paid	204	204	306	408	612
Dividends Paid/Dividends Received	32%	25%	41%	46%	50%
Consolidated Net Income	2,079	2,236	2,660	3,481	3,380
Dividends Pay Out Ratio	12%	10%	14%	15%	18%

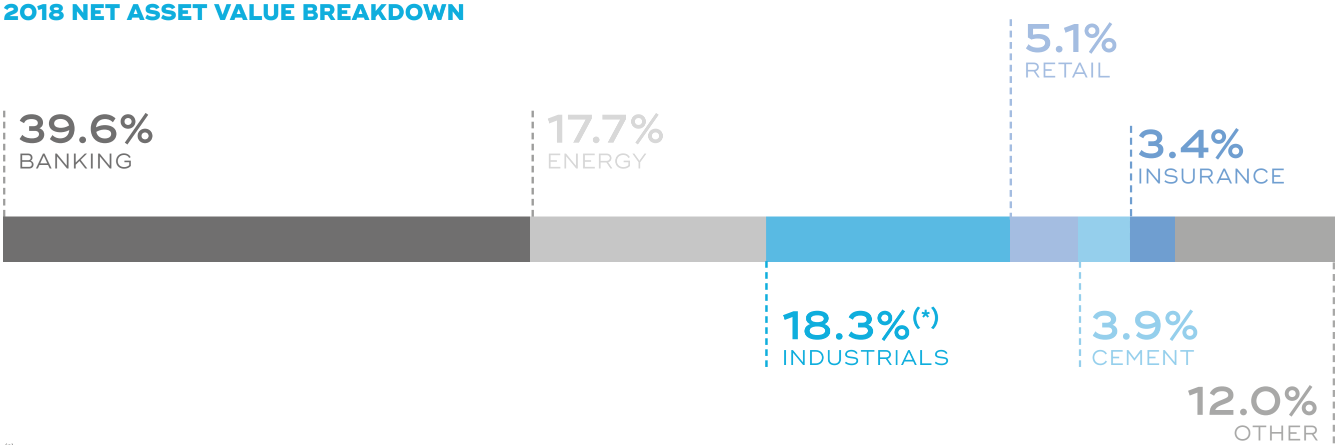
Sabancı Holding has increased its dividend payments at a compound annual growth rate (CAGR) of 32% over the last five years.

SABANCI HOLDING SHAREHOLDER STRUCTURE

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

The share of Sabancı Holding's Net Asset Value listed on the stock exchange reached 78% after the initial public offering of Enerjisa Enerji. The IPO transaction was conducted in transparency and in accordance with the Holding's vision of creating value for all stakeholders.

2018 NET ASSET VALUE BREAKDOWN



(*) *Including Philsa and PMSA.*

INVESTOR RELATIONS AND DIVIDEND POLICY

Enerjisa Enerji's initial public offering (IPO), a process that was initiated in 2017 and finalized in February 2018 by selling equal shares of Sabancı Holding and E.ON, went into the record books as Turkey's largest private sector IPO ever in Turkish Lira terms.

Enerjisa Enerji IPO

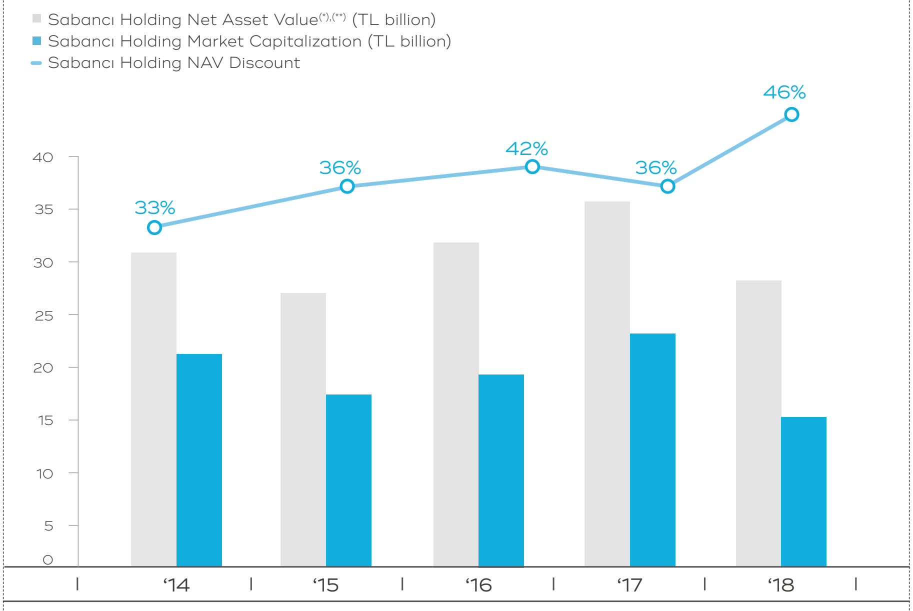
Enerjisa Enerji's initial public offering (IPO), a process that was initiated in 2017 and finalized in February 2018 by selling equal shares of Sabancı Holding and E.ON, went into the record books as Turkey's largest private sector IPO ever in Turkish Lira terms.

Enerjisa Enerji, one of Turkey's leading energy companies, began trading on Borsa Istanbul under the stock ticker ENJSA on February 8, 2018. Enerjisa Enerji, which has a free float of 20%, was met with high investor interest during the book building period. The offered shares were oversubscribed by 4.8 times.

Net Asset Value Trends

Sabancı Holding's Net Asset Value was at TL 28.2 billion as of end 2018. Banking, Industrials and Energy account for the top three spots in the Net Asset Value figure with shares of 39.6%, 18.3%, and 17.7%, respectively. Following Enerjisa Enerji's initial public offering, Sabancı Holding's Net Asset Value attributable to listed companies and Sabancı Holding's standalone net cash position stood at 78%. The remaining 22% consists of non-listed companies.

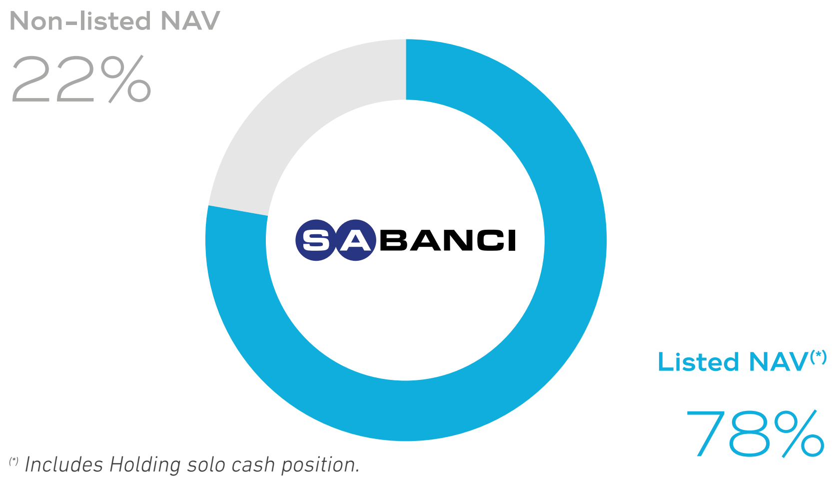
SABANCI HOLDING NAV-MARKET CAPITALIZATION COMPARISON



(*) *Calculated by multiplying the closing market value of the last business day of the year with the shareholding percentage of Sabancı Holding.*

(**) *For subsidiaries that are not publicly traded, book value and the average of independent research reports is taken.*

PUBLICLY LISTED COMPANIES ACCOUNT FOR 78% OF SABANCI HOLDING'S NET ASSET VALUE.



(*) *Includes Holding solo cash position.*

FREE FLOAT RATIOS OF SABANCI GROUP COMPANIES

BANKING

51%
AKBANK

ENERGY

20%
ENERJİSA ENERJİ

INSURANCE

28%
AKSİGORTA

20%
AVIVASA

CEMENT

21%
AKÇANSA

36%
ÇİMSA

RETAIL

25%
TEKNOSA

3%
CARREFOURSA

INDUSTRIALS

29%
KORDSA

10%
BRİSA

42%
YÜNSA

RISK MANAGEMENT

To maximize the value created for shareholders and ensure the sustainability of the Group, Sabancı Group set corporate risk management principles.

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

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

At the non-financial services companies of Sabancı Group, risks are managed by designated risk management officers and company senior management responsible for risk management processes and activities. These efforts are under the supervision of the Board of Directors and company Risk Committees that report to the Board. Group companies determine potential risks that they may encounter. These risks are ranked according to the probability and the size of the damage that they might cause. Prioritized risks are monitored by each company's management, the Early Risk Identification Committee and Board of Directors in the form of periodic reports. Risk management processes, which include measures to be taken, are determined; implementation and results are closely monitored. Financial, strategic, operational and compliance risks of subsidiaries are also overseen and supervised by the relevant Group President and Finance Group Department, as well as the Risk Management Unit at the Holding level.

Sabancı Group categorizes risks under these major headings:

Compliance Risks: This risk type includes legal penalties, reputation loss or material damage that may arise in case of not complying with applicable, rules or regulations, code of ethics, or a company's internal policies and directives. To support Group subsidiaries in efficiently managing compliance risks within the determined framework, instructional activities are carried out by the Holding's Compliance Management Department.

Financial Risks: This category includes risks that may arise as a result of a company's financial position and preferences. Financial risks include those caused by loans, interest rates, FX rates, cash management, and commodity prices.

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

To efficiently manage interest risk of subsidiaries, interest rates of financial institutions are tracked. Group companies are directed to those institutions that provide the more reasonable rates. Besides bank borrowings, support is given at the Holding level to issue corporate bonds.

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

Strategic Risks: This risk group includes structural risks that may prevent a company from reaching its short, medium or long-term goals. Risks arising from planning, business model, business portfolio, corporate governance and market analysis are considered strategic risks.

At the Holding level, strategic risks are efficiently managed with a long-term dynamic portfolio management approach. Sabancı Holding's portfolio management strategy is designed to focus on sectors where it is possible to create competitive advantage in highly profitable and sustainable businesses. Efforts are carried out at the Holding level to diversify the portfolio according to key criteria, such as sectors, regions, customer profiles, technology content, exports, and the like.

Operational Risks: This category comprises risks that may arise due to the possibility of loss as a result of company activities and/or possibility of losses stemming from fault and negligence caused as a result of failures in a company's control systems. Operational risks also include company management and personnel not acting properly in terms of time and circumstances; managerial faults; faults and failures in information technology systems.

The Audit Group conducts control related activities of company processes and systems in order to determine and eliminate these risks.

Brand/Reputation Management Risks: This risk type includes a company losing value due to not managing its name and commercial brands effectively; decreasing demand in a company's products and services because of damaged reputation stemming from various incidents; a company losing customers, profit and competitive strength. With a multi-discipline monitoring and management system, risks in the Group's main assets, namely its brands and reputation, are monitored and managed by taking necessary actions.

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

External Environment Risks: This category includes risks based on external factors the Company cannot control through its operations and management processes (e.g. natural disasters; political and economic developments within and outside the country; new decisions made by regulatory authorities in sectors where business activities are subject to public regulation; changes made in competition rules). While maximum measures are taken to eliminate risks, insurance coverage is also secured to cover risks under appropriate circumstances. In 2018, the Holding Risk Committee closely monitored legislative changes that may potentially shape the energy business, which has significant weighting in Sabancı Holding's consolidated financials. One issue monitored in particular related to the Third Tariff period, spanning from 2016 to 2020, in the area of retail electric sales and distribution, as well as revisions in the regulatory backdrop for generation and trading.

Hacı Ömer Sabancı Holding's Board of Directors established the Early Risk Identification Committee with a resolution dated April 25, 2013. The Committee was formed to ensure prudent risk management as stipulated by the Turkish Commercial Code and the Capital Markets Board for publicly traded companies. The Committee Chairman is Independent Board Member Mr. Mete Başol; Committee Members are Board Member Ms. Sevil Sabancı Sabancı and General Secretary Mr. Gökhan Eyigün. The Committee evaluates early detection, determines necessary measures, and establishes management processes related to strategic risks, operational risks, financial risks, compliance risks, reputation risks, external environment risks and all other types of risks that can jeopardize Sabancı Holding's existence, development and continuity. The Committee identifies and evaluates the risks Hacı Ömer Sabancı Holding is exposed to, monitors them via a reporting system and follows up the measures taken to counteract the risks. Risks in subsidiaries' business activities that can impact the Holding's consolidated financial statements and strategic targets are also monitored by the Holding's Risk Committee. The Committee convened six times in 2018 and presented its evaluations for the information of the Board of Directors.

AT THE HOLDING LEVEL, STRATEGIC RISKS ARE EFFICIENTLY MANAGED WITH A LONG-TERM DYNAMIC PORTFOLIO MANAGEMENT APPROACH. SABANCI HOLDING'S PORTFOLIO MANAGEMENT STRATEGY IS DESIGNED TO FOCUS ON SECTORS WHERE IT IS POSSIBLE TO CREATE COMPETITIVE ADVANTAGE IN HIGHLY PROFITABLE AND SUSTAINABLE BUSINESSES.

HUMAN RESOURCES

Sabancı Group's human resources strategies are formulated to support Sabancı Group's goal of becoming the "Employer of Choice."

Human Resources policies at Sabancı Group are designed to offer employees an unrivaled, equitable work experience and give staff members well-defined goals. The Group's approach allows employees to realize themselves by fostering a culture of continuous development, inclusion, high performance and diversity. The objective is to make Sabancı Group the "Employer of Choice" for current and potential employees.

As of end-2018, Sabancı Group has employed about 64 thousand persons, including subcontractor employees. 30% of employees and 37% of managers are women. About 70% of all white collar employees are from Generation Y. Sabancı Group is powered by the highly diverse features and capabilities of its top-caliber human resources.

Human Resources Strategy Management

Sabancı Group's human resources strategies are formulated to support Sabancı Group's goal of becoming the "Employer of Choice."

In 2018, in line with the vision of Sabancı of New Generation and the Group's Human Resources Strategic Roadmap, the definition of Sabancı Group Culture was revised and the Values and Competency Model was redefined.

For this purpose, a Culture and Values Workshop was held with the participation of employees representing different generations from the various companies in

Sabancı Group. Data collected in this workshop and the results of the Culture Survey were analyzed. Sabancı of New Generation Culture and Values were redefined through the common understanding of employees.

Sabancı of New Generation's Culture:

- Putting the needs and expectations of customers & all stakeholders at focus,
- Valuing different perspectives and taking decisions by considering comprehensive inclusion,
- Being the pioneer of innovation,
- Being courageous to make mistakes and seeing it as a learning & development opportunity,
- Focusing on long-term and sustainable value creation.

Sabancı of New Generation's Values are:

- Sincerity,
- Continuous Improvement,
- Inclusion,
- Courage,
- Passion.

The second step taken in line with Sabancı Group's Human Resources Strategic Roadmap was the Sabancı Competency Model. The model is defined as those behaviors and skills that our leaders and employees are expected to develop, and which will lead us to success on the road to becoming Sabancı of New Generation.

Sabancı Competency Model

The Sabancı Competency Model, which defines the behavior that will help the implementation of culture, values and strategies forming the vision of Sabancı of New Generation, consists of three parts:

- Value Drive Competencies
- Leadership Drive Competencies
- Performance Drive Competencies

Value Drive Competencies and Leadership Drive Competencies are common across all Sabancı Group companies. Meanwhile, Performance Drive Competencies are designated according to each company's specific strategies, in view of sector dynamics and requirements.

Value Drive

- Valuing Differences
- Being Resilient
- Displaying Courage
- Learning From Experience

Leadership Drive

- Global and Long-term Thinking
- Cultivating New & Better
- Balancing Stakeholders
- Agile Decision Making
- Driving Vision & Purpose
- Building Effective Teams

Performance Drive

They are defined according to each Sabancı Companies' needs and dynamics.

Talent Acquisition and Employer Brand Management

Since its inception, Sabancı Group has been supported by objective market research conducted by independent companies both nationally and internationally. "Sabancı" is perceived as a strong employer brand by both professionals and university students. In line with its target of becoming "Employer of Choice" through proper Sabancı employer brand management, Sabancı Group aims to manage the systems and business processes that will enable current and potential staff to have the best employee experience at every point of contact.

Sabancı Group's recruitment process aims to measure candidate potential and competencies, in addition to assessing their conformity with Sabancı values. Candidates must be evaluated fairly by means of modern recruitment methods and procedures, designed in line with our needs. In addition, in order to attract talent in a proactive fashion, the Group keeps close watch on outside talent. Both internal candidates and external candidates are evaluated for critical vacancies.

To provide employees with different career opportunities in accordance with their development goals and to support the transfer of talent among Group companies, vacant positions are announced to all Group employees via the internal communication portal SA-PORT. Applications are likewise managed through this portal.

In 2018, 7,435 persons were hired to the Group from internal and external sources.

Organizational Design, Planning, Succession and Career Management

At Sabancı Group, the Organizational Design and Planning process comprises the regular review of the organizational structure in line with company strategies, targets and needs, as well as necessary design and planning.

Succession Management includes assessing future strategies and organizational needs, drafting of both appropriate succession for the organization and meaningful career plans for employees, in due consideration of staff member performance, potential and individual preferences.

SABANCI GROUP'S RECRUITMENT PROCESS AIMS TO MEASURE CANDIDATE POTENTIAL AND COMPETENCIES, IN ADDITION TO ASSESSING THEIR CONFORMITY WITH SABANCI VALUES.

During the Organizational Success Plan (OSP) process conducted for each company, Sabancı Group companies' critical performance criteria for their human resources and organization are reviewed. In addition, employee potentials are assessed, and appropriate backup plans are drafted for all management positions and other critical positions.

In fiscal year 2018, Sabancı Group revised the OSP process. In line with the Sabancı of New Generation vision, the Group updated potential measurement criteria, succession methodology and organizational health analysis criteria.

The Company-specific OSP process was carried over, in the next phase, to the Group-wide Sabancı People Review (SAPR) which focuses on top management. Intra-company and inter-company succession for critical positions in senior management, as well as development plans for the persons involved in backup, were created. The plans are monitored regularly.

With the aim of ensuring the sustainability of the Sabancı Group talent pool, succession pipeline filling rate and the consistency ratio of the succession plan are monitored regularly each and every year.

HUMAN RESOURCES

The mission of Sabancı Group is to attract the best talent, to create value for employees and companies, and to implement a robust and sustainable talent acquisition management.

Learning and Development Management

Learning and development investments directed toward Sabancı Group staff must create value for both employees and companies. These investments must also be in align with the strategic objectives of the Group and its individual companies.

Employees are expected to take responsibility for their own advancement, by learning continuously and developing themselves and their work. Meanwhile, managers should support and guide their staff by coaching and mentoring. The Group implements development programs designed according to the specific needs of target audiences, ranging from young professionals to senior management, based on experiential learning, employing new learning techniques and featuring the best providers in every field. These programs are implemented among blue collar, white collar and subcontractor employees of all Group companies.

The Development Programs detailed below were designed and implemented in 2018.

• X-CELERATE Program

The first module of X-CELERATE, designed as Sabancı Group's Senior Management Development Program, was conducted in December 2018 with 21 participants. The program was designed to ensure that top management performs better in an increasingly uncertain and dynamic business environment. In addition, X-CELERATE aims for senior managers to hone their leadership skills in line with the vision of Sabancı of New Generation. In 2018, the program started with the participation of the General Managers of all Group companies. X-CELERATE consists of three modules and is designed as a one-year journey. The program features many different learning methods, ranging from in-class training to personal coaching sessions, company visits for sharing know-how to business simulation tools.

• Advanced Data Analytics Academy

Technology and Data Analytics is among the Sabancı Group strategies that make up the vision of Sabancı of New Generation and aims to create a competitive edge. In line with this goal, Sabancı Advanced Data Analytics Academy was established in 2018 under the management of Sabancı Holding's Human Resources Group Department and in cooperation with Sabancı University and Sabancı University Executive Development

Unit. The Academy was founded to develop and train the human resources that will execute the Group's Advanced Data Analytics journey.

A class of 62 participants from 14 different Sabancı Group companies underwent a comprehensive program, specially designed for Data Scientists, Data Engineers and Translators taking part in advanced data analytics projects. The program featured theoretical and practical learning supported by online training, Hackathon and on-site visits.

• Group Mentorship Program

The Mentorship Program is designed to support the individual development of experienced managers and employees and facilitate a culture of "Coaching" and "Contributing to Each Other's Success" across the Group.

In 2018, 35 Mentees from different Group companies participated in the program, which has been conducted for 10 years.

• Industry Leaders Program

The Industry Leaders Program, which was developed in collaboration with Sabancı University's Executive Development Unit, encourages the professional development of and knowledge and experience sharing among high-caliber managers and engineers in the Group's Industrial companies.

Consisting of 19 modules in total, the program was completed with presentations on four different project studies that focused on actual problems in companies. The Industry Leader Program was launched in 2018 with the participation of 17 Sabancı engineers from Industry Group, Energy Group and Cement Group.

• Training Program on Ethics and Data Protection

Sabancı Business Ethics Rules (SA-ETHICS) are centered on the Sabancı values and working principles forged during successful business endeavors over many years.

SA-ETHICS not only protects the Group companies and staff, but also goes beyond all the laws, rules, regulations and internal procedures that are decisive in our operations, to provide guidance to the workforce.

Full compliance with the entirety of SA-ETHICS is the foremost responsibility of all Sabancı Group employees and cannot be delegated to anyone else. For this reason, all new recruits to the Group undergo SA-ETHICS training.

To continuously update their know-how on SA-ETHICS and raise awareness, current employees join a regular refreshment training every year.

In 2018, Sabancı Group initiated a training program on Protection of Personal Data via an online training platform in order to increase awareness and knowledge about safeguarding of personal data.

Organizational Climate and Employee Engagement Management

Sabancı Group aims to take into consideration the suggestions and expectations of its employees. The Group works continuously to strengthen staff engagement while providing a safe and healthy work environment where ethical values are upheld and a healthy balance is struck between work and private life. Sabancı Group also fosters a positive organizational climate with the right leadership style. These efforts are expended to ensure ongoing employee engagement.

Employee engagement and satisfaction are regularly measured via surveys conducted by independent companies. Employee suggestions and expectations are collected in these surveys.

In addition, staff perceptions on organizational climate and the management team's leadership style, which are directly connected to engagement and have the greatest impact on this climate, are also regularly measured by independent firms.

The opportunities and development areas identified in the Employee Engagement and Satisfaction Survey, Organizational Climate Survey and Leadership Styles Survey are examined by the Human Resources and management teams. Necessary action plans are drafted and implemented, and progress is monitored regularly.

The Employee Engagement and Satisfaction Survey, Organizational Climate Survey and Leadership Styles Survey were conducted in Group companies in 2018. The required actions were formulated and planned based on the results.

Performance Management

Sabancı Group greatly values staff contributions to corporate goals. The Group actively fosters a working environment where employees can demonstrate their performance and potential at the highest level.

The Performance Management Process aims to highlight employees' successful work results, staff conduct in line with the corporate culture and values, and their high performance. Through a process designed and structured to this end, staff members, for one year, work on their personal objectives linked to the corporate goals as well as the competency enhancement goals that they choose to focus on. At the end of the one-year period, employees assess their performance jointly with their managers and provide mutual feedback.

During the Performance Management Process in 2018, all white-collar staff members were evaluated. The process yielded favorable results.

Recognition & Appreciation and Total Reward Management

Sabancı Group's Total Rewards and Benefits Management process includes fair and objective recognition and reward practices that bolster high performance and center on employees' work objectives and competencies. The process also covers rewarding, motivating and competitive remuneration and side benefits.

HUMAN RESOURCES

In line with the Technology and Data Analytics strategy, the Group launched the HR-Next project in 2018 to digitalize human resources processes and implement human resources analytics schemes.

All practices under Rewards and Benefits Management are regularly reviewed and updated through market analyses and benchmarking studies.

The job evaluations of all roles within the Group are assessed through an objective method taking into consideration the basic level of responsibility of the role, its relative contribution to the organization, as well as the knowledge/skills/experience and competencies necessary for that role. As a result of this job evaluation, the relative values of all the roles are identified. The job grading structure created on the basis of these values in turn provides a basis for rewards and benefits management.

In 2018, the Group's job grading structure and performance-based bonus system were reviewed and redesigned to strengthen the organization's competitive edge.

Reward Management is conducted in accordance with legal and regulatory requirements, and in line with reward policies. Compensation policies formulated in consideration of macroeconomic data, salary trends in the market, the size of each company, as well as its long-term goals, individuals' workloads, and in-house and external salary patterns.

To support reward management with additional benefits, side benefits are considered as an integral part of total reward management. All Sabancı Group companies, in line with employee expectations and needs, run separate side benefits schemes in varying content and flexibility based on employee workload and roles.

To help companies attain their budget goals and outperform their business results targets, the Group's short-term incentives encourages staff members to demonstrate a superior performance, and foster a target-oriented performance culture.

For top management positions, a long-term incentives is in place to boost the Company's share value and help senior managers gain a shareholder's perspective.
Long-term performance and consistency are rewarded by the Group.

An integral part of total Recognition & Appreciation system, a key area at Sabancı Group, is communicating priorities,

rewarding employee achievements and sharing the best practices. To encourage such efforts, the ninth edition of Sabancı Golden Collar Awards was held in May 2018 with the participation of over 800 employees from different Group companies. Some 1,085 employees and their 183 projects competed in categories such as "Sabancı of New Generation," "Innovation," "Customer Experience," "Lean Transformation" and "Digitalization." The winners were selected with the votes of Group employees.

Human Resources Data Analytics Management

In all its business processes, Sabancı Group aims to create a decision-making culture based on data, and to extend Human Resources & Work Relations Data Analytics practices across all Group companies. To this end, the Group regularly reviews relevant systems and business processes. The skills of all Human Resources teams are honed in this direction and such a culture is fostered throughout the organization.

In line with the Technology and Data Analytics strategy, the Group launched the HR-Next project in 2018 to digitalize human resources processes and implement human resources analytics schemes.

In the first step of the project, the Group established the Human Resources Database and Analysis System. This system is designed to generate value through Human Resources Analytics applications running on a common database of all Group companies. The platform features filtered and enriched data on the staff.

Industrial Relations Management and Compliance with Legislation

Industrial relations are managed in accordance with applicable legislation in force; relevant laws, rules and regulations are regularly followed and shared with Sabancı Group companies. The Group makes use of all opportunities and incentives, including flexible working models, presented by labor legislation. Developments in this area are closely monitored.

Establishing and maintaining an equitable working environment for employees is the top priority in the workplace. Any discrimination within the organization based on language, race, skin color, gender, political thought, faith, religion, denomination, age, physical disability and similar reasons is not tolerated. All necessary measures are taken under the Occupational Health and Safety policy against cases that may have a negative physical and psychological effect on employees.

To ensure the effective participation of women, young people and disabled individuals in business, the Group implements practices that encourages these groups to participate while offering equal employment opportunities. For this purpose, different working models, such as flexible work, are used in accordance with relevant legislation. The physical facilities necessary for disabled employees to work effectively are offered and regularly reviewed by the Group.

The work environment is designed to secure a sustainable balance between employees' professional and private lives. At Sabancı Group companies, efforts are expended to maintain healthy industrial relations through effective communication with workers' and employers' unions. The Group aims to enhance and maintain peaceful work relations. Sabancı Group respects employees' rights to unionization and collective labor agreement. The Group adopts an impartial approach to employees' choice of union and to the process of unionization. Currently, 84% of our blue collar workers are unionized.

Efforts are made to ensure that collective labor agreements signed take into consideration general economic and industrial conditions as well as employee demands. Agreements should also allow for companies' growth with sustainable profitability. In 2018, the collective labor agreements covering employees at Akçansa, Çimsa, Carrefoursa, Brisa and Enerjisa Enerji were signed within the legally prescribed deadlines. The agreements were designed to ensure a peaceful and sustainable work environment, in parallel with the rates across the sector and under the most favorable terms.

Occupational Health and Safety

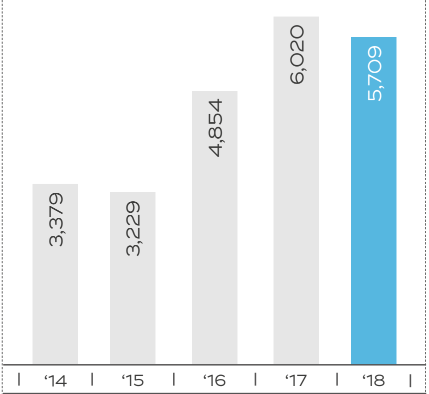
Occupational health and safety practices are implemented across Sabancı Group in accordance with relevant laws, rules, regulations and standards. These practices aim to continuously improve the Group's OHS performance. While conducting business activities at Group companies, potential risks are analyzed in advance. A proactive approach is taken to prevent these risks. An occupational health and safety culture is seen as an integral part of everyday life. Sabancı Group aims for the standardization and excellence of occupational health and safety practices through sharing of information and experience. The Group extends this standardization and excellence toward its workforce and all stakeholders. For this purpose, Sabancı Group seizes opportunities to create synergy and make a difference among its companies. Occupational health and safety training is provided for all employees upon recruitment and at certain intervals thereafter. This approach ensures that all companies introduce effective occupational health and safety practices and set an example for their industry, both domestically and globally. The aim is for Sabancı Group companies to lead the competition with their superior OHS performance.

BANKING

Bringing the future of banking to today through its technology investments, Akbank, with its approximately 14 thousand employees, initiated a transformation project in its 70th year that will shape the entire sector in Turkey.

16.8%
CAPITAL ADEQUACY RATIO

CONSOLIDATED NET INCOME (TL MILLION)



* *BRSA results of the Bank unless stated otherwise.*

A 70-year old bank that shapes the future of banking: Akbank

Bringing the future of banking to today through its technology investments, Akbank, with its approximately 14 thousand employees, initiated a transformation project in its 70th year that will shape the entire sector in Turkey. Akbank offers all the latest technological developments to its customers with a reliable, dynamic, lean, innovative and people-focused approach, and implemented this new banking model in about 230 branches in 2018.

Leveraging its specialist staff and robust technology infrastructure, the Bank adapts advances in digital technology to banking products and services and deploys them for the use of its clients at the same speed. To this end, the money transfer via instant messaging feature was launched via the Chatbot technology in 2018. Furthermore, the Bank undertook initiatives to accelerate taking out loans via mobile phones, which have become a major part of daily life. Akbank Direkt users can learn their credit limits simply by waving their phones and transfer the loan amounts they prefer to their accounts instantaneously. Akbank, the first bank to utilize the face recognition technology in banking applications, developed an application that enables its users with "Selfie Login" to Akbank Direkt.

A new era in money transfers at Akbank

Akbank completed all developments to execute overseas money transfers via Ripple, a platform using the Blockchain technology, and began offering this service to clients through the Akbank Direkt Consumer channels in 2018. Customers have access to a 24/7, fast and flexible service on Akbank Direkt Consumer Internet and Mobile branches where they can make fast and convenient British Pound money transfers to Santander UK while seeing transaction fees transparently prior to execution. The first and, as of year-end 2018, only bank to enable customers to perform international money transfers over digital channels using the Blockchain technology, Akbank strives to expand its transfer network in 2019.

Effective and prudent risk management

In a year characterized by market volatility in Turkey and on a global scale, Akbank gave priority to maintaining asset quality while implementing effective and prudent risk management to assess and report risk in the most accurate manner in 2018. Akbank closely monitors economic and financial developments globally, the IFRS 9 guidelines, Basel principles and other international regulations as well as developments in the risk management field; in doing so, the bank has improved upon its current practices.

Robust capital

The capital increase resolution that Akbank adopted in December 2018 further bolstered the Bank's already robust financial position, created additional capacity for growth in the upcoming years,and enhanced its competitiveness in the market. This important resolution demonstrates the confidence of Akbank shareholders in Turkey and in the Turkish economy. This transaction resulted in approximately USD 210 million foreign direct investment to Turkey at the beginning of 2019. Despite global uncertainties, the Bank's already robust financial position was further bolstered to its prudent approach. Akbank's capital adequacy ratio increased by 0.8 percentage points and additional capacity was created for the upcoming period.

Liquid balance sheet and diversified funding base

In a period of increasing concerns over emerging markets that Turkey is also part of, Akbank extended its highly anticipated syndicated loan that attracted major attention in international markets by 104% and injected USD 980 million fresh resource into the Turkish economy.

Owing to its sound financials and great reputation, Akbank brought USD 4.8 billion of overseas funding to the Turkish economy in 2018 including the other placements made during the year.

IN A PERIOD OF INCREASING CONCERNS OVER EMERGING MARKETS THAT TURKEY IS ALSO PART OF, AKBANK EXTENDED ITS HIGHLY ANTICIPATED SYNDICATED LOAN THAT ATTRACTED MAJOR ATTENTION IN INTERNATIONAL MARKETS BY 104% AND INJECTED USD 980 MILLION FRESH RESOURCE INTO THE TURKISH ECONOMY.

AKBANK'S STRONG FOUNDATIONS

1 Strong, local majority shareholder

2 Solid capital

3 Highly-qualified team

4 Prudent risk management and robust asset quality

5 Proactive ALM and strong liquidity

6 Favorable cost base and high efficiency

7 Stable and broad-based funding mix

8 Well-diversified and sustainable revenue generation

9 Innovative initiatives that herald the future of banking

AKBANK

As a pioneering leader in digital banking in Turkey, Akbank Direkt provides solutions that meet the financial needs of its customers at the most convenient points of contact with the best customer experience.

17.4 MILLION
CUSTOMERS

781
BRANCHES

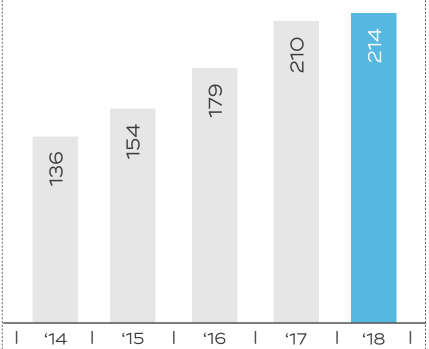
~14 THOUSAND
EMPLOYEES

~4,900
ATMS

MORE THAN
580 THOUSAND
POS TERMINALS

WWW.AKBANK.COM

TOTAL LOANS (TL BILLION)



* *Total loans for the year 2018 are reported according to the IFRS 9 standard.*

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

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

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

With a strong and extensive domestic distribution network of 780 branches and approximately 14 thousand employees, Akbank operates from its Head Office in Istanbul and 21 regional directorates across Turkey. In addition to providing services through branches, the Bank's traditional delivery channel, Akbank also serves more than 17 million customers through the Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Center, approximately 4,900 ATMs and more than 580 thousand POS terminals as well as other high tech channels.

The Bank of Mobile: Akbank

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

Bank of Innovations: Akbank

To this end, by foreseeing the changes in trends and customer dynamics, Akbank develops new products and channels customized to meet clients' financial needs, rolling out groundbreaking innovations to the Turkish banking sector.

Akbank Data and Living Center

The Akbank Banking Center, started its operations in 2010. The Center, which carries Akbank's productivity and service quality to a much higher level, is equipped with state-of-the-art technologies. "Akbank Data and Life Center," for which the Bank broke ground in 2017 and construction continued throughout 2018, is expected to commence service in 2019. To be built on an area of 75,486 m^2, the

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

TL 355 BILLION
TOTAL ASSETS

TL 43.8 BILLION
EQUITY

TL 214 BILLION
TOTAL LOANS

TL 5.7 BILLION
NET PROFIT

13.6%
RETURN ON EQUITY

AKBANK'S DATA AND LIFE CENTER, DESIGNED TO HOUSE THE ENTIRE TECHNOLOGICAL INFRASTRUCTURE OF THE BANK, TO MONITOR ALL OPERATIONS 24/7 WITH THE LATEST TECHNOLOGIES, AND TO PROVIDE UNINTERRUPTED SERVICES TO CUSTOMERS WILL BECOME OPERATIONAL IN 2019.

complex will consist of the Akbank Data Center, which will constitute the core of Akbank's technological infrastructure, and Akbank Living Center, which will offer social services to 3 thousand Akbank employees. As such, the Center stands out as the biggest one-off investment by Akbank to date.

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

Akbank LAB, visionary projects centered on innovation

Akbank Innovation Center "Akbank LAB" was established in late 2016 with a view toward developing innovative projects suited for the needs of business units, and attaining the goal of excellent customer experience by integrating globally proven financial solutions with the Bank's processes. With this revamped structure, the Bank started to prepare for the technology of the future from today, while also taking steps to ensure that innovation becomes an integral part of the Bank's culture.

Industry-leading, high value-added projects that were launched in 2018 under the coordination of Akbank LAB include Akbank Direkt Mobile login with face recognition technology, money transfer and mobile phone bill payment with Chatbot, Robotic Process Automation, and international money transfers using the Blockchain technology as part of a collaboration with Ripple.

Under Akbank LAB's coordination, the Bank will continue to execute innovation processes, and deploy technologies that steer not just finance, but the world such as machine learning, Blockchain artificial intelligence, and develop new products in order to render excellent customer experience in 2019.

Akbank conducts overseas operations through its subsidiary in Germany (Akbank AG) and a branch in Malta. The bank's other subsidiaries, Ak Investment, AK Asset Management and Aklease, provide non-banking financial services alongside capital markets and investment services.

Robust financial results

With a robust capital base, reliable deposit structure, ability to raise foreign financing on favorable terms coupled with superior asset quality, Akbank has maintained its leading position in the Turkish banking industry. The Bank reached TL 5.7 billion in consolidated net profit and TL 355 billion in total consolidated assets as of year-end 2018. The bank's consolidated capital adequacy ratio according to Basel III standards is 16.8%, one of the highest figures in the sector.

AKBANK

In a major success for the Turkish banking sector, Akbank was designated as “Turkey’s Best Bank” by Banker, Euromoney and Global Finance.

TL 267 billion in funding for the real economy

Committed to creating sustainable value for Turkey’s economy, Akbank’s loan support in 2018 reached TL 267 billion, including TL 214 billion in cash loans. The Bank’s support to the sector reached TL 226 billion this year via SME and corporate loans.

Akbank’s shares are listed on Borsa Istanbul (BIST) with a free float ratio of 51.1%. The Bank’s Level 1 ADRs are traded on the OTC market in the United States. As of December 31, 2018, Akbank’s market capitalization stood at USD 5.2 billion.

Another year of awards

Akbank continued to win prestigious awards in 2018, a year where the global business cycle put heavy pressure on the banks. In a major success for the Turkish banking sector, Akbank was designated as “Turkey’s Best Bank” by Banker, Euromoney and Global Finance.

Akbank AG

Akbank’s wholly-owned subsidiary Akbank AG capped the year 2018 with success in terms of business diversification as well as profitability. As of December 2018, the bank reported total assets of EUR 4.5 billion and shareholders’ equity of EUR 669 million. Akbank AG’s support to the economy in the form of loans has exceeded EUR 3.8 billion, and the bank accounts for nearly 10% of all loans extended to Turkish firms from Germany.

As of December 31, 2018, the bank’s capital adequacy ratio calculated according to Basel III criteria was 17.31% and the liquidity coverage rate stood at 330%.

Akbank AG, which has the largest balance sheet among Turkish-capital banks in Europe, has a strong capital structure, and accounts for 8% of total consolidated assets and 5% of consolidated profits as of 2018.

Aklease

Boasting more than 30 years of experience in the industry, Aklease supports corporate and commercial segment customers as well as all other firms keen to undertake investments, expand, enter new markets, and enhance their capacity as a solution partner by financing their investments in new machinery and equipment.

Standing out in its industry for many years in terms of tapping long-term resources at competitive rates and offering these funds to companies that are looking to make investments, Aklease provides one-to-one solutions that are perfectly suited to meet the changing needs of clients thanks to its vast funding capacity that is not limited to the domestic market.

Aklease, a 99.99%-owned subsidiary of Akbank, leveraged its strong financial and shareholder structure, robust equity, 12 branches, broad funding network, and most importantly, a highly specialized and dynamic workforce, in 2018 and continued to lend uninterrupted support to the Turkish economy by financing major investments in Turkey's future such as 123 MW of solar energy projects and 79 MW of wind energy investments, as well as subways, highways and other infrastructure/superstructure projects which are critical components of urban and intercity transportation networks.

The Company made significant progress in digital transformation by upgrading its technology platform and software utilized to execute financial leasing transactions to ensure that it is fast, practical, mobile-enabled and in sync with state-of-the-art technologies.

In 2018, Aklease preserved its position among the industry's leading companies and continued to be an exemplary firm thanks to its steady and healthy financial growth and robust capital structure.

Keen to continue operating at the same fast pace in the coming period, Aklease will maintain uninterrupted support for investments and remain a complementary force of growth and the economy.

Ak Asset Management

A wholly-owned subsidiary of Akbank, Ak Asset Management was established in 2000 to provide asset management services to institutional and individual investors in capital markets. The Company's activities include pension funds, private assets and investment funds.

As of year-end 2018, total assets under the management of Ak Asset Management stand at TL 24.8 billion. Total assets under management in the mutual fund portfolios managed by the Company reached TL 5.2 billion as of year-end 2018, as the Company increased its market share by 2.2 percentage points compared to last year to 11.5%. Ak Asset Management, the manager of 50 pension investment funds chartered by a number of global pension companies, reached TL 14.5 billion in assets under management in this segment.

Ak Asset Management maintains its leadership position in the industry in terms of the product diversity and vast investment universe offered to customers through the mutual funds chartered by the Company. The Company provides a wide universe of investments spanning traditional products such as money markets, borrowing instruments and domestic equity mutual funds; gold, oil and lease certificates; real estate investment funds and venture capital funds; funds investing in shares of global corporations operating in various regions of the world and industries; and funds that invest in corporate bonds issued in Turkey and abroad.

After chartering Turkey's first Venture Capital and Real Estate Investment Funds in 2016, Ak Asset Management broke new ground again in 2018 and started the "New Technologies Fund" that enables investors to invest in the world's leading 20 technology giants. In addition, Ak Asset Management Oil Fund was also launched during this period as an alternative investment vehicle for small investors that enables investing in oil prices for the first time in Turkey.

Ak Asset Management also designs and manages the investor risk profile tests that form the basis of the Akbank Investment Services and Akbank Robo Advisory concepts, as well as investment management products such as Portfolio Ideas, which aim to help investors with different profiles manage their savings via asset allocation recommendations.

Ak Asset Management's innovative products geared towards private pension system participants help Robo Advisory services to reach wide audiences through mobile solutions. The Company supports private pension system participants by providing content consisting of investment products, asset allocation strategies and up-to-date market commentary. Small investors gained access to a distinctive, simple and fast asset management service based on their investment profiles in 2018 as a result of more effective utilization of these technology solutions as part of the system.

The Company leverages its possession of Turkey's largest investment universe to render broad-based portfolio management services and customized asset allocation recommendations; prioritizes asset diversification and risk management in portfolio management processes while operating according to a predetermined rules-based

Ak Investment served as the consortium leader in the secondary public offering of Aselsan Elektronik Sanayi ve Ticaret A.Ş. in 2018, Turkey's largest share public offering in the last five years.

investment strategy; and provides discretionary portfolio management services for large institutional and individual investors tailored to their own return expectations and risk profiles.

Established in 2006, Akbank's Discretionary Portfolio Management business line reached TL 4 billion in assets under management as of year-end 2018 with 33% increase over the previous year.

After launching an asset management service to be offered to the top segment of Akbank Private Banking clients under a holistic service model in 2016, Ak Asset Management expanded its activities in this privileged area in 2018.

In recognition of its world class risk management, investment processes, new product development and sustainable performance, Ak Asset Management received the "Best Pension Fund Management Company" award from World Finance as well as the "Best Portfolio Management Company" and "Best Pension Fund Manager" awards from Global Banking & Finance in 2018.

Ak Investment

Ak Investment was founded in 1996 as a wholly-owned subsidiary of Akbank, in order to engage in capital markets operations.

Ak Investment serves individual and institutional investors with 219 experienced subject matter expert employees, comprehensive research reports and a customer-oriented service approach. Delivering domestic and international capital markets products to individual and institutional investors, Ak Investment operates with head office sales staff and out of 10 branches in six provinces in Turkey.

Ak Investment served as the consortium leader in the secondary public offering of Aselsan Elektronik Sanayi ve Ticaret A.Ş. amounting to TL 3.0 billion in 2018, Turkey's largest share public offering in the last five years. The Company was also the consortium leader in the public offerings of Enerjisa Enerji A.Ş. and MLP Sağlık Hizmetleri A.Ş. worth TL 1.5 billion and TL 1.4 billion, respectively, which were also completed in the same year.

Further solidifying its leadership position in Turkish capital markets with the financial advisory services it provides in privatization projects, M&A deals, and asset sale transactions, Ak Investment Corporate Finance Department rendered buy side or sell side financial advisory services to companies in a number of industries during 2018.

Ak Investment increased its net profit 104% in 2018 over the prior year. Ak Investment boosted its trading volume by 48% in the stock market and by 12% in the derivatives market (VİOP) compared to 2017. The Company maintained its leadership in structured borrowing instrument, executing 129 distinct issuances. The Company ranked first in leveraged trading volume among brokerage firms that are subsidiaries of a bank, with a market share of 16.9% in the third quarter of 2018.

Being the formal market maker with the largest number of contracts in the futures and options exchange (VIOP), Ak Investment is also the only market maker institution in equity futures contracts, equity options contracts and index options contracts at the same time. The Company's market share in equity options contracts market maker services topped 20% as it maintained its leadership among market maker institutions.

Excluding banks and financial subsidiaries, Ak Investment remains the leader in TL-denominated private sector debt instrument issues in 2018 with a market share of 19%. Ak Investment is the brokerage company that generated the highest trading volume, on the basis of all transactions and brokerage firms, in Borsa Istanbul's Debt Securities Outright Purchases and Sales Market, with a 25% market share.

Ak Investment's Investment Advisory Department forges a long-term, multi-faceted relationship with Akbank's individual and institutional clients and provides investment advisory services based on their risk/return profiles and expectations that are determined by way of eligibility and suitability tests.

Ak Investment's Corporate Sales and Trading Departments provide equity and VİOP sales and trading services to domestic and foreign institutional clients. The client portfolio includes portfolio management firms in Turkey as well as institutional customers based in Europe, Middle East, the UK, and the USA. The Company also reaches an extensive customer base with regard to other products, such as primary and secondary public offerings.

The TradeAll digital trading platform, a brand of Ak Investment, enables customers to execute trades swiftly, safely and conveniently with reasonable fees in the domestic, Forex, Futures, CFD and international equity markets. The Company continued to invest in technology in 2018 in an effort to improve service quality and enhance customer satisfaction.

AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş.

AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. ("AkÖde"), a wholly-owned subsidiary of the Bank, was registered in the Turkish Trade Registry Gazette and established in 2018 with the purpose of rendering payment services and issuing digital currency pursuant to Code on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions numbered 6493. Leveraging its mobile application and prepaid card infrastructure, AkÖde aims to generate convenient, fast and creative solutions for the masses and young people who are not bank customers. AkÖde mobile and card system application will be available for customer use in the first half of 2019. One of AkÖde's main strategic priorities is to increase the Bank's new customer acquisitions in the youth segment.

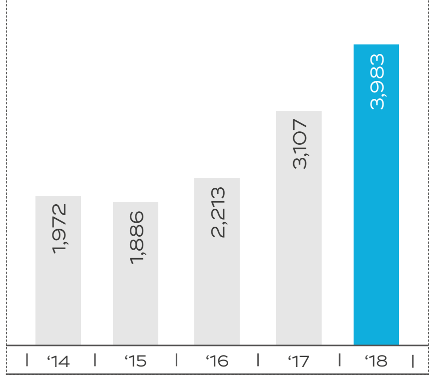
AKÖDE MOBILE AND CARD SYSTEM

APPLICATION WILL BE AVAILABLE FOR CUSTOMER USE IN THE FIRST HALF OF 2019. ONE OF AKÖDE'S MAIN STRATEGIC PRIORITIES IS TO INCREASE THE BANK'S NEW CUSTOMER ACQUISITIONS IN THE YOUTH SEGMENT.

INSURANCE

Avivasa is the leader of the private pension market with a 19.2% market share in terms of assets under management. While premium production in the non-life insurance sector grew by 20%, Aksigorta achieved 30% growth in 2018.

COMBINED NET SALES (TL MILLION)



Highlights
Well-balanced product portfolio and profitable growth

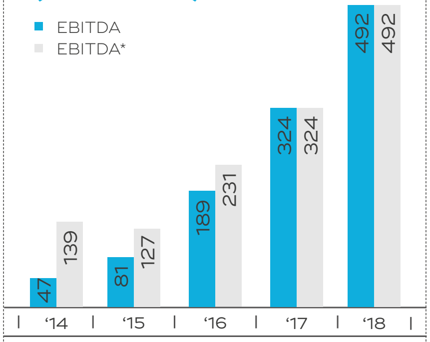
Non-life Insurance
Profit-oriented, robust growth in strategic segments: Total premium production of TL 3.4 billion.

In Turkey, annual non-life insurance spending amounts to USD 126 per capita. In European countries, total underwritten insurance premiums to GDP amounts to 2.7%, while this ratio stands at 1.2% in Turkey.

Pension and Life Insurance
As of December 28, 2018, Avivasa is the leader of the private pension market with total assets under management* of TL 16.9 billion and a market share of 19.2%. The Company's total life insurance premium production rose 20% to TL 565 million in 2018.

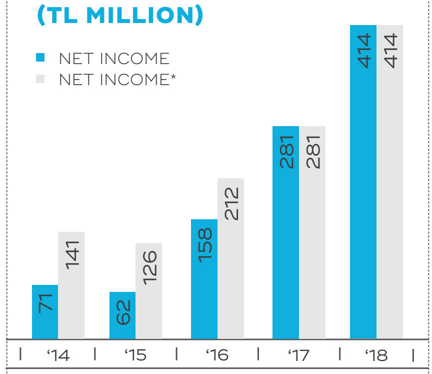
Turkey's insurance industry has posted average annual growth of 20% in the non-life segment and 23% in the pension segment over the last five years.

COMBINED EBITDA (TL MILLION)



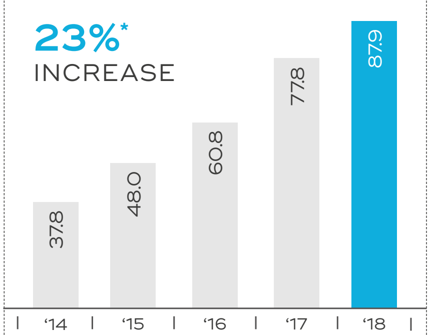
One-off income/expenses are excluded.

COMBINED NET INCOME (TL MILLION)



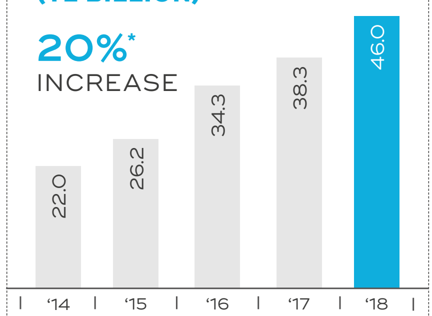
One-off income/expenses are excluded.

TURKEY'S ASSETS UNDER MANAGEMENT (TL BILLION)



** 2014-2018 CAGR*

TOTAL NON-LIFE PREMIUM GENERATION IN TURKEY (TL BILLION)



** 2014-2018 CAGR*

** Excluding auto-enrollment*

AKSigorta

In 2018, Aksigorta increased its market share and its growth outpaced the overall industry.

AKSİGORTA IN 2018

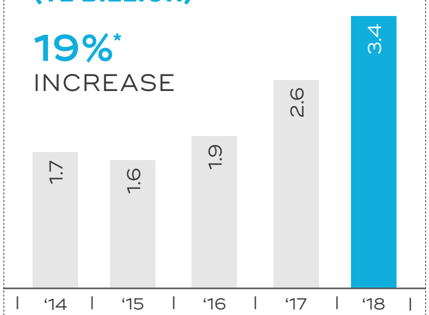
1 In 2018, Aksigorta expanded its client portfolio to 2.8 million.

2 The Company's capital adequacy ratio outperformed the sector average.

3 Aksigorta's initiatives in different business areas garnered the Company prestigious awards in 2018.

AKSİGORTA'S PREMIUM PRODUCTION INCREASE (TL BILLION)

19%* INCREASE



* 2014-2018 CAGR

Obligatory auto-enrollment in TCIP supports industry growth

The non-life insurance industry remained as one of the most dynamic industry of the Turkish economy in 2018 in terms of business volume and job opportunities. The sector increased its total premium production by 20% over the prior year to TL 46 billion. The non-life insurance industry also minimized its risks by a significant margin with the Risky Insurees Pool set up to efficiently manage traffic insurance-related risks. The draft law stipulating automatic inclusion of all buildings in Obligatory Earthquake Insurance (TCIP) represents a major potential for the non-life industry's future growth.

Profitable growth in non-life insurance...

Aksigorta, a brand synonymous with trust, continued to grow profitably in 2018 in all products, channels and segments. The Company recorded successful results by managing risks effectively, capitalizing on its 58-year-long corporate track record and deep expertise. Aksigorta's total premium production jumped 30% over the prior year to TL 3.4 billion. The Company's IFRS-based net income stood at TL 213 million in 2018. The Company demonstrated this solid performance thanks to products and services developed with the vision of making insurance practical, lean and accessible, and to its value-added focused business processes.

Innovations and digital-focused investments continued in 2018

In line with Aksigorta's goals of sustainable profitability and operational efficiency, the Company continued to innovate and make digital-focused investments at full speed in 2018. Thanks to its customer-focused business processes, Aksigorta recorded significant customer acquisitions during the year. The Company boosted its total customer base to 2.8 million, as part of renewals and new product sales efforts. Attaching immense importance to continuous improvement, Aksigorta aims to make innovation methodology and various supportive competencies an integral part of its corporate culture by deploying these among all employees.

3 THOUSAND
AKSİGORTA'S INDEPENDENT AGENCIES

2.8 MILLION
TOTAL CUSTOMERS

131%*
AKSİGORTA HAS A STRONG CAPITAL STRUCTURE WITH A CAPITAL ADEQUACY RATIO OF 131%.

* *As of December 31, 2018 calculations*

As a result of successful projects on the basis of different business units, Aksigorta reported a capital adequacy ratio of over 130%. The Company also made significant gains from its business partnership with Acıbadem Sigorta in the area of healthcare insurance. Aksigorta, an industry standout with its strong balance sheet structure, continued to take firm steps toward its growth targets.

Focus on clients and agencies

In 2018, Aksigorta focused on customers and agencies more than ever. As the first output of the innovation platform to strengthen the new generation insurance perspective and insure Turkey's uninsured masses by offering them solutions best suited to their needs, Aksigorta launched the Complementary Traffic Package. A "first" in the sector, this innovative offering has attracted the previously uninsured masses to insurance.

Rising market share

In 2018, Aksigorta's growth outpaced the overall industry. The Company also increased its market share in traffic insurance as well as its total market share. In fiscal year 2018, Aksigorta reported profitable growth in the motor-own-damage, non-motor and healthcare segments. Meanwhile, ongoing growth in the traffic branch strengthened the agency channel.

AVIVASA

AVIVASA IN 2018

1 Avivasa maintained its leadership position in private pension fund size.

2 Avivasa increased its market share in life insurances by focusing on free sales.

3 Mobile application is available for customer use. In the application, it is possible to reach fund options and savings amount easily and fast.

4 Avivasa redesigned its offices according to the new generation office concept in Izmir, Kayseri, Eskişehir, Denizli, Manisa, Adana, Bursa, Gaziantep, Bodrum, Mecidiyeköy and Bakırköy contact offices as of end-2018.

Leadership sustained
Operating in the private pension and life segments since 2007, Avivasa has become an industry giant – with 1,360 employees, Turkey's largest direct sales force, and the country's most advanced omni-channel structure – in just 11 years.

Turkey: An attractive private pension market
Turkey is a key market for UK-based Aviva and other global insurance companies. Given that the European market is largely saturated, the Turkish market offers attractive opportunities for foreign insurance companies thanks to its high growth rate, young and dynamic population, and strong fiscal structure. The private pension industry recorded average annual growth of 22% in terms of total fund size over the last 10 years. As of end-2018, total fund size, including government contributions, increased 13% year-on-year to TL 87.9 billion. The number of participants rose to 6.9 million.

Undisputed leader of the Private Pension System (PPS) over the last four years: Avivasa
Continuously maintaining its industry leadership first established in 2015, Avivasa capped fiscal year 2018 with a fund size of TL 16.9 billion, market share of 19.2%, 835 thousand PPS participants and more than 2.4 million customers in total.

According to Insurance Association of Turkey's 2018 year-end data, Avivasa has a 7.6% share of the life and personal accident insurance market with total life and personal accident premium production worth TL 565 million. Compared to a year earlier, Avivasa gained an additional market share of 1.1 points in life and personal accident insurance in 2018.

Auto-enrollment's huge contribution to growth
The Auto-Enrollment scheme initiated in 2017 added significant momentum to the private pension system in Turkey. The government contribution, the first reform to the system, and Auto-Enrollment, the second major reform, were crucial in extending the PPS and encouraging society's propensity to save. An analysis of year-end 2018 results for Auto-Enrollment shows that it grew to TL 4.6 billion in fund size and a total of 5 million participants. During the same period, Avivasa attained an Auto-Enrollment fund size of TL 432 million and 593 thousand participants.

Private pension and Auto-Enrollment are very important opportunities for countries with relatively low insurance penetration and individual savings rates. Participant numbers in the Auto-Enrollment scheme, which was initiated in 2017, in just two years reached more than half of the participants of the PPS, which was set up 15 years ago.

Fund size expected to climb to TL 250 billion by 2023
The private pension market is projected to reach a fund size of over TL 250 billion in 2023. The Auto-Enrollment scheme, meanwhile, is expected to expand to a fund size of TL 30 billion in the same period.

Avivasa is a strong player in life insurance with 7.6% market share
In addition to the private pension sector, Avivasa is also active in the life insurance industry. According to year-end 2018 figures from the Insurance Association of Turkey, the Company has a 7.6% share of the total life insurance and personal accident insurance market with premium production of TL 565 million.

Sabancı Holding's combined sales in the insurance business line rose to TL 4.0 billion in 2018, up 28% year-on-year
In 2018, combined sales of Aksigorta and Avivasa went up 28% over the previous year to TL 4.0 billion. In the same period, consolidated net income of the Group's insurance companies jumped 47% year-on-year to TL 157 million.

DIGITAL TRANSFORMATION

New digital investments move Sabancı Group forward to a more productive future.

Customers are at the heart of Aksigorta's digital transformation
Aksigorta continues to use advanced technology efficiently in every area and embraces digitalization as a strategic priority. In 2018, the Company placed first in its category at Gartner Eye on Innovation Awards with the "ClaimsChat" application. Aksigorta continued its Big Data Exploration and Analysis in Insurance study at Turkey's first Big Data Behavioral Analysis and Visualization Laboratory (BAVLAB), jointly established by Sabancı University and MIT. The Company also goes the extra mile in customer relationship management with its newly launched CRM System. Aksigorta places

** Excluding auto-enrollment*

customer information, call center services, customer demand and complaint management on a single platform. With this platform, the Company monitors the service quality and systems of third-party providers serving customers on behalf of Aksigorta. Aksigorta's new CRM system was awarded a Silver Stevie in the "Best Use of Technology – Insurance" category at the Stevie Sales and Customer Service Awards.

Aksigorta continued its Robot Transformation Project, a pioneering effort in Turkey and the industry. In 2018, the Company launched ADA (Aksigorta Digital Assistant), the first artificial intelligence application in the insurance industry, in line with its digitalization strategy. Aksigorta aims to realize 2 million transactions per year with ADA, which is used in 30 different business processes in six different departments. As a result, the Company plans to direct its employees to value-added jobs by removing routine operations from their job definition.

Avivasa pioneers the InsurTech ecosystem with Digital Garage
To keep pace with digital trends, Avivasa launched Avivasa Digital Garage, a first in the industry, which functions as a driving engine and a catalyst in the Company's customer-focused trajectory. Avivasa Digital Garage leads the competition in sector- specific innovations, fosters an entrepreneurial culture across the organization, offers digital solutions to enhance customer and employee experience, and shapes the InsurTech ecosystem with its ongoing digital investments.

HUMAN RESOURCES

People are Sabancı Holding's most valuable asset. Employees take their companies to the top in the highly competitive insurance industry.

Talent management system
Aksigorta's well-defined and closely monitored talent management system runs parallel to its corporate strategies. The Company's talent management approach follows a segmented perspective. All the processes – attracting, recruiting, developing, retaining talent and ensuring loyalty – are a component of the talent management process. In keeping with the motto "Employee development is the Company's development," Aksigorta implements special talent management practices for each category, from long-term interns right up to senior management. In addition to these programs, the Company conducts the talent management process with employee-friendly practices such as in-house career opportunities and internal mentoring. With its talent management programs, Aksigorta cultivates its own leaders and employs the workforce, its most valuable asset, in the most efficient way. Based on the results of Aon Hewitt's employee loyalty survey, Aksigorta was awarded the Employee Loyalty Achievement Award for improving its staff loyalty score and job elements (e.g. career opportunities, training and development opportunities, brand, et al.) that affect the employee experience, over the previous period.

Inspirational leaders at Avivasa
Embracing the idea that customer sentiment is a reflection of its corporate culture and the gateway to the future, Avivasa is committed to refining its processes, clarifying duties and responsibilities, and enhancing cooperation at all levels of the organization. The Company continues along its journey to sustainable success with inspiring leaders.

"Happy employees = Happy customers"
Avivasa understands that human resources, values and culture are what make a company a good employer and bring it success. To this end, the Company implemented the Cultural Transformation Program: "Winning 1-0." Under this effort, Avivasa conducted significant transformations in all its business processes, from its way of doing business to the physical environment of its headquarters and other offices. The motto "Happy employees = Happy customers" lies at the heart of Avivasa's success in climate and culture transformation. Avivasa continued work on revising the role of the senior management team as a role model, aligning manager and employee behavior with the new culture, and reviewing all human resources policies.

With all these forward-looking efforts, Avivasa won the Bronze prize at the Brandon Hall HCM Excellence Awards, which evaluates human resources practices around the world. The awards competition is organized by Brandon Hall Excellence, one of the world's most prestigious consultancies in in-house training and development.

20%
WHILE TURKEY'S INSURANCE INDUSTRY HAS POSTED AVERAGE ANNUAL GROWTH OF 2% IN THE LIFE SEGMENT, AVIVASA POSTED 20%.

TL 16.9 BILLION*
AVIVASA'S TOTAL ASSETS UNDER MANAGEMENT TOTALED TL 16.9 BILLION, BY 11% GROWTH.

** Excluding auto-enrollment*

FUTURE OUTLOOK

Our sustainable growth is set to continue in 2019.

2019: Onward with sustainable growth
As the pioneering player of the Turkish non-life insurance industry, Aksigorta plans to decisively continue its value-added focused transformation and take major steps to bolster its ties with agencies across Turkey in the coming year. The Company will continue pursuing sustainable growth with its transparent and solid balance sheet, strong capital structure, well-balanced product and channel portfolio.

Avivasa also aims to sustain its lead in PPS fund size in 2019. On the life insurance front, the Company plans to significantly boost its market share in all the protection branches. Avivasa is also targeting a significant market share gain in the non-credit linked life insurance market with products that will be developed in response to customer needs based on the Company's innovative approach.

Thanks to auto-enrollment, around 2 million more participants are expected to enter the private pension system in 2019. The fact that it is impossible to physically reach the tens of thousands of enterprises falling under this scope underscores once again the importance of digitalization in the sector. With its digital investments, Avivasa will continue working to provide the best service to its customers in this process.

AKSigorta

Moving forward with the vision “Making insurance simple, lean and accessible,” Aksigorta managed risks effectively in 2018 with its 58-year corporate know-how and expertise. Aksigorta maintained profitable growth in all products, channels and segments.

TL 646 MILLION
EQUITY

TL 3.4 BILLION
PREMIUM PRODUCTION

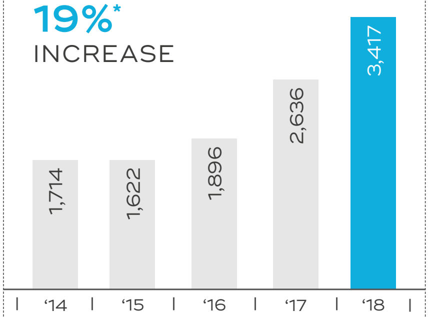
5,700
CONTRACTED INSTITUTIONS

650
EMPLOYEES

WWW.AKSIGORTA.COM.TR

TOTAL PREMIUM GENERATION (TL MILLION)

19%*
INCREASE



* 2014-2018 CAGR

Simple, lean and accessible insurance

Aksigorta serves thousands of individual and corporate clients across Turkey with 10 regional offices, 3,000 independent agencies, 700+ Akbank branches, 69 brokers and 5,700 contracted institutions. The Company has provided customized value-added insurance solutions to customers for 58 years in keeping with its corporate values. Aksigorta responds proactively to the needs of the marketplace through a portfolio of differentiated products.

Moving forward with the vision “Making insurance simple, lean and accessible,” Aksigorta managed risks effectively in 2018 with its 58-year corporate know-how and expertise. The Company maintained profitable growth in all products, channels and segments. In 2018, Aksigorta continued its capital investments focused on analytics, innovation and digitalization, toward the goals of sustainable profitability and operational efficiency.

Aksigorta ranks as one of Turkey’s leading non-life insurance companies with a robust capital structure of IFRS based TL 646 million in equity. The Company is also a profitable enterprise with TL 3.4 billion in premium production. Aksigorta serves individual and institutional clients across Turkey with a comprehensive lineup of products,

from health, travel, auto and mandatory earthquake insurance to business insurance and liability insurance.

Aksigorta boasts a major presence in the bancassurance segment, an increasingly important channel in the insurance industry, thanks to its affiliation with Akbank, another Group company. The Company plans to use this channel more actively by also leveraging Ageas’ extensive global experience in this area.

In 2018, Aksigorta outperformed the industry and boosted its market share in the traffic branch, while also expanding its overall market share. With 2017 as the first year of its transformative “forward leap” effort, the Company continued to record rapid growth in 2018. Aksigorta plans to expand much faster in the coming year as it works toward the goal of a USD 1 billion market capitalization.

Avivasa uses human resources and advanced technology in the most efficient manner and targets becoming the digital insurance provider of choice for customers in the sector by restructuring all its business processes with its customer-focused strategy.

TL 621 MILLION
EQUITY

TL 16.9 BILLION*
ASSETS UNDER MANAGEMENT

** Excluding auto-enrollment*

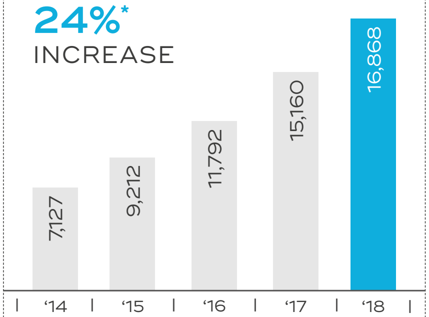
19.2% MARKET SHARE

AVIVASA IS THE LEADER OF PRIVATE PENSION SECTOR.

WWW.AVIVASA.COM.TR

AVIVASA PPS FUND SIZE (TL MILLION)

24%*
INCREASE



** 2014-2018 CAGR*

Customer-oriented digital transformation

Avivasa strongly believes that the future will be shaped by customer focus and digitalization. As a result, the Company put emphasis on digital investments during the year. In line with its focus on digitalization, one of the top strategic priorities of its shareholders Aviva and Sabancı Group, Avivasa continued its customer-focused digital transformation program launched in 2016. The Company aims to become the innovation leader of the insurance sector and provide world-class service to its customers. Avivasa uses human resources and advanced technology in the most efficient manner. The Company targets becoming the digital insurance provider of choice for customers in the sector by restructuring all its business processes with its customer-focused strategy. For this purpose, Avivasa adopts new ways of doing business that boost productivity within the organization, aims to design lean processes and works to provide a better customer experience. The Company plans to continue investing in digital transformation and advanced technology in order to add practicality to the lives of customers with the digital solutions it offers. Avivasa targets offering products and services in line with customer expectations that arise in parallel with technological developments while standing by customers in the moment and channel of their choosing. As part of digital transformation, Avivasa utilized robot technologies to accelerate work processes and increase efficiency. As a result, the Company provided a solution for the soaring workload expected during auto- enrollment. Thanks to the high efficiency and labor saving from this effort, employees were directed to tasks where they can develop other skills and advance their professional development, thus increasing staff motivation and satisfaction.

In 2018, Avivasa launched the mobile customer application. The application is designed with a completely customer-oriented, user-friendly perspective, by incorporating the latest design and technology trends.

Leader of PPS

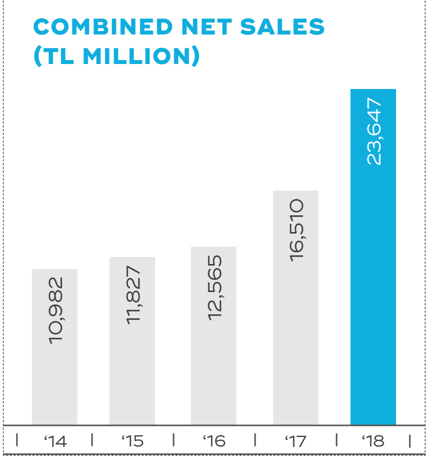
According to Pension Monitoring Center data as of December 28, 2018, Avivasa is the leader of the PPS sector with 19.2% market share in total pension assets under management. The Company's pension assets totaled TL 16.9 billion, including government contributions.

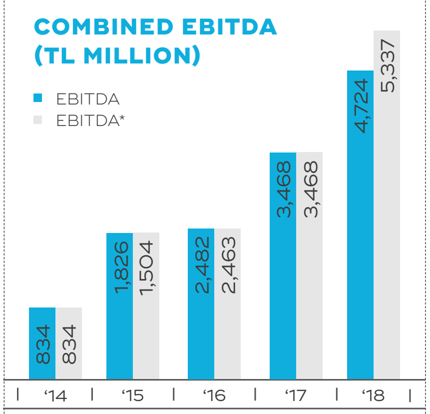
According to year-end 2018 data from Insurance Association of Turkey, Avivasa's total life and personal accident premium production amounted to TL 565 million, which corresponds to a 7.6% share in the life and personal accident market.

In 2018, Avivasa gained an extra market share of 1.1 percentage points in the life and personal accident market.

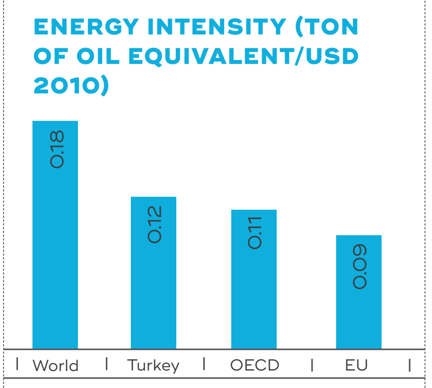
ENERGY

Energy Group companies created value while maintaining the sector leadership in every segment of our portfolio. Effective investment solutions and finance models in dynamic market conditions made this possible alongside with good governance, efficiency and operational excellence.

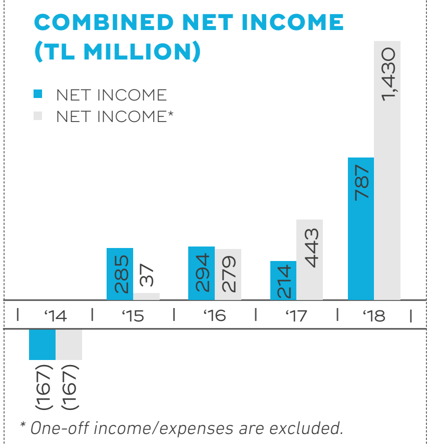




* One-off income/expenses are excluded.



Turkey's energy intensity is higher than the OECD average.



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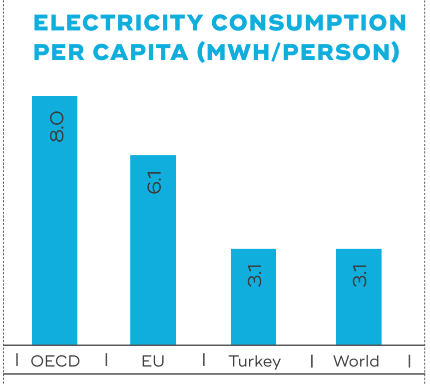


Turkey's electricity consumption per capita is half the EU average.

Source: International Energy Agency, EU statistics, National Energy Efficiency Action Plan

The Turkish energy industry experienced major changes and developments in 2018.

Turkey's energy sector ranks among the world's most dynamic thanks to the country's expanding economy, industrialization and rapid urbanization. Energy is strategically important for Turkey, since it is the main input of all major industries in the country and propels economic growth. Energy is also a key component of social development and welfare.

Fundamental concerns such as supply security, energy consumption per capita and energy intensity are critically important issues for Turkey in order to realize economic growth potential which is influenced by mega trends and dynamics such as digitalization, distributed generation, low carbon, electrification, urbanization and Industry 4.0. For Turkey where electricity consumption per capita is about one-third the OECD average, meeting growing energy demand in a secure, continuous, efficient, competitive, and environmentally, socially and financially sustainable manner is an essential priority. In terms of energy intensity, which is an important indicator of energy efficiency, Turkey is still above the OECD average despite various improvements achieved in recent years.

Against this backdrop, efficiency-oriented strategies are crucial in all areas of the energy value chain in order to take steps to further improve the investment climate and bolster competitiveness. Tapping into local and renewable sources of energy and ensuring increased use of energy efficiency potential are also key for reducing the current account deficit arising from energy imports and managing carbon intensity.

In 2018, growth in energy capacity and demand proceeded at a slower pace than in previous years. Network investments and infrastructure development continued, EÜAŞ and TETAŞ merged under the umbrella of EÜAŞ, and TETAŞ's operations were transferred to EÜAŞ. During the year, the National Energy Efficiency Action Plan announced by the Ministry of Energy and Natural Resources outlined concrete measures to be adopted in the key area of energy efficiency. Important steps were taken to expand the energy market in Turkey. The Organized Natural Gas Wholesales Market was established to conduct spot sales and balancing transactions in the natural gas market.

During the year, domestic and renewable energy resources continued to gain importance. Work continued on new YEKA tenders for solar and wind power. EÜAŞ started to use long-term electricity purchase contracts in order to promote the use of local coal in lignite-powered plants, which are important for boosting energy supply security and narrowing the current account gap. FSRU (Floating Storage Regasification Unit) and gas storage investments were given a boost with the launch of the capacity support mechanism to enhance supply security and flexibility.

With the decrease of the last resource supply tariff from 50 million kWh to 10 million kWh by the start of 2019, more and more high-consumption customers moved toward bilateral agreements for energy supply. Deterioration of the balance between cost and regulated tariffs in the retail market caused repositioning in regulated portfolios and progress in liberalization remained relatively limited. For the coming years, essential steps are expected to improve competitiveness in the markets.

As for electricity distribution, which is the fully regulated part of the electricity sector, 2018 was the third successful year of the 2016-2020 regulatory tariff period. With a supportive and predictable regulatory framework, significant distribution investments were undertaken. As a result, supply quality and efficiency improvements continued. Besides realizing investment priorities to ensure successful implementation of the current regulatory period, research studies to set the new tariff period parameters were continued in a participatory manner within the sector. This effort is important for sustaining and supporting growth after 2020 in addition to adapting new energy and technology trends.

Energy Group companies sustained their strong growth and superior performance.

Business areas in the Energy Group's value chain that have different dynamics are managed separately to ensure lean and effective management with a customer and market focus. Enerjisa Enerji is in charge of electricity distribution and retail, while Enerjisa Üretim is in charge of electricity generation and energy trade.

Supplying electricity to one out every four people in Turkey, Enerjisa Enerji remained the pioneer in both distribution and retail sector. Enerjisa Üretim bolstered its market position as Turkey's leading generation and trade company with a 3,607 MW generation portfolio and a vast trade volume.

IPO of Turkey's leading electricity distribution and retail company Enerjisa Enerji

In 2018, Enerjisa Enerji completed Turkey's largest private sector IPO – a first for the energy industry and a transaction that is recorded in history of Turkey's capital markets. A 20% stake in Enerjisa Enerji was floated in the IPO, which was oversubscribed nearly five-fold due to strong domestic and international investor demand. This record-breaking demand confirmed the confidence across Turkey in Sabancı Group and Enerjisa. Enerjisa Enerji became listed on Borsa Istanbul following this successful IPO.

Groundbreaking operational excellence practices from the largest investor in electricity distribution

Delivering services across an area with a population of over 20 million, Enerjisa Enerji is the industry leader. In 2018, Enerjisa Enerji focused on distribution investments in line with macroeconomic conditions in order to boost the quality of supply in the regulated distribution business. The Company also targeted achieving sustained strong growth in the regulated asset base, one of the main components of the distribution business line's revenue model. In addition, Enerjisa Enerji worked to increase value added through the productivity and customer satisfaction generated by its field operations.

In 2018, Enerjisa Enerji successfully realized a total investment amount of TL 1.6 billion, thereby increasing its Regulated Asset Base by five-fold over the 2014 level. The Company continued its pioneering role in distribution investments and created positive value with its superior performance in other key areas, such as improvements in theft and losses and theft accruals.

With its flexible and efficient 3,607 MW installed capacity in electricity generation, Enerjisa Üretim is Turkey's largest electricity generation company. Enerjisa Üretim contributes significantly to Turkey's energy supply security and competitiveness. 56% of the Company's energy generation portfolio is based on domestic and renewable energies.

Sharp increase in retail volume despite challenging market conditions

With the significant deterioration of the cost-tariff balance during the year, the eligible consumer market volume in the retail sector shrank significantly in 2018. Many large consumers with eligible consumer status tended to return to the regulated market. Turkey's electricity retail leader with 9.6 million customers, Enerjisa Enerji, significantly boosted sales in the regions where it holds Incumbent Supply Company status despite such a challenging economic climate thanks to its proactive sales strategies. With this approach, the Company continued to grow its total sales volume.

The agency system, established to improve service quality and accessibility, expanded customer channels and implemented many projects to boost customer satisfaction. As of year-end 2018, according to a survey by the Ministry of Energy and Natural Resources, Enerjisa Enerji recorded customer satisfaction levels above the Turkish average in all its operating regions.

Leading private company with a portfolio of balanced, diversified, flexible and strong capital in generation and trade

With its flexible and efficient 3,607 MW installed capacity in electricity generation, Enerjisa Üretim is Turkey's largest electricity generation company. Enerjisa Üretim contributes significantly to Turkey's energy supply security and competitiveness. 56% of the Company's energy generation portfolio is based on domestic and renewable energies.

In addition to the flexibility provided by this balanced portfolio, Enerjisa Üretim's industry leading position has also been strengthened by a capital transfer of TL 1.428 billion from Enerjisa Enerji's IPO.

Fluctuations in generation prices, optimization and high availability

In 2018, rising generation costs in the energy sector and uncertainties caused by fluctuations in spot market prices weighed down the industry. Enerjisa Üretim managed these difficult market conditions by sales to YEKDEM from renewable energy plants above market prices and in US dollars, making a purchasing agreement with EÜAŞ which promotes local coal use, applying a capacity mechanism that supports supply security, and using dynamic portfolio optimization.

In line with the Energy Group's operational excellence and performance culture, Enerjisa Üretim significantly improved availability and productivity at its natural gas, hydro and wind power plants, especially at Tufanbeyli Thermal Power Plant, thanks to various upgrade projects. The Company generated high operational and free cash flow by prioritizing effective management of foreign exchange risk in income statement. As a result of the capital increase of TL 1,428 billion from the Enerjisa Enerji IPO and a high amount of loan repayment, Enerjisa Üretim reduced its net debt level significantly during the year.

Leading the energy industry in technology, digitalization and R&D

Enerjisa Enerji continues the rapid digitalization of its vast distribution grid covering 14 provinces. The Company continues its digitalization efforts in a way that will create maximum value for its 9.6 million customers. In this environment where energy sector dynamics are upended by technological trends, Enerjisa Enerji initiated its digital transformation to boost added value for today and the future, by managing all digital capabilities and requirements in a consolidated manner.

In addition to technology projects geared toward process improvements, advanced data analytics studies also increase the potential of a wide range of operations. The Company launched numerous pioneering practices during the year. These included processing customer requests by means of data analytics for automatic routing and follow-up; applying energy solutions such as trigeneration differentiated according to customer needs; boosting generation portfolio performance through technological innovations to gain competitive advantage; monitoring live critical field operations for occupational health and safety – our top priority – with camera to implement central confirmation mechanisms prior to and during the operation; among others.

Energy Group companies continue the innovative and pioneering role they play in the transformation of the industry by prioritizing burgeoning areas such as storage, solar power, distributed generation, smart grids, and e-mobility.

Successful practices in Human Resources and Talent Management
At Energy Group companies, talent management is successfully executed by enabling all employees to better understand themselves. The workforce is encouraged to utilize their skills in the most productive and accurate way, thus supporting their self- actualization. This approach also creates value for the companies. During the year, Energy Group companies launched new programs and continued many successful applications.

Training programs designed to boost employee development and loyalty were maintained. Meanwhile, the terms of the collective labor agreement signed this year improved working conditions and introduced yet another pioneering practice to the sector: the flexible working hours' scheme.

Investing in supply quality and efficiency with a focus on grid and customer needs in distribution
The Energy Group aims to undertake capital investments in line with consumer needs and macroeconomic conditions. The Group focused on investments that improve supply quality and operational efficiency; preparing for the 2021-2025 regulatory tariff period; continue digitalization, customer satisfaction, and technology oriented efforts while extending these across the value chain; and ensure financial sustainability.

Customer-focused retail models, leading role in market liberalization and industry competitiveness
The Energy Group's main priorities are positioning the customer portfolio in line with steps to be taken in market liberalization and tariff; developing new and innovative products, services and energy solutions; increasing market share; seizing the opportunities that digitalization and data analytics present to create more value from our 9.6 million-strong customer portfolio; and generating efficient cash flow by increasing interaction with the energy market.

Efficiency and process improvement-oriented activities in power generation
Operational excellence and efficiency improvements will continue in the Energy Group while the integration of electricity generation and energy trade activities will be expanded. In both generation and trade, the Group's main priorities include strengthening the competitive edge of the portfolio with performance improvements in power plants; creating value with innovative products in trade where we are the leader; supporting the transition of energy markets to a more competitive structure; seizing new opportunities in renewable energies such as wind and solar; and achieving dynamic portfolio management. The Company will continue to support efforts to strengthen the financial sustainability of the Turkish electricity generation sector, a large portion of which poses high debt levels prone to FX risk. Effectively managing balance sheet and cash flow in the energy businesses will remain a core strategy across the Energy Group.

New opportunities in high potential, technology focused areas
In the energy business, major market opportunities are on the rise due to various mega trends. These broad-based trends include Turkey's dynamics such as growth, urbanization and young population; the energy industry's technological investments and solutions, and interactions with various industries; smart city and smart transportation concepts. In the coming year, the Energy Group plans to focus on new investments, collaborations, business models and growth opportunities in such high potential areas.

Strong growth and high performance in 2019
Energy Group companies plan to continue their leading roles in 2019 by supporting sector growth and development toward higher efficiency, increased competition and greater institutionalization. Sabancı Group, as the leader of the energy business in Turkey, will continue creating value for all stakeholders by supporting the industry's strategic importance and development potential in 2019. The Group aims to continue pursuing high growth in its energy business.

9.6 MILLION CUSTOMERS

TURKEY'S ELECTRICITY RETAIL LEADER ENERJİSA ENERJİ SERVED TO 9.6 MILLION CUSTOMERS IN 2018.

HIGHER EFFICIENCY IN ENERGY SECTOR

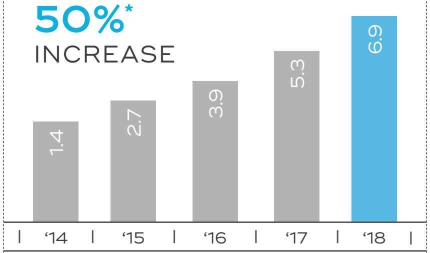
ENERGY GROUP COMPANIES PLAN TO SUSTAIN THEIR LEADING ROLES IN 2019 BY SUPPORTING SECTOR GROWTH AND DEVELOPMENT TOWARD HIGHER EFFICIENCY, INCREASED COMPETITION AND GREATER INSTITUTIONALIZATION.

Besides being the largest TL-denominated private sector IPO in Turkey, Sabancı Holding and E.ON's equal proportioned IPO marked a first for the private sector in electricity distribution and retail.

ENERJİSA ENERJİ

REGULATED ASSET BASE (TL BILLION)

50%* INCREASE



* 2014-2018 CAGR

IN 14 CITIES

20.9 MILLION
POPULATION

10.9 MILLION
CONNECTION POINTS

9.6 MILLION
CUSTOMERS

227 THOUSAND KM
DISTRIBUTION LINE

TL 1.6 BILLION
INVESTMENT IN 2018

WWW.ENERJISA.COM

Enerjisa Regions as Electricity Distribution and Designated Supply Company

● Ayedaş ● Başkent ● Toroslar

Energy for 1 out of every 4 people in Turkey

Enerjisa Enerji is the leader of Turkey's electricity sector, which consists of two main business lines: electricity distribution and retail. In 14 cities under the firms Başkent, Ayedaş and Toroslar, Enerjisa Enerji provides nearly 21 million people with access to electricity. The Company serves 9.6 million customers in the electricity retail sector.

Successful IPO ushers in a new era

20% of Enerjisa Enerji shares were floated by Sabancı Holding and E.ON at equal proportions in an IPO during the year. The transaction generated a high level of investor interest during book building: the IPO was oversubscribed by 4.8 times. Following the successful IPO, Enerjisa Enerji was listed in Borsa Istanbul's Stars Market and the BIST 30 Index on February 8, 2018. The Company was also included in the FTSE All-World Index in June 2018 and added to the MSCI Small Cap (Turkey) Index in November 2018. Enerjisa Enerji's IPO went down in history as the largest TL-denominated private sector IPO in Turkey. The groundbreaking IPO also marked a first for the private sector in electricity distribution and retail. Apart from the value it created for the Turkish economy, the IPO was also important for the institutionalization of the energy business.

TL 1.6 billion investment in 2018

Enerjisa Enerji continued to register strong growth in 2018 thanks to operational efficiency gains and TL 1.6 billion in investment. The Company's Regulated Asset Base, which constitutes a major part of its revenue, climbed to TL 6.9 billion as of end-2018.

Strong performance in retail despite tough market conditions

With a portfolio of 9.6 million customers and widespread brand recognition, Enerjisa Enerji is the clear market leader. The Company rapidly adapted its customer portfolio to the fast-changing market conditions of 2018. By upholding its operational excellence, productivity and customer focus in the Company's retail activities, Enerjisa Enerji expanded its total sales volume in 2018.

Significant progress in innovation, R&D and digital transformation in 2018

As the in-house entrepreneurship program NAR entered its fourth period, Enerjisa Enerji expanded its innovation efforts on a global scale, becoming a major partner of the Plug and Play Energy and Sustainability Program. With Turkish and EU funding, the Company initiated pioneering R&D programs during the year, including reality-based OHS simulation, SECUREGRID and Mobile SCADA. Advanced data analytics and the acquisition of new technologies are digital investment areas at the Company. Enerjisa Enerji launched a digital transformation program and implemented many analytical projects during the year. Work continued in key areas such as energy efficiency and trigeneration projects, roof-top solar panels, electricity storage and demand management.

In addition to its market leadership in distribution and retail, Enerjisa Enerji wants to play an innovative and pioneering role in the sector by spearheading its transformation. In a concrete example of this approach, Enerjisa Enerji acquired a majority stake in Elektrik Araçlar Şarj Sistemleri A.Ş. (Eşarj) and became its controlling shareholder in order to meet the rising demand for "car charging" in parallel with the development of electric vehicles.

Occupational Health & Safety, and the Environment

Occupational health and safety is one of the top priority areas of Energy Group companies, which lead the sector with best OHS practices. Systems integration of the Video Confirmation System, launched this year as a first in the sector, was completed, enabling live monitoring of critical field operations.

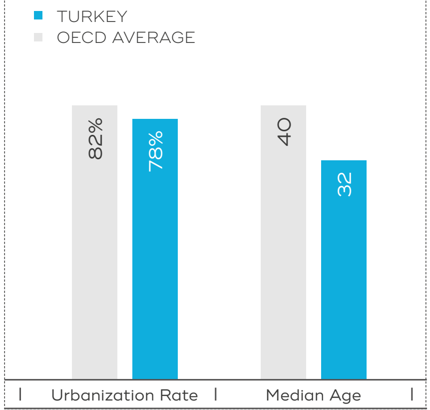
Human Resources/Talent Management at Enerjisa Enerji

In 2018, successful practices and programs were continued in human resources and talent management. As part of development management efforts, the LEAP program for senior executives was completed while the development of 400 managers was supported via the JUMP program. With the Young Energy program, a Youth Advisory Board was set up to help develop young talent and provide consultancy to senior management. Under the YODA and Reverse Mentoring programs, different generations can now learn from each other. Meanwhile, the Wings Up program encourages male and female leaders to adopt a balanced and egalitarian approach in every aspect of life. Turkey's roads were converted into schools with the education truck Mobile Training Center. Collaboration was established with technical schools and universities through contracts signed with the Ministry of National Education. Additionally, 10 thousand employees were integrated with the digital human resources platform IKON in order to create a new appraisal and reward system.

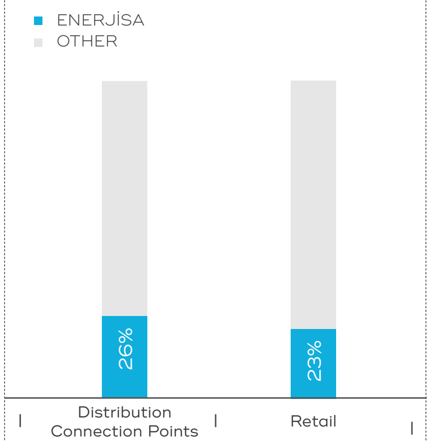
2019 Priorities and Industry Strategy

In 2019, Enerjisa Enerji plans to position itself with enough flexibility to seize various market opportunities arising from macroeconomic conditions and industrial developments in the most optimal way. While prioritizing top-notch energy supply security and quality, the Company will also continue making a difference with its people- and technology-oriented, efficient and innovative infrastructure and customer solutions. Enerjisa Enerji also aims to generate sustainable value for energy consumers, business partners, shareholders and all stakeholders with its business operations in the coming year.

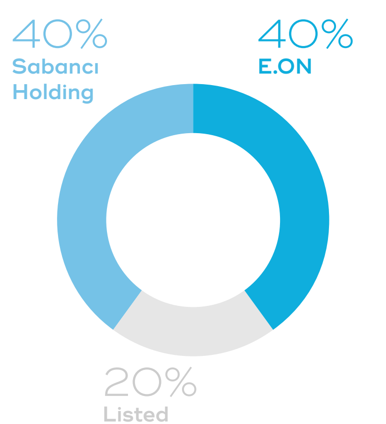
ELECTRIFICATION WITH ECONOMIC GROWTH, YOUNG POPULATION AND RAPID URBANIZATION



THE LEADING PLAYER IN AN ATTRACTIVE AND GROWING SECTOR



STRONG SHAREHOLDERS AND ROBUST CORPORATE GOVERNANCE



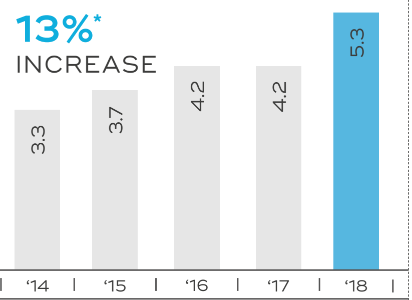
ENERJİSA ÜRETİM

Respecting life and functioning with the mission of producing energy for a better future, Enerjisa Üretim has a leading position in private sector with 3,607 MWh balanced electricity generation portfolio and high trade volume.

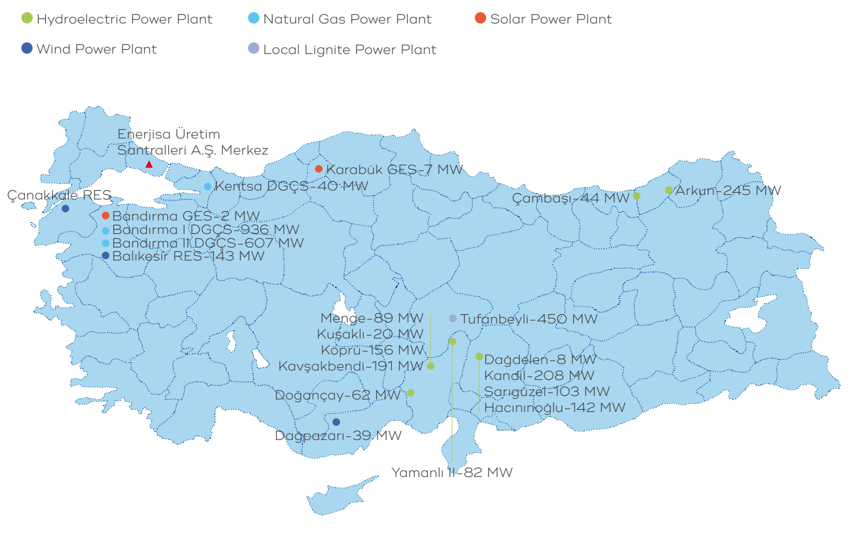
ENERJİSA ÜRETİM

NET SALES (TL BILLION)

13%* INCREASE



* 2014-2018 CAGR



THE LEADER INDEPENDENT POWER PRODUCER WITH

3,607 MW

INSTALLED CAPACITY

21

TOTAL POWER PLANTS

56%

SHARE OF DOMESTIC AND RENEWABLE ENERGY IN THE PORTFOLIO

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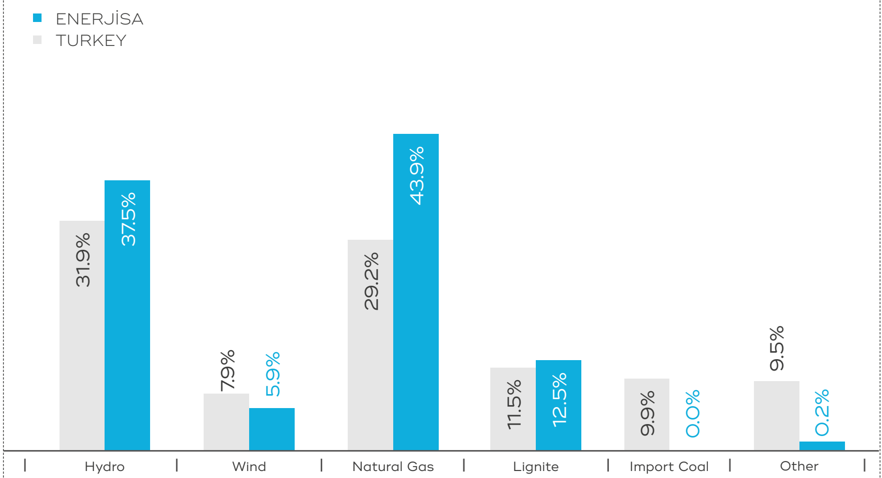
BREAKDOWN OF TURKEY AND ENERJİSA ÜRETİM'S INSTALLED CAPACITY BY RESOURCE TYPE (END-2018)



"We generate energy for a better future while respecting life."

Enerjisa Üretim – Turkey's pioneering power generation and trade company – manages a vast portfolio in its two main business lines: power generation and trade. Enerjisa Üretim manages these two business lines, which have very different dynamics but create value in integration, with a special focus on operational excellence and effective risk management, adding value for all stakeholders.

Leading electricity generation and trade company

The private sector's biggest power generation company, Enerjisa Üretim has a balanced and efficient generation portfolio, which is diversified in terms of energy resources. This diversified generation portfolio – consisting of 3 natural gas combined cycle power plants, 12 hydroelectric power plants, 3 wind power plants, 2 solar power plants and 1 local lignite power plant – is one of the Company's major competitive advantages. Enerjisa Üretim successfully manages an electricity trade portfolio larger than 27 TWh. The Company actively supports more efficient and competitive development of the market.

Supply security with local renewable energy resources comprising 56% of the portfolio

Domestic and renewable resources account for 56% of Enerjisa Üretim's total installed capacity of 3,607 MW. The Company's operational profitability is largely protected by price guarantees. In addition to its sales to EÜAŞ from the Tufanbeyli Thermal Power Plant (450 MW), the power generated by Enerjisa Üretim's hydro, wind and solar power portfolio (1,574 MW) and sold to YEKDEM is under a US Dollar-denominated purchase guarantee. Aside from the renewable and lignite-fired power plants, the new generation Bandırma I and Bandırma II combined cycle natural gas plants, which operate at efficiency levels above the Turkish average and have flexible generation capabilities, also contribute to energy supply security.

Robust 2018 performance despite challenging market conditions

In 2018, Turkey's electricity generation increased about 2.8% to 300 TWh over the prior year. Meanwhile, in parallel with the rise in generation costs, the average price of electricity on the spot market jumped 41% to TL 232/MWh. Foreign exchange rate and price volatility, regulatory changes in the industry, and generally low precipitation across Turkey reduced power generation at hydropower plants during the year. Meanwhile, Enerjisa Üretim focused on portfolio and trade optimization in 2018, powered by its well-balanced and flexible generation portfolio. With this approach, the Company successfully navigated the challenging year with strong cash flow and reduced debt levels. As concrete proof of our operational excellence and top performance, the Company's availability rates increased 11% to 80% at Tufanbeyli Local Lignite-Fired Power Plant; rose 12% to 92% at the natural gas power plants; went up 5% to 95% at the hydroelectric power plants; and increased 3% to 98% at the wind power plants, year-over-year.

Pioneer and leader of energy trade

Enerjisa Üretim, the pioneer and leader of Turkey's developing and deepening energy trade business, also ensures the effective commercial optimization of the Turkish private sector's largest energy generation portfolio. The Company is committed to creating value for its partners and stakeholders in every facet of the value chain. To this end, Enerjisa Üretim uses options trading, cross-border electricity trade, capacity leasing (tolling) and virtual power plant (VPP) solutions, fixed price purchase guarantees, balancing services, spot and futures market access services, as well as structured commercial products for large customers.

Onward with pioneering human resources practices

Offering a secure and sustainable work environment to its workforce, the Company's most valuable asset, Enerjisa Üretim aims to be a pioneer in the human resources arena as well. The Company's OHS procedures are continuously improved by the OHS Committee, which is composed of senior managers; OHS volunteers chosen among employees; and various digital applications. In line with its transparent, flexible and agile approach to human resources, Enerjisa Üretim enhances the technical and individual competencies of its staff with a performance management system that provides development-oriented feedback for 360 days and online e-learning platforms as part of its performance-centered culture. The Company addresses the needs of personnel with the employee support service Avita and the flexible side benefits scheme. While contributing to the national and regional economy with its environmentally-friendly power plants, Enerjisa Üretim also prioritizes improving quality of life for local residents and adding value to the education and future of children and youth in these regions. In 2018, the Company continued to contribute to society at large with the planting of 30 thousand trees, the inauguration of Enerjisa Tufanbeyli Vocational and Technical Anatolian High School, and provision of computers, uniforms, school equipment and clothing to 7,200 students in need.

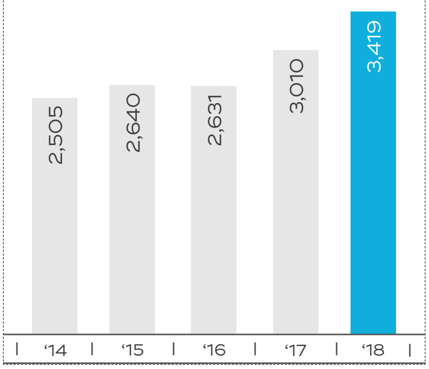
ENERJİSA ÜRETİM UNDERSTANDS THAT QUALITY INFORMATION AND KNOW-HOW CREATE A REAL COMPETITIVE EDGE IN THE INDUSTRY AND WILL CONTINUOUSLY ENHANCE ITS ACCUMULATED KNOWLEDGE AND HUMAN RESOURCES IN ORDER TO SET THE STANDARDS AND SHAPE THE FUTURE OF THE INDUSTRY BY BOLSTERING ITS PIONEERING POSITION.

2019 Priorities and Industry Strategy

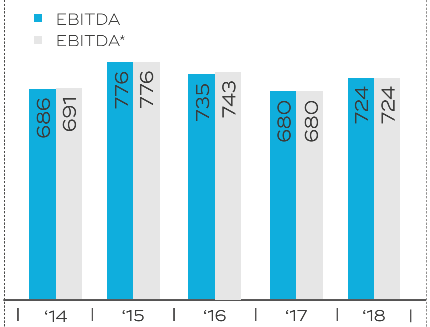
Enerjisa Üretim embraces a culture of operational excellence, commercial and capital optimization, dynamic portfolio management, and high performance. To these ends, the Company aims to strengthen its successful growth trajectory in installed capacity and electricity generation in the coming period, while seizing market opportunities that may arise in the most optimal way. Enerjisa Üretim understands that quality information and know-how create a real competitive edge in the industry. The Company will continuously enhance its accumulated knowledge and human resources in order to set the standards and shape the future of the industry. By bolstering its pioneering position, Enerjisa Üretim will continue creating sustainable value for its business partners, shareholders and all other stakeholders.

CEMENT

COMBINED NET SALES (TL MILLION)

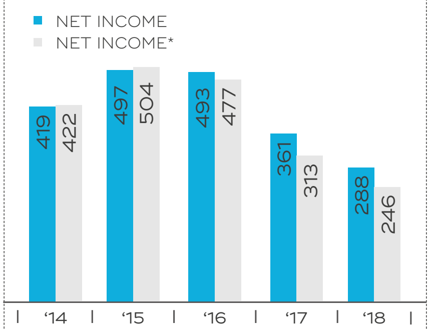


COMBINED EBITDA (TL MILLION)

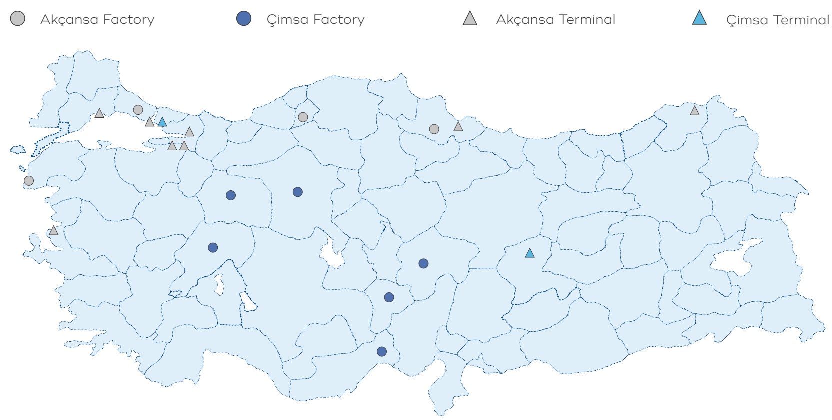


* One-off income/expenses are excluded.

COMBINED NET INCOME (TL MILLION)



* One-off income/expenses are excluded.

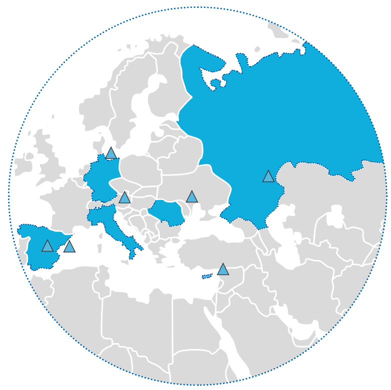


AKÇANSA

- 3 integrated plants
- 1 grinding facility
- 7 million tons of clinker capacity
- 8 domestic terminals

ÇİMSA

- 5 integrated cement factories
- 1 grinding facility
- 6.8 million tons of clinker capacity (including 1.5 million tons of white clinker capacity)
- 2 cement packaging facilities
- 7 international terminals



Cement Sector and Sabancı Group Cement Companies

Turkey's cement industry ranks first in Europe and fourth in the world with its 52 integrated production facilities, 20 grinding facilities, and a total annual production capacity of nearly 100 million tons. Sabancı Group's cement companies – Akçansa and Çimsa – represent 16% of total clinker capacity in Turkey.

Akçansa produces cement and ready-mixed concrete in the Marmara, Aegean and Black Sea regions. Akçansa operates nine cement terminals in Ambarlı, Aliağa, Yarımca, Yalova, Derince, Marmara Ereğlisi, Samsun, Trabzon and Hopa in addition to plants in Istanbul, Çanakkale and Ladik. Operating in the Marmara, Aegean and Black Sea regions of Turkey, Akçansa produces ready-mixed concrete at 26 ready-mixed concrete plants under the "Betonsa" brand and produces aggregate in the Saray, Ayazağa, Bursa and Samsun aggregate quarries under the Agregasa brand. The Karçimsa Cement Grinding and Packaging Plant, established with a partnership between Karabük Demir Çelik İşletmeleri (49%) and Akçansa (51%), has been operational since 1998.

Çimsa operates in the cement and building materials industry with five integrated plants in Kayseri, Mersin, Eskişehir, Niğde and Afyonkarahisar; a grinding facility in Ankara;

Marmara terminal; Malatya Cement Packaging facility; 20 ready-mixed concrete facilities organized under four regional offices; and international cement terminals.

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

Producing gray cement in addition to specialized products such as white cement and calcium aluminate cement, Çimsa is the innovation leader in Turkey's cement industry. Çimsa's Mersin facility is the only plant in the world that produces white cement, calcium aluminate cement and gray cement under a single roof. Çimsa is one of the world's leading white cement brands; with the new investment completed in 2018, Çimsa also started producing white cement at its Eskişehir factory. Çimsa exports 75% of the white cement it produces and holds the largest market share in international trade in this category. With terminals in Hamburg (Germany), Trieste (Italy), Sevilla and Alicante (Spain), Gazimağusa (TRNC), Constanta (Romania) and Novorossiysk (Russia), the Company is an international cement manufacturer that markets its products under the Çimsa brand to 65 countries.

Sabancı Group accounts for 25% of Turkish cement exports

As for the locations, Akçansa and Çimsa have the advantage of proximity to Çanakkkale and Mersin ports. Sabancı Group's cement companies account for 25% of total Turkish cement exports. Thus, they contribute to the national economy and also make foreign currency revenue. Particularly the USA, Europe, North Africa and Russia are the main export markets.

Akçansa's cement and clinker export sales reached 1.7 million tons in 2018. Thanks to the logistics advantage of Çanakkale Port, Akçansa is one of Turkey's most prominent companies in cement exports. Akçansa supplies many different locations, including the USA, Western Africa countries and the Mediterranean Basin, with this port. Akçansa is the largest Turkish supplier in the US market with the added value products produced in Çanakkale. In 2018, 860 thousand tons of total cement exports were supplied to the USA.

2018 operations

Despite increased costs stemming from rising energy prices and foreign exchange rate volatility, Sabancı Group cement companies balanced their income breakdown and maintained operational profitability thanks to their high export capabilities. In 2018, the companies increased their combined revenues by 14% compared to the previous year.

During the year, Akçansa reached a production level meeting about 10% of Turkey's cement demand. Operating its state-of-the-art facilities with excellence, Akçansa posted domestic cement and clinker sales of 5.5 million tons. In addition, alternative fuel usage rate rose to 13.1%. Efforts are ongoing to further boost this rate in 2019.

Sabancı Group cement companies have numerous competitive advantages, including commitment to operational excellence, deep sector experience, experienced staff and strong presence in the global market.

Specialized products, mega projects
Betonsa succeeded in differentiating from the competition with specialized innovative solutions. The brand also undertakes many new, large scale projects with its superior equipment and top quality human resources. Çanakkale Bridge and Alsancak Stadium are among these high profile projects.

Products meeting the needs of mega projects
Akçansa continues to apply innovation across its product and service portfolio. The Company aims to project its innovative approach across all business processes. R&D teams expand efforts to develop a product portfolio to meet all customer needs. With the 1803 Cement, developed specifically for the 1915 Çanakkale Bridge, the foundation of the bridge will be laid in the depths of the sea.

Akçansa's newest product, Smart Concrete, enables intelligent sensors to monitor every stage of the concrete's life cycle.

Investments
Çimsa completed and put various investments into operation in 2018. The Afyonkarahisar, Eskişehir and Niğde investments, completed in 2017 and 2018, were successfully put into operation and started production.

2019 and beyond
Due to contraction in the domestic market and fluctuations in the foreign exchange rate, Akçansa and Çimsa focused on exports in 2018. All industry players with the necessary infrastructure have tried to gain a foothold in export markets, thus intensifying competition. However, Sabancı Group cement companies have numerous competitive advantages, including commitment to operational excellence, deep sector experience, experienced staff and strong presence in the global market.

After a busy investment period, Çimsa completed the capacity increase at Niğde Plant, the white cement investment at Eskişehir Plant, and advanced technology investments at Afyonkarahisar Plant. These investments are expected to bear fruit in the coming years. In addition to the US grinding facility investment, scheduled for completion in the first half of 2019, further acquisition opportunities in developed markets, particularly in the USA are closely monitored. After completion of these large scale investments, Sabancı Group cement companies' priority in the year ahead is to implement digital transformation projects with high added value and short payback periods. To this end, ongoing projects related to production and post-production sales and distribution processes, which are scheduled for 2019, will continue at full speed.

5.5 MILLION TONS

AKÇANSA'S DOMESTIC CEMENT AND CLINKER SALES

10%

AKÇANSA REACHED A PRODUCTION LEVEL MEETING 10% OF TURKEY'S CEMENT DEMAND.

25%

SABANCI GROUP'S CEMENT COMPANIES ACCOUNT FOR 25% OF TOTAL TURKISH CEMENT EXPORTS, THUS CONTRIBUTE TO THE NATIONAL ECONOMY AND GENERATE FOREIGN CURRENCY REVENUE.

16%

SABANCI GROUP'S CEMENT COMPANIES, AKÇANSA AND ÇİMSA, REPRESENT 16% OF TOTAL TURKISH CLINKER CAPACITY.

1.7 MILLION TONS

THANKS TO THE LOGISTICS ADVANTAGE OF ÇANAKKALE PORT, AKÇANSA IS ONE OF TURKEY'S MOST PROMINENT COMPANIES IN CEMENT EXPORTS. THE COMPANY'S CEMENT AND CLINKER EXPORT SALES REACHED 1.7 MILLION TONS.

AKÇANSA

In accordance with the rules set forth by the International Concrete Sustainability Council, Akçansa's Büyükçekmece Plant and Gebze Ready Mixed Concrete Plant became the first in Turkey to be granted the globally recognized CSC Responsible Use of Resources – Sustainability Certification, which is given to the most select manufacturers of cement, concrete and aggregate.

Sustainability

Akçansa meets the expectations of the industry in line with the vision of sustainable growth beyond all borders. The Company provides customers with innovative value-added products and fosters a working culture sensitive to the environment, people and society.

Operating a business model centered on sustainability, Akçansa also sets a global example for best practices in the field. In accordance with the rules set forth by the International Concrete Sustainability Council, Akçansa's Büyükçekmece Plant and Gebze Ready Mixed Concrete Plant became the first in Turkey to be granted the globally recognized CSC Responsible Use of Resources – Sustainability Certification, which is given to the most select manufacturers of cement, concrete and aggregate.

Digitalization

Akçansa boasts a newly created Digital Transformation and Industry 4.0 Department. With this effort, the Company aims to introduce model projects to the sector by developing innovative digital applications. Akçansa provides a virtual reality experience of the Çanakkale Plant to stakeholders, with images taken from the air and on site. This innovative application was developed in line with the importance given by Akçansa to occupational health and safety. The application also offers the opportunity to visit the factory without entering the production areas in another first for the industry.

Young people who start their careers at Akçansa join an orientation program in an augmented reality application. New recruits can visit Company departments by simply wearing virtual reality glasses.

WWW.AKCANSA.COM.TR

Çimsa is taking firm steps toward becoming the "Digital Cement Company of the Future" by focusing on efficiency and also executes Industry 4.0 projects such as smart factory systems and data analytics through its digital strategy.

For more than 46 years, Çimsa has operated as a global player in the cement and building materials industry with its wide product range and innovation competence. Thanks to its expertise in white cement, specialized products and extensive logistics network, Çimsa figures among Turkey's export leaders and significantly contributes to the nation's economy.

Innovation and technology investment

Knowing that the only way to achieve sustainable and profitable success is to invest in innovation and advanced technology, Çimsa integrates digital transformation into all its business processes. Çimsa is taking firm steps toward becoming the "Digital Cement Company of the Future" by focusing on efficiency. The Company also executes Industry 4.0 projects such as intelligent factory systems and data analytics through its digital strategy.

Growth overseas

At the Turkish Exporters' Assembly (TİM)'s Export Champions Awards, organized under the organization's 25th General Assembly, Çimsa demonstrated its successful export performance in cement, glass, ceramic and clay products, by ranking among the top three companies in the country.

Via its seven terminals abroad, Çimsa exports white cement and specialized products to more than 65 countries – especially in the Middle East, Europe, North Africa and America - and continues to significantly contribute to Turkey's export performance every year.

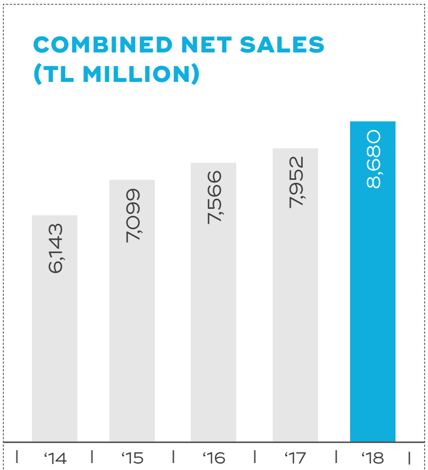
Serving Turkey

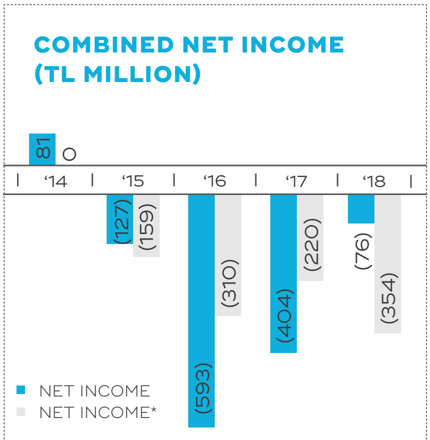
The Summer Children Project was initiated in 2011 with the participation of factory employees in the operation areas and youth from neighboring villages. This effort continues as a sustainable social investment that contributes to the education and personal development of youngsters aged 7-12. The Summer Children Project has reached out to a total of 863 youth over eight years.

Çimsa conducts another social responsibility initiative in cooperation with Mersin Metropolitan Municipality as part of Disability Week. Under this effort, which has steadily grown and expanded over the last four years, Çimsa donated a total of 161 battery-operated wheelchairs to disabled individuals in need.

RETAIL

As of end-2018, Sabancı Group retail companies serve consumers with 596 stores in food retailing and 205 stores in technology retailing in over 70 cities across the country.





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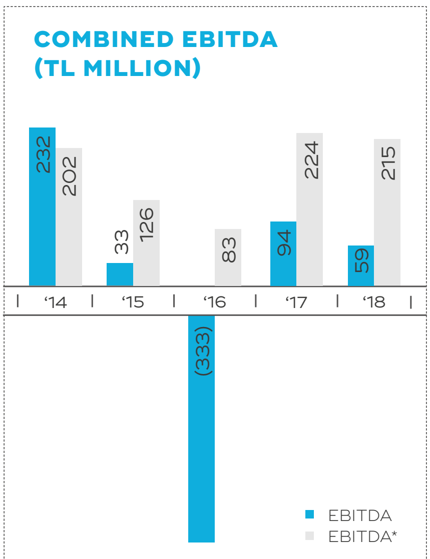


* One-off income/expenses are excluded.

Food retailing is dominated by independent local supermarkets and open-air markets in Turkey. The organized retail sector has a 42% market share and traditional retail accounts for the remaining 58%. The food retailing market is estimated at about TL 260 billion while electronics retail market is estimated at TL 60 billion.

As of end-2018, Sabancı Group retail companies serve consumers with 596 stores in food retailing and 205 stores in technology retailing in over 70 cities across the country.

Services in different formats

The Group's retail companies have different formats across their store network. Teknosa operates under three different formats responding to consumer demands: Standard, Extra and Exxtra. Carrefoursa operates under four different format types: Hypermarket, Supermarket, Gourmet and Mini. Carrefoursa has also repositioned the Gima brand.

Teknosa is the pioneer in the electronics retail market, while Carrefoursa is one of the biggest players in the food retail market.

2018 Activities

Operational excellence

Carrefoursa continued its market overhaul efforts and new market investments in 2018. The Company also conducted domestic seed, livestock and fish projects to support local production. Carrefoursa boosts its efficiency by integrating new market investments with today's advanced technologies, offering its customers services, ranging from fast cash registers to hearing aid support, assistance service to communication activities over digital displays. As of end-2018, Carrefoursa operates its food-focused e-commerce service

network across five major cities. In addition, the Company delivers non-food products to every corner of Turkey via its cargo system.

Teknosa has taken measures to alleviate the toughening market conditions, while undertaking infrastructure investments to improve its operations and move forward. As part of its operational excellence efforts, Teknosa continued its analytical studies on product availability, dynamic pricing, inventory optimization, supply chain optimization and focused on boosting sales efficiency.

Customer-oriented digital transformation

Teknosa has transitioned to the Hybris e-commerce platform in order to deliver the best customer experience. With its new systems infrastructure, Teknosa.com has become a platform that provides end-to-end services. The revamped platform can launch much faster, fully integrated, dynamic and flexible promotional campaigns with robust content management. The new advanced technology platform also improves the Click & Collect application (online shopping and rapid collection from the store).

Teknosa also switched to the Microsoft Dynamics infrastructure for CRM. The new platform singularizes customer data in online and offline channels, and the call center, which is another customer contact point and facilitates data enrichment. Campaign management was strengthened based on customer segmentation over the new CRM platform.

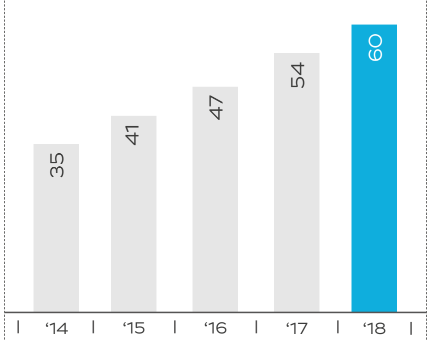
Teknosa continued to work on diversifying its Teknosacell and corporate sales services.

Performance in 2018

Carrefoursa posted turnover of TL 5.2 billion in 2018. The Company operates with a store network of 29 Hypermarkets, 349 Supermarkets, 24 Gourmet Markets and 194 Mini Markets – a total net sales area of 493 thousand m^2 – as of year-end. In 2018, customers shopped approximately 163 million times at Carrefoursa stores.

In 2018, Teknosa reported turnover of TL 3.5 billion. Teknosa is the most widespread technology retail company in Turkey with 205 stores in 68 cities. Nearly 200 million people visited Teknosa stores and Teknosa.com during the year.

TURKEY'S CONSUMER TECHNOLOGY PRODUCTS MARKET (TL BILLION)



2019 outlook

In 2019, Carrefoursa plans to continue focusing on strategic priorities – big data, digitalization, online channel development and omni-channel usage – that will help the Company to differentiate, gain competitive advantage and support profitability. While continuing to renovate its stores, the Company will continue to open new stores and enhancing the performance of its traditional stores with operational improvements.

In 2019, Teknosa plans to continue embracing its new generation retailing philosophy. To this end, the Company aims to focus on

205
NUMBER OF TEKNOSA STORES

108 THOUSAND M²
TEKNOSA'S SALES AREA

596
NUMBER OF CARREFOURSA STORES

493 THOUSAND M²
CARREFOURSA'S SALES AREA

highly profitable and brand image bolstering post-sales services, mobile communication service Teknosacell, its private label product family Preo and other value-added products. The Company plans to make a difference in the industry with product categories on the rise across the world, such as health, personal care and gaming. Teknosa aims to boost its market share in the panel market with omni-channel initiatives, while prioritizing data analytics and investments in digitalization.

Corporate Social Responsibility

Carrefoursa's "Friends Movement" for stray animals

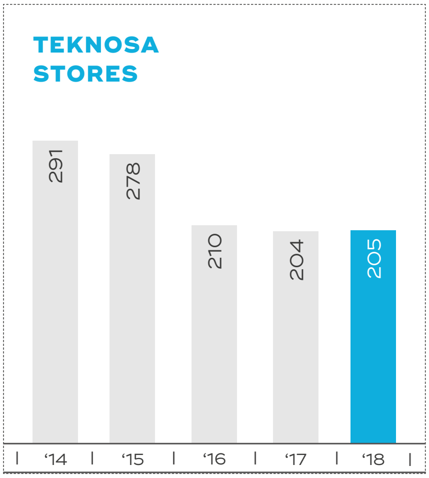
In 2018, Carrefoursa continued to conduct its various social responsibility projects. These efforts included "Friends Movement" for stray animals; "Let Children Design" with Darüşşafaka Educational Institutions; "Social Market" with Beyoğlu Municipality; and "Support Market" with the Basic Needs Association. Carrefoursa gave support to "From the Field to the School" program, which was designed to raise awareness on child labor in agriculture in 2018. The Company also launched the "Support a Child with Every Package" campaign in collaboration with the Community Volunteers Foundation (TOG).

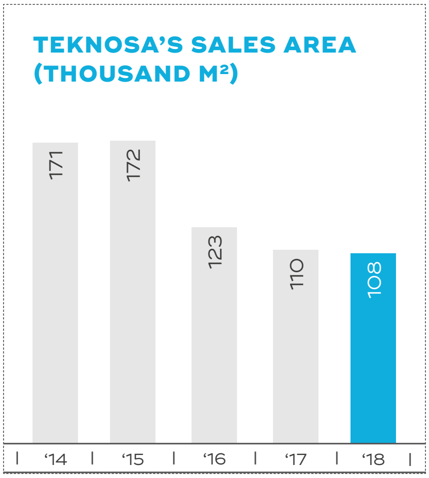
Technology for Women

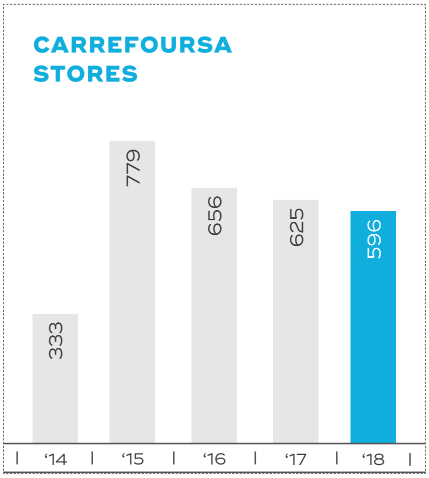
In 2018, Teknosa continued its social responsibility project "Technology for Women" which was launched in 2007. This innovative effort contributes to Turkey's digitalization drive. Under this project, which is conducted in cooperation with Habitat Association and various local organizations, Teknosa helped 17 thousand women in 66 provinces to become technologically literate. Women who participated in the project's training seminars indicated that they feel more confident, equal and empowered after becoming fluent in technology.

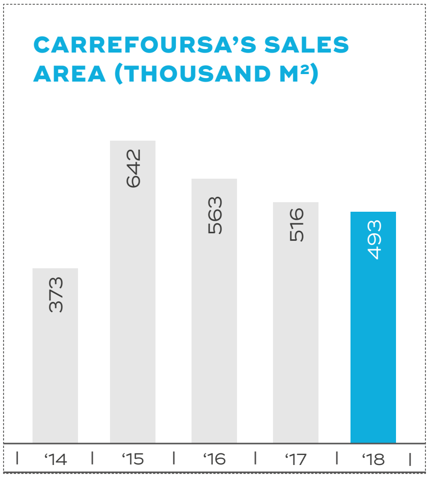
Teknosa is the most widespread technology retail company in Turkey with 205 stores in 68 cities. Nearly 200 million people visited Teknosa stores and Teknosa.com during the year.

Carrefoursa operates with a store network of 29 Hypermarkets, 349 Supermarkets, 24 Gourmet Markets and 194 Mini Markets – a total net sales area of 493 thousand m² – as of year-end. In 2018, customers shopped approximately 163 million times at Carrefoursa stores.









As a result of its digital transformation and integrated omni-channel strategy, Teknosa posted a turnover of TL 3.5 billion in 2018.

TL 3.5 BILLION
TURNOVER

108 THOUSAND M²
NET SALES AREA

205
STORES

~200 MILLION
VISITORS

WWW.TEKNOSA.COM

Established in 2000 with capital from the Sabancı Holding and Sabancı Family, Teknosa conducts its activities with the slogan “Technology for Everyone” and has been Turkey’s leading technology retail company for the last 18 years.

Performance in 2018

By closely monitoring customer behavior and expectations, Teknosa focuses on streamlining its business processes and enhancing its omnichannel architecture and ecosystem. With its digital transformation process, Teknosa has shaped its store investments in order to improve customer experience, while completely overhauling the Teknosa.com sales channel and shifting it to a worldwide e-commerce platform.

Teknosa has launched various training and development programs under Teknosa Academy to ensure that all employees possess the skills, competencies and education required by new generation retailing. In addition to periodic trainings, further training efforts were conducted to cultivate the leaders of today and tomorrow with the cooperation of Sabancı University. The Company also started an in-house trainer education initiative and revamped its mentoring development process.

Most extensive technology retailer

Teknosa is Turkey’s most widespread technology retailer with 205 retail stores in 68 provinces across the country. Nearly 200 million people visited Teknosa retail stores and Teknosa.com during the year. In 2018, the Company completed projects set to become milestones of its transformation strategy and posted turnover of TL 3.5 billion.

2019 outlook

Adopting a holistic transformation perspective, Teknosa aims to fundamentally change its business model to become more competitive in the market and improve its financial performance. In line with its omnichannel strategy, Teknosa will continue to provide customers with the best service without interruption – “from any channel, at any time”– via new service offerings and practices. The Company plans to enhance its CRM-based campaigns with loyalty programs and analytics studies. Teknosa gives priority to e-commerce, mobile technologies, data management and big data in order to be more in touch with customers, deliver excellent customer experience and acquire new customers. In 2019, the Company plans to focus on creating sustainable value for all its stakeholders.

Carrefour SA

Carrefoursa continued its market overhaul efforts and new market investments in 2018. The Company also conducted domestic seed, livestock and fish projects to support local production.

TL 5.2 BILLION
TURNOVER

493 THOUSAND M²
NET SALES AREA

596
STORES

5,3 MILLION
ACTIVE CARREFOURSA CARDS

WWW.CARREFOURSA.COM

CARREFOURSA REACHED OUT TO A TOTAL OF 163 MILLION CUSTOMERS OVER A SALES AREA OF 493 THOUSAND M² – SPANNING FROM KONYA TO IZMIR, ISTANBUL TO ANTALYA, BALIKESIR TO MERSIN, TRABZON TO ANKARA, MUĞLA TO ADANA – THANKS TO ITS EFFICIENCY INVESTMENTS.

Carrefoursa has been operating since 1993 as a business partnership between Sabancı Holding and Carrefour, Europe's first and the world's second largest food retailer across 30 countries with more than 12 thousand stores.

Carrefoursa continued its market overhaul efforts and new market investments in 2018. The Company also conducted domestic seed, livestock and fish projects to support local production. Carrefoursa boosts its efficiency by integrating new market investments with today's advanced technologies. The Company offers customers world-class services, ranging from fast cash registers to hearing aid support, assistance service to communication activities over digital displays.

Successful results

Carrefoursa posted turnover of TL 5.2 billion in 2018. The Company operates a store network of 29 Hypermarkets, 349 Supermarkets, 24 Gourmet Markets and 194 Mini Markets – a total net sales area of 493 thousand m² – as of year-end. In 2018, customers shopped approximately 163 million times at Carrefoursa stores and the number of active Carrefoursa cardholders reached 5.3 million.

In order to sustain local agricultural production, Carrefoursa provides domestic seed support to farmers, sells 100% domestically produced red meat on its shelves, and expands its collaboration with Turkish Agricultural Loan Cooperatives in fresh vegetables and fruits as well as pulses and dairy products. The Company also established the Water Products Platform to contribute to local fisheries and support fish farming. Additionally, Carrefoursa made an investment of TL 7 million to increase the fish variety on its shelves and offered price discounts, thus reaching its target of selling 8 thousand tons of fish in 2018.

Customer-focused efficiency

Carrefoursa focused on supermarket overhauls and investments in 2018, reaching out to a total of 163 million customers over a sales area of 493 thousand m² – spanning from Konya to Izmir, Istanbul to Antalya, Balıkesir to Mersin, Trabzon to Ankara, Muğla to Adana – thanks to its efficiency investments.

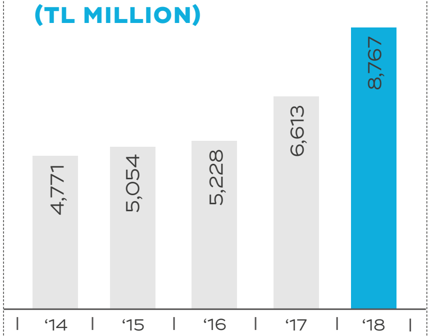
2019 outlook

In 2019, Carrefoursa plans to continue focusing on strategic priorities – big data, digitalization, online channel development and omni-channel usage – that will help differentiate, create competitive advantage and support profitability. While continuing to renovate its stores, the Company will also open new store locations. In addition, Carrefoursa aims to enhance the performance of its stores by appealing to its traditional customer base with operational advancements.

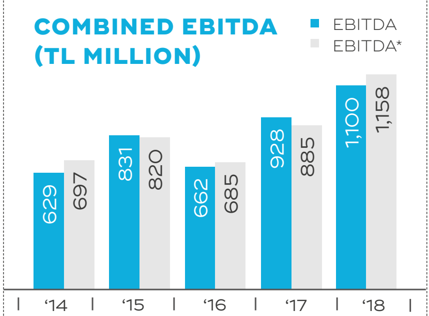
INDUSTRIALS

In areas such as innovation, leanness, data analytics, and Industry 4.0, all Industry Group companies implemented successful practices that set an example to their respective sectors in Turkey.

COMBINED NET SALES (TL MILLION)

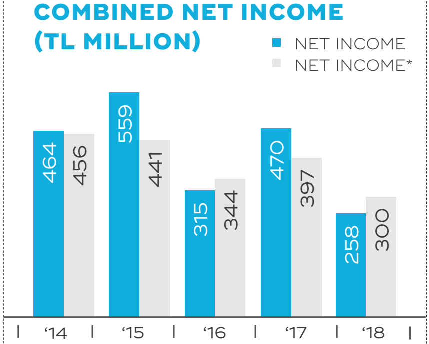


COMBINED EBITDA (TL MILLION)



Note: Philip Morrisa is excluded.
** One-off income/expenses are excluded*

COMBINED NET INCOME (TL MILLION)



Note: Philip Morrisa is excluded.
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Highlights

Kordsa
- Acquisitions in the US composite industry

Brisa
- Turkey's first "smart" tire factory in Aksaray

Temsa İş Makinaları
- The highest market share in the heavy commercial vehicle market with the Volvo brand

Temsa Ulaşım Araçları
- Export breakthrough with the establishment of Temsa North America

Temsa Motorlu Araçlar
- Turkey launch of new SUV model: Mitsubishi Eclipse Cross

Yünsa
- Turkey's leading wool fabric producer

Priorities in 2018

While focusing on growth and profit in their core business lines, the Industry Group companies internalized the competencies that will allow them to keep pace with evolving global dynamics in 2018. Occupational health and safety, quality, productivity, operating capital and cash management were Group's the top priorities in its existing business lines. The Industry Group significantly improved its financial performance in 2018. In areas such as innovation, leanness, data analytics, and Industry 4.0, all Industry Group companies implemented successful practices that set an example to their respective sectors in Turkey.

Growth and advanced technology investments in the Industry Group's main business lines continued at full speed. In line with rapidly changing world trends, the Group joined forces with the Energy Group to assess new transport and renewable technology value chains in detail. The Industry Group also teamed with Sabancı University to study materials technology, proactively creating new business opportunities.

The Industry Group increased its export revenues by 34% in TL terms over the previous year. Temsa Ulaşım Araçları reported export revenues of USD 125 million in 2018. With the Lassa brand, Brisa once again broke an international export record by posting USD 234.1 million in export sales, demonstrating that it remains one of the driving forces of Turkey's economy. Kordsa, which reinforces one out of every three automobile tires and two out of every three aircraft tires worldwide, is globally recognized as "The Reinforcer." Kordsa boasts a market leadership position, strong global footprint, technology leadership, and reinforcement technology know-how.

Performance in 2018

Kordsa bolstered its global market leadership in tire reinforcement, its core business, while continuing to execute strategic and visionary investments in composite technologies.

In 2018, Brisa registered groundbreaking achievements. The Company posted record-high operational and free cash flows. Brisa

also achieved great success in balance sheet management by reducing the cash cycle days from 137 to 71 days.

Temsa Ulaşım Araçları manufactures buses and midibuses for commercial segments such as public transport, service transport and intercity tourism. The Company maintained its domestic market leadership as the only manufacturer offering options ranging from 25 to 58 seats in its domestic product range.

Despite adverse conditions in its primary markets, Temsa İş Makinaları retained its competitive edge with a successful sales performance and groundbreaking customer solutions. During the year, the Company recorded its highest market share to date in the Turkish heavy commercial vehicles with the Volvo brand.

Temsa Motorlu Araçlar regained leadership in the pick-up market with the positive effect of the new dealerships that became operational in 2018.

Sabancı Holding's Industry Group companies maintained their profitability during the year by focusing on high value-added business lines and products. The Industry Group companies contributed to the expansion of Turkey's economy and the manufacturing sector with a successful performance once again in 2018. The Industry Group posted an increase of 33% in combined sales revenue, supported by a rise in export sales over 2017. Meanwhile, combined operational profit went up 19% (excluding Philsa) year-on-year.

Technology and investments

Composite investments

In 2018, with a USD 100 million investment, Kordsa acquired Fabric Development Inc. (FDI), Textile Products Inc. (TPI) and Advanced Honeycomb Technologies (AHT). These enterprises are among the strategic suppliers of the world's leading commercial aviation companies. With these investments, Kordsa strengthened its position among the leading players of the commercial aviation sector in the field of composite technologies. It also took an important step toward its goal of creating a "second Kordsa."

In addition to these composite investments, Kordsa completed its polyester line capital investment in its Indonesian and Turkish factories in its core business of tire reinforcement. The Company also completed a polypropylene investment in the construction business line. As a result, Kordsa continued to increase its production capacity.

Mission: Develop eco-friendly and sustainable products

Kordsa has worked to develop a resorcinol- and formaldehyde-free, eco-friendly glue formula since 2008. This effort reflects the Company's mission to develop more sustainable products in tire reinforcement technologies. As one of the biggest supporters of open innovation, Kordsa has combined its deep knowledge base and expertise in the field with Continental, one of the most important players in the tire sector. Under this effort, Kordsa develops the chemical structure, while Continental develops technologies related to implementation. To make this invention the new industry standard, Kordsa and Continental plan to offer post-development information to the entire world with free usage rights.

Smart Tire Factory

In the 30th anniversary year of the partnership between Bridgestone and Sabancı Holding, Brisa has commissioned its second factory. Brisa's second factory – established in Aksaray Organized Industrial Zone across an area of 950 thousand m^2 with a USD 300 million investment – has become the first "smart" factory in the industry. Thanks to Brisa's production innovations and Bridgestone's latest technologies, the facility is a technology hub rather than an ordinary factory. Brisa's Aksaray facility has already demonstrated best practices in Industry 4.0 schemes. This forward-looking investment is a standout in the industry. It is a pioneering facility in terms of productivity, eco-friendliness, product quality and performance. Brisa has deepened its contribution to strengthen the country in domestic production and international competitiveness. The Company has also created significant value for the nation's economy with the giant leap forward in production and employment.

Brisa leads the way in digitalization

For the last three years, Brisa has collected the Digitalization Pioneer in Turkey award and the Industry Leader award at the Accenture Digitalization Index Awards. In 2018, the Company included its business partners in its digital transformation journey, by applying a Google project to transform its dealer network.

To optimize its dealer network management and deliver instantaneous and efficient solutions, Brisa launched the "Genba Room" project. This initiative brings together the field, finance, sales and marketing processes. The Company also opened the Business Excellence Center (BEC), which is home to training programs with various simulation designs, in order to strengthen the sales team in the field.

In 2018, Brisa initiated the open innovation program "Pioneers of the Journey" to create innovative solutions in mobility. With this program, the Company stepped up its efforts to take its digital excellence to a new level, far beyond its sector leadership objective.

Smart transport solutions from Temsa

Committed to becoming an integral part of smart cities in line with its Smart Mobility approach, Temsa readied its 12-meter electric bus Avenue Electron for mass production, following the 9-meter electric vehicle MD9 Electricity. Temsa showcased the innovative bus at the Hannover Commercial Vehicle Fair, one of the most prestigious events in the automobile world. As a result, the Company became widely known as one few automotive brands in the world that can offer multiple electric vehicle alternatives to its customers.

People

Kordsa demonstrated its world-class success by garnering numerous prestigious awards that recognized its innovative technologies, human resources practices and business ethics. In addition to the awards the Company has received in Turkey, Kordsa has been designated as one of the best employers by the Great Place to Work Institute in Bahia, Brazil for three years in a row. Kordsa also won the Best Employee award in Indonesia for two consecutive years.

Kordsa aims to strengthen all the societies where it operates. To this end, the Company continued its social responsibility activities across four continents in 2018. Kordsa empowered future generations by renovating Turkish and Indonesian schools, delivered training programs in US schools, and organized projects to assist orphans in Brazil.

In 2018, Brisa continued the "Put Your Stamp" platform, for sharing best practices and success stories internally. The Company also initiated the "Put Your Stamp on Your Leadership" and "Put Your Stamp on Your Career" programs to provide support to the staff's leadership and career prospects.

To date, Brisa Employees Educational Support Association has helped over 340 students in need to learn a profession and thus contribute to society at large. The Company supports the education of girls with the Vocational High School Coaches program. Brisa boosts the professional expertise of women working in the retail stores of the Company's business partners with the "Heroes of the Customer" and "Heroes of Service" programs. As part of Lassa's project "We Love Soil and Share the Future," three agricultural engineers visit various villages throughout the year to inform farmers about sustainable agriculture. This effort also raises awareness of traffic safety by placing reflectors and top lights on agricultural vehicles.

Under its "Eliminating Barriers to Careers" initiative launched in 2014, Temsa Ulaşım Araçları had been successful in changing the widespread perspective on employment of disabled people and raising social awareness on this issue. The Company also continued its support to village schools with its Temsa Dream Partners project.

Temsa İş Makinaları is committed to improving employee loyalty and satisfaction. To this end, the Company conducted workshops with pilot groups it formed and implemented their action plans. Temsa İş Makinaları founded the Business Intelligence and Data Analytics Department, which took part in the Hackathon held at Sabancı Advanced Data Analytics Academy.

Temsa Motorlu Araçlar has taken steps toward more efficient dealer management. The Company provided business development training to improve sales and service personnel in the dealer organization. Temsa Motorlu Araçlar also conducted modular trainings to improve the competencies of field personnel.

Priorities and sector strategy in 2019

In the coming year, the Industry Group plans to boost its competitive edge in existing operations by using the latest generation technologies, such as Industry 4.0, digitalization, advanced data analytics and robotics based on artificial intelligence. In addition, the Group aims to realize its vision of shaping the future by entering high value-added businesses – such as energy storage, printable flexible circuits and thin film technologies – and using its advanced competencies in electromobility and material science.

Powered by its R&D work, Kordsa is keen to expand across all the regions where it operates in 2019. The Company also aims to focus on composite technologies with its strategic investments. Integration of the composite investments in the USA and organic-inorganic growth studies in the area of composites are planned to continue in the coming year.

In 2019, Brisa plans to further capitalize on its Aksaray facility, which boasts advanced production technologies; the İzmit factory, which has already proven its manufacturing power; and R&D Center, which will step up its operations during the coming year. Brisa also aims to continue leading the market; developing products and services that make a difference; using innovative communication tools and business models; innovating new services; developing its robust human resources; and adding value to shareholders.

Temsa shapes its business operations with the vision of global growth. The Company's top priority in the future is boosting its presence in the most competitive market in the world with Temsa North America, which was established in 2018.

Temsa İş Makinaları plans to keep pace with global technology developments. To this end, the Company will continue providing added value for customers with its Komtrax satellite tracking system service in the construction equipment market, Dynafleet fleet management service in the heavy commercial vehicles market, and Infolink fleet management service in the warehouse equipment market.

Temsa Motorlu Araçlar aims to realize the Turkish launch of Mitsubishi L200 simultaneously with European countries in September 2019, and to maintain its leadership position in the pick-up segment.

Kordsa reinforces one out of every three automobile tires and two out of every three aircraft tires worldwide.

KORDSA

WORLD NYLON 6.6 MARKET LEADER

28%

Temsa operates 12 sales points and 67 service points across the country. In 2018, the Company maintained its leadership of the domestic bus market for the fourth year.

TEMSA ULAŞIM ARAÇLARI

LEADER IN TURKISH MARKET OF BUSES

26%

In the construction equipment product group, Temsa İş Makinaları sustained its competitive position despite contraction in the market. The Company also maintained leadership in the diesel forklift market.

TEMSA İŞ MAKİNALARI

LEADER OF THE TURKISH DIESEL FORKLIFT MARKET

11%

Brisa established Turkey’s first smart factory in Aksaray in 2018.

BRİSA

LEADER OF TURKISH TIRE REPLACEMENT MARKET

32%

Temsa Motorlu Araçlar runs its Turkish operations with 26 authorized dealers and 29 authorized service centers.

TEMSA MOTORLU ARAÇLAR

TURKISH PICK-UP MARKET SHARE

23%

Yünsa manufactures Fabrics 24/7 with over 1,000 employees.

YÜNSA

TURKEY’S LEADING WORSTED WOOL FABRIC EXPORTER

70%

KORDSA

Kordsa is a global player in the tire and construction reinforcement, and composite technologies markets. The Company conducts business operations with approximately 4,500 employees and 11 production facilities on four continents.

TL 338.6 MILLION
NET INCOME

179
PATENTS

100 WORKERS
R&D TEAM

WWW.KORDSA.COM

Kordsa is a global player in the tire and construction reinforcement, and composite technologies markets. The Company conducts business operations with approximately 4,500 employees and 11 production facilities on four continents. With its mission of "Empowering Life," Kordsa strives to create sustainable value by offering innovative solutions with high value-added to its customers, employees, stakeholders, and the communities where it operates.

Kordsa, the strategic technology partner of the largest tire manufacturers, reinforces one out of every three car tires in the world and two out of every three aircraft tires. In construction reinforcement technologies, the Company is preferred in infrastructure and superstructure projects due to its synthetic fiber reinforcements which deliver energy efficiency, long-term durability and low carbon emission. In composite technologies, Kordsa develops visual and structural parts to produce more robust and lighter vehicles, by using composites in the automotive and aviation industries.

R&D and innovation are an integral part of Kordsa's corporate culture. The Company's first R&D center was established in 2008 in İzmit. This R&D facility functions like an innovation hub for both the global and Turkish tire reinforcement and construction reinforcement markets. Kordsa's second R&D center is located in the Composite Technologies Center of Excellence, which unites R&D, innovation and production in composite technologies under a single roof. The Company develops the reinforcement technologies of the future with a 100-strong team at its two R&D centers. In 2018, Kordsa's patent applications were up 10% over the prior year and totaled 729. At present, Kordsa boasts 181 inventions and 179 granted patents.

Performance in 2018

Kordsa reported sales of TL 4 billion in 2018. Net income increased 60% to TL 338.6 million. Kordsa maintained its position in the Nylon 66 and Polyester Tire Cord markets during the year. The Company achieved its growth targets across all segments thanks to its capital investments. The reporting year saw higher-than-expected increases in nylon and polyester raw material prices. However, Kordsa became an even stronger player thanks to its effective pricing strategies and solid market position. As the Company operates a production facility in the US market, Kordsa positively decoupled from the competition during the trade wars. Meanwhile, Asia-Pacific manufacturers saw their margins shrink since they could not enter the US market and had to face an intensified competitive environment in the polyester market. During the year, Kordsa grew 28% in the Nylon 6.6 market, which expanded 2.5% over the previous year. The Company captured 11% market share in the polyester market, which grew by 3.5%. As a result, Kordsa increased its market share in both product groups.

Turkey's tire industry leader, Brisa continued to contribute to the Turkish economy following a USD 300 million investment for the first smart factory in the industry located in Aksaray Organized Industrial Zone.

TL 95.7 MILLION
NET INCOME

OVER 1,500
BRANDED DOMESTIC SALES POINTS

OVER 600
OVERSEAS SALES POINTS WITH THE LASSA BRAND

WWW.BRISA.COM.TR

The world tire market is expected to follow a stable growth path until 2020. Global players continued their plans to increase capacity and establish new production plants. Against this backdrop, Brisa continues to deliver its 100% Turkish developed produced Lassa brand tires to car owners at 610 Lassa stores and 6 thousand sales points via 80 distributors across 70 countries.

Performance in 2018

In 2018, Brisa consolidated its strong footprint in Turkey and international markets. Total sales rose 31% to TL 3.0 billion and net income came in at TL 95.7 million. Brisa demonstrated once again that it is a driver of the Turkish economy, by continuing to break records with the Lassa brand in the overseas markets where it operates. Total international sales went up 15% in terms of units sold and rose 55% in terms of turnover.

Brisa is the leader of the tire market in Turkey with its Bridgestone and Lassa brands. The Company focused on domestic and international market growth to bolster its "undisputed leader" position in 2018. Producing one out of every three tires that reach the end consumer, Brisa steadily executed its capital investment plan thanks to its people, innovation, advanced technology and balanced financial structure.

In 2018, Brisa, after investing in its İzmit plant for 44 years, established a manufacturing facility in Aksaray – in the heart of Anatolia. This plant commenced production during the year. Boasting Turkey's strongest dealer network in the industry and a 2,700-strong highly skilled workforce, Brisa took the mantle of innovation leadership to enrich customers' experience with much more than tires.

Brisa's Lassa brand placed first and Bridgestone ranked third in the top brands list of the industry. On Brand Finance's "Turkey's Most Valuable Brands – Turkey 100" list, Brisa placed 43rd in the overall Turkish ranking and first in the tire industry. The brand had an estimated a market value of USD 103 million.

2019 outlook

In 2019, Brisa plans to further capitalize on its Aksaray facility, which boasts advanced production technologies; İzmit factory, which has already proven its manufacturing power; and R&D Center, which will step up its operations during the coming year. Brisa also aims to maintain its undisputed leadership in the domestic market; set new export records with brands that make a difference; use innovative communication tools and business models; innovate and roll out new services; and develop its robust human resources.

With the establishment of Temsa North America in 2018, Temsa strengthened its competitive position in global markets and marked the beginning of a new era in terms of Temsa's overseas corporate strategy.

EXPORTS
66 COUNTRIES

EXPORTING MORE THAN
12 THOUSAND
VEHICLES

67
SERVICE POINTS

12
SALES POINTS

WWW.TEMSA.COM

In 2018, Temsa exported more than 12 thousand vehicles to 66 countries thanks to its expanding product range. Today, there are 5 thousand Temsa branded buses on the roads of France. Besides France, Temsa maintains its presence in key European markets, including Germany, UK, Italy, Austria, Sweden, Lithuania and Spain. The Company is also rapidly increasing its market share in the USA with its diversified product range.

Leader of the domestic market for the fifth year in a row

Temsa operates 12 sales points and 67 service points across the country. In 2018, the Company maintained its leadership of the domestic bus market for the fifth year in a row with 26% market share. Prestige SX became the market leader in the 27 to 29 seat segment with a 50% market share.

2018: A year of overseas restructuring

Temsa expanded its technology-focused investments in 2018. The Company not only continued its in-house digital transformation drive, but also reinforced its organizational structure in overseas markets.

2018 marked the beginning of a new era in terms of Temsa's overseas corporate structure. Temsa, which has operated in North America since 2010, decided to conduct its business operations in North America under Temsa North America – a wholly-owned subsidiary of Temsa.

For the year, in its primary markets in Europe, Temsa recorded market shares of 3.2% in Sweden, 1.2% in the UK, 0.8% in Germany, 1.6% in Italy – in its main segments. The Company posted an overall market share of 4.9% in France, the largest market in Europe. Temsa reported total export turnover of USD 125 million in 2018.

2019: A leap forward in exports

In the coming year, Temsa plans to bolster its position and boost its market share in North America. The Company will adopt a similar strategy for the European markets of France, Italy, UK and Germany, which Temsa views as its major markets.

TEMSA

MOTORLU ARAÇLAR
PAZARLAMA VE DAĞITIM A.Ş.

Temsa Motorlu Araçlar executes the sales, marketing, service and spare parts functions for Mitsubishi Motors passenger and commercial vehicles. The Company's portfolio is comprised of the Mitsubishi Motors passenger cars group – which includes Space Star, ASX, Eclipse Cross and Outlander – and the Fuso Canter* Mitsubishi L200 pick-up in the commercial vehicles and light truck segment.

In April 2018, Temsa Motorlu Araçlar conducted the Turkey launch of Mitsubishi Motors' new coupe SUV, Eclipse Cross. The Company also captured 23% market share with its strong player Mitsubishi L200 in the pick-up segment, thereby closing the year as market leader. The Company was designated as the "Fastest Growing Light Commercial Vehicle Brand" at the Sales and Communication Awards ceremony held by the Association of Automotive Distributors. In 2019, Temsa Motorlu Araçlar plans to maintain its strong position in the pick-up segment and boost its market share in the passenger segment with the new dealerships it created in 2018. Temsa Motorlu Araçlar also aims to conduct the Turkish launch of Mitsubishi L200 simultaneously with European countries in September 2019.

**Fuso Canter's sales and service were transferred to Temsa Ulaşım Araçları as of January 2019.*

WWW.TEMSAMOTORLUARACLAR.COM.TR

TEMSA
İŞ MAKİNALARI

Temsa İş Makinaları is the distributor of Komatsu, Volvo Trucks, Crown, Dieci and Terex Finlay, each of which are global leaders in their respective sectors.

Temsa İş Makinaları addresses the full range of needs of customers via sales and after-sales services for the brands it represents. The Company also provides rental and second hand sales services to customers whether they operate in Turkey or abroad. All these services are offered to government agencies as well as companies in different industries, such as construction, mining, marble, logistics, industrial manufacturing and energy.

Performance in 2018

Temsa İş Makinaları maintained its competitive edge thanks to strong sales, despite the adverse market conditions affecting its product groups, such as Komatsu Construction Equipment, Volvo Trucks, Crown Warehouse Equipment and Komatsu Forklift.

In the construction equipment product group, Temsa İş Makinaları sustained its competitive position despite contraction in the market. The Company also maintained leadership in the diesel forklift market. The heavy vehicle market contracted 38% even as Temsa İş Makinaları recorded its highest ever market share with the Volvo Trucks brand.

In 2018, Temsa İş Makinaları received the Top Performing Distribution Region award from Volvo Trucks, and Most Successful Customer Support award from Terex Finlay for sales and after-sales services.

2019 outlook

In the coming year, Temsa İş Makinaları plans to maintain its current leading position while boosting its market share, with the Company's wide product range and customized solutions for clients.

WWW.TEMSAISMAKINALARI.COM

YÜNSA

Yünsa manufactures fabrics round-the-clock with over 1,000 employees. The Company consistently reports successful business results thanks to its efficiency-focused production approach. Manufacturing and using its own yarn, Yünsa has a 4,500 ton production capacity in kamgarn yarn, and a fabric weaving capacity of 12,500 km. Since 2012, the Company has conducted its production operations according to TPM (total productive maintenance). TPM allows Yünsa to manage costs effectively and operate with a special focus on quality and productivity.

In 2018, Yünsa focused on financial results and operational excellence. The Company also made a difference in the industry with its efficient working capital management. Thanks to its extensive know-how and experience, Yünsa increased sales revenue by 24% to TL 367.8 million, while net income boosted by 89% to TL 28.1 million.

WWW.YUNSA.COM

OTHER

INFORMATION TECHNOLOGIES

SabancıDx

SabancıDx boasts new services, solutions and models on top of Bimsa's 43 years of know-how. The Company paves the way to digitalization of the future in Turkey, embracing the vision of opening up to the world. With advanced data analytics programs and products, SabancıDx transforms Sabancı Holding's rich data trove into added value products and services. SabancıDx offers enterprise services and solutions in cloud services, cyber security, systems integration and digital business so that companies can realize their digital transformation. SabancıDx, symbolizing "Digital Multiplier" creates new value and advanced technologies in the digitalizing world with its mission of becoming the digital multiplier of companies and releasing their digital energy.

Business Lines and Solutions

Advanced data analytics

Helping the companies that focus on tomorrow move forward into the future, SabancıDx serves as a gamechanger in the analytics world by placing science at the center with its digital and analytics solutions. In light of accurate analytic concepts, and to enhance analytics experience, SabancıDx takes companies to the future by focusing on predictive modeling, machine learning, big data and artificial intelligence.

New workforce solutions

SabancıDx new workforce solutions impeccably repeats the Company staff's work methods, the processes they follow, and the decisions they make in existing schemes and systems –from HR to sales, operations to information technologies. SabancıDx New Workforce Solutions boosts the performance of each department from seven to 15 times, by operating continuously round-the-clock.

SabancıDx leads the digital transformation of corporate enterprises with the software as a service (SaaS) products HR Web, Edoksis, Pratis and GRSIS.

Cyber security

SabancıDx secures digital assets of companies. This key SabancıDx service, located at the intersection of computer science, electronics engineering and mathematics, plays a vital role in protecting all the valuable digital data of companies.

Data Center

At the SabancıDx Data Center, companies can safely host their critical business applications and data. The offerings of the Data Center include Hosting Services, SAP Basis Services, Security Services, Messaging and Collaboration Services, Database Services, Operating System Services, Server Services, Data Storage and Backup Services, Network Services, Business Continuity/Disaster Recovery Services, Cloud Computing Services and Outsourcing Services. All these offerings are based on reliable, continuous components with backup, which runs 24/7.

R&D Center

SabancıDx established the R&D Center to conduct its innovation and software development activities. The Center was approved and certified by the Ministry of Industry and Technology in 2018. SabancıDx R&D Center develops new products in line with market needs and boosts the technical capacity of existing products by adding analytical capabilities.

Catalist

SabancıDx initiated the Catalist program to collaborate with start-ups in the burgeoning areas of analytics and IoT. Through this initiative, SabancıDx plans to use its technical/technological know-how and Sabancı Holding's experience in different sectors to assist start-ups and create synergy.

Certifications

SabancıDx is committed to customer satisfaction and continuous improvement in corporate processes. To this end, the Company demonstrated its adherence to quality in information technology services and commitment to customers by obtaining the ISO 22301 Business Continuity Management System and ISO 27001 Information Security Management System certifications.

TOBACCO

Philsa
Philsa was established in 1991 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding. Starting operations in late 1992, the manufacturing facility in the Torbalı district of Izmir boasts a world-class reputation thanks to a specialized staff and investment in state-of-the-art technology. Total investments at this plant amounted to about USD 934 million as of year-end 2018. Philsa engages in top quality production for the domestic market as well as overseas, expanding its export volume year after year.

Philip Morrissa
Established in 1994 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding, PMSA undertakes the nationwide sales and distribution of PMI's cigarette brands in Turkey. The Company's distribution network includes nearly 145 thousand sales points in 81 provinces. With nearly 60 distributors and their sales staff, PMSA has one of the largest sales networks in Turkey with some 2 thousand sales personnel in the field. As of year-end 2018, PMSA captured a 43.5%* share of the legal cigarette market.

** Source: Nielsen Retail Audit November 2018.*

TOURISM

Tursa/AEO
Tursa, a Sabancı Holding subsidiary, is the owner of Adana Hiltonsa and Mersin Hiltonsa, while Ankara Enternasyonal Otelcilik owns Ankara Hiltonsa. The Group entered the tourism industry with the Adana Erciyes Hotel many years ago. The Group first gained traction in the form of a founding partnership with the inauguration of the Ankara Hiltonsa Hotel in 1988. The Group's tourism business expanded further with the Hilton Parksa and Mersin Hiltonsa hotels in 1990 and reached its current state with the opening of Adana Hiltonsa in early 2001. As of year-end 2018, the Hiltonsa chain of hotels had a 790-room capacity in total: 309 rooms at Ankara Hiltonsa, 295 rooms at Adana Hiltonsa, and 186 rooms at Mersin Hiltonsa. The hotels are operated by the Hilton Group.

HIGHLIGHTS OF SABANCI FOUNDATION'S ACTIVITIES

120
INSTITUTIONS

1
UNIVERSITY

38
EDUCATIONAL INSTITUTIONS

19
DORMITORIES

17
SOCIAL FACILITIES

16
TEACHER'S CENTERS

16
CULTURAL CENTERS

5
SPORTS FACILITIES

4
HEALTHCARE FACILITIES

4
LIBRARIES

74
PROVINCES BENEFITING FROM GRANT PROGRAM

FOUNDATION

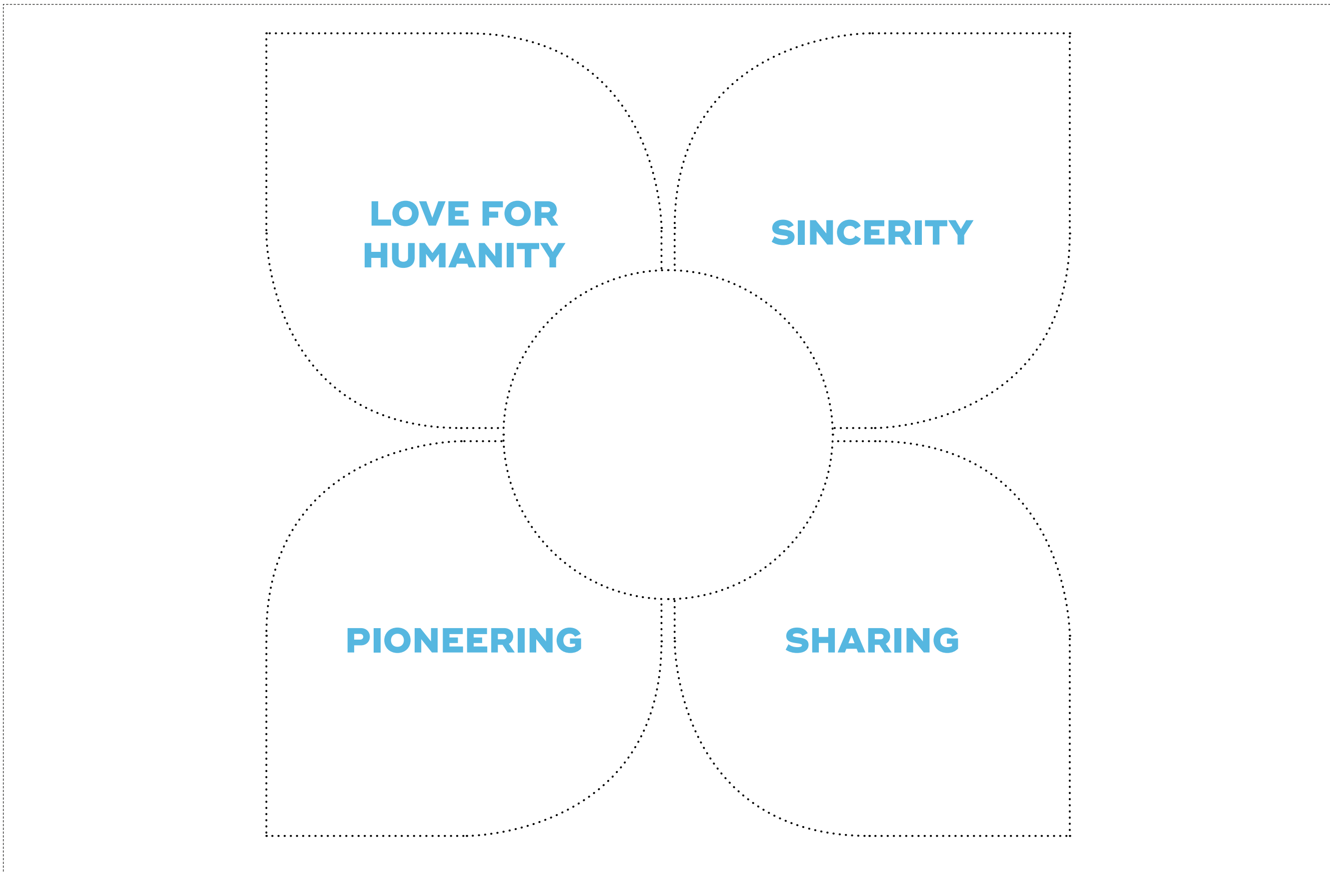
We touch the lives of individuals everywhere in Turkey.

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

Sabancı Group harnesses the power of its industrial and economic advancements to support social and cultural activities through the Sabancı Foundation. As such, it has become one of the leading family foundations in Turkey.

Sabancı Foundation has built more than 120 institutions all around Turkey in 78 cities, such as schools, dormitories, teachers' centers, medical facilities, sports complexes, cultural centers and social facilities.

THE VALUES OF THE SABANCI FOUNDATION



What We Do

We support innovative education through Sabancı University.

We empower non-governmental organizations by making grants and sharing our expertise.

We share our knowledge and experience with the aim of strengthening philanthropy.

We inspire society by increasing the visibility of “changemakers.”

We encourage students and artists by offering scholarships and grants.

We pioneer with new approaches and methods implemented in the field of philanthropy, especially by supporting civil society with grants.

We contribute to the resolution of social issues by working with non-governmental organizations.

We build institutions in the fields of education, culture, healthcare and sports.

SABANCI UNIVERSITY

Sabancı University ranked first among the 23 Turkish universities in the World University Rankings by Times Higher Education (THE), placed in the 351st-400th interval among a total of 1,258 universities from 77 nations around the world.

Sabancı Group established a "world university" under Sabancı Foundation's stewardship in 1994. During the foundation of Sabancı University, a new and original university design was created. Sabancı University opened its doors to students in 1999 and today is considered a model institution by numerous universities.

Sabancı University's original education system is what that makes a difference. Academic programs at Sabancı University are innovative and interdisciplinary.

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

Turkey's most entrepreneurship focused and innovative university

In 2012, for the first time in Turkey, the Ministry of Industry and Technology, and TÜBİTAK produced a University Entrepreneurship and Innovation Index. Sabancı University ranked first among the universities in Turkey. Sabancı University received the highest rating among all universities in 2015, 2016 and 2017 to be named Turkey's "Most Entrepreneurial and Innovative University."

One of the most prestigious universities in the world

In 2018, Sabancı University maintained its position in the global top 500 rankings compiled by prestigious organizations such as Times Higher Education and QS.

In 2018, in Times Higher Education's THE 2019 World University Rankings, Sabancı University placed in the 351st-400th interval among a total of 1,258 universities around the globe. Sabancı University was the top Turkish university in THE 2019 World University Rankings, which featured a total of 23 universities from Turkey.

Sabancı University Nanotechnology Research and Application Center (SUNUM) was established in 2011 through a joint investment of the Ministry of Development and Sabancı Foundation. The Center conducts interdisciplinary studies in a wide range of areas, including advanced materials, nanobiotechnology, nanomedicine, nanoelectronics, nanooptics, micro-nanofluids, micro-nanoelectromechanical systems, renewable energy systems, three-dimensional printing, biosensors and biomedical applications, food security and wireless broadband communication technologies.

Sabancı University Integrated Manufacturing Research and Application Center (SU IMC) aims to become a global bridge between academia and industry through exemplary university – industry cooperation. Established in Teknopark Istanbul by SU IMC and Kordsa as a pioneering business model in the field of composite technologies, the Composite Technologies Center of Excellence (CTCE) has taken its rightful place among the world's leading composite technology centers, inspiring pride across Turkey.

Istanbul International Center for Energy and Climate (IICEC) was established to deliver objective, high-quality economic and political studies in the area of energy and climate. IICEC is a future-oriented, independent research and policy center. IICEC's initiatives help develop forward-looking sustainable energy solutions for the region and the world.

The Sabancı University Center of Excellence in Finance (CEF) serves as a bridge between academia, the world of finance and the real sector. CEF organizes certification programs, seminars, workshops and high-level conferences. Additionally, the Center conducts research for a wide range of groups, from academics and the finance world to the real sector and individual investors.

Gender and Women's Studies Center of Excellence (SU Gender)'s main activities include Purple Certificate and Gender Steps. SU Gender also promotes the accumulation of further knowledge in the field via the Dicle Koğacıoğlu Article Awards and Şirin Tekeli Research Awards. The Center supports the transformation toward gender equality in society through activities such as international conferences, panels, talks and adult education.

Istanbul Policy Center (IPC) is a policy research institution working at a global level, with expertise in major political and social issues ranging from democratization to climate change, transatlantic relations to conflict analysis and resolution.

Faculties

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

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

The Faculty of Arts and Social Sciences offers undergraduate programs in Economics, Visual Arts and Visual Communication Design, Cultural Studies, Political Science, International Studies and Psychology. Graduate level programs include Economics, Visual Arts and Visual Communication Design, Public Policy, Political Science, Conflict Analysis and Resolution, Cultural Studies, History, European Studies, Turkish Studies, International Studies and Gender Studies.

Sabancı School of Management offers undergraduate, graduate and postgraduate degrees in Management as well as Executive Programs at the graduate level in Management, Finance and Business Analytics. In 2018, as part of the Executive Education cooperation between Sabancı School of Management and Columbia Business School (CBS), one of the top management schools in the world, Executive MBA students participated in a two-week leadership program at CBS in New York.

The Sabancı University MBA Program figured in the 151st-200th interval in the QS Global MBA Ranking. Sabancı University was the only Turkish institution included in the list, which featured some 250 schools from across the world. Sabancı University MBA Program ranked 65th in the European QS Rankings and was the only Turkish school to appear on the list.

Sabancı University Executive Development Unit (EDU) organizes executive development programs for the corporate world. EDU also has education programs open to general enrollment in order to share its knowledge and experience with wider audiences and to provide support to professionals seeking continuous development. EDU was the only Turkish school included in the Financial Times' Executive Education – Customized Programs ranking.

Alumni

To date, a total of 11,412 diplomas, 7,296 of which are from undergraduate programs and 4,116 from graduate programs have been awarded by Sabancı University. Some 81% of graduates entered the workforce while 13% opted to advance their education at the postgraduate level; meanwhile, 83% of Sabancı University graduates were either employed or admitted to graduate school within one year of graduation. The universities that Sabancı University graduates chose as their destinations for graduate school include Carnegie Mellon University, University of California, Politecnico di Milano, Boston University, Harvard University, Brown University, Stanford University and University of Massachusetts.

A campus that lives and breathes

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

SABANCI UNIVERSITY SAKIP SABANCI MUSEUM (SSM)

SSM currently offers a multi-faceted museum environment with rich collections, conservation units and exemplary educational programs. It also hosts temporary international exhibitions. The facility regularly organizes and hosts concerts, conferences and seminars.

The Sakıp Sabancı Museum (SSM) is located in the estate known as "Atlı Köşk" (Mansion with the Horse) with the annex of galleries built subsequently. The estate was bought by Hacı Ömer Sabancı in 1951 and used as a summer house by the family before it became a permanent residence for Sakıp Sabancı, housing his extensive calligraphy and painting collections. The mansion was bequeathed to Sabancı University, along with its collections and furniture in 1998. A modern gallery wing was added to the original structure and the Museum was opened to the public in 2002. The exhibition space was expanded in 2005 and upgraded to meet international technical standards.

SSM currently offers a multi-faceted museum environment with rich collections, conservation units and exemplary educational programs. It also hosts temporary international exhibitions. The facility regularly organizes and hosts concerts, conferences and seminars.

SSM Collections

Sakıp Sabancı Museum Collection of the Arts of the Book and Calligraphy offers a comprehensive overview of 500 years of Ottoman calligraphy, with rare Koran manuscripts, kıtas, albums, panels, hilyes, edicts and calligraphic tools. In 2012, the Collection was re-launched with a new design and a contemporary display allowing visitors to view augmented reality animations and take a detailed look at valuable and rare manuscripts, page by page via iPad.

Sakıp Sabancı Museum's Painting Collection constitutes a cultural treasure providing significant clues about the initial phases of Turkish painting, thus proving to be a historic continuation of the SSM's The Arts of the Book and Calligraphy Collection. The collection bears witness to the processes of the transformation of the concept of image and the evolution of art and artists in Turkey, while embodying the clues of the modernization process from the Ottoman Empire to the Republic of Turkey.

The Painting Collection at the SSM includes the most distinguished examples of early Turkish painting, as well as paintings by foreign artists who lived in Istanbul during the last period of the Ottoman Empire, produced from 1850s onwards. The rooms on the ground floor of the Atlı Köşk display furniture influenced by baroque, rococo, neo-gothic, neo-classic and empire styles and ornamental works from the 19th century. The

Archeological and Stone Works Collection consists of Roman, Byzantine and Ottoman pieces and is exhibited in the Museum's garden.

Exhibitions Held at SSM

Sakıp Sabancı Museum continued in 2018 its rich programming of exhibitions made possible with the sponsorships of local and international notable institutions and corporations, introducing artists and movements, which have shaped world art to hundreds of thousands of art enthusiasts in Turkey.

"A Dynasty at the Bosphorus: The Traces of the Muhammad Ali Pasha Family" at the Atlı Köşk: The Sabancı University Sakıp Sabancı Museum hosted an exhibition reflecting the daily life and history of the 'Atlı Köşk's original owners, members of the Muhammad Ali Pasha Dynasty.

The exhibition, organized in connection with the Museum's series of conferences on the Muhammad Ali Pasha Family members' life stories, architectural legacy in Istanbul, and influences in Ottoman Empire's and Turkey's art and culture, showcased a selection of photographs and objects from the family's past, between February 17 and May 7, 2018 in 'Atlı Köşk.'

The conference series **"A Dynasty at the Bosphorus: The Muhammad Ali Pasha Family"** featured talks on the Family's roots as well as their contribution to arts and life in Istanbul, architectural legacy, outstanding members, and involvement in the art world. The contributors to the series included Prof. İlber Ortaylı, the writer and journalist Murat Bardakçı, Prince Abbas Hilmi of the family, Prof. Ekmeleddin İhsanoğlu, Prof. Baha Tanman, faculty member Gözde Çelik, researchers Sinan Kuneralp, Derin Türkömer, and Emine Çiğdem Tugay.

Osman Hamdi Bey beyond Vision: The exhibition "Osman Hamdi Bey beyond Vision" features the findings of the conservation and the scientific research on six paintings by Osman Hamdi Bey, which has been carried out as part of the Bank of America Merrill Lynch's global "Art Conservation Project." The exhibition is open since June 5, 2018 at the Atlı Köşk.

The exhibition aims to inform the guests about Osman Hamdi Bey's paint application techniques, the materials he used and the restoration work his paintings have undergone.

The scientific research of the exhibition was executed with the collaboration of Sakıp Sabancı Museum, Sabancı University Nanotechnology Research and Application Center, Koç University Surface Science and Technology Center, Istanbul Technical University Organic Chemistry Laboratory and Getty Conservation Institute.

The Painting Conservation Specialist Filiz Kuvvetli, who is also the coordinator of the project, gave a speech entitled "Discovery of Osman Hamdi Bey's Working Techniques" as part of the exhibition's public program.

Seyhun Topuz, "In Memoriam, Kuzgun Acar:" Seyhun Topuz's work drawing inspiration from Kuzgun Acar's piece *"Birds – Abstract Composition,"* which had been exhibited in SSM's garden for the 40th anniversary of artist's death, is on display at the same spot.

SABANCI UNIVERSITY SAKIP SABANCI MUSEUM (SSM)

Sakıp Sabancı Museum continued its education program for adults in the fields of art, art history, history, literature, and cinema with academicians including Prof. Cevat Çapan, Beral Madra, Prof. Hülya Tezcan, Asst. Prof. A. Sinan Güler, all from prominent universities in Turkey.

"The Russian Avant-garde. Dreaming the Future through Art and Design:" Sakıp Sabancı Museum hosts the most comprehensive exhibition of Russian Avant-garde to date in Turkey to date. Sponsored by the Sabancı Holding, the exhibition "The Russian Avant-garde. Dreaming the Future through Art and Design" features works from the Russian Avant-garde which shaped the art world in the 20th century. The exhibition represents the fertile productivity of the entire period, the activities of the artists and the schools that aimed to spread their art to every aspect of life with a selection including paintings, design, literature, film and theatre. As part of Sabancı University, the SSM aims to fulfil its academic mission by presenting the political strata behind the Russian Avant-garde in the exhibition in such a way as to provide a source.

The exhibition contains 513 works from the George Costakis Collection at the State Museum of Contemporary Art, Thessaloniki as well as Moscow's All-Russian Museum of Decorative Arts and Multimedia Art Museum and leading private collections in Europe, shown together for the first time, thus shedding a light upon the important place Russian Avant-garde occupied in the history of art.

Public program of 'The Russian Avant-garde. Dreaming the Future through Art and Design' started with the exhibition tour guided by the curator and will continue with film screenings, dance performances, concerts, literary events, and talks, all of which will be held in the exhibition space. Workshops for children and adults will also cover Russian Avant-garde's influence on art history.

SSM Educational Activities and Events

Children's Education

Sakıp Sabancı Museum Children's Education Programs continued throughout 2018, including midterm and summer vacations, with activities for different age groups. The programs featured special workshops, designed with inspiration from the Museum's permanent collections and temporary exhibitions. The Museum also organized a special event for April 23, the National Sovereignty and Children's Day and hosted the event entitled "A Childish Day," featuring workshops and performances as part of İKSV's (Istanbul Foundation for Culture and Arts) 25th Istanbul Jazz Festival.

Educational Program for Adults

Sakıp Sabancı Museum continued its education program for adults in the fields of art, art history,

history, literature, and cinema with academicians including Prof. Cevat Çapan, Beral Madra, Prof. Hülya Tezcan, Asst. Prof. A. Sinan Güler, all from prominent universities in Turkey. In addition, participants of the notebook workshop held in 2018 designed notebooks with inspiration from the book volumes in the Museum's Collection of the Arts of the Book and Calligraphy.

Spring Festival

First held in 2017 to celebrate the Museum's 15th anniversary, the Spring Festival continued this year with its third instalment on May 12, 2018. The event started with "Yoga at the Museum" and continued throughout the day with workshops for children, concerts, and talks. The festival ended with Ayhan Sicimoğlu & All Stars' concert, which took place in the Museum's garden with the Bosphorus view.

Collection Meetings

The "Collection Meetings" continued in 2018, its third year. The ongoing monthly event is carried out under the titles "The Arts of the Book and Calligraphy Collection Meeting," 'House Museum Meeting' and "Preserving Cultural Legacy." Each month the collection managers of the Sakıp Sabancı Museum provide the visitors with information on the development of the collections housed in the Atlı Köşk.

Performing Arts Events and Film Screenings in Open-Air

In compliance with its aim of creating new spaces for performing arts in Istanbul, Sakıp Sabancı Museum hosted several open-air events in the summer of 2018. The "Stage at the Museum – Complementary Pieces at the Background" sponsored by Sabancı Holding took place between September 6-8, under the artistic direction of Emre Koyuncuoğlu featuring plays, performances, conversations and dance performances. The event included performances of Zeliha Berksoy, a major figure in Turkish theatre, as well as upcoming performers such as Canan Yücel Pekiçten, Ilgın Abeln, Mine Çerçi, Alper Kul, Çiğdem Erken, and Alican Yücesoy.


http://www.sakipsabancimuzesi.org/en

Additionally, the Museum hosted the Nike House Zen program including yoga and meditation events, workshops and musical performances in collaboration with Nike in July.

Concerts

As one of the venues of Istanbul Music Festival and Istanbul Jazz Festival, both organized by İKSV, Sakıp Sabancı Museum hosted performances of prominent musicians from around the world.

The Seed, the multi-purpose activity center within the Museum, continued its program of 'Istanbul Recitals' that has featured performances of the classical music stars such as Vitaly Pisarenko, Xuefei Yang, Tobias Feldmann, Boris Kusnezow, Javier Perianes, Natasha Paremski, Zuill Bailey, and Karim Said.

In addition, the Museum organized a series of classical music performances entitled "The Summer Festival in the Garden," taking place between August 15 and September 22, 2018, featuring musicians such as François Fernandez, Yun Kyung Kim, Jiri Barta, Andres Mustonen, and Alexander Rudin.

Yoga

Free yoga classes, a popular activity of the museum, continued in the summer of 2018. The classes, conducted in cooperation with Cihangir Yoga, took place every Wednesday between 08.00 and 09.45. June 21, the International Day of Yoga was also celebrated in a special event where the participants joined together for the sun salutation in the longest day of the year. A special course taught by Chris Chavez took place on July 27, attracting a large crowd.

SABANCI FOUNDATION

Education, social change, culture and the arts comprise the Foundation's main areas of activity. The Foundation particularly focuses on women, youth and persons with disabilities within these activities.

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

Education, social change, culture and the arts comprise the Foundation's main areas of activity. The Foundation particularly focuses on women, youth and persons with disabilities within these activities.

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

Institutions

Over the past 44 years, the Foundation has built more than 120 institutions at 78 sites across Turkey including schools, student dormitories, healthcare facilities, cultural centers, sports facilities, libraries, teachers' centers, social facilities and Sabancı University, which is one of the most significant investments of the Sabancı Foundation.

Enerjisa Tufanbeyli Vocational and Technical High School, which has a capacity of 12 classrooms and 408 students was built in the Tufanbeyli district of Adana by the Sabancı Foundation with a conditional donation from Enerjisa. Education in the school has started in 2018-2019 school year.

Sakıp Sabancı Mardin City Museum and Dilek Sabancı Art Gallery has been operated first by Mardin Governorship and then by the Ministry of Culture and Tourism after being restorated and opened by Sabancı Foundation in 2009. In 2018, the museum and the art gallery started to be operated by Sabancı Foundation and the first two exhibitions in the new period of the art gallery were opened in 2018: "Ai Weiwei in Mardin" and "Photography's Diverse States - Murat Germen Sectional Retrospective." Total number of visitors since the opening of the museum has reached nearly 840 thousand people.

Social change

The Sabancı Foundation supports the projects of leading non-governmental organizations with grants with the aim of finding solutions for today's complex social issues and making a lasting impact. The Foundation engages in long-term, inter-institutional partnerships to increase its impact.

First launched in 2007, the **Sabancı Foundation Grant Programs** aim to support non-governmental organizations in promoting social development to achieve equality and active participation for women, youth and persons with disabilities. In 11 years since 2007, 148 projects were supported reaching directly more than 175 thousand and indirectly over 700 thousand individuals across the country.

On October 18, 2018, the meeting with the theme "Sowing Season" was organized to share information and experiences among the eight grantees that completed their projects with support from the Sabancı Foundation Grant Program. Representatives from NGOs, public institutions and the press attended this meeting to contribute to the discussion. A book entitled "Sowing Season: Sabancı Foundation Grant Program Stories" was distributed to the participants and related organizations.

The projects supported under the Sabancı Foundation Grant Programs focus on the areas of "education," "disability rights," "early and forced marriages," "social integration" and "teacher empowerment."

In 2018, the Sabancı Foundation continued to support the program entitled **Turkey's Changemakers** highlighting the stories and efforts of individuals who make significant contributions to social development and inspire society. Out of more than 2,600 applications, 180 Changemakers were selected and videotaped since the program's

SABANCI FOUNDATION

By bringing together non-governmental organizations, foundations, the private sector and public agency representatives with national and international experts, the Sabancı Foundation enables experience sharing regarding new approaches in philanthropy and civil society. The 11th of the Sabancı Foundation's Philanthropy Seminars was held on December 4, 2018 under the theme "Technologies for Life without Barriers."

launch year of 2009. The videos were shared on the program's website, Facebook, Twitter and YouTube, as well as on several local Turkish daily internet news portals, reaching more than 25 million views on domestic and international platforms.

The 10th season of the "Turkey's Changemakers" television program started in October 2018. Every month, two changemakers are introduced on the TV show, which is broadcasted on social media as well as CNN Türk with Cüneyt Özdemir as the host.

By bringing together non-governmental organizations, foundations, the private sector and public agency representatives with national and international experts, the Sabancı Foundation enables experience sharing regarding new approaches in philanthropy and civil society. The 11th of the Sabancı Foundation's **"Philanthropy Seminars"** was held on December 4, 2018 under the theme "Technologies For Life Without Barriers." Saqib Shaikh, the developer of the Seeing AI application which describes the world around for the blind, was the keynote speaker of the seminar.

In 2018, the Sabancı Foundation continued to develop partnerships, follow up and contribute to the developments in the international arena in its focus areas. The Foundation continued to participate and contribute to the work in disability rights and gender at the European Foundation Center, in which it has been a member of since 1991 and served on the Board of Directors as the only foundation from Turkey between 2011-2016. The Foundation has also continued its mission of thought leadership with articles published in reputable international publications in the field of philanthropy.

Culture&Art

In 2018, the Foundation continued to sponsor various culture and arts activities, including **State Theaters - Sabancı International Adana Theater Festival and the International Ankara Music Festival.**

Having received support from Sabancı Foundation for 10 years, the **Turkey Youth Philharmonic Orchestra** comprised of 81 young musicians chosen from 13 universities in 2018. After a three-week camp at Sabancı University, the ensemble performed nine concerts overseas and one concert in Istanbul.

Initiated in 1990 and sponsored by Sabancı Foundation since 2003, the **Metropolis Ancient City** excavation continued in 2018. Located in Izmir, Torbalı, Metropolis was opened to visitors as an archaeological site in 2015. In 2018, the archeological excavation works continued on the Zeus Krezimos cult area and on the Dyonisus mosaic. The seat of honor with griffins which was uncovered previously was reproduced and placed in its original place in the ancient city. The original is exhibited at the Izmir Archeology Museum.

In 2016, the Sabancı Foundation started a **Short Film Competition** with the motto "Short Film, Long Impact" to raise awareness on social issues through art, to highlight the creative perspective of cinema and to empower and encourage young talents. The award ceremony for the second Short Film Competition with the theme "Child Labor" was held in January 2018. In 2018, the third Short Film Competition was organized with the theme of "Discrimination."

Scholarships and awards

Since its establishment, the Foundation has provided more than 47,000 scholarships through the scholarship program. In 2018, nearly 1,500 students benefited from Sabancı Foundation scholarships, with 400 being first-time beneficiaries. Additionally, the Sabancı Foundation Awards Program recognized individuals with awards for their exceptional performance in education, sports, arts and culture both in Turkey and abroad. More than 1,100 awards have been provided to date.

FOR MORE INFORMATION ABOUT THE SABANCI FOUNDATION AND ITS ACTIVITIES:

Web: sabancivakfi.org

Facebook: sabanci.vakfi

Twitter: SabanciVakfi

Instagram: sabancivakfi

CORPORATE SOCIAL RESPONSIBILITY POLICY AND PRINCIPLES

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

Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach. We expect all our establishments that constitute the Sabancı Group to manage the economic, social and environmental impact of their actions with responsibility and to place priority on the development of society. We do not regard the scope of our social responsibility limited to just our business operations or their impact. We determine our level of social responsibility and its priority on what is good for society and the environment as a whole.

We pursue a pioneering role with regard to actions that protect democracy, human rights as well as the environment. At the Sabancı Group, the SA-Ethics program, prepared and put into practice in accordance with the Principles of Corporate Social Responsibility, constitute a guide to our business operations.

The basic principles that govern our social responsibility practices are: Any discrimination within the organization based on race, religion, gender, age, political opinion, language, physical challenge or similar reasons is not tolerated.

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

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

1. At the Sabancı Group, we believe that all employees deserve to work in a healthy and secure work environment consistent with human dignity. Our employees are our most valuable assets and we strive to provide employee safety and security as our primary goal.
2. We require our companies, beyond their legal requirements, to apply the best environmental solutions to all they do and to support any initiative that will develop and deploy environment-friendly technology and enhance environmental awareness. At the Sabancı Group, we fulfill our social and environmental responsibilities toward society in all places that we operate, in close collaboration with our shareholders, employees, public, non-governmental organizations and other stakeholders.
3. We regard our human resources as the most significant component in creating sustainable growth. We ensure that all employees take advantage of their personal rights as members of the Group, fully and accurately. We treat our employees with honesty and fairness; we are committed to creating a non-discriminatory, safe and healthy work environment. We undertake efforts to enable the personal development of all employees while pursuing a balance between their private and professional lives.
4. We manage the environmental impact of our activities with a sense of responsibility. All our companies are required to identify and apply the necessary improvements and development activities that minimize or eliminate negative environmental impact.
5. At the Sabancı Group, we strive toward the improvement of society pursuant to our sense of corporate social responsibility. We encourage our employees to take part in social and societal volunteering.

6. We develop and implement approaches to ensure that all of our partners, and particularly our suppliers, act in accordance with the social responsibility standards of the Group.
7. We show sensitivity to the traditions and culture of Turkey and other countries in which we operate. We comply with all legal regulations currently in effect.
8. We encourage our Group companies to comply with international standards and assure that their operations are certified.

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

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

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

COMMUNICATION PRINCIPLES OF SABANCI GROUP

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

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

In this context:
- The Senior Management of Sabancı Holding have public informational meetings at least once a year.
- Group Heads inform the public at least once a year.

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

SABANCI GROUP ENVIRONMENTAL POLICY

Our Corporate Environment Policy

- We create and practice our environmental standards beyond legal obligations.
- We aim for excellence by sharing know-how and experience between the companies.
- We adopt a proactive approach in all our activities to continuously improve our environmental performance.
- We identify and manage environmental risks.
- We try to implement the best available production techniques.
- We contribute to sustainability while monitoring environmental developments and turning them into business opportunities.
- We support environmental awareness and information sharing for society's development.

Environmental Policy Requirements within the Group

- We comply with environmental legislation and other legal requirements.
- We carry out environmental practices beyond legal obligations, and ensure compliance.
- We identify our environmental impacts.
- We identify all our environmental impacts while we develop, monitor and improve our targets, programs and monitoring systems.

We manage resource utilization within the Group.

- We determine organizational roles, responsibilities and powers in infrastructure, technology, finance and human resources, and we ensure that our employees develop environmental awareness.

We ensure systematization in our practices and create synergy among the businesses.

- We set our business standards with a proactive approach and ensure that everyone, including our employees, suppliers, and contractors, is able to practice them.
- We proactively identify the risks that may harm the environment when we carry out our activities; and we try to promptly and fully take the measures that will minimize these risks.

We continuously try to monitor and improve our environmental performance.

- We set and implement targets for energy and waste management, and natural resource utilization.
- While we aim for continuous improvement with clean products and clean production technologies, we undertake the environmental responsibility of our products and services.
- We facilitate access to information while we report our activities in a plain manner.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Company is committed in terms of compliance with the four principles of corporate governance based on Transparency, Fairness, Responsibility and Accountability.

The Company complies with the compulsory principles stipulated in the Corporate Governance Communiqué ("Communiqué") no. II-17.1.

However, complete compliance has yet to be achieved due to difficulties faced in the implementation of certain non-compulsory principles, the ongoing debate on the international platform and in our country concerning compliance with some principles, and the incompatibility between certain principles and the structure of the Company and the market. Developments on the relevant issues are monitored and the work in respect of compliance is ongoing.

In 2018, in accordance with the legislation, the Company provided the investors and analysts with all information that is important enough to affect the investment decisions in due time in a transparent, stable and regular manner and simultaneously, regularly updated the Investor Relations website and participated in investor meetings and conferences, ensuring continuous and optimal communication with investors and analysts. Developments related to legislation were closely followed and the necessary actions were taken.

Sensitive to their social responsibilities, the Company complies with regulations related to environment, consumer, and public health as well as ethical rules. The Company supports and respects international human rights.

SECTION II - SHAREHOLDERS

2.1 Investor Relations Department

At the Company, the Investor Relations Department operates under the coordination of the CFO, Barış Oran and reports to the Head of the Department of Financial Affairs, Accounting and Investor Relations, Levent Demirağ, who is also a Corporate Governance Committee. Investor relations obligations are fulfilled by Şerafettin Karakış, Director of Financial Affairs and Investor Relations.

Corporate Governance Committee Member Levent Demirağ and Rapporteur of the Corporate Governance Committee Şerafettin Karakış have Advanced Level Capital Markets Activities License as well as Corporate Governance Rating License.

The Investor Relations department may be reached via phone +90 212 385 81 64 and fax +90 212 280 66 15.

The Investor Relations Department is responsible for the following within the framework of Corporate Governance Principles:

- properly, securely and timely keeping records of correspondence between the investors and our Company as well as other information and documents,
- responding to the written information requests of the shareholders concerning our Company,
- preparing documents that are needed to be presented to the shareholders ' information and reviewing regarding the General Assembly Meeting and taking the measures required to ensure that the General Assembly Meeting is held in accordance with the relevant legislation, the Articles of Association and other in-house regulations,
- observing and monitoring the fulfillment of obligations arising from capital market legislation, including all issues related to corporate governance and public disclosure and carrying out the necessary procedures. In 2018, all responsibilities within the framework of these tasks were successfully fulfilled.

Furthermore, Şermin Mutlu (smutlu@sabanci.com) serves as the Director at the Investor Relations Unit under the coordination of the CFO Barış Oran. She may be reached via phone +90 212 385 81 50 and fax +90 212 280 66 15.

The Department of Planning, Reporting and Financing regularly informs the shareholders and potential investors about the Company's activities, financial status and strategies with the exception of confidential information and trade secrets without causing information asymmetry.

Sabancı Holding Investor Relations Unit operates on a global scale. In 2018, the Department of Planning, Reporting and Financing contacted investors and analysts in Turkey and abroad by means of face-to-face meetings, phone calls and e-mails.

2.2 Shareholders' Right to Information

All information with the exception of trade secrets is shared with the shareholders within the framework of the right to information of the shareholders and they are provided with first-hand information on strategies and activities.

In 2018, the Investor Relations Unit responded to inquiries received from shareholders via phone, e-mail, and face-to-face meetings and the information that would be of interest to the shareholders was announced on the website during the mandatory notification processes.

The Company's Articles of Association does not regulate the appointment of a private auditor as a right. In 2018, no such request was not received from the shareholders.

2.3 General Assembly Meetings

Regulations regarding the Company's General Assembly Meetings were set forth in the "Hacı Ömer Sabancı Holding Anonim Şirketi Internal Directive on Ordinary and Extraordinary General Assembly's Working Principles and Procedures" that is available on the Investor Relations website's Information Society Services pages. Furthermore, the disclosures and documents to be shared with the public via the Public Disclosure Platform ("KAP") before and after the General Assembly were also shared under the title "General Assembly" in Investor Relations section of the Company's Investor Relations website.

The Company's 2017 Ordinary General Assembly Meeting was held on 30 March 2018 at Sabancı Center, 4. Levent, Beşiktaş, Istanbul.

As provided for in the applicable legislation and the Articles of Association, the call for the General Assembly including the agenda was made at least three weeks before the date of the General Assembly Meeting and published in the Turkish Trade Registry Gazette (issue no. 9527 dated 1st March 2018), Company's website (www.sabanci.com), Electronic General Assembly System of the Central Registry Agency according but not limited to the procedures stipulated by the legislation by all means of communication, including electronic communication which enables access to the maximum number of shareholders possible. All information on the General Assembly including the annual report and financial statements were made available for the examination of the shareholders both physically at the Company headquarters and on the website.

For the representation of the shareholders at the General Assembly; Electronic General Assembly System was used. Moreover, proxy form to be approved by the notary public pursuant to the provisions of the Communiqué no. II-30.1 of the Capital Markets Board was made available at the Company's headquarters and on the website.

Thus, the participation of the shareholders entitled to attend the General Assembly Meetings whose shares are kept by way of dematerialization before the Central Securities Depository of Turkey, or their representatives representing them by means if a notary approved power of attorney at the General Assembly either in person or through the Electronic General Assembly system by using their secure electronic signatures was ensured and in doing so, the General Assembly followed procedures facilitating participation in the easiest way with the lowest cost without giving rise to any inequality among the shareholders.

At the General Assembly Meeting, agenda items are decided by open vote by show of hands.

The Company's Ordinary General Assembly Meeting was held with a participation rate of 60.23% corresponding to 122,906,225,649.80 shares with a total nominal value of TL 1,229,062,256.498 of the total nominal value of the Company of TL 2,040,403,931.00.

The Members of the Board of Directors, Company Auditor, Secretary General, and the personnel taking part in General Assembly preparations participated in the General Assembly. However, the stakeholders except for the shareholders and the media did not participate in the meeting.

The main agenda items of the meeting were as follows: 2017 Annual Report, information about the Auditor Reports and Financial Statements, release of the Members of the Board of Directors, amendment of the profit distribution policy, determination of the use and method of distribution of profit in 2017, information on the donations and aids of 2017, determination of the donation limit for 2018, election of the Members of the Board of Directors, determination of the remuneration of the Members of the Board of Directors, amendment of the Article entitled "Capital" of the Company's Articles of Association in order to extend the validity period of the upper limit of registered capital, authorization of the Members and the Chairman of the Board of Directors to perform the transactions stipulated in the Articles no. 395 and 396 of the Turkish Commercial Code.

At the General Assembly Meeting; the shareholders were informed about the fact that the Company made a donation of TL 892,075 in 2017 to the non-profit organizations, and by the majority of the votes it was determined that the limit of the donations to be made in 2018 shall be 1% of the commercial profit.

During the General Assembly, the shareholders exercised their rights of dissenting opinion and making suggestions. The dissenting opinions pronounced at the General Assembly and the relevant explanations were made available to the shareholders and all stakeholders on the Company website. The meeting minutes of the General Assembly were publicly disclosed via Public Disclosure Platform, and all announcements, letters and documents regarding the General Assembly were submitted to the information of the shareholders and all stakeholders on the Company's website.

It did not come into question that the shareholders having control over the management, the members of the Board of Directors, managers with administrative responsibilities, and their spouses, and their relatives by blood and marriage up to the second degree made any important transaction which would cause a conflict of interest with our Company or its subsidiaries and/or, on their behalf or someone else's behalf, made any commercial transaction involving the field of operation of our Company or its subsidiaries, or, joined another company, dealing with the same type of commercial business, as a partner with unlimited liability ("unlimited partner"). The persons, except the ones mentioned above, who have the opportunity to access the Company information, did not make any transaction on their behalf that was within the scope of the subject of activity of the Company.

2.4 Voting Rights and Minority Rights

According to the Company's Articles of Association, the Company does not have any privileged shares and each share has one voting right.

Minority shareholders and stakeholders are not represented at the Board of Directors. The Company places importance on the exercise of minority rights in accordance with the Turkish Commercial Code and CMB regulations and no criticism and complaints were received regarding this matter in 2018.

However, there are three independent Board Members at the Board of Directors to represent all shareholders and stakeholders equally, minority shareholders in particular.

2.5 Right to Dividend

According to the Profit Distribution Policy approved at the Company's Ordinary General Assembly Meeting held on March 30, 2018; dividend was determined within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, other relevant legislation and the relevant article of the Company's Articles of Association regarding profit distribution; and in line with the Company's medium and long-term strategies, investment and financial plans; and by considering the economic situation of the country and the sector; and by maintaining the balance between the shareholders' expectations and the Company's requirements.

In accordance with the decision taken at the General Assembly, the Company adopted the principle of determining the amount of dividends to be distributed. With regards to the dividend distribution, it was adopted in principle that the shareholders be distributed dividends in cash and/or as bonus shares up to 20% of the distributable profit for the period, and not less than 5% of the distributable profit for the period. The implementation of this policy is determined by the General Assembly in accordance with the medium and long-term strategies of Hacı Ömer Sabancı Holding A.Ş. and the national and global economic conditions.

The Company does not have any advance dividend distribution policy.

Following the approval of the General Assembly, dividends shall be distributed equally to all of the current shareholders based on the ratio of their shares regardless of the date of issue and/or acquisition within the statutory period on the date determined by the General Assembly.

The General Assembly may decide to transfer a portion or the entire amount of the net profit to extraordinary reserves. If the Board of Directors proposes the General Assembly not to distribute the profit, the reasoning behind this and the planned use of the undistributed profits is disclosed to the shareholders during the General Assembly Meeting.

Taking into account the provisions of the relevant legislation and the Articles of Association; at the Company's Ordinary General Assembly Meeting held on March 30, 2018;

- it was decided that TL 612,121,179.30– with the ratio of 30% (gross) and 25.5% (net) – be paid to the shareholders who represent TL 2,040,403,931 of the capital,
- TL 27,401,893.99 be paid in cash to Hacı Ömer Sabancı Foundation(gross),
- the remaining amount be set aside as extraordinary reserves and that the cash dividend payments be started on April 3, 2018.

The Dividend Distribution Policy was publicly disclosed in the annual report and on the Investor Relations website. Annual profit distribution proposal is made available in the information document of the General Assembly, submitted to the information of the shareholders at the General Assembly and publicly disclosed via Investor Relations website.

2.6 Transfer of Shares

The Company's Articles of Association does not contain any provision limiting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Contents Thereof

The Company's corporate website is www.sabanci.com and the Investor Relations pages are available on the corporate website both in Turkish and English. The Company's Investor Relations website is reviewed and revised within the framework of the heading "2.1 Corporate Website Contents" specified in the "Corporate Governance Principles to be taken as basis" enclosed to the CMB Corporate Governance Communiqué (II.17.1).

Within this scope, it is ensured that the information and documents stipulated in the legislation are accessible.

Some of the headings on the website are as follows:

- Detailed information about corporate identity,
- Vision and main strategies,
- Information about the Board of Directors and senior management,
- Company's organization and shareholding structure,
- CMB Material Disclosures,
- Articles of Association of the Company,
- Trade registry information,
- Financial information,
- Press releases,
- Meeting date of the General Assembly, agenda, disclosures about the agenda items,
- Minutes of the General Assembly Meeting and list of attendance,
- Corporate Governance practices and compliance report,
- Dividend policy, its history and capital increases,
- Information policy,
- Anti-Corruption and Anti-Bribery Policy.

3.2 Annual Report

The Company's Annual Report is prepared and publicly disclosed in accordance with the provisions of the Regulation on the "Minimum Required Content of the Companies' Annual Reports" published in the Official Gazette no. 28395, dated 28 August 2012, the periods stipulated in the Communiqué (II- 14.1) on the "Principles Regarding Financial Reporting in the Capital Markets" and the Corporate Governance Principles.

The annual report is approved by the Board of Directors and it is publicly disclosed together with the financial statements of the Board of Directors. The annual report is also published on the Company's website.

SECTION IV - STAKEHOLDERS

4.1 Informing the Stakeholders

Regarding the issue of informing the stakeholders, the Company takes as a basis the Information Policy published in the Public Disclosure Platform (KAP) on January 15, 2015.

Stakeholders are informed on the developments about the Company through public disclosures made in accordance with the relevant legislation. Public disclosures are made through press conferences and media statements. On the other hand, General Assembly Meetings and provision of detailed information on the Company's website, comprehensive preparation of the annual report, press releases and information policy based on transparency ensure that not only the shareholders but also all stakeholders are informed.

Additionally, company employees are informed via e-mail, training programs, seminars and meetings which cover their fields of expertise or general areas of interest. There is also a portal available for the employees and they can access any information or document of interest via this portal.

Stakeholders can submit the activities that are not in compliance with the legislation and the Company's ethical rules to the Audit Committee and Ethics Department via the e-mail address of etik@sabanci.com on the Company website.

The Audit Committee and/or the Corporate Governance Committee are informed if and when required.

4.2. Stakeholders' Participation in Management

Employees' participation in management is ensured by organizing regular periodic meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees may provide their feedbacks to the management as well as to their colleagues through the 360 degrees feedback mechanism, and the results are discussed in various management meetings and action plans are prepared for the necessary changes. Thanks to these approaches, employees are given the opportunity to make the necessary participation and contribution to ensure effective management of the Company. Communication channels are always kept open for other stakeholders (suppliers, business partners, etc.) as well.

4.3 Human Resources Policy

The Company has not received any complaint in respect of discrimination from the employees in 2018 and before.

The Company respects and complies with the rules of law and private law, if any, such as collective agreement. The Company pays due diligence to protect and pay all claims of the employees from the start of the employment contract until the termination thereof.

Detailed information on Human Resources policies are available on pages 32 to 37.

4.4. Ethical Rules and Social Responsibility

The Company has already established rules of business ethics, and started to implement them. Rules of business ethics are disclosed to public by being published on the corporate website. The employees are informed about these rules through the Company's internal communication portal, printed booklets which are distributed to all employees, and by organizing training programs. Additionally, all employees update their knowledge about the rules of business ethics through an e-learning program at the end of each year, and fill out a "Business Ethics Compliance" form to declare their commitment to the rules of business ethics.

Detailed information on Sabancı Foundation is available on pages 82 to 93 of the annual report under the heading "Foundation."

SECTION V - BOARD OF DIRECTORS

5.1 Structure and Composition of the Board of Directors

The procedures and principles concerning the Company's Board of Directors structure, duties,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

management right and representation authority etc. are decided upon in accordance with the provisions stipulated in the Company's Articles of Association.

The Company is managed and represented by a Board of Directors consisting of minimum 7 and maximum 15 members elected by the General Assembly in accordance with the provisions of the Turkish Commercial Code and Capital Market Legislation.

The minimum qualifications to be sought for the Members of the Board of Directors are not provided for in the Articles of Association. However, the qualifications of the Members of the Board of Directors of the Company comply with the required qualifications set forth in the relevant articles of the CMB Corporate Governance Principles. Three of the members of the Board of Directors are independent members determined in accordance with the CMB Corporate Governance Principles and regulations on Corporate Governance. The independent members of the Board of Directors have declarations of independence. There is no circumstance eliminating the independence as of the related activity period.

The Members of the Board of Directors may be elected for a maximum term of office of three years and re-election of the members whose term of office has expired is permissible. If a membership is vacated for any reason, at its first meeting, the Board of Directors elects a new member and submits him/her to General Assembly's approval. This member completes the remaining term of his/her predecessor. On the basis of the General Assembly's decisions, Board Members are authorized to perform transactions pursuant to the Articles 395 and 396 of the Turkish Commercial Code.

Information on the Members of the Company's Board of Directors elected at the General Assembly Meeting of March 30, 2018 as well as their duties in other companies and organizations are summarized below:

Güler SABANCI
Chairman and Executive Member
Güler Sabancı was born in Adana, and graduated from Boğaziçi University, Department of Business Administration. She has held various executive roles in the Group and currently serves as Chairman and Executive Member of Sabancı Holding. She is also the Founding President of Sabancı University, Chairman of the Board of Trustees of Sabancı Foundation and Chairman of Sakıp Sabancı Museum.

Erol SABANCI
Vice Chairman (Executive)
Erol Sabancı was born in Kayseri in 1938 and completed his undergraduate education at Manchester College of Commerce in the UK. In addition to his position as Vice Chairman of Sabancı Holding, he is Honorary Chairman and Consultant to the Board. Mr. Sabancı has served as Board Member at Akbank since 1967. He is married and has two children.

Sevil Sabancı SABANCI
Board Member
Sevil Sabancı Sabancı was born in Istanbul in 1973, and graduated from Marmara University, Department of Business Administration (English). She worked in different positions within the Group and has served as a Member of the Board of Directors since 1997. Ms. Sabancı is also a Member of the Board of Trustees of Sabancı University and Board Member at Sakıp Sabancı Museum.

Serra SABANCI
Board Member
Serra Sabancı was born in Adana in 1975 and graduated from University of Portsmouth, and Istanbul Bilgi University, Department of Economics, where she graduated as top student in her class. Having worked at Temsa, Serra Sabancı participated in Institute of Directors (IOD) seminars and courses on Board Membership, Mergers and Acquisitions in London after becoming a Board Member at Sabancı Holding. In addition, she is a Member of the Board of Trustees at Sabancı Foundation and Board Member of various Sabancı Group companies.

Suzan Sabancı DİNÇER
Board Member
Suzan Sabancı Dinçer received her BA in Finance from Richmond College in the UK. She also holds an MBA from Boston University in the USA. Suzan Sabancı Dinçer began her banking career in 1986 and went on to join Akbank as Executive Vice President in charge of Treasury. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed Executive Board Member to oversee the bank-wide change and transition program in 2001. Mrs. Sabancı Dinçer is a Member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board. She is also a Member of Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an Emeritus Member of the Harvard Business School's Middle East and North Africa Advisory Board. Mrs.

Sabancı Dinçer is a Member of the Global Board of Advisors at the Council on Foreign Relations (CFR) and a Member of the Board of Managing Directors. Currently serving as Akbank Chairperson, Mrs. Sabancı Dinçer is married and has two children.

Mehmet GÖÇMEN
Board Member and CEO
Mehmet Göçmen was born in Bursa in 1957. He graduated from Middle East Technical University, Department of Industrial Engineering in 1981, and received his Master's degree from Syracuse University, Department of Industrial Engineering in 1983.

After holding a number of positions at Çelik Halat and Lafarge, Mr. Göçmen served as General Manager at Akçansa from 2003 to 2008. He was appointed President of the Human Resources Group on August 1, 2008 and held this position until 2011. Mr. Göçmen was named President of the Cement Group on July 20, 2009 and served in this role until September 1, 2014. After serving as Energy Group President between June 16, 2014 and March 30, 2017, Mr. Göçmen was appointed CEO and Member of the Board of Directors at Sabancı Holding on March 30, 2017. Mehmet Göçmen is married and has two children.

Nafiz Can Paker
Independent Board Member
Nafiz Can Paker was born in Istanbul in 1942. He received his undergraduate degree from Technical University of Berlin, MBA from Columbia University in 1973, and his PhD in Mechanical Engineering from Yıldız Technical University. Beginning in 1971, he assumed top management positions at Türk Henkel A.Ş. and served as General Manager of Türk Henkel from 1984 to 2004. Currently, Mr. Paker still heads B.O.Y. Consulting which he established in 2004.

Mr. Paker has served as Member of Sabancı Holding Board of Directors, Sabancı University Board of Trustees, Dedeman Holding Board of Directors, Golden Horn Ventures Board of Directors, TÜSİAD (Turkish Industry & Business Association) Board of Directors, TÜSİAD Court of Honor, Istanbul Culture and Arts Foundation Board of Directors, and Robert College Board of Trustees. He was also Chairman of the Board of Directors of Turkish Economic and Social Studies Foundation (TESEV) between 1997 and 2015.

Mr. Paker currently serves as Chairman of the Board of Directors at Inovent Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A. Ş. (İnovent Intellectual Property Rights Management, Trade and Investment). He is a Member of Akbank's Board of Directors, and Founding Member of the Public Policy and Democratic Studies Association (PODEM). Mr. Paker is married and has one child.

Ahmet Erdem
Independent Board Member
Ahmet Erdem is a graduate of Istanbul Technical University, Department of Civil Engineering. He also studied Engineering Management at Istanbul University, Institute of Management. From 1990 onwards, he assumed senior positions at Shell's Turkey, Middle East and Europe operations. In 2006, Mr. Erdem performed a major role in establishing the Shell & Turcas joint venture.

He was appointed Shell Kenya Country President for the period 2008-2009, and currently serves as Shell Turkey Country President. Aside from his responsibilities at Shell, Mr. Erdem also serves as Chairman of the International Investors Association (YASED); Petroleum and Petroleum Products Industry Council President at TOBB (Union of Chambers and Commodity Exchanges of Turkey); Independent Board Member at Sabancı Holding; Board Member at Oil Industry Association (PETDER), Foreign Economic Relations Board (DEİK), Energy Efficiency Association (ENVER); and Advisory Board Member at British Chamber of Commerce.

Mehmet Mete Başol
Independent Board Member
Mehmet Mete Başol was born in 1957. He received a BSc in Economics from Arizona State University. Mr. Başol started his professional career in 1984 at Interbank. In 1988, he was named Treasury, Fund Management and Foreign Relations Manager at Turk Merchant Bank, established as a joint venture between Bankers Trust Co. New York and İşbank. In 1992, he became Assistant General Manager, assuming the responsibility of the Capital Markets Group as well. In 1995, Mr. Başol was appointed Board Member and Credit Committee member at the bank, which was acquired by Bankers Trust. From 1997 to 2001, he served as Chairman and General Manager of the bank, which was renamed Bankers Trust A.Ş. Between 2001 and 2003, Mr. Başol took office as Managing Director of the Public Banks Joint Executive Board (T.C. Ziraat Bankası, T. Halk Bankası, T. Emlak Bankası). Subsequently, he provided financial and administrative consultancy services to SMEs at Tridea Consultancy, which he established with two partners. After 2009, Mr. Başol continued to deliver his consultancy services under his own company.

Currently, Mr. Başol is a Board Member at Enerji Yatırım Holding A.Ş. (2015), Enerya Gaz Dağıtım A.Ş. (2015), Enerya Gaz Ticaret A.Ş. (2015), Nurol Yatırım Bankası A.Ş. (2014) and Independent Board Member at H.Ö. Sabancı Holding (2018) and ENKA İnşaat ve San. A.Ş. (2018).

5.2. Operating Principles of the Board of Directors
The Board of Directors convenes as frequently as required to efficiently fulfill its duties. The Board operates in a transparent, accountable, fair and responsible manner, and while doing so it always considers the Company's long-term interests.

Every year, the Members of the Board of Directors elect a chairman and a deputy chairman who will be the acting chairman in the absence of the chairman for the meetings. The Chairman of the Board of Directors determines the agenda of the Board of Directors' meetings by taking the opinions of the other members and the CEO. The determined agenda and the contents of the agenda items are communicated in writing to the Board Members one week in advance in order to enable them to carry out the necessary assessments and works. The agenda items of the Board of Directors' meetings are discussed explicitly and in every aspect. The Chairman of the Board of Directors is obligated to show the maximum effort for ensuring effective participation of the non-executive members in the meetings.

The meeting days and agenda are regulated by the chairman or the deputy chairman.

The Board of Directors convenes as necessitated by the Company affairs upon the chairman's or deputy chairman's call for the meeting. The meeting date may be determined with the decision of the Board of Directors as well. In case the chairman or the deputy chairman does not call the Board of Directors for the meeting upon the request of one of the members, then the members will be entitled to make a call for the meeting ex-officio.

The Board of Directors must convene at least four (4) times a year.

Unless one of the members makes a request for a meeting that will be held physically, the decisions of the Board of Directors can be taken by means of getting the written approvals of the other members for another member's proposal regarding a certain issue.

Meeting and decision quorums of the Board of Directors are subject to the provisions of the Turkish Commercial Code.

The Board of Directors of the Company held 6 meetings between 01 January 2018 and 31 December 2018. At the Board meetings, each member had 1 vote, and unanimous consent was sought while resolving matters and the Board always complied with Corporate Governance Principles. All Board Members, excluding those who were excused, attended all the Board meetings. Since the Board Members did not have any questions regarding these matters, they are not recorded in the meeting minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2018.

In 2018, the Board Members neither engaged in any business with the Company nor attempted to conduct a business falling within the Company's fields of operation.

5.3 Number, Structure and Independence of the Committees Established within the Structure of the Board of Directors

According to the Company's Articles of Association, the Board of Directors establishes a sufficient number of Committees ("Committee") in order to fulfill the required tasks and responsibilities properly.

The liabilities of the "Nomination Committee" and the "Remuneration Committee" stipulated in the Article 4.5.1 of the Communiqué are undertaken by the "Corporate Governance Committee." Moreover, although the Company pays special attention to comply with the recommendation set forth in the Article 4.5.5 of the Communiqué providing that "Members of the Board of Directors cannot assume duties in multiple Committees;" since the Committee membership requires professional expertise, members of our Board of Directors can be a member in multiple Committees.

Corporate Governance Committee

Corporate Governance Committee aims to maintain the continuity of the management process based on the ethical values of the Company, having internal and external accountability, risk awareness and that is transparent and responsible in its decisions and oversees the benefits of the stakeholders and has a sustainable success goal.

The duty of this Committee is to make suggestions and recommendations to the Board of Directors with regard to establishing the Corporate Governance Principles in line with the principles of the CMB or other internationally recognized Corporate Governance Principles.

Corporate Governance Committee, including the President, is composed of maximum five Members, and two Rapporteurs appointed by the Board of Directors of the Company in accordance with the "Corporate Governance Principles" of the CMB. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among the independent members.

Should the position of Chairman of the Committee become vacant for any reason, the Chairman of the Board assigns one of the Committee Members as temporary Chairman until the new Chairman is appointed at the next Board meeting.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles within the Company, and if these principles are not implemented, the Committee makes suggestions for improvement to the Board of Directors. The Committee oversees the activities of the Investor Relations Department. Alongside the determination of the principles and evaluation of the performance and remuneration of the Board of Directors and Senior Executive Managers, the Committee submits the independent candidate member proposals to the Board of Directors by evaluating the independence qualifications of the candidates, also taking into account the candidates nominated by the management and the shareholders. The Independent Board Member Candidate submits a written declaration to the Corporate Governance Committee at the time of nomination.

The Corporate Governance Committee convenes at least 4 times a year. The Committee convened 5 times in 2018.

The members of the Corporate Governance Committee determined in accordance with the decision of the Board of Directors of the Company are as follows:

Name Surname	Position	Nature of the Board of Directors Membership/Duty
Nafiz Can PAKER	Chairman of the Corporate Governance Committee	Independent Board Member
Serra SABANCI	Corporate Governance Committee Member	Non-Executive Board Member
Sevil Sabancı SABANCI	Corporate Governance Committee Member	Non-Executive Board Member
Gökhan EYİGÜN	Corporate Governance Committee Member	Secretary General
Levent DEMİRAĞ	Corporate Governance Committee Member	Head of the Department of Financial Affairs, Accounting and Investor Relations

Early Risk Identification Committee

Early Risk Identification Committee was established in accordance with the Article 378 of the Turkish Commercial Code (Law no. 6102) and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

The Committee performs activities with the purposes of early detection of any risk such as strategic, operational, financial, compliance etc. that may jeopardize the existence, development and continuity of the Company, of taking necessary measures, implementing solutions and managing the risk.

The members of the Committee shall be determined by the Board of Directors of the Company and disclosed to the public. The Chairman of the Committee is appointed among independent members by the Board of Directors of the Company. In the Committee; there are maximum two Members elected by the Company's Board of Directors except the President. The members of the Committee are preferably elected from among the non-executive Board Members.

Committee meetings are held at least six times a year, at a location deemed appropriate by the Chairman. The annual meeting schedule is determined by the Chairman of the Committee and communicated to all committee members at the beginning of each year.

The term of office of the Committee members are in parallel to the term of office of the Members of the Company's Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

Early Risk Identification Committee convened 6 times in 2018.

Name Surname	Position	Nature of Board of Directors Membership
Mehmet Mete BAŞOL	Chairman of the Early Risk Identification Committee	Independent Board Member
Sevil Sabancı SABANCI	Member of the Early Risk Identification Committee	Non-Executive Board Member
Gökhan EYİGÜN	Member of the Early Risk Identification Committee	Secretary General

Audit Committee

The duty of the Audit Committee is to supervise the Company's accounting system, financial reporting, disclosure of financial statements, progress and effectiveness of independent audit and internal control systems, on behalf of the Company's Board of Directors. The Audit Committee reports its activities, evaluations and suggestions with respect to its duties and area of responsibility to the Board of Directors in writing.

The Chairman and the Members of the Audit Committee are appointed by the Board of Directors from among the Independent Members.

The Audit Committee held four meetings in 2018 and the main agenda items were the review of the independent audit report and the examination of the presentations of the Audit Department.

The members of the Audit Committee determined in accordance with the decision of the Board of Directors of the Company are as follows:

Name Surname	Position	Nature of Board of Directors Membership
Mehmet Mete BAŞOL	Chairman of the Audit Committee	Independent Board Member
Ahmet ERDEM	Member of the Audit Committee	Independent Board Member

Portfolio Management Committee

The Portfolio Management Committee was established in order to implement the necessary measures for the management and development of H.Ö. Sabancı Holding A.Ş.'s portfolio in order to ensure maximum value and dividend yield and to assist the Board of Directors in fulfilling its duties and responsibilities properly. The members of the Committee are determined by the Board of Directors of the Company. The Portfolio Management Committee convened 5 times in 2018.

Name Surname	Position	Nature of Board of Directors Membership
Güler SABANCI	Chairperson	Chairperson of the Board of Directors
Erol SABANCI	Member	Vice Chairperson
Suzan Sabancı DİNÇER	Member	Member
Sevil Sabancı SABANCI	Member	Member
Serra SABANCI	Member	Member
Mehmet GÖÇMEN	Member	Member and CEO

5.4. Risk Management and Internal Control Mechanism

The Sabancı Group holds the position that every risk brings an opportunity, and considers that "sustainable growth" may be achieved by effectively identifying, measuring, and managing risks. The Group places a great importance on risk management in order to "create value for its stakeholders," which is a crucial part of its mission. As one of Turkey's leading institutions, the Sabancı Group continues to implement a defined risk management system throughout the Company with its strong risk management infrastructure.

In Sabancı Group, risk is seen as a concept that incorporates opportunities as well as threats and corporate risk management is applied as a continuous and systematic process in all Group companies in order to manage these risks in the most efficient way. Efforts are being made to cultivate the risk culture throughout the Holding, and assurance is provided to ensure that the right activity is carried out taking the right amount of risk. The risks faced by the Group companies are monitored via Key Risk Indicators (KRI) determined by Sabancı Holding and Group companies. These indicators are continuously monitored and periodically reported. The necessary actions to manage the risks indicated by the Main Risk Indicators are taken by the Group companies under the coordination of Sabancı Holding.

Ceaselessly continuing to create shareholder value in 2018 owing to the importance it attaches to risk management, Sabancı Group displayed a sustainable growth performance.

Sabancı Group will manage the potential risks in all business lines in 2019 thanks to its strong capital and effective management understanding.

Similarly, the Internal Control Mechanism has been available since the Company was established. With the establishment of the Audit Committee, the Internal Control Mechanism effectively carries out the duties assigned by the Board of Directors, in compliance with the current Audit Committee Bylaws.

5.5. Company's Strategic Goals

Having determined the vision and the mission of the Company, the Board of Directors incorporated them in writing in the Annual Report, and announced to the public on the Company's website, www.sabanci.com and Company's long-term strategies are built on these principles.

The Board of Directors, together with the CEO and Group Presidents, sets three-year strategic goals which are updated each year. Whether the targets are achieved or not are monitored by executive reports prepared at the end of each month. Whether the Company achieved its targets or not constitutes the basis for performance evaluation at the end of the year.

5.6 Financial Rights

The terms and conditions of any right, fee, and benefit granted to the Company's Board Members are laid down in detail in the Articles of Association. The General Assembly determines the payments to be made to the Chairman and Members of the Board of Directors as well as the attendance fee. The payments made to the senior executives are disclosed to the public in the footnotes of our financial statements.

In 2018, the Company did not lend any money or extend any credit to the Board Members; did not extend the maturity or improve the terms and conditions of existing debts or credits; did not extend any individual loan through third persons, or did not offer guarantees.

[1] *In accordance with the Resolution no 2/49 of the Capital Markets Board dated 10 January 2019, it was decided to implement the old format in the Corporate Governance Compliance Reports. Meanwhile, reporting in URF and KYBF formats are available at https://www.kap.org.tr/en/Bildirim/746013 https://www.kap.org.tr/en/Bildirim/746016*

DIVIDEND DISTRIBUTION TABLE

HACI ÖMER SABANCI HOLDİNG A.Ş. DIVIDEND DISTRIBUTION TABLE FOR 2018 (TL)

1	Paid in Capital		2,040,403,931.00
2	General Legal Reserves (As per Statutory Records)		408,080,786.20
	According to the Article of Association, 3% of the net profit after deducting 5% general reserves and first category dividend to shareholders within the rate and regulations of the Capital Market Board, is reserved for Hacı Ömer Sabancı Foundation.		
		As per Capital Market Board	**As per Statutory Records**
3	Profit	8,898,285,000.00	1,850,744,015.67
4	Taxes (-)	1,655,834,000.00	124,608,554.27
5	Net Profit For the Period (Share of the Parent)	3,830,335,000.00	1,726,135,461.40
6	Previous Years' Losses (-)	0.00	0.00
7	General Legal Reserves (-)	0.00	0.00
8	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	3,830,335,000.00	1,726,135,461.40
9	Donations during the year (+)	257,300.00	
10	Net Distributable Profit Including Donations	3,830,592,300.00	
11	First Category Dividend For Shareholders	102,020,196.55	
	- Cash	102,020,196.55	
	- Share	0.00	
	- Total	102,020,196.55	
12	Dividends Distributed to the Privileged Shareholders		
13	Other Dividends Distributed	48,723,457.95	
	- Members of the Board of Directors		
	- Employees		
	- Non Shareholders	48,723,457.95	
14	Dividends Distributed to the Holders of Usufruct Right Certificates	0.00	
15	Second Category Dividend For Shareholders	510,100,982.75	
16	General Legal Reserves	0.00	
17	Status Reserves	0.00	0.00
18	Special Reserves (According to the Article 5/1-e of Corporate Tax Law)	0.00	49,013,341.03
19	Extraordinary Reserves	3,169,490,362.75	1,016,277,483.12
20	Other Resource Planned for Distribution	0.00	0.00
	-Previous Years' Profit	0.00	0.00
	-Extraordinary Reserve	0.00	0.00
	-Other distributable reserves as per the legislation and Articles of Association	0.00	0.00

HACI ÖMER SABANCI HOLDİNG A.Ş. 2018 DIVIDEND RATES TABLE

	TOTAL DIVIDEND AMOUNT		**TOTAL DIVIDEND AMOUNT/ NET DISTRIBUTABLE PROFIT FOR THE PERIOD**	**DIVIDEND FOR A SHARE WITH A NOMINAL VALUE OF 1 TL**	
	CASH	**SHARES**	**RATIO**	**AMOUNT**	**RATIO**
	(TL)	**(TL)**	**(%)**	**(TL)**	**(%)**
GROSS	612,121,179.30	-	15.98	0.300	30.00
NET (*)	520,303,002.41	-	13.58	0.255	25.50

(*) Net amount is calculated with the 15% withholding tax assumption.

EVENTS AFTER THE BALANCE SHEET PERIOD

The application to Capital Markets Board for increasing Akbank's, a subsidiary of the Group's, paid-in-capital by TRY 1,200,000,000 (full amount) from TRY 4,000,000,000 (full amount) to TRY 5,200,000,000 (full amount) has been approved by Capital Markets Board in the meeting dated 27.12.2018 numbered 65/1535. Related approval has been publicly announced in the Board Weekly Bulletin numbered 2018/59.

Within this framework; via rights (TRY 2.5 for each share with nominal value of TRY 1) issue period between 03.01.2019 - 17.01.2019; a total fund amounting to TRY 3,005,741,611.22 (full amount) has been provided, consisting of TRY 2,996,306,795.62 (full amount) from exercising the pre-emptive rights to purchase new shares and TRY 9,434,815.60 (full amount) from the sale of remaining shares on 22 January 2019 at the Primary Market of Borsa Istanbul.

Following the necessary approvals, registration and announcement processes have been fully completed. The Bank's capital was increased by TRY 1,200,000,000 (full amount), and as a result of full participation in the capital increase, there was no change in the Group's effective ownership share.

Shares of Temsa İş Makinaları Üretim ve Pazarlama A.Ş. and Temsa Motorlu Araçlar Pazarlama ve Dağıtım A.Ş; respectively 51% joint venture and 100% affiliate of Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş., a subsidiary of the Group, will be transferred to new companies with spin off by the decision of the Board of Directors of Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş. dated 01.02.2019 and numbered 2019/2.

In this context, Partition Plan, Division Report, the Financial Statements of the last three years, annual reports and interim financial statements as of 30 September 2018 of Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş. were presented on the Turkey Trade Registry Gazette dated 15 February 2019 and numbered 739, for the review of shareholders.

Kordsa Inc., a 100% affiliate of Kordsa (which is a subsidiary of the Group), decided to acquire 95.83% share of a company named "Axiom Materials Acquisition LLC." (The Company). The Company provides advanced composite materials to the aviation industry and next generation transportation vehicles, and it is fully owned by Axiom Materials Holdings LLC. Kordsa Inc., has taken a decision on the acquisition of Axiom Materials Holding LLC for approximately USD 174,830,000 (full amount-except closing adjustments) following all legal approvals and providing the required conditions. The acquisition amount will become finalized after the closure conditions regarding approvals from competition law in USA and the foreign investments committee.

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

1. Opinion

We have audited the annual report of Hacı Ömer Sabancı Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of 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. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 22 February 2019 on the full set consolidated financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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

Burak Özpoyraz, SMMM
Partner

Istanbul, 22 February 2019

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
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 2018 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 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

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.

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 based on TFRS 9 (Note 30)	
The Group has total provision for impairment of TRY 7,9 billion in respect to loans and advances of TRY 193 billion which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2018. TFRS 9 is a new and complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models require large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter	Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and receivables and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures. Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Group's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists. We have independently assessed together with our related specialists methodologies used in the models in respect to segmentation, use of macro-economic expectations, life time expected credit losses, losses given default. We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the classification of loans is performed appropriately in line with TFRS 9 staging rules, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework. In addition, we have evaluated the appropriateness of specific impairment provision with supportable input on non-performing loans and on other significant individual loans. Based on our discussions with the Group management, we evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable. We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loan and receivables and related impairment provision.

Key audit matters	How our audit addressed the key audit matter
First time adoption of TFRS 9 Financial Instruments Standard (Note 2.2) TFRS 9 replaces TAS 39 Financial Instruments: recognition and measurement of financial instruments. TFRS 9 has three phases as follow: Phase 1 - classification and measurement of financial assets and financial liabilities; Phase 2 - Impairment methodology; Phase 3 - Hedge accounting. The application of expected credit loss model with respect to changes arising as part of TFRS 9 adaptation is explained in the above paragraph on impairment of loans and receivables in accordance with TFRS 9. The Group continued to apply TAS 39 with respect to hedge accounting requirements. The application of TFRS 9 resulted into changes in previously reported carrying amounts and the related accounting policies. Therefore, this area is considered as key audit matter.	With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprises the following: We have read the Group's TFRS 9 based classification and measurement of financial assets and financial liabilities policy and compared it with the requirements of IFRS 9; We have obtained and checked the Group's business model assessment. We tested the contractual cash flow criteria, which give rise to cash flows that are "solely payments of principal and interest" (SPPI test). We checked the appropriateness of the opening balance adjustments and the related disclosures. With respect to impairment, using expected credit loss model, our work plan is described in the above paragraph with respect to How Our Audit Addressed the Key Audit Matter for impairment of loans and receivables in accordance with TFRS 9.
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. In addition to the above procedures we have reviewed the disclosures of Group's financial statements with respect to the pension fund.

5. 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 TFRS, 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.

6. 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.

- 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 2018 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 22 February 2019.

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

Burak Özpoyraz, SMMM
Partner
Istanbul, 22 February 2019

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

	Note References	31 December 2018 USD (*)	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
ASSETS				
Current Assets		**35.222.154**	**185.300.225**	**163.547.705**
Cash and Cash Equivalents	5	4.496.886	23.657.667	14.519.064
Financial Assets		1.738.797	9.147.636	8.832.334
- Through Profit or Loss	6.a	33.990	178.817	39.890
- Through Other Comprehensive Income	6.b	1.035.994	5.450.262	4.190.446
- At Amortised Cost	6.c	668.813	3.518.557	4.593.808
- Time Deposits	6.d	-	-	8.190
Trade Receivables	8	382.217	2.010.806	1.881.888
Receivables from Finance Sector Operations	30	21.182.700	111.440.065	97.520.756
Reserve Deposits with the Central Bank of the Republic of Turkey		5.024.567	26.433.745	33.055.479
Other Receivables	9	339.133	1.784.144	2.464.026
Derivative Financial Instruments	29	978.496	5.147.767	1.812.017
Inventories	10	559.761	2.944.845	2.312.094
Prepaid Expenses	11	171.188	900.603	749.214
Assets Related to Current Tax		3.073	16.167	9.093
Other Current Assets	20	342.633	1.802.560	370.559
		35.219.451	**185.286.005**	**163.526.524**
Non-current Assets Held for Sale	22	2.703	14.220	21.181
Non-current Assets		**35.428.548**	**186.386.046**	**190.587.046**
Financial Assets		9.058.260	47.654.602	52.944.726
- Through Other Comprehensive Income	6.b	7.395.995	38.909.591	38.655.381
- At Amortised Cost	6.c	1.662.265	8.745.011	14.289.345
Trade Receivables	8	23.999	126.256	121.678
Receivables From Finance Sector Operations	30	19.359.749	101.849.702	114.186.246
Other Receivables	9	580.614	3.054.550	998.184
Derivative Financial Instruments	29	3.334.192	17.540.849	7.698.970
Investments Accounted Through Equity Method	12	1.284.278	6.756.459	6.439.214
Investment Property	13	26.028	136.930	282.506
Property, Plant and Equipment	14	1.259.609	6.626.678	5.529.745
Intangible Assets		400.858	2.108.876	1.690.195
- Goodwill	16	161.420	849.215	873.097
- Other Intangible Asset	15	239.438	1.259.661	817.098
Prepaid Expenses	11	3.990	20.991	23.098
Deferred Tax Assets	28	70.832	372.640	552.671
Other Non-current Assets	20	26.139	137.513	119.813
Total Assets		**70.650.702**	**371.686.271**	**354.134.751**

* USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2018, 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 22 February 2019 and signed on its behalf by Mehmet Göçmen, Member of Board of Directors and CEO and Barış Oran, CFO. General Assembly has the right to change these consolidated financial statements.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2018 AND 2017
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

	Note References	31 December 2018 USD (*)	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
LIABILITIES				
Current Liabilities		**48.555.190**	**255.444.010**	**247.467.413**
Short Term Borrowings	7	1.848.769	9.726.191	13.917.173
Short Term Portion of Long Term Borrowings	7	3.956.674	20.815.668	16.018.279
Trade Payables	8	641.097	3.372.749	2.882.349
Payables from Finance Sector Operations	31	39.121.699	205.815.346	204.692.399
Payables related to Employee Benefits	19	17.805	93.671	75.997
Other Payables	9	1.167.559	6.142.410	5.401.108
Derivative Financial Instruments	29	1.016.620	5.348.337	2.138.123
Deferred Income	11	55.479	291.868	217.393
Current Tax Liabilities	28	11.860	62.396	802.451
Short Term Provisions		191.261	1.006.206	651.217
- Short Term Provisions for Employee	19	62.223	327.351	318.279
- Other Short Term Provisions	17	129.038	678.855	332.938
Other Short Term Liabilities	20	525.555	2.764.894	665.662
		48.554.378	**255.439.736**	**247.462.151**
Liabilities Related to Assets Held for Sale	22	812	4.274	5.262
Non-current Liabilities		**11.375.710**	**59.846.465**	**54.669.399**
Long Term Borrowings	7	6.695.107	35.222.289	25.322.315
Payables from Finance Sector Operations	31	2.626.719	13.818.904	23.664.909
Other Payables	9	450.987	2.372.596	1.541.534
Derivative Financial Instruments	29	1.441.414	7.583.133	3.375.454
Deferred Income	11	22.208	116.833	143.793
Long Term Provisions		85.975	452.305	416.977
- Long Term Provisions for Employee Benefits	19	85.165	448.045	412.364
- Other Long Term Provisions	17	810	4.260	4.613
Deferred Tax Liabilities	28	35.261	185.504	149.352
Other Long Term Liabilities	20	18.039	94.901	55.065
EQUITY		**10.719.802**	**56.395.796**	**51.997.939**
Equity Attributable To The Parent	**21**	**5.567.484**	**29.289.967**	**26.591.788**
Share Capital	21	387.843	2.040.404	2.040.404
Adjustments to Share Capital		651.364	3.426.761	3.426.761
Share Premium	21	4.227	22.237	22.237
Treasury shares (-)	21	(36.205)	(190.470)	(190.470)
Other Comprehensive Income or Expenses That				
Will Not Be Reclassified to Profit or Loss		(14.215)	(74.784)	(76.380)
- Actuarial Gain/Loss		(14.215)	(74.784)	(76.380)
Other Comprehensive Income or Expenses		(2.111.551)	(370.833)	64.615
Will Be Reclassified to Profit or Loss				
- Currency Translation Reserve	21	(1.778.222)	1.382.776	724.660
- Gains/Losses on Hedge	21	(101.823)	(535.681)	(349.708)
- Revaluation Reserve	21	(231.506)	(1.217.928)	(310.337)
Restricted Reserves	21	199.600	1.050.078	1.032.916
Retained Earnings		5.693.762	19.556.239	16.790.619
Net Income for the Period		792.659	3.830.335	3.481.086
Non-controlling Interests		**5.152.318**	**27.105.829**	**25.406.151**
TOTAL EQUITY AND LIABILITIES		**70.650.702**	**371.686.271**	**354.134.751**

* USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

	Note References	1 January - 31 December 2018 (USD) (*)	Audited Current Period 1 January - 31 December 2018	Audited Prior Period 1 January - 31 December 2017
CONTINUING OPERATIONS				
Sales (net)	4, 23	3.364.952	16.260.337	13.839.851
Cost of Sales (-)	4, 23	(2.660.719)	(12.857.297)	(10.943.850)
Gross Profit from Non-Financial Operations		**704.233**	**3.403.040**	**2.896.001**
Interest, Premium, Commission and Other Income	4	7.869.510	38.027.550	27.296.414
Interest, Premium, Commission and Other Expense (-)	4	(5.114.009)	(24.712.239)	(14.663.543)
Gross Profit from Financial Operations		**2.755.501**	**13.315.311**	**12.632.871**
GROSS PROFIT		**3.459.734**	**16.718.351**	**15.528.872**
General and Administrative Expenses (-)	24	(1.385.646)	(6.695.806)	(5.334.974)
Marketing Expenses (-)	24	(409.683)	(1.979.695)	(1.745.064)
Research and Development Expenses (-)	24	(3.122)	(15.086)	(7.853)
Other Income from Operating Activities	25	386.141	1.865.933	1.328.631
Other Expense from Operating Activities (-)	25	(369.958)	(1.787.733)	(765.417)
Share of Profit of Investments Accounted				
Through the Equity Method	12	167.305	808.460	576.380
OPERATING PROFIT		**1.844.771**	**8.914.424**	**9.580.575**
Income from Investing Activities	26	153.004	739.354	110.729
Expense from Investing Activities (-)	26	(1.379)	(6.663)	(17.653)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		**1.996.396**	**9.647.115**	**9.673.651**
Financial Income	27	46.916	226.709	141.096
Financial Expenses (-)	27	(201.885)	(975.562)	(596.754)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		**1.841.427**	**8.898.262**	**9.217.993**
Tax Expense from Continuing Operations				
Current Tax Expense	28	(280.857)	(1.357.175)	(1.793.988)
Deferred Tax Income/(Expense)	28	(61.805)	(298.659)	10.390
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1.498.765**	**7.242.428**	**7.434.395**
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	22	5	23	3.503
PROFIT FOR THE PERIOD		**1.498.770**	**7.242.451**	**7.437.898**
ALLOCATION OF PROFIT				
- Non-controlling interests		706.111	3.412.116	3.956.812
- Equity holders of the parent		792.659	3.830.335	3.481.086
Earnings per share				
- hundreds of ordinary shares (TRY)		0,39	1,88	1,71
Earnings per share from continuing operations				
- hundreds of ordinary shares (TRY)		0,39	1,88	1,70

* USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(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 2018	Audited Prior period 1 January - 31 December 2017
NET INCOME FOR THE YEAR		**7.242.451**	**7.437.898**
Other Comprehensive Income/(Loss):			
Items That Will Not Be Reclassified Subsequent To Profit or Loss		**2.416**	**(43.822)**
Actuarial (losses)/gains, after tax	28	3.887	(47.749)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax	28	(1.471)	3.927
Items That Will Be Reclassified To Profit or Loss		**(1.122.129)**	**786.527**
Fair value gains/(losses) from financial assets through other comprehensive income	28	(1.934.514)	354.369
Currency translation differences	28	1.512.992	539.555
Cash flow hedges after tax	28	(205.284)	51.132
Income/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operation, after tax	28	(384.609)	(201.629)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		(110.714)	43.100
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		**(1.119.713)**	**742.705**
TOTAL COMPREHENSIVE INCOME		**6.122.738**	**8.180.603**
ALLOCATION OF TOTAL COMPREHENSIVE INCOME			
- Non-controlling Interests		2.784.107	4.382.918
- Equity Holders of the Parent		3.338.631	3.797.685

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

					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 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)	-	-	-
Dividens 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**
Balances at 1 January 2018	**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**
Effect of changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**57.591**	**-**	**(43.869)**	**-**	**13.722**	**29.183**	**42.905**
Restated balance as of 1 January 2018	**2.040.404**	**3.426.761**	**(190.470)**	**22.237**	**(76.380)**	**724.660**	**(349.708)**	**(252.746)**	**1.032.916**	**16.746.750**	**3.481.086**	**26.605.510**	**25.435.334**	**52.040.844**
Transfers	-	-	-	-	-	-	-	-	31.033	3.450.053	(3.481.086)	-	-	-
Dividens paid (*)	-	-	-	-	-	-	-	-	-	(639.523)	-	(639.523)	(1.042.122)	(1.681.645)
Other (**)	-	-	-	-	696	-	-	(435)	(13.871)	15.765	-	2.155	-	2.155
Transactions with non-controlling interets (***)	-	-	-	-	-	-	-	-	-	(16.806)	-	(16.806)	(71.490)	(88.296)
Total Comprehensive Income	-	-	-	-	900	658.116	(185.973)	(964.747)	-	-	3.830.335	3.338.631	2.784.107	6.122.738
Balances at 31 December 2018	**2.040.404**	**3.426.761**	**(190.470)**	**22.237**	**(74.784)**	**1.382.776**	**(535.681)**	**(1.217.928)**	**1.050.078**	**19.556.239**	**3.830.335**	**29.289.967**	**27.105.829**	**56.395.796**

(*) Dividends paid by the Holding per share with a TRY 1 nominal value is TRY 0,30 (2017: TRY 0,20).
(**) Enerji Enerji A.Ş.'s initial public offering, consisting 20% of the Entity's share, was completed on February 8, 2018.
(***) In April 2018, 6.908.992 lot shares corresponding to 5.11% of the shares of Çimsa Çimento Sanayi ve Ticaret AS, a subsidiary of the Group, were purchased at a price of TRY 12,78 per lot.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(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 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Net income before tax from continuing operations		8.898.262	9.217.993
Net income after tax from discontinued operations		23	3.503
Adjustments to reconcile income to net cash provided by operating activities			
Depreciation and amortisation expenses	13,14,15	837.400	721.392
Provision for loan losses		7.106.229	1.655.531
Changes in the fair value of derivative instruments		(6.138.539)	(130.573)
Interest income and foreign currency gains		(7.778.924)	(2.888.612)
Interest expenses		838.909	280.925
Provision for employment termination benefits		146.888	103.369
Impairments charge on property, plant and equipment, intangible assets and investment property	14,15	(10.178)	(31.505)
Impairment of goodwill	16	150.200	141.718
Income from sale of property, plant and equipment, intangible asset and investment property		(598.483)	(91.451)
Income from associates and joint ventures		(808.460)	(576.380)
Income from sale of shares		(144.538)	-
Provision for / (reversal of) inventory impairment		2.538	(3.402)
Provision for doubtful receivables		102.853	(138)
Adjustments for unrealized currency translation differences		28.146	324.569
Other		1.459	10.930
Net cash provided by operating activities before changes in operating assets and liabilities		**2.633.785**	**8.737.869**
Changes in trade receivables		(184.855)	(452.794)
Changes in inventories		(562.451)	(304.009)
Changes in other receivables and current assets		(2.719.544)	(1.432.006)
Change in trade payables		462.708	391.832
Changes in other liabilities and other payables		3.929.590	933.671
Net cash provided by operating activities of non-current assets		5.973	(5.857)
Changes in assets and liabilities in finance segment			
Changes in securities at amortized cost		(138.308)	23.201
Changes in receivables from financial operations		(7.515.936)	(31.746.273)
Changes in payables to financial operations		(8.639.974)	29.522.976
Central Bank of the Republic of Turkey account		6.160.679	931.307
Income taxes paid	28	(1.204.843)	(1.250.598)
Employment termination benefits paid		(107.311)	(81.370)
Net cash provided by (used) in operating activites		**(7.880.487)**	**5.267.949**
Cash flows from investing activities			
Capital expenditures	4	(2.131.841)	(1.410.413)
Sale (purchase) of financial assets		4.340.100	(7.324.945)
Cash outflow due to the purchase of subsidiaries		(576.535)	-
Cash provided from the share sale of joint ventures		738.168	-
Proceeds from sale of non-current assets, property, plant and equipment and intangible assets		1.154.660	172.060
Dividends received	12	490.026	351.375
Capital increase in joint ventures	12	(714.000)	-
Net cash provided by/used in investing activities		**3.300.578**	**(8.211.923)**
Cash flows from financing activities:			
Cash inflow from financial liabilities		20.180.086	11.538.358
Financial liability repayments		(10.276.282)	(5.477.339)
Dividend paid		(639.523)	(424.786)
Dividend paid to non-controlling interets		(1.042.122)	(637.813)
Net cash provided by financing activities		**8.222.159**	**4.998.420**
Effect of change in foreign currency rates on cash and cash equivalents		5.036.545	685.424
Net increase/(decrease) in cash and cash equivalents		8.678.795	2.739.870
Cash and cash equivalents at the beginning of the period (*)		9.975.545	7.235.675
Cash and cash equivalents at the end of the period		**18.654.340**	**9.975.545**

(*) Cash and cash equivalents at the end of the period comprise interest accruals of TRY 432 (31 December 2017: TRY 1.679). At the beginning and at the end of the current period, restricted deposit is TRY 4.541.840 and TRY 5.002.895, respectively (31 December 2017: TRY 5.356.843 and TRY 4.541.840, respectively).

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

(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 2018 is 64.294 (31 December 2017: 63.152). 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 2018, 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 Employess
Akbank T.A.Ş. ("Akbank")	BIST	Banking	Banking	17.164
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	BİST	Trade of Consumer Goods	Retailing	11.956
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	BİST	Trade	Retailing	2.364
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	BİST	Cement and Clinker	Cement	2.266
Kordsa Teknik Tekstil Anonim Şirketi ("Kordsa")	BİST	Tire Reinforcement	Industry	4.208
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	-	Automative	Industry	1.616
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	BİST	Textile	Industry	1.134
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	-	Trade	Other	8
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	-	Tourism	Other	2
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	-	Tourism	Other	3
Sabancı Dijital Teknoloji Hizmetleri A.Ş. ("Sabancı DX)	-	Information Technologies	Other	213

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

Subsidiaries are registered in Turkey.

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 2018, 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:

	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Joint ventures					
Aksigorta A.Ş. ("Aksigorta")	BİST	Insurance	Insurance	Ageas	650
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	BİST	Pension	Insurance	Aviva	1.583
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	BİST	Tire	Industry	Bridgestone	2.787
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	BİST	Cement and clinker	Cement	Heidelberg	2.395
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	BİST	Energy	Energy	E.ON SE	10.929
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim")	-	Energy	Energy	E.ON SE	1.163
Temsa İş Makinaları	-	Automotive	Industry	Marubeni	234

All joint ventures are registered in Turkey.

Associates

As at 31 December 2018, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Joint ventures					
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	-	Tobacco products Production	Industry	Philip Morris	3.115
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	-	Tobacco products Marketing and Sales	Industry	Philip Morris	

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

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.

2.1.2 New and Revised Turkish Accounting Standards

- **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";** Group recognises revenue based on the following five principles in accordance with the TFRS 15, "Revenue from Contracts with Customers Standard"; effective from 1 January 2018:
  - Identification of customer contracts
  - Identification of performance obligations
  - Determination of the transaction price in the contracts
  - Allocation of transaction price to the performance obligations
  - Recognition of revenue when the performance obligations are satisfied

- Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation. When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

The Group, when the Group has fulfilled its performance obligations by transferring a contracted product or service to its customers, books the transaction amount related to this performance obligation to the consolidated financial statements as revenue. The goods or services sales are realized when the goods or services are transferred to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

a) presence of Group's collection right of the consideration for the goods or services,
b) customer's ownership of the legal title on goods or services,
c) physical transfer of the goods or services,
d) customer's ownership of significant risks and rewards related to the goods or services,
e) customer's acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, 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 on an accrual basis as other operating income.

- **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.

- **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.

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. 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.

b) Standards and amendments that have been issued but not yet effective as of 31 December 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.

- **IFRS 16, “Leases”;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching 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.

- **IFRIC 23, “Uncertainty over income tax treatments”;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

- An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **IFRS 17, "Insurance contracts";** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements',and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) clarify the explanation of the definition of material; and
iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations

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.

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.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

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 2018 and 2017:

	31 December 2018		31 December 2017	
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
Sabancı DX	100,00	100,00	100,00	100,00
Çimsa (*)	63,52	58,10	58,41	53,00
Exsa (*)	61,68	47,90	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

(*) In April 2018, 6.908.992 lot shares corresponding to 5,11% of Çimsa Çimento Sanayi ve Ticaret AS, a subsidiary of the Group, were purchased at a price of TRY 12,78 per lot. The effective shareholding interest in Exsa, a subsidiary of the Group, has increased from 46.23% to 47.90% as Çimsa owns 32.88% of Exsa shares.

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

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

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

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2018 and 31 December 2017:

	31 December 2018		31 December 2017	
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 (*)	40,00	40,00	50,00	50,00
Enerjisa Üretim	50,00	50,00	50,00	50,00
Temsa Mısır	73,75	73,75	73,75	73,75
Temsa İş Makinaları	51,00	24,84	51,00	24,84

(*) Enerji Enerji A.Ş.'s initial public offering, consisting 20% of the Entity's share, was completed on February 8, 2018. Ownership rate has decreased to 40% following the initial public offering.

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 2018 and 31 December 2017:

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.

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 2018 comparatively with the consolidated balance sheet as of 31 December 2017 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 2018 comparatively with the year 1 January - 31 December 2017.

First transition to IFRS 15 "Revenue arising from agreements made with customers"

The Group recognised IFRS 15 "Revenue arising from agreements made with customers", which replaced TAS 18, using the cumulative impact method as of 01 January 2018, the date of first implementation. Using this method, the Group registered the cumulative impact concerning the first transition to IFRS 15 with retained earnings on the date of first implementation. Therefore, there was no need to restate the previous years' consolidated financial statements, and the financial statements were presented in line with TAS 18. The transition impact of the standard was recognised using the to the simplified method. As per this transition method, the Group accounted the effect of the agreements that are effective from 01 January 2018, the date of first implementation, and recognised the cumulative impact under equity.

First transition to IFRS 9 "Financial instruments" standard

The Group applied IFRS 9 "Financial instruments", which replaced TAS 39, as of 1 January 2018, the date of first implementation. The standard includes obligations concerning the classification and measurement of financial assets and liabilities and the expected credit risk model, which will replace the currently used realised impairment model. The transition impact of the standard was recognised using to the simplified method. Using this method, the Group registered the cumulative impact concerning the first transition to IFRS 9 with the equity on the date of first implementation. Therefore, there was no need to restate the previous years' consolidated financial statements, and the financial statements were presented in line with TAS 39.

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 2018 of TRY 5,2609 = USD 1 and TRY 4,8322 = 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.

The preparation of consolidated financial statements in conformity with Turkish 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.

2.2.1 Financial assets:

The Group classifies and recognises its financial assets as "Financial Assets Whose Fair Value Difference is Reflected to Profit/Loss", "Financial Assets Whose Fair Value Difference is Reflected to Other Comprehensive Income" or "Financial Assets Measured by Amortised Cost". The financial assets are Recognized or Derecognized in records according to "Recognized or Derecognized in Financial Statements" set forth in the third section of "IFRS 9 Financial Assets", which relates to the classification and measurement of financial assets and was promulgated in Official Gazette No. 29953, dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured using their fair value when they are first included in financial statements. Transaction costs are also included in the fair value during the first measurement of financial assets other than "Financial Assets Whose Fair Value Difference is Reflected to Profit/Loss". The Group includes a financial asset in the financial statements only when the Group is a party to agreement provisions concerning the financial instrument. The business model determined by bank management and the characteristics of the cash flows of the financial asset subject to agreement are considered when a financial asset is included in financial statements for the first time. When the business model determined by bank management is changed, all financial asset affected by the change are reclassified prospectively. In these cases, no adjustment is made for revenue, loss or interest previously included in financial statements.

a. Financial assets those stat fair value difference is accounted under profit/loss:

Financial assets whose fair value difference is accounted under profit/loss are those which are managed by a model other than a model aiming to hold assets to collect cash flows subject to agreement, a model aiming to collect cash flows subject to agreement and sell the asset and the financial assets acquired to make a profit on the price and other fluctuations in the market in the short run, or which are part of a portfolio aiming to make a profit in the short-run regardless of acquiring the asset if the agreement conditions regarding the financial asset do not drive cash flows including interest payments arising only from the principal and the principal balance on specific dates. Financial assets whose fair value difference is reflected to profit/loss are recognised at their fair value and are valued based on their fair value. Gains and losses emerging as a result of a valuation are included in the profit/loss accounts.

b. Financial assets whose fair value difference is accounted under other comprehensive income:

If the financial asset is held within the scope of a business model aiming to collect cash flows subject to agreement and to sell the financial asset, and the agreement conditions regarding the financial asset cause cash flows that include interest payments which only arise from principal and principal balance on specific dates, then the financial asset is classified as a financial asset whose fair value difference is accounted under other comprehensive income. Financial assets whose fair value difference is accounted under other comprehensive income are recognised by adding transaction costs to acquisition cost reflecting the fair value. Financial assets whose fair value difference is accounted under other comprehensive income are valued based on their fair value after they are recognised. The interest income by using the effective rate method of financial assets whose fair value difference is accounted under other comprehensive income and dividend income of securities representing the share in capital are reflected on the income statement.

The difference between the fair value and amortised costs of financial assets whose fair value difference is accounted under other comprehensive income, namely, "Unrealized profit and loss", is reflected in the income statement of the relevant period until either the price of the financial asset is collected or the asset is sold, disposed of or weakened, and is tracked under "Other Accumulated Comprehensive Income or Expenses to be Reclassified in Profit or Loss" under equity. When the securities are collected or disposed of, the cumulative fair value differences reflected to equities are reflected on the income statement.

When recognising them in financial statements for the first time, the company may choose to make a irreversible choice to present future changes in the fair value of an investment in an equity instrument which is not held for sale under other comprehensive income. In this case, dividends earned from the said investment are transferred to financial statements as profit or loss.

c. Financial assets measured by amortised cost:

If the financial asset is held within the scope of a business model aiming to collect cash flows subject to agreement, and the agreement conditions regarding the financial asset cause cash flows that include interest payments which only arise from principal and principal balance on specific dates, then the financial asset is classified as a financial asset which is measured by amortised cost. Financial assets measured by amortised cost are first recognised by adding transaction costs to acquisition cost reflecting their fair value, and then are measured by amortised cost using the “efficient interest (internal rate of return) method”. Interest income concerning financial assets measured by amortised cost are reflected in the income statement. There are bonds index-linked to consumer prices (“CPI”) in the securities portfolio for which the fair value difference is reflected to other comprehensive income and which are measured by amortized cost.

The said securities are valued and recognised according to the effective interest method and are based on the index calculated considering real coupon rates, the reference inflation index on the date of issuance and estimated inflation rates. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The Group sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary. At the end of the year, real inflation rate is used.

d. Derivative Assets:

The Group’s derivative transactions generally consist of foreign currency swaps and interest swaps, cross currency swaps, currency options and future contracts. The Group’s derivative instruments are classified as “Derivative Financial Instruments Whose Fair Value Difference is Reflected to Profit Loss” or “Derivative Financial Instruments Whose Fair Value Difference is Reflected to Other Comprehensive Income” as per “IFRS 9 Derivative Instruments” (“IFRS 9”).

Receivables and liabilities arising in derivatives transactions are recognised in memorandum accounts based on contractual amounts. Derivatives transactions are valued based on their fair value after they are recognised.

If the fair value of a derivative instrument is positive, it is classified under “Fair Value Difference of Derivative Assets Which is Reflected Under Profit Loss” or “Fair Value Difference of Derivative Assets Which is Reflected Under Other Comprehensive Income”, and if the fair value is negative, it is classified under “Fair Value Difference of Derivative Liabilities Which is Reflected Under Profit Loss” or “Fair Value Difference of Derivative Liabilities Which is Reflected Under Other Comprehensive Income”. Differences in the fair value of derivative assets reflected under profit/loss are recognised under profit/loss from derivative financial transactions in the profit/loss item on the income statement. The fair values of derivatives are calculated according to market value or discounted cash flow.

e. Borrowings:

Loans are financial assets which have fixed or specifiable payments and are not listed in an active market. The said held-to-maturity loans cost is first recognised by adding transaction costs to acquisition cost, reflecting their fair value, and then are measured along with the amortised amount using the “effective interest (internal efficiency) rate method”. All Group loans are tracked under “Amortized Costs”.

f. Explanations on expected loss provisions:

The Group allocates expected loss provisions for amortised costs and financial assets whose fair value differences are measured by reflecting them to other comprehensive income.

As per the "Regulation on Classification of Loans and Procedures and Principles for Provisions to be Allocated for Loans" promulgated in Official Gazette No. 29750, dated 22 June 2016, the Group began allocating impairment provisions in line with IFRS 9 as of 01 January 2018. Within this scope, the method for allocating loan provisions as per the relevant legislation dated 31 December 2017 was changed with the implementation of the expected loan losses model as per IFRS 9. The estimate of expected credit loss includes information which is objective, weighted based on possibility and supported by past, current and future economic conditions.

Expected Credit Loss (ECL) Calculation – Input and Forecasting Methodologies:

Expected Credit Loss (ECL) is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

- Probability of Default (PD): PD indicates the probability of default due to inability of the borrower to meet its debt obligations. It has been calculated for 12 months or lifetime depends on increase on borrower's credit risk.
- Loss Given Default (LGD): In case of default of the borrower, Loss Given Default has been calculated as dividing Expected Credit Loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure, customer repayment performance. Calculated LGD remains constant until its overdue.
- Exposure at Default: Specifies the amount of risk that the borrower should pay in case of default. It is kept in the system by constantly calculated until the maturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable commitment products.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. The expected credit loss value is calculated for all customers over the maturity period. However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Within the scope of TFRS 9, models of Probability of default (PD), Lost given default (LGD) and Exposure at default (EAD) have been developed. The models used by the IRB "(Internal Rating Based Approach)" are taken into account when creating these models. The models developed under TFRS 9 have a detailed segment structure. Loans that have similar characteristics are segmented in order to reflect the expected credit losses collectively in financial reports. When creating the segmentation structure, the following information of the loans is taken into consideration.

1. Customer type (retail or corporate / commercial)
2. Product type
3. IRB rating notes /scores
4. Customer credit performance
5. Collateral type
6. Collection Period
7. Exposure at default

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation.

Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario. The risk parameters used in the IFRS 9 calculations include prospective macroeconomic information. While macroeconomic information is included, models and estimates reflecting the relationships between model risk parameters and macroeconomic variables are taken into consideration. The main macroeconomic indicators of these estimation models are the Gross Domestic Product (GDP) and the policy interest rate. Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

- There is no update in the assumptions in the estimation techniques.
- Model risk parameters and macroeconomic estimation models have been updated with recent data.
- Expected Credit Loss calculation has practiced with using multi-scenario structure by using updated macroeconomic model scenarios

Within the scope IFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Loss-ECL). Related impact is realized when the default ratio of the Bank moves the default rate calculated for each maturity up or down.The main parameters of default ratio model are "Growth Rate" and "Policy Interest". Therefore, the calculated provisions can change when the macroeconomic expectations are taken into consideration.

Consumer/Commercial	Portfolio
Consumer	Consumer
Consumer	Automotive
Consumer	Mortgage
Consumer	Credit Card
Consumer	Overdraft
Commercial	Micro
Commercial	Company
Commercial	Commercial
Commercial	Corporate

The prospective expectations have been determined based on 2 scenarios, base scenario and negative scenario. Each scenario has predetermined weights. Final allowances are calculated by weighting the probability given to the scenarios.

g. Explanations on IFRS 9 Financial Instruments Standard

The "IFRS 9 Financial Instruments" standard, regarding the classification and measurement of financial instruments, promulgated by the Public Oversight Accounting and Auditing Standards Authority in Official Gazette No. 29953 dated 19 January 2017, replaced the "IAS 39 Financial Instruments: Recognition and Measurement" standard as of 01 January 2018. The IFRS 9 standard sets forth new principals regarding classification and measurement of financial instruments, expected loss provisions for financial instruments and hedge accounting.

Classification and measurement of financial instruments

According to the IFRS 9 standard, financial assets are classified and measured based on the business model with which the financial asset is managed and whether the assets depend on contractual cash flows including interest payments for only the principal and principal balance.

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Information about cases where contractual cash flows only include interest payments concerning the principal and principal balance:

"Principal" is defined as the fair value when the financial asset is initially recognised in financial statements. "Interest" considers the loan risk related with the time value of money for a specific period, the other main loan risks and the costs related to the profit margin (e.g. liquidity risk and administrative costs). The Group considers the contractual conditions of the financial asset when evaluating contractual cash flows including only principal and interest payments concerning principal. This includes evaluating whether there is any contractual condition that may change the timing or amount of the contractual cash flows of the financial asset. The Group considers the following when making the evaluation:

- incidents that may change the amount and timing of cash flows,
- leverage features,
- down payment and extension conditions,
- conditions that limit the Group's access to cash flow arising from specific assets,
- things that must be considered when measuring the time value of money (e.g. resetting interest rates periodically).

The Group meets balance sheet classification and measurement criteria by implementing the above-mentioned procedures for all its financial assets. When recognised in financial statements for the first time, each financial asset is classified by reflecting its fair value in profit or loss based on its recognized cost or by reflecting the fair value change to other comprehensive income. Implementation of provisions in TAS 39 do not significantly change for the classification and measurement of financial assets. The following section includes the Group's explanations concerning the implementation of IFRS 9.

Reconciliation of the statement of financial positions of classified financial assets during transition to IFRS 9:

	Before IFRS 9 Book Value 31 December 2017	Reclassifications	Remeasurements	Before IFRS 9 Book Value 1 January 2018
Amortized cost				
Before reclassifications (held-to-maturity)	18.883.153	-	-	-
Fair value effect reclassified under other comprehensive income	-	(4.927.185)	-	-
Book value after reclassification	-	-	-	13.955.968
Fair value effect reclassified under profit/loss				
Before reclassifications (held for purchase and sale)	39.890	-	-	-
Classified from held for sales	-	84.865	-	-
Book value after reclassification	-	-	-	124.755
Fair value effect accounted under other comprehensive income				
Before reclassifications (held for sales)	42.845.827	-	-	-
Classified from held-to-maturity	-	4.927.185	-	-
Valuation effect of asset held for sales	-	-	142.269	
Fair value effect accounted under profit/loss	-	(84.865)	-	-
Book value after reclassification	-	-	-	47.830.416

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The reasons for classification of some financial assets held by the Group in accordance with IFRS 9 terms as above are explained below:

1) Financial assets that have fair value differences accounted under other comprehensive income:

The Group reassessed the management model for the collection of contractual cash flows in the security portfolio, the sale of the financial asset and the contractual cash flows of the investment securities. The Bank classifies securities of TRY 4.927.185 previously classified as held-to-maturity and measured at amortized cost, the fair value difference from the date of transition is measured by reflecting the other comprehensive income as it is for the purpose of selling the cash flow or selling the financial asset.

2) Securities for which the fair value difference represents the share of capital accounted under profit/loss:

The Group classified its securities, previously classified as available-for-sale financial assets and which represent a capital share amounting to 84.865 TRY, under Fair Value Difference Accounted under Profit/Loss as of the first implementation day of IFRS 9.

3) Classification of financial instruments based on equity:

The Group irreversibly classified the strategic investments in financial instruments based on equity under "Fair Value Difference Reflected to Other Comprehensive Income" and not traded at organised markets and classified as available-for-sale. When the said securities are disposed of, the changes in their fair value will not be reclassified under profit or loss.

4) Reclassification of categories no longer in use without changing the measurement:

In addition to the above, since the previous categories under TAS 39 following debt securities are no longer in use, they are reclassified in the scope of IFRS 9 without changing basis for measurement.

(i) Those classified as available-for-sale, and those classified as Financial Assets Whose Fair Value Difference is Accounted under Other Comprehensive Income as of 1 January 2018, and
(ii) those classified as held-to-maturity and those classified as measured by amortised cost as of 1 January 2018.

5) Equity impact of transition to IFRS 9 and IFRS 15:

The impact of the changes concerning the implementation of IFRS 9 on the summary consolidated financial statements dated 1 January 2018 is as follows:

	Reported on 31 December 2017	IFRS 9 Effect	1 January 2018 Revised
Consolidated balance sheet			
Financial Investments	61.777.060	142.269	61.919.329
Receivables from Finance Sector Operations	211.707.002	(112.192)	211.594.810
Deferred Tax Assets	403.319	(6.617)	396.702
Income Tax Liability	802.451	25.795	828.246

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The effects of transition to IFRS 9 and IFRS 15 standards on consolidated equity as of 1 January 2018 are presented below:

Subsidiaries IFRS 9 effect	49.255
Effect of IFRS 9 on joint ventures accounted by equity method	11.209
Effect of IFRS 15 on joint ventures accounted by equity method	(17.559)
Total consolidated equity effects	**42.905**

2.2.2 Information on previous period accounting policies that are not effective during the current period:

As of 1 January 2018, the "IFRS 9 Financial Instruments" standard replaced the "TAS 39 Financial Instruments: Recognition and Measurement" standard. Below are the accounting policies that are invalid after the transition to IFRS 9. The Group classifies and recognises its financial assets as "financial assets whose fair value difference is reflected to profit/loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". The trading transactions of the said financial assets are recorded and removed from the records in accordance with the "delivery date". The classifications of financial assets are decided upon on the date of their acquisition, considering bank management's purpose for the acquisition.

a. Financial assets whose fair value difference is accounted under profit/loss:

This category has two subcategories: "Financial assets held for trading" and "financial assets classified as financial assets whose fair value difference is reflected to profit/loss" during the first period. Available-for-sale financial assets are acquired to gain profit from the short-term fluctuations in prices and such, or, independent of the reason for acquisition, are part of a portfolio aimed at gaining short-term profit. Financial assets held for trading are recognised at their fair value and are valued based on their fair value. Gains and losses emerging as a result of a valuation are included in the profit/loss accounts. Interest gained from financial assets held for trading is recorded as interest income, and profit shares gained are recorded as dividend income. Unless derivative financial instruments are defined as hedging instruments, they are classified as financial assets held for trading.

b. Financial assets available for sale:

Available-for-sale financial assets include those other than loans and receivables, assets held-to-maturity, financial assets whose the fair value is reflected in profit/loss and financial assets that are not derivative financial assets. Available-for-sale financial assets are recognised by adding transaction costs to acquisition costs reflecting fair value. Available-for-sale financial assets are valued at fair value after they are recorded. Interest income of available-for-sale debt securities calculated using the effective interest method and dividend income of securities representing a share of capital are reflected on the income statement. The "unrealized profit and loss" arising from the amortised cost of available-for-sale financial assets and changes in fair value is not reflected to the period statement until either the price of the financial asset is collected or the asset is sold, disposed of or weakened and tracked under "real estate valuation differences" under equities. When the said securities are collected or disposed of, the cumulative fair value difference reflected to equities is reflected to the income statement.

Securities representing the share in capital classified as available-for-sale financial assets are recognised at fair value if they are traded in organised markets and/or their fair value is determined in a reliable manner. If they are not traded in organised markets and their fair value is not determined in a reliable manner, they are reflected on financial statements at cost after the depreciation provision is deducted.

c. Loans and receivables:

Loans and receivables are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss or available-for-sale financial assets, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted value calculated using the "Effective interest rate method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

d. Financial assets at amortized cost:

Financial assets at amortized cost are assets that are held until maturity with custody intentions, with regard to which the conditions required for being held to maturity, including funding capability, are fulfilled; which have fixed terms with fixed and definable payments and are not loans or receivables; for which the fair value difference is reflected in profits/losses during initial recognition; which are not shown as " fair value difference is reflected in other comprehensive income" in records; and are not derivative financial instruments. Financial assets at amortized cost are first recognised by adding transaction costs to acquisition cost reflecting their fair value and then are valued at amortised cost value using the "efficient interest (internal rate of return) method". Interest income related to financial assets at amortized cost is reflected in the income statement. The Group does not own financial assets at amortized cost securities but which cannot be subjected to this classification due to a failure to comply with the classification principles. The Group's securities portfolios, which are ready to be sold and are at amortized cost, have CPI-indexed bonds. The said securities are valued and recognised according to the effective interest method and are based on the index calculated considering real coupon rates, the reference inflation index on the date of issuance and estimated inflation rates. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The Group sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary.

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 rediscounted interest income is calculated according to the " effective yield method".

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

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Group is required to maintain reserves in CBRT for TL and foreign currency liabilities. The required reserve rates for TL liabilities vary between 1,5% and 8% for TL deposits and other liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 20% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

2.3.4 Trade receivables and expected credit losses

Group uses a provision matrix for the calculation of the expected credit losses on trade receivables.

The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under "other operating income/expenses" account of the consolidated statement of income.

Impairment

"Expected credit loss model" defined in TFRS 9, "Financial Instruments" superseded the "incurred credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

2.3.5 Receivables From Finance Sector Operations

As of 1 January 2018, Group has adopted "three stage approach (general model)" defined in TFRS 9 for the recognition of impairment losses on receivables from finance sector operations, carried at amortised cost or carried at fair value through other comprehensive income. General model considers the changes in the credit quality of the financial instruments after the initial recognition. Three stages defined in the general model are as follows:

"Stage 1", includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("'ECL'") are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date and represents the credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

"Stage 2", includes financial instruments that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

"Stage 3", includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised.

Group appropriately classifies its financial instruments considering common risk factors (such as the type of the instrument, credit risk rating, guarantees, time to maturity and sector) to determine whether the credit risk on a financial instrument has increased significantly and to account appropriate amount of credit losses in the consolidated financial statements.

The changes in the expected credit losses on receivables from finance sector operations are accounted for under "other operating income/expenses" account of the consolidated statement of income.

2.3.6 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 33.

2.3.7 Inventories

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

2.3.8 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 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.

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:

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

	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.

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

2.3.11 Intangible assets

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

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. Customer relations and contracts are depreciated on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization and impairment losses (Note 15).

2.3.12 Non-current assets held for sale and discontinued operations

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

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

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

2.3.13 IFRS Interpretation 12 - Service Concession Arrangements

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

An arrangement within the scope of IFRS 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 IFRS 39 "Financial Instruments".

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.

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.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, 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. Borrowing costs that are not in this scope are recognised directly in the income statement.

The financing costs of borrowings attributable to ongoing investments (interest expenses and foreign Exchange loses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalised until the completion of the investments.

2.3.17 Deferred financing charges

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

2.3.18 Income taxes

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

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

Current tax

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

Deferred Tax

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

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

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

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

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

Current and deferred tax for the period

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

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.

The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published İn the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "president".

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

With respect to that, according to the technical balance sheet report as at 31 December 2018 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,the surplus of the Fund amounts to TRY6.195 as of 31 December 2018 (31 December 2017: TRY207.041).

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

	31 December 2018	31 December 2017
Current value of funded liabilities	(5.784.979)	(4.979.328)
Net present value of future contributions	4.163.438	3.817.272
Total Transfer Liability to Social Security Institution	**(1.621.541)**	**(1.162.056)**
Past service obligation	(167.755)	(182.305)
Transfer to the Social Security Institution and Additional Liabilities	**(1.789.296)**	**(1.344.361)**
Market value of assets	1.795.491	1.551.402
Fund surplus after assets	**6.195**	**207.041**

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

The principal actuarial assumptions used were as follows:

Discount rate	31 December 2018	31 December 2017
- Pension benefits transferrable to SSI	9,80%	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%	9,80%
- Other non-transferrable benefits	5,73%	4,21%

The average life expectancy of a person who retired at age 60 for men and 58 years for women was determined according to the mortality table based on statistical data and was 17 years for men and 23 years for women.

The movement table of the fair value of the assets is as follows:

Death rate	31 December 2018	31 December 2017
End of previous period	**1.551.402**	**1.394.112**
Real return of fund assets	338.869	238.028
Employer contributions	232.880	204.575
Employee contributions	199.473	174.371
Paid compensations	(527.133)	(459.684)
End of period	**1.795.491**	**1.551.402**

	31 December 2018		31 December 2017	
Bank placements	1.160.797	65%	977.331	63%
Tangible assets	17.975	1%	18.242	1%
Securities and shares	358.510	20%	397.520	26%
Other	258.209	14%	158.309	10%
End of period	**1.795.491**	**100%**	**1.551.402**	**100%**

Provision for Employment Termination Benefit

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

2.3.20 Provisions, contingent liabilities and assets

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

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

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

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

2.3.21 Investment incentives

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

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

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

2.3.22 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 2018.

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.

Life mathematical reserves

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

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

2.3.23 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".

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.

Other segments

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

2.3.24 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 32 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.

2.3.25 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish lira, which is the functional currency of the Holding.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated income statement.

Foreign Group companies

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

2.3.26 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 IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

Partial share purchase-sale transactions with non-controling interests

The group applies a policy of treating transactions with non- controling interests as transactions with equity owners of the group. For purchases from non- controling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non- controling interests are also recorded in equity. For disposals to non- controling interests, differences between any proceeds received and the relevant share of non- controling interests are recorded in equity under retained earnings since.

2.3.27 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.

2.3.28 Leasing transactions

a) The Group as a lessee

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment 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 finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of income. Lease payments are deducted from finance lease liabilities.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

b) The Group as a lessor

Operating leases

Assets leased out under operating leases are included in investment property, property, plant and equipment or other current assets in the balance sheet and rental income is recognised equally on a monthly basis. Rental income is recognised on a straight-line basis over the lease term.

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.

b) 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.

c) Deferred Tax

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

d) Fair value of derivatives and other financial instruments

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

NOTE 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2018 are as follows:

Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of two different unlimited companies that named as "Fabric Development, Inc." and "Textile Products, Inc.", which provide advanced composite materials to commercial aviation industry and fully owned by Piyush A.Shah and Abantika P.Shah as of 13 July 2018. The total purchase price of FDI shares, amounting to USD 40.587.000 (full amount), was paid in cash, and the total purchase price of TPI shares, amounting to USD 49.271.000 (full amount) was paid in cash. In parallel with the acquisition, the capital of Kordsa Inc. has increased amounting to USD 65 million by Kordsa.

On 1 October 2018, Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of a company named "Advanced Honeycomb Technologies Corporation" which provides advanced composite materials to the commercial aviation industry and owned by Richard Greven, Monnie Greven, Walsh Family Trust of 1981 ve Richard A. Greven, Jr. for total USD 3.180.872.

In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets ("Purchase price allocation") are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

Purchase price, assets and liabilities recorded at acquisition date:

	FDI	TPI	AHT	Total
Identifiable assets and liabilities purchased (Full TRY)	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**
Cash and cash equivalent	6.373.688	7.402.016	-	13.775.704
Trade receivables	16.870.387	31.771.430	1.299.873	49.941.690
Inventories	28.972.634	34.584.778	1.809.040	65.366.452
Prepaid expenses	383.197	407.450	-	790.647
Other current assets	1.949.941	-	706.844	2.656.785
Property, plant and equipments	6.781.139	6.553.161	1.042.295	14.376.595
Other long-term assets	48.506	48.506	101.833	198.845
Trade payables	(3.739.813)	(23.952.263)	-	(27.692.076)
Deferred income	-	(1.532.790)	-	(1.532.790)
Other current liabilities	(2.711.590)	(904.889)	(1.587.403)	(5.203.882)
Other intangibles assets	94.101.640	122.235.120	7.787.260	224.124.020
Total identifiable net assets	**149.029.729**	**176.612.519**	**11.159.742**	**336.801.990**

Cost of acquisition (Total TRY 488.238.894) is fully paid. As a result of the acquisition transaction, the amount of TRY 115.525.559 (full TRY) of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recorded as goodwill in the balance sheet. The position of the companies in the market as the strongest companies offering high quality composite production and the fact that Kordsa will add value to the growth targets in the composite sector is the basis of goodwill.

Goodwill movement relating this combination as of 31 December 2018 is as follows;

(Total TL)	**31 December 2018**
Acquisition during the year	336.462.914
FDI	*140.851.275*
TPI	*183.250.699*
AHT	*12.360.940*
Transfers to tangible and intangible assets	(220.937.355)
FDI	*(93.380.930)*
TPI	*(121.298.940)*
AHT	*(6.257.485)*
Goodwill (Note 16)	**115.525.559**

The business combinations between the period 1 January and 31 December 2017 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.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

a) External Revenues (Consolidated):

	1 January - 31 December 2018	1 January - 31 December 2017
Banking	38.027.550	27.296.414
Industry	5.768.365	4.317.140
Retail	8.665.651	7.926.799
Cement	1.703.150	1.490.574
Other	123.171	105.338
Total (*)	**54.287.887**	**41.136.265**

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

b) Segment Assets (Consolidated):

	31 December 2018	31 December 2017
Banking	352.550.041	337.538.775
Industry	6.859.211	4.816.631
Retail	3.526.148	4.083.814
Cement	3.269.258	3.042.382
Other	3.694.905	2.600.516
Segment assets	**369.899.563**	**352.082.118**
Assets classified as held for sale	14.220	21.181
Investments accounted through equity method (Note 12)	6.756.459	6.439.214
Unallocated assets	(623.106)	(955.871)
Less: intersegment eliminations	(4.360.865)	(3.451.891)
Total assets as per consolidated financial statements	**371.686.271**	**354.134.751**

c) Segment Liabilities (Consolidated):

	31 December 2018	31 December 2017
Banking	310.344.568	297.938.890
Industry	4.117.957	2.562.011
Retail	3.514.724	3.996.900
Cement	2.051.464	1.834.398
Other	213.635	195.468
Segment liabilities	**320.242.348**	**306.527.667**
Assets classified as held for sale	4.274	5.262
Unallocated Liabilities	(597.547)	(946.791)
Less: intersegment eliminations	(4.358.600)	(3.449.326)
Total liabilities as per consolidated financial statements	**315.290.475**	**302.136.812**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

d) The balance sheet items by segment:

i) Banking:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	23.184.134	23.184.134	13.881.582	13.881.582
Financial investments	56.787.861	56.787.861	61.764.823	61.764.823
Derivative financial instruments	22.605.903	22.605.903	9.452.332	9.452.332
Reserve deposits with the Central Bank of Republic of Turkey	26.433.745	26.433.745	33.055.479	33.055.479
Receivables from finance sector operations	213.936.745	213.936.745	212.706.935	212.706.935
Property, plant and equipment	1.521.567	1.521.567	973.573	973.573
Intangible assets	646.192	646.192	478.542	478.542
Other receivables and other assets	7.433.894	7.433.894	5.225.509	5.225.509
Total segment assets	**352.550.041**	**352.550.041**	**337.538.775**	**337.538.775**
Financial liabilities	61.571.596	61.571.596	51.890.944	51.890.944
Payables from finance sector operations	223.310.872	223.310.872	230.770.592	230.770.592
Derivative financial instruments	12.825.003	12.825.003	5.498.740	5.498.740
Other payables and other liabilities	12.637.097	12.637.097	9.778.614	9.778.614
Total segment liabilities	**310.344.568**	**310.344.568**	**297.938.890**	**297.938.890**

(*) 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 2018, the cash flows from financing activities of the Bank is TRY(1.623.409) (31 December 2017: TRY2.204.931).

As of 31 December 2018, the cash flows from investing activities of the Bank is TRY3.805.272 (31 December 2017: TRY(7.319.775)).

As of 31 December 2018, the cash flows from investing activities of the Bank is TRY(1.483.420) (31 December 2017: TRY4.299.418).

Accumulated non-controlling interests of Akbank as of 31 December 2018 is TRY25.006.743 (31 December 2017: TRY23.462.932).

ii) Insurance:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	1.687.939	-	1.941.785	-
Financial investments	2.318.944	-	1.068.201	-
Receivables from finance sector operations	820.924	-	711.505	-
Investments accounted through equity method (Note 12)	-	490.529	-	435.071
Property, plant and equipment	54.008	-	45.619	-
Intangible assets	105.201	-	79.147	-
Other receivables and other assets	2.741.080	-	2.074.898	-
Total segment assets	**7.728.096**	**490.529**	**5.921.155**	**435.071**
Payables from finance sector operations	6.000.266	-	4.473.101	-
Other payables and other liabilities	460.419	-	326.724	-
Total segment liabilities	**6.460.685**	**-**	**4.799.825**	**-**

(*) 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.

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Insurance segment consists of Aksigorta and Avivasa.

iii) Energy:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	1.650.093	-	208.188	-
Financial investments	836	-	836	-
Trade receivables	4.197.534	-	2.685.139	-
Inventories	297.056	-	217.618	-
Investments accounted through equity method (Note 12)	-	5.116.565	-	4.960.285
Property, plant and equipment	10.199.559	-	10.116.942	-
Intangible assets	5.483.176	-	5.715.215	-
Other receivables and other assets	14.920.870	-	13.748.493	-
Total segment assets	**36.749.124**	**5.116.565**	**32.692.431**	**4.960.285**
Financial liabilities	16.930.099	-	14.820.651	-
Trade payables	2.822.560	-	1.859.818	-
Other payables and other liabilities	5.503.553	-	6.091.391	-
Total segment liabilities	**25.256.212**	**-**	**22.771.860**	**-**

(*) 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.

iv) Industry:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	510.289	226.141	227.760	33.244
Financial investments	107	107	141	141
Trade receivables	2.326.415	1.567.588	2.185.680	1.354.018
Inventories	2.189.688	1.618.064	1.536.591	1.143.366
Investments accounted through equity method	342.609	744.416	367.944	666.147
Property, plant and equipment	3.911.684	2.139.571	3.305.540	1.593.964
Intangible assets	557.990	491.972	268.799	207.776
Other receivables and other assets	2.199.518	829.988	872.574	505.304
Total segment assets	**12.038.300**	**7.617.847**	**8.765.029**	**5.503.960**
Financial liabilities	5.145.695	2.483.597	3.420.139	1.390.144
Trade payables	1.613.319	847.072	1.211.520	624.032
Other payables and other liabilities	1.245.916	791.562	792.793	553.097
Total segment liabilities	**8.004.930**	**4.122.231**	**5.424.452**	**2.567.273**

(*) 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.

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v) Retail:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	514.619	514.619	584.336	584.336
Trade receivables	121.818	120.403	118.254	117.720
Inventories	1.131.851	1.131.851	1.020.866	1.020.866
Investment property	8.930	8.930	186.962	186.962
Property, plant and equipment	722.996	722.996	904.493	904.493
Intangible assets	89.576	89.576	99.139	99.139
Other receivables and other assets	875.522	937.773	1.108.927	1.170.298
Total segment assets	**3.465.312**	**3.526.148**	**4.022.977**	**4.083.814**
Financial liabilities	875.502	875.502	1.599.951	1.599.951
Trade payables	2.194.155	2.194.155	1.939.207	1.938.672
Other payables and other liabilities	445.067	445.067	457.738	458.277
Total segment liabilities	**3.514.724**	**3.514.724**	**3.996.896**	**3.996.900**

(*) 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.

vi) Cement:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	492.848	217.427	255.014	217.946
Financial investments	184.662	64	162.783	64
Trade receivables	864.981	421.740	999.154	513.467
Inventories	435.195	190.255	297.729	146.775
Investments accounted through equity method	-	404.949	-	377.711
Property, plant and equipment	2.867.206	2.027.479	2.682.867	1.855.212
Intangible assets	63.521	18.210	59.260	16.841
Other receivables and other assets	583.567	394.084	483.487	292.077
Total segment assets	**5.491.980**	**3.674.208**	**4.940.294**	**3.420.093**
Financial liabilities	2.045.633	1.480.472	1.762.257	1.376.837
Trade payables	635.486	296.068	578.203	290.768
Other payables and other liabilities	441.045	274.924	308.403	166.793
Total segment liabilities	**3.122.164**	**2.051.464**	**2.648.863**	**1.834.398**

(*) 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.

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vii) Other:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Cash and cash equivalents	3.191.791	3.191.791	2.216.076	2.216.076
Financial investments	11.939.453	14.207	11.788.296	12.032
Trade receivables	47.530	45.747	46.315	46.098
Inventories	4.675	4.675	1.087	1.087
Property, plant and equipment	232.546	196.482	219.983	183.920
Intangible assets	13.745	13.745	14.835	14.835
Other receivables and other assets	227.773	228.258	164.697	126.468
Total segment assets	**15.657.513**	**3.694.905**	**14.451.289**	**2.600.516**
Financial liabilities	252	252	-	-
Trade payables	56.099	53.891	43.501	43.482
Other payables and other liabilities	168.445	159.492	181.490	151.986
Total segment liabilities	**224.796**	**213.635**	**224.991**	**195.468**

(*) 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 Sabancı DX.

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

	1 January - 31 December 2018			1 January - 31 December 2017		
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated
Total revenue	**54.514.390**	**(226.503)**	**54.287.887**	**41.270.922**	**(134.657)**	**41.136.265**
Cost of sales and interest, premiums, commissions and other expenses	(38.363.837)	794.301	(37.569.536)	(25.911.463)	304.070	(25.607.393)
General administration expenses	(6.768.867)	73.061	(6.695.806)	(5.406.271)	71.297	(5.334.974)
Sales, marketing and distribution expenses	(1.980.321)	626	(1.979.695)	(1.745.586)	522	(1.745.064)
Research and development expenses	(15.085)	(1)	(15.086)	(7.853)	-	(7.853)
Other operating income/(expense) - net	83.921	(5.721)	78.200	565.158	(1.944)	563.214
Interest in income of joint ventures	808.461	(1)	808.460	576.379	1	576.380
Operating profit	**8.278.662**	**635.762**	**8.914.424**	**9.341.286**	**239.289**	**9.580.575**
Income/(expense) from investing activities - net	1.529.680	(796.989)	732.691	396.365	(303.289)	93.076
Operating profit before financial expense	**9.808.342**	**(161.227)**	**9.647.115**	**9.737.651**	**(64.000)**	**9.673.651**
Financial income/(expense) - net	(916.472)	167.619	(748.853)	(519.222)	63.564	(455.658)
Income before tax	**8.891.870**	**6.392**	**8.898.262**	**9.218.429**	**(436)**	**9.217.993**
Tax	(1.655.835)	1	(1.655.834)	(1.783.598)	-	(1.783.598)
Profit/(loss) after tax from discontinued operations	23	-	23	3.503	-	3.503
Income for the period	**7.236.058**	**6.393**	**7.242.451**	**7.438.334**	**(436)**	**7.437.898**
Net income attributable to equity holders of the parent			**3.830.335**			**3.481.086**

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f) The items of statement of profit or loss:

i) Banking:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Interest, commission and other income	38.166.302	38.166.302	27.351.649	27.351.649
Interest, commission and other expenses	(25.492.000)	(25.492.000)	(14.958.755)	(14.958.755)
General administration expenses	(5.937.871)	(5.937.871)	(4.901.449)	(4.901.449)
Other operating income/(expense) - net	258.294	258.294	675.049	675.049
Operating profit	**6.994.725**	**6.994.725**	**8.166.494**	**8.166.494**
Income/(expense) from investing activities - net	6.567	6.567	2.658	2.658
Profit before tax	**7.001.292**	**7.001.292**	**8.169.152**	**8.169.152**
Tax	(1.433.550)	(1.433.550)	(1.684.366)	(1.684.367)
Net income	**5.567.742**	**5.567.742**	**6.484.786**	**6.484.785**
Net income attributable to equity holders of the parent		**2.268.860**		**2.642.546**
EBITDA	7.337.881		8.427.357	

(*) 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 2018 is TRY3.298.882 (31 December 2017: TRY3.842.239).

ii) Insurance:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Gross premiums	2.352.613	-	1.653.363	-
Gross written premiums	3.982.708	-	3.107.028	-
Unearned premiums reserves	(1.630.095)	-	(1.453.665)	-
Premiums, commission and other expenses	(2.211.092)	-	(1.352.372)	-
General administration expenses	(495.301)	-	(425.462)	-
Other operating income/(expense) - net	844.967	-	440.584	-
Interest in income of joint ventures (Note 12)	-	156.955	-	107.047
Operating profit	**491.187**	**156.955**	**316.113**	**107.047**
Income/(expense) from investing activities - net	69.045	-	44.592	-
Operating profit before financial expense	**560.232**	**156.955**	**360.705**	**107.047**
Financial income/(expense) - net	(25.749)	-	(8.219)	-
Profit before tax	**534.483**	**156.955**	**352.486**	**107.047**
Tax	(120.781)	-	(71.214)	-
Net income	**413.702**	**156.955**	**281.272**	**107.047**
Net income attributable to equity holders of the parent		**156.955**		**107.047**
EBITDA	492.323		324.218	

(*) 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.

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iii) Energy:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Sales revenue (net)	23.647.118	-	16.510.145	-
Cost of sales	(16.783.387)	-	(12.070.041)	-
General administration expenses	(1.938.006)	-	(1.602.825)	-
Sales, marketing and distribution expenses	-	-	-	-
Other operating income/(expense) - net	(1.152.397)	-	444	-
Interest in income of joint ventures (Note 12)	-	318.574	-	106.994
Operating profit/(loss)	**3.773.328**	**318.574**	**2.837.723**	**106.994**
Income / (expense) from investment activities -net	194	-	(286.275)	-
Operating profit/(loss) before financial expense	**3.773.522**	**318.574**	**2.551.448**	**106.994**
Financial income/(expense) - net	(2.805.712)	-	(2.255.381)	-
Profit/(loss) before tax	**967.810**	**318.574**	**296.067**	**106.994**
Tax	(181.124)	-	(82.261)	-
Net income/(loss)	**786.686**	**318.574**	**213.806**	**106.994**
Net income/(loss) attributable to equity holders of the parent		**318.574**		**106.994**
EBITDA	4.724.333		3.468.228	

(*) 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.

iv) Industry:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Sales revenue (net)	8.767.466	5.768.690	6.613.036	4.318.900
Cost of sales	(6.913.838)	(4.679.447)	(5.234.243)	(3.549.257)
General administration expenses	(522.258)	(369.594)	(282.253)	(119.835)
Sales, marketing and distribution expenses	(586.010)	(315.973)	(458.194)	(228.968)
Research and development expenses	(12.273)	(11.234)	(7.836)	(6.296)
Other operating income/(expense) - net	215.023	128.692	161.638	122.198
Interest in income of joint ventures (Note 12)	222.907	264.679	268.581	310.119
Operating profit	**1.171.017**	**785.813**	**1.060.729**	**846.861**
Income/(expense) from investing activities - net	903	952	25.795	25.588
Operating profit before financial expense	**1.171.920**	**786.765**	**1.086.524**	**872.449**
Financial income/(expense) - net	(716.781)	(381.547)	(332.585)	(172.248)
Profit before tax	**455.139**	**405.218**	**753.939**	**700.201**
Tax	(715)	(2.390)	(53.368)	(51.265)
Profit after tax from discontinued operations	23	23	3.503	3.503
Net income	**454.447**	**402.851**	**704.074**	**652.439**
Net income attributable to equity holders of the parent		**361.200**		**473.476**
EBITDA	1.296.666		1.162.015	

(*) 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.

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v) Retail:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Sales revenue (net)	8.680.380	8.677.090	7.951.844	7.946.868
Cost of sales	(6.733.071)	(6.729.531)	(6.170.358)	(6.165.388)
General administration expenses	(217.482)	(217.124)	(194.523)	(194.523)
Sales, marketing and distribution expenses	(1.639.662)	(1.639.662)	(1.501.124)	(1.500.496)
Other operating income/(expense) - net	(358.922)	(358.922)	(300.403)	(300.403)
Operating profit/(loss)	**(268.757)**	**(268.149)**	**(214.564)**	**(213.942)**
Income/(expense) from investing activities - net	566.265	566.265	15.643	15.643
Operating profit/(loss) before financial expense	**297.508**	**298.116**	**(198.921)**	**(198.299)**
Financial income/(expense) - net	(323.406)	(323.406)	(246.973)	(246.973)
Profit/(loss) before tax	**(25.898)**	**(25.290)**	**(445.894)**	**(445.272)**
Tax	(50.212)	(50.212)	42.076	42.076
Net income/(loss)	**(76.110)**	**(75.502)**	**(403.818)**	**(403.196)**
Net income/(loss) attributable to equity holders of the parent		**(44.767)**		**(202.437)**
EBITDA	58.569		94.252	

(*) 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.

vi) Cement:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Sales revenue (net)	3.418.750	1.703.180	3.009.581	1.490.580
Cost of sales	(2.645.410)	(1.295.375)	(2.313.682)	(1.100.486)
General administration expenses	(186.098)	(110.198)	(143.275)	(79.827)
Research and development expenses	(3.851)	(3.851)	(1.557)	(1.557)
Sales, marketing and distribution expenses	(40.024)	(18.398)	(30.581)	(10.984)
Other operating income/(expense) - net	36.662	38.440	24.776	28.526
Interest in income of joint ventures	-	68.252	-	52.219
Operating profit	**580.029**	**382.050**	**545.262**	**378.471**
Income/(expense) from investing activities - net	63.370	33.771	58.836	50.000
Operating profit before financial expense	**643.399**	**415.821**	**604.098**	**428.471**
Financial income/(expense) - net	(291.407)	(211.263)	(164.945)	(99.587)
Profit before tax	**351.992**	**204.558**	**439.153**	**328.884**
Tax	(64.007)	(22.014)	(78.360)	(47.462)
Net income	**287.985**	**182.544**	**360.793**	**281.422**
Net income attributable to equity holders of the parent		**134.920**		**163.635**
EBITDA	724.066		680.324	

(*) 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.

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vii) Other:

	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017
Sales revenue (net)	1.417.271	199.129	1.046.801	162.925
Cost of sales	(167.878)	(167.484)	(137.869)	(137.577)
General administration expenses	(140.822)	(134.080)	(115.369)	(110.637)
Sales, marketing and distribution expenses	(6.288)	(6.288)	(5.138)	(5.138)
Other operating income/(expense) - net	25.219	17.416	45.031	39.787
Operating profit	**1.127.502**	**(91.307)**	**833.456**	**(50.640)**
Income/(expense) from investing activities - net	929.294	922.126	307.254	302.476
Operating profit before financial expense	**2.056.796**	**830.819**	**1.140.710**	**251.836**
Financial income/(expense) - net	(256)	(256)	(414)	(414)
Profit before tax	**2.056.540**	**830.563**	**1.140.296**	**251.422**
Tax	(147.669)	(147.669)	(42.580)	(42.580)
Net income	**1.908.871**	**682.894**	**1.097.716**	**208.842**
Net income attributable to equity holders of the parent		**634.592**		**189.825**
EBITDA	1.153.409		860.379	

(*) 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.

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 2018	31 December 2017
Banking	2.268.860	2.642.546
Insurance	156.957	107.047
Industry	380.860	442.215
Cement	120.649	150.690
Energy	576.014	221.504
Retail	(183.637)	(110.016)
Other	511.660	161.292
Total	**3.831.363**	**3.615.278**

	31 December 2018	31 December 2017
Adjusted net income for reported operating segments (Equity holders of the Parent)	3.831.363	3.615.278
One off income/(expenses) related to Carrefoursa	149.991	(95.994)
One off income/(expenses) related to Teknosa	(11.121)	3.573
One off income/(expenses) related to Enerjisa	(257.440)	(114.510)
One off income/(expenses) related to Holding	122.932	31.125
Other	(5.390)	41.614
Net income (Equity holders of the Parent)	**3.830.335**	**3.481.086**

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One off income/(expenses) details	31 December 2018	31 December 2017
Profit on sale of fixed assets	253.463	39.405
Impairment of fixed assets	-	(150.866)
Impairment of goodwill	(377.619)	(71.723)
Other	123.129	48.990
Total	**(1.027)**	**(134.193)**

h) Combined EBITDA Detail

31 December 2018	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interest	EBITDA
Banking	7.001.292	343.156	6.567	-	-	7.337.881
Industry	455.138	336.019	903	(716.781)	210.369	1.296.666
Cement	351.992	194.603	63.370	(291.407)	50.566	724.066
Retail	(25.898)	173.239	566.265	(323.406)	(154.087)	58.569
Energy	967.810	697.314	194	(2.805.712)	(253.691)	4.724.333
Insurance	534.483	34.671	69.045	(25.749)	33.535	492.323
Other	2.056.540	29.431	929.294	(256)	3.524	1.153.409

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	753.939	244.051	25.795	(332.585)	142.765	1.162.015
Cement	439.153	169.312	58.836	(164.945)	34.252	680.324
Retail	(445.894)	207.682	15.643	(246.973)	(101.134)	94.252
Energy	296.067	663.025	(286.275)	(2.255.381)	32.520	3.468.228
Insurance	352.486	25.021	44.592	(8.219)	16.916	324.218
Other	1.140.296	27.601	307.254	(414)	678	860.379

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

1 January - 31 December 2018

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	343.156	-	177.711	110.439	-	173.239	29.394	833.939
Capital expenditures	1.063.720	-	600.342	260.714	-	157.725	49.340	2.131.841

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1 January - 31 December 2017

	Finance Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	260.863	-	139.028	86.378	-	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

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

1 January - 31 December 2018

	Finance Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	343.156	34.671	336.019	194.603	697.314	173.239	29.394	1.808.396
Capital expenditures	1.063.720	72.589	839.672	361.604	1.875.173	157.725	49.340	4.419.823

1 January - 31 December 2018

	Finance Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortisation	260.863	25.021	244.051	169.312	663.025	207.682	27.601	1.597.555
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	27.696	4.271.172

NOTE 5 - CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Cash		
- Banking	3.680.078	2.307.696
- Other companies	30.941	43.920
Bank - time deposit	6.408.625	4.271.101
Bank - demand deposit	12.986.154	7.882.898
Receivables from repo transactions	539.374	-
Other cash and cash equivalents	12.495	13.449
Total	**23.657.667**	**14.519.064**

Effective interest rates of USD, EUR and TRY denominated time deposits are 2,35% (31 December 2017: 1,79%), 0,22% (31 December 2017: 0,10%) and 23,83% (31 December 2017: 16,21%), respectively.

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The maturity analysis as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Demand	16.709.668	10.247.962
Up to 3 months	6.947.999	4.271.102
Total	**23.657.667**	**14.519.064**

As of 31 December 2018, 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 TRY5.002.895 (31 December 2017: TRY4.541.840).

NOTE 6 - FINANCIAL ASSETS

a) Financial Assets Through Profit or Loss:

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

	31 December 2018	31 December 2017
Equity securities	150.685	23.432
Government bonds	10.113	9.525
Other	18.019	6.933
Total	**178.817**	**39.890**

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

	31 December 2018	31 December 2017
TRY	13,22%	16,16%

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TRY10.599 (31 December 2017: TRY9.731).

The maturity analysis of financial assets at fair value through profit and loss as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
3 to 12 months	10.113	16.459
1 to 5 years	11.893	-
No maturiy	156.811	23.431
Total	**178.817**	**39.890**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

Period remaining to contractual repricing dates:

	31 December 2018	31 December 2017
Up to 3 months	11.893	2.060
3 to 12 months	10.113	14.399
No maturiy	156.811	23.431
Total	**178.817**	**39.890**

b) Financial Assets Through Other Comprehensive Income:

	31 December 2018	31 December 2017
Debt securities		
- Government bonds	23.928.005	23.159.176
- Eurobonds	12.574.559	13.657.442
- Investment funds	237.585	277.987
- Other bonds denominated in foreign currency	7.600.049	5.648.781
Sub-total	**44.340.198**	**42.743.386**
Equity securities		
- Listed	153	116
- Unlisted	19.502	102.325
Sub-total	**19.655**	**102.441**
Financial Assets Through Other Comprehensive Income	**44.359.853**	**42.845.827**

Effective interest rates of USD, EUR, JPY and TRY denominated available-for-sale securities are 4,55% (31 December 2017: 4,20%), 2,38% (31 December 2017: 2,47%), 3,09% (31 December 2017: 3,09%) and 20,97% (31 December 2017: 12,48%), respectively. The Group's financial assets through other comprehensive income subject to funds provided from repo are TRY12.114.655 (31 December 2017: TRY20.055.533). Financial assets through other comprehensive income that are given as collateral because of the Group's financing activities are amounting to TRY8.854.043 (31 December 2017: TRY3.470.880).

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.

The maturity analysis in accordance with expiring date as at 31 December 2018 and 2017 is as follows:

	31 December 2018			31 December 2017		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	1.215.426	-	1.215.426	826.336	-	826.336
3 to 12 months	3.997.086	-	3.997.086	3.086.122	-	3.086.122
1 to 5 years	29.373.727	13.777	29.387.504	25.783.774	-	25.783.774
Over 5 years	9.522.087	-	9.522.087	12.871.607	-	12.871.607
No maturity	237.750	-	237.750	277.988	-	277.988
Total	**44.346.076**	**13.777**	**44.359.853**	**42.845.827**	**-**	**42.845.827**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

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

	31 December 2018			31 December 2017		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	8.558.547	-	8.558.547	6.936.341	-	6.936.341
3 to 12 months	13.645.080	-	13.645.080	11.749.801	-	11.749.801
1 to 5 years	15.273.796	13.777	15.287.573	16.298.430	-	16.298.430
Over 5 years	6.617.448	-	6.617.448	7.485.228	-	7.485.228
No maturity	251.205	-	251.205	376.027	-	376.027
Total	**44.346.076**	**13.777**	**44.359.853**	**42.845.827**	**-**	**42.845.827**

c) Financial Assets at Amortised Cost:

The breakdown of financial assets at amortised cost is listed below:

	31 December 2018	31 December 2017
Government bonds	12.263.568	18.883.153
Total	**12.263.568**	**18.883.153**

Effective interest rates of USD, EUR and TRY denominated debt securities are 4,89% (31 December 2017: 4,11%), 3,58% (31 December 2017: 3,62%) and TRY is 26,70% (31 December 2017: 13,22%).

The movement table of financial assets at amortised cost is as follows:

	31 December 2018	31 December 2017
1 January	**18.883.153**	**17.976.984**
Additions	1.654.189	226
Foreign exchange differences in monetary assets	1.683.148	1.223.819
Valuation effect	572.514	523.600
Disposals through sales and redemptions(*)	(10.713.907)	(766.185)
Allowance for impairment	184.471	(75.291)
Total	**12.263.568**	**18.883.153**

(*) The Bank has reviewed the marketable securities management model in accordance with IFRS 9, and has reclassified its securities to financial assets through other comprehensive income amounting to TRY4.927.185 because appropriate model is collecting cash flows or selling the financial asset which are previously classified and measured at amortized cost.

Period remaining to contractual maturity dates for financial assets at amortised cost at 31 December 2018 and 2017 is as follows:

	31 December 2018			31 December 2017		
	Banking	Other companies	Total	Banking	Other Companies	Total
3 to 12 months	3.518.476	81	3.518.557	4.593.687	122	4.593.809
1 to 5 years	7.640.711	-	7.640.711	12.668.937	-	12.668.937
Over 5 years	1.104.300	-	1.104.300	1.620.407	-	1.620.407
	12.263.487	**81**	**12.263.568**	**18.883.031**	**122**	**18.883.153**

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Period remaining to contractual repricing dates for investment security, financial assets at amortised cost at 31 December 2018 and 2017 is as follows:

	31 December 2018			31 December 2017		
	Banking	Other companies	Total	Banking	Other Companies	Total
Up to 3 months	3.971.097	-	3.971.097	6.403.521	-	6.403.521
3 to 12 months	4.220.072	81	4.220.153	2.623.044	122	2.623.166
1 to 5 years	2.968.018	-	2.968.018	8.897.479	-	8.897.479
Over 5 years	1.104.300	-	1.104.300	958.987	-	958.987
Total	**12.263.487**	**81**	**12.263.568**	**18.883.031**	**122**	**18.883.153**

d) Time Deposits:

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

	31 December 2018	31 December 2017
3 to 12 months	-	8.190
Total	**-**	**8.190**

NOTE 7 - FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2018	31 December 2017
Short term	9.726.191	13.917.173
Short-term portion of long term	20.815.668	16.018.279
Total short term	**30.541.859**	**29.935.452**
Long-term funds borrowed, bank borrowings and debt securities:		
Long term	35.222.289	25.322.315
Total	**65.764.148**	**55.257.767**

Maturity analysis as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Up to 3 months	8.447.806	14.837.249
3 to 12 months	22.094.053	15.098.203
Short term borrowings and short term portion of long term borrowings	**30.541.859**	**29.935.452**
1 to 5 years	21.892.607	16.168.062
Over 5 years	13.329.682	9.154.253
Long term borrowings	**35.222.289**	**25.322.315**
Total financial liabilities	**65.764.148**	**55.257.767**

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The maturity schedule of long term borrowings at 31 December 2018 and 2017 is summarised below:

	31 December 2018	31 December 2017
2018	-	5.296.171
2019	7.770.555	5.029.825
2020	4.168.543	2.191.491
2021	5.887.176	3.650.575
2022 and beyond	17.396.015	9.154.253
Total	**35.222.289**	**25.322.315**

The repricing schedule of borrowings at 31 December 2018 and 2017 is summarized below:

	31 December 2018	31 December 2017
Up to 3 months	38.453.236	33.182.206
3 to 12 months	10.334.947	9.872.514
1 to 5 years	9.449.170	7.133.178
Over 5 years	7.526.795	5.069.869
Total	**65.764.148**	**55.257.767**

Financial liability movement as of 31 December 2018 is as follows;

	2018	2017
1 January	55.257.767	48.918.074
Additions	20.180.086	11.538.358
Payments	(10.276.282)	(5.477.339)
Interest accruals	431.302	134.944
Foreign exchange effects	161.274	82.620
Borrowing costs capitalized	10.001	61.110
31 December	**65.764.148**	**55.257.767**

The transactions related with the funds and loans as of 31 December 2018 are as follows:

Akbank - Funds borrowed via syndicated credit

As of 31 December 2018, Akbank has three outstanding syndicated loan. On 15 August 2017, the first syndicated loan signed and raised EUR515.1 million and USD542.6 million consisting of 1 year and 2 year maturities. The current amount is USD205 million. The cost of 2 year maturity loan is Euribor + 220 bps. The second syndicated loan of EUR 483 million and USD604.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 26 March 2018. The cost of 1 year maturity loan is Euribor + 120 bps and Libor + 130 bps and the cost of 2 years maturity loan is Euribor +210 bps. The third syndicated loan of EUR595 million and USD 385 million with a maturity of 1 year was obtained through the loan agreement signed on 27 September 2018. The cost of the loan is Euribor +265 bps and Libor +275 bps.

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Issued securities:

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2018		31 December 2017	
	USD	TRY	USD	TRY
2018	-	-	1.208.548	4.519.968
2019	979.670	5.153.064	452.230	1.691.340
2020	1.071.920	5.638.299	848.888	3.174.841
2021	574.885	3.023.895	516.436	1.931.471
2022	946.571	4.978.963	773.845	2.894.180
2023	538.218	2.831.027	464.207	1.736.134
2024	493.616	2.596.420	482.772	1.805.567
2025	448.497	2.359.094	426.707	1.595.884
2026	57.488	302.387	63.293	236.716
2027	309.511	1.628.028	293.150	1.096.381
2028	221.586	1.165.542	9.893	37.000
Total	**5.641.962**	**29.676.719**	**5.539.969**	**20.719.482**

The balance amounting to USD5.641.962 consists of securitization deals and USD denominated securities issued by the Bank.

	31 December 2018		31 December 2017	
	EUR	TRY	EUR	TRY
2018	-	-	75.260	336.963
2019	91.366	549.857	93.331	417.871
2020	23.104	139.044	45.817	205.136
2021	362	2.179	23.075	103.314
2022	348	2.094	334	1.495
2023	335	2.016	321	1.437
2024	321	1.932	309	1.383
2025	309	1.860	297	1.330
2026	297	1.787	285	1.276
2027	285	1.715	274	1.227
2028	274	1.649	263	1.178
2029	6.808	40.955	6.543	29.295
Total	**123.809**	**745.088**	**246.109**	**1.101.905**

The balance amounting to EUR123.809 consists of securitization deals and EUR denominated securities issued by the Group.

	31 December 2018		31 December 2017	
	RON	TRY	RON	TRY
2018	-	-	80.994	77.398
2019	56.222	72.167	54.049	51.649
Total	**56.222**	**72.167**	**135.043**	**129.047**

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The balance amounting to RON56.222 consists of securization deals and RON denominated securities issued by the Bank.

	31 December 2018		31 December 2017	
	HUF	TRY	HUF	TRY
2019	764.752	14.354	782.916	11.431
Total	**764.752**	**14.354**	**782.916**	**11.431**

The balance amounting to HUF764.752 consists of securization deals and HUF denominated securities issued by the Bank.

	31 December 2018		31 December 2017	
	JPY	TRY	JPY	TRY
2018			9.925	329
2019	1.002.770	47.772	992.585	32.894
Total	**1.002.770**	**47.772**	**1.002.510**	**33.223**

The balance amounting to JPY1.002.710 consists of securization deals and JPY denominated securities issued by the Bank.

In addition, as of 31 December 2018, there are TRY2,669,292 issued by the Group, TRY278,354 with 3-6 months maturity, TRY257,048 with 1-5 years maturity and TRY1,650,033 with 5 years maturity.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short and long term trade receivables:

	31 December 2018	31 December 2017
Trade receivables	1.910.959	1.542.005
Notes receivables	416.478	547.529
	2.327.437	**2.089.534**
Less: expected credit losses	(190.375)	(85.968)
Total	**2.137.062**	**2.003.566**

As of 31 December 2018, trade receivables of TRY284.200 were past due but not impaired (31 December 2017: TRY148.463). The aging analysis of these trade receivables is as follows:

	31 December 2018	31 December 2017
Up to 3 months	119.099	92.542
3 to 6 months	51.108	30.421
6 to 9 months	66.210	2.139
Over 9 months	47.783	23.361
Total	**284.200**	**148.463**

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As of 31 December 2018 and 2017, the aging analysis of overdue and impaired trade receivables is as follows:

	31 December 2018	31 December 2017
Up to 3 months	3.869	1.068
3 to 6 months	1.059	1.056
6 to 9 months	2.348	-
Over 9 months	183.099	83.844
Total	**190.375**	**85.968**

Short and long term trade payables:	31 December 2018	31 December 2017
Trade payables	3.371.306	2.881.047
Expense accruals	1.443	1.302
Total	**3.372.749**	**2.882.349**

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	31 December 2018	31 December 2017
Receivables from credit card payments	35.689	38.266
Other receivables(*)	1.748.455	2.425.760
Total	**1.784.144**	**2.464.026**

Other long term receivables:	31 December 2018	31 December 2017
Deposits and guarantees given	49.703	709.870
Other receivables(*)	3.004.847	288.314
Total	**3.054.550**	**998.184**

(*) Other receivables mainly consist of the collaterals obtained by Akbank for derivative transactions.

Other short term payables:	31 December 2018	31 December 2017
Payables related to credit card transactions	4.003.963	3.988.420
Taxes and funds payable	566.985	420.915
Export deposits and transfer orders	95.021	71.952
Payment orders to correspondent banks	42.924	268.028
Financial lease payables	23.712	31.976
Other(*)	1.409.805	619.817
Total	**6.142.410**	**5.401.108**

Other long term payables:	31 December 2018	31 December 2017
Financial lease payables	58.606	59.490
Taxes and funds payable	-	3.981
Other(*)	2.313.990	1.478.063
Total	**2.372.596**	**1.541.534**

(*) Other payables mainly include the collateral provided by Akbank for derivative transactions.

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NOTE 10 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	526.711	312.005
Work in process	303.342	277.804
Finished goods and merchandises	1.960.169	1.542.792
Spare parts	90.939	64.886
Other	138.580	186.965
	3.019.741	**2.384.452**
Allowance for impairment on inventory (-)	(74.896)	(72.358)
Total	**2.944.845**	**2.312.094**

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

	2018	2017
1 January	(72.358)	(74.708)
Provisions	(33.376)	(24.490)
Provisions no longer required	30.838	26.840
31 December	**(74.896)**	**(72.358)**

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses:	31 December 2018	31 December 2017
Prepaid expenses	845.205	734.945
Advance given for inventory purchases	16.357	12.157
Other	39.041	2.112
Total	**900.603**	**749.214**

Long-term prepaid expenses:	31 December 2018	31 December 2017
Advance given for property, plant and equipment purchases	2.627	3.551
Prepaid expenses	18.364	19.547
Total	**20.991**	**23.098**

Short-term deferred income:	31 December 2018	31 December 2017
Unearned commission income	235.687	140.937
Advances received	30.648	53.594
Deferred income	24.965	22.144
Other	568	718
Total	**291.868**	**217.393**

Long-term deferred income:	31 December 2018	31 December 2017
Unearned commission income	116.833	143.793
Total	**116.833**	**143.793**

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2018	Share (%)	31 December 2017	Share (%)
Aksigorta	232.657	36,00	205.889	36,00
Avivasa	257.872	40,00	229.182	40,00
Brisa	401.808	43,63	298.202	43,63
Akçansa	404.949	39,72	377.711	39,72
Enerjisa Üretim Santralleri	2.596.999	50,00	2.020.084	50,00
Enerjisa Enerji	2.519.566	40,00	2.940.201	50,00
Philsa	188.256	25,00	207.015	25,00
Philip Morrissa	37.357	24,75	51.490	24,75
Temsa Mısır	(8.104)	73,75	(1.248)	73,75
Temsa İş Makineleri	125.099	51,00	110.688	51,00
Total	**6.756.459**		**6.439.214**	

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

	1 January - 31 December 2018	1 January - 31 December 2017
Aksigorta	76.722	49.160
Avivasa	80.233	57.887
Brisa	41.772	41.537
Akçansa	68.252	52.219
Enerjisa Üretim Santralleri	19.495	(387.011)
Enerjisa Enerji	299.079	494.005
Philsa	146.119	159.736
Philip Morrissa	50.586	74.132
Temsa Mısır	231	11.296
Temsa İş Makineleri	25.971	23.419
Total	**808.460**	**576.380**

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

	31 December 2018		31 December 2017	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	5.464.195	4.817.924	4.098.960	3.527.045
Avivasa	2.263.901	1.642.760	1.822.195	1.272.780
Brisa	4.803.642	3.882.699	3.540.658	2.857.178
Akçansa	2.103.125	1.070.700	1.778.315	814.465
Enerjisa Üretim Santralleri	13.628.412	8.434.414	12.649.409	8.609.240
Enerjisa Enerji	23.120.713	16.821.798	20.043.023	14.162.620
Philsa	3.350.586	2.597.563	3.276.178	2.448.119
Philip Morrissa	1.267.960	1.117.021	1.529.981	1.321.939
Temsa Mısır	14.416	25.404	23.120	24.814
Temsa İş Makineleri	567.374	262.701	551.677	374.999
Total	**56.584.324**	**40.672.984**	**49.313.516**	**35.413.199**

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Sales

	1 January – 31 December 2018	1 January – 31 December 2017
Aksigorta	3.417.338	2.635.576
Avivasa	565.371	471.452
Brisa	2.998.776	2.294.136
Akçansa	1.715.570	1.519.001
Enerjisa Üretim Santralleri	5.300.705	4.165.327
Enerjisa Enerji	18.346.413	12.344.818
Philsa (*)	25.241.521	21.453.357
Philip Morrissa	24.901.916	22.412.588
Temsa İş Makineleri	935.064	700.259

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

Net profit/(loss)

	1 January – 31 December 2018	1 January – 31 December 2017
Aksigorta	213.118	136.557
Avivasa	200.584	144.719
Brisa	95.741	95.203
Akçansa	179.757	148.814
Enerjisa Üretim Santralleri	38.990	(774.022)
Enerjisa Enerji	747.697	988.010
Philsa	584.476	638.944
Philip Morrissa	204.387	299.522
Temsa Mısır	313	15.315
Temsa İş Makineleri	50.924	45.920

The movement of the associates and joint ventures is as follows;

	2018	2017
1 January	**6.439.214**	**6.101.005**
Profit/(loss) share	808.460	576.380
Initial public offering effect (*)	(593.630)	-
Capital increase (***)	714.000	-
Dividend income from joint ventures	(490.026)	(358.216)
Dividends paid to joint ventures	-	6.841
Other comprehensive income/(expense) shares	(121.559)	40.612
Effect of business combination subject to common control (**)	-	72.592
31 December	6.756.459	6.439.214

(*) Enerji Enerji A.Ş.'s initial public offering, consisting 20% of the Entity's share, was completed on February 8, 2018.
(**) As of 31 December 2018, Enerjisa Enerji's distribution service operations business line, which was previously operated as a separate business line; was transferred to the distribution companies of Enerjisa Enerji A.Ş.
(***) The Group joined the cash capital increase of Enerjisa Üretim amounting to TRY 1.428.000.000 (Full Amount); paying its share of TRY 714.000.000 (Full Amount) on March 7, 2018.

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NOTE 13 - INVESTMENT PROPERTY

	1 January 2018	Additions	Disposals	Impairment	Currency translation differences	Transfers	31 December 2018
Cost:							
Land	187.643	-	(74.684)	(1.234)	20.917	938	133.580
Building	124.220	7.543	(133.210)	(33)	5.442	-	3.962
Total	**311.863**	**7.543**	**(207.894)**	**(1.267)**	**26.359**	**938**	**137.542**
Accumulated depreciation							
Buildings	(29.357)	(1.547)	32.516	-	(2.224)	-	(612)
Net book value	**282.506**						**136.930**

	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**

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2018 is as follows:

	1 January 2018	Currency translation differences	Additions	Disposals (**)	Transfers (*)	Impairment	31 December 2018
Cost:							
Land and land improvements	549.569	9.764	4.828	(70.482)	5.299	-	498.978
Buildings	2.688.983	136.368	83.913	(91.933)	126.233	-	2.943.564
Machinery and equipment	3.906.821	528.733	61.456	(5.269)	427.541	-	4.919.282
Motor vehicles	111.243	2.280	19.793	(11.184)	-	-	122.132
Furniture and fixtures	3.143.030	20.096	512.996	(356.139)	12.897	-	3.332.880
Total	**10.399.646**	**697.241**	**682.986**	**(535.007)**	**571.970**	**-**	**11.816.836**
Construction in progress	**644.620**	**31.545**	**852.022**	**(19.084)**	**(645.488)**	**-**	**863.615**
Total	**11.044.266**	**728.786**	**1.535.008**	**(554.091)**	**(73.518)**	**-**	**12.680.451**
Accumulated depreciation:							
Land and land improvements	(235.214)	(5.378)	(8.161)	689	8.480	5.546	(234.038)
Buildings	(977.040)	(52.980)	(60.382)	43.680	(12)	469	(1.046.265)
Machinery and equipment	(1.990.166)	(242.789)	(201.076)	4.241	-	1.879	(2.427.911)
Motor vehicles	(95.743)	(1.470)	(9.611)	4.685	-	-	(102.139)
Furniture and fixtures	(2.216.358)	(14.608)	(290.221)	275.471	12	2.284	(2.243.420)
Total	**(5.514.521)**	**(317.225)**	**(569.451)**	**328.766**	**8.480**	**10.178**	**(6.053.773)**
Net book value	**5.529.745**						**6.626.678**

(*) Transfers that have been realized from Construction in progress during the period amounting of TRY 65.038 recognized to intangible assets.
(**) As a result of the sale of two real estate properties in the period by the retailing group, the assets with net book values of TRY 64.503 and TRY 40.093 respectively were disposed from the property, plant and equipment; and an income of TRY 569.337 was accounted under investment income.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

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.

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NOTE 15 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2018 and 2017 are as follows

	1 January 2018	Currency translation differences	Additions	Impairment	Disposals	Transfers	31 December 2018
Cost (*)	1.827.717	39.638	604.155	113	(5.324)	64.100	2.530.399
Accumulated amortisation (-)	(1.010.619)	3.149	(266.402)	(104)	3.238	-	(1.270.738)
Net book value	**817.098**						**1.259.661**

	1 January 2017	Currency translation differences	Additions	Impairment	Disposals	Transfers	31 December 2017
Cost (*)	1.474.679	7.117	300.459	(2.315)	(600)	48.377	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**

(*) Intangible assets mainly consist of licenses and software.

NOTE 16 - GOODWILL

The movements in goodwill for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	873.097	1.014.815
Additions (*) (Note 3)	115.526	-
Currency translation differences	10.792	-
Impairment provision (**)	(150.200)	(141.718)
31 December	**849.215**	**873.097**

(*) In 2018, Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, completed the acquisition of companies named "Advanced Honeycomb Technologies Corporation", Fabric Development, Inc. ("FDI"), Textile Products, Inc. ("TPI") providing advanced composite materials to the commercial aviation industry (Note 3 - Business Combinations).

(**) The Group's subsidiary Carrefoursa booked impairment amounting to total TRY 150.199.730 (Full Amount) for its goodwill related to Kiler Shopping investment during the period (31 December 2017: Total TRY 141.718.000-Full Amount). This impairment provision is recognised under other income/expense from operating activities. If the discount rate after tax and long term growth ratios 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 13.776.458 (Full Amount) for the goodwill in its consolidated financial statements.

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	31 December 2018	31 December 2017
Provision for liabilities	611.896	241.673
Credit bonus provision	*53.120*	*69.960*
Litigation	*173.323*	*97.249*
Uncompensated and not encashed non-cash loans	*378.740*	*67.754*
Onerous contracts	*5.246*	*4.260*
Other short-term provisions	*1.467*	*2.450*
Other	66.959	91.265
Total	**678.855**	**332.938**

Other long term provisions	31 December 2018	31 December 2017
Provision for liabilities	4.260	4.613
Other long-term provisions	*4.260*	*4.613*
Total	**4.260**	**4.613**

Commitments - Banking segment	31 December 2018	31 December 2017
Letters of guarantee given	34.426.832	34.576.533
Letters of credit	6.255.037	6.579.073
Foreign currency acceptance	2.740.066	3.757.710
Other guarantees given	7.884.108	5.914.738
Total	**51.306.043**	**50.828.054**

Commitments - Non-banking segment	31 December 2018	31 December 2017
Letters of guarantee given	812.587	649.971
Other guarantees given	413.072	294.789
Mortgages, guarantees and pledges for tangible assets	11.480	25.185
Total	**1.237.139**	**969.945**

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 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Repurchase commitments	14.434.653	29.229.448

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Transactions for held for trading

	31 December 2018	31 December 2017
Foreign currency purchases	11.135.973	10.601.547
Foreign currency sales	10.525.900	10.564.713
Total	**21.661.873**	**21.166.260**

	31 December 2018	31 December 2017
Currency swap purchases	141.036.291	111.502.891
Currency swap sales	139.431.917	106.924.680
Interest swap purchases	68.273.548	46.369.365
Interest swap sales	68.273.548	46.369.365
Total	**417.015.304**	**311.166.301**

	31 December 2018	31 December 2017
Spot purchases	7.628.722	5.034.625
Spot sales	7.347.903	5.050.637
Total	**14.976.625**	**10.085.262**

	31 December 2018	31 December 2017
Currency, interest and securities options purchases	37.759.363	50.144.128
Currency, interest and securities options sales	37.740.163	50.460.763
Total	**75.499.526**	**100.604.891**

	31 December 2018	31 December 2017
Other purchase transactions	16.286.966	6.225.924
Other sales transactions	8.749.610	8.623.132
Total	**25.036.576**	**14.849.056**

Types of derivative transactions held for hedges:

	31 December 2018	31 December 2017
Interest swap purchases	15.800.831	11.759.837
Interest swap sales	15.800.831	11.759.837
Total	**31.601.662**	**23.519.674**

	31 December 2018	31 December 2017
Foreign currency purchases	-	31.708
Foreign currency sales	-	97.386
Total	**-**	**129.094**

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	31 December 2018	31 December 2017
Foreign currency purchases	17.128.717	3.482.506
Foreign currency sales	13.443.865	2.507.376
Total	**30.572.582**	**5.989.882**

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2018 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	5.334.189	29.092.644	34.426.833
Letters of credits	2.387.038	3.868.000	6.255.038
Acceptance credits	2.457.752	282.314	2.740.066
Other guarantees	3.682.397	4.201.709	7.884.106
Total	**13.861.376**	**37.444.667**	**51.306.043**

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**

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The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Financial institutions	7.182.375	7.006.200
Construction	7.911.886	6.252.263
Chemicals	1.558.845	2.791.301
Wholesale	9.162.663	9.970.378
Small-scale retailers	5.252.181	4.806.478
Steel and mining	3.218.621	3.152.082
Food and beverage	1.398.630	798.144
Electricity, gas and water	2.458.803	1.926.591
Automotive	1.185.086	855.703
Other manufacturing	4.884.605	2.965.513
Electronics	298.176	676.712
Textile	1.446.126	1.423.271
Transportation	700.841	621.471
Telecommunications	207.104	224.582
Tourism	337.699	278.993
Agriculture and forestry	180.924	165.071
Other	3.921.478	6.913.301
Total	**51.306.043**	**50.828.054**

Aksigorta, one of the Group's joint ventures, has been subjected to tax investigation by the T.C. Ministry of Finance Tax Audit Board starting from 24 June 2014. This limited tax investigation, with subject to Banking Insurance Transaction Tax, covers the years 2009, 2010, 2011 and 2012; 1,8 Million TRY (Full Amount) tax charge and 2,8 Million TRY (Full Amount) tax penalty charge for year 2009, 2 Million tax TRY (Ful Amount) charge and 3 Million TRY (Full Amount) tax penalty charge for year 2010, 3 Million TRY (Full Amount) tax charge and 4,6 Million TRY (Full Amount) tax penalty charge for year 2011, 4,3 Million TRY (Full Amount) tax charge and 6,4 Million TRY (Full Amount) tax penalty charge for year 2012, and totally 27,9 Million TRY (Full Amount) tax charge and tax penalty charge has been issued to the Company for the claim recovery and salvage operations of the banking and insurance transactions which had not been subjected to taxation. The Company has not booked any provision on its 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 been reached on reconciliation. The lawsuit was started against to tax and penalties. The cases related to 2009 and 2010 have been concluded in favor of the Company by the 3rd Tax Court of Istanbul and the cases related to other periods are still ongoing.

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NOTE 18 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by the Subsidiaries at 31 December 2018 is as follows:

	31 December 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1.221.533	318.497	107.680	55.593	
B, Collaterals given on behalf of fully consolidated companies	1.489.327	360.398	10.056	177.684	4.944
C, Collaterals given on behalf of the third parties'debt for continuation of their economic activities	51.306.043	21.761.622	3.087.613	2.122.216	508.077
D,Total amount of other Collaterals					
i. Given on behalf of majority shareholder					
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Colleterals	**54.016.903**	**22.440.517**	**3.205.349**	**2.355.493**	**513.021**
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.)

Collaterals, pledges and mortgages ("CPM") given by the Joint Ventures at 31 December 2018 is as follows:

	31 December 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	1.165.180	1.118.385	7.269	1.419	–
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	2.850	2.850	–	–	–
D. Total amount of other Collaterals	–	–	–	–	–
i, Given on behalf of majority shareholder					
ii, Given on behalf of other group companies which are not in the scope of B and C	–	–	–	–	–
iii, Given on behalf of third parties which are not in scope of C	–	–	–	–	–
Total Colleterals	**1.168.030**	**1.121.235**	**7.269**	**1.419**	**–**
A. Total amount of the mortgages given for its own legal entity	–	–	–	–	–
B. Mortgages given on behalf of fully consolidated companies	–	–	–	–	–
C. Mortgages given on behalf of third parties'debt for continuation of their economic activities	–	–	–	–	–
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	–	–	–	–	–
ii. Given on behalf of other group companies which are not in the scope of B and C	–	–	–	–	–
iii. Given on behalf of third parties which are not in scope of C	–	–	–	–	–
Total Mortgages	**–**	**–**	**–**	**–**	**–**
A. Total amount of the pledges given for its own legal entity	–	–	–	–	–
B. Pledges given on behalf of fully consolidated companies	–	–	–	–	–
C. Pledges given on behalf of third parties'debt for continuation of their economic activities	–	–	–	–	–
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	–	–	–	–	–
ii. Given on behalf of other group companies which are not in the scope of B and C	–	–	–	–	–
iii. Given on behalf of third parties which are not in scope of C	–	–	–	–	–
Total Pledges	**–**	**–**	**–**	**–**	**–**

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Collaterals, pledges and mortgages ("CPM") given by the Subsidiaries at 31 December 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	**-**	**-**	**-**	**-**	**-**

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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	**-**	**-**	**-**	**-**	**-**

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NOTE 19 - EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2018	31 December 2017
Due to personnel	73.302	27.587
Social security premiums payable	20.369	46.798
Other	-	1.612
Total	**93.671**	**75.997**

Short-term provision for employee benefits:

	31 December 2018	31 December 2017
Unused vacation pay provision	142.222	117.631
Bonus provision	23.526	26.220
Other	161.603	174.428
Total	**327.351**	**318.279**

Long-term provision for employee benefits:

	31 December 2018	31 December 2017
Unused vacation pay provision	3.638	3.785
Provision for employment termination benefits	416.591	385.500
Other	27.816	23.079
Total	**448.045**	**412.364**

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 2018, the amount payable consists of one month's salary limited to a maximum of TRY 5.434,42-Full Amount (31 December 2017: TRY 4.F732,48-Full Amount) 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 2018, 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 4,30% - 5,80% at the respective balance sheet date (31 December 2017: 3,70% - 5,10%). Severance pay ceiling is revised semi-annually. TRY6.017,60 severance pay ceiling, which is effective on 1 January 2019, has been considered in the provision for employment termination benefits calculations of the Group.

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Movements in the provision for employment termination benefits for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	385.500	303.541
Charge for the period	135.916	99.616
Payments	(107.311)	(81.370)
Interest cost	10.972	3.753
Foreign currency translation adjustments	3.349	1.113
Actuarial (loss) / gain	(11.834)	58.847
31 December	**416.592**	**385.500**

NOTE 20 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2018	31 December 2017
Notes receivables in clearance	1.212.261	149.829
Deductible, deferred and other VAT	530.602	156.615
Other	59.697	64.115
Total	**1.802.560**	**370.559**

Other Non-Current Assets	31 December 2018	31 December 2017
Long term tax claims and other legal receivables	13.920	26.941
Deductible, deferred and other VAT	3.902	4.928
Other non-current assets	119.691	87.944
Total	**137.513**	**119.813**

Other Short Term Liabilities	31 December 2018	31 December 2017
Notes receivables in clearance	2.468.350	291.353
Saving deposits insurance	52.010	50.641
Other short term liabilities	244.534	323.668
Total	**2.764.894**	**665.662**

Other Long Term Liabilities		
Other Long Term Liabilities	94.901	55.065
Total	**94.901**	**55.065**

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NOTE 21 - EQUITY

The Holding's authorised and issued capital consists of 204.040.393.100 (31 December 2017: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2018 and 2017 is as follows:

Shareholders:	Share (%)	31 December 2018	Share (%)	31 December 2017
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 performed share buyback at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17% as of 31 December 2018. 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 2018	31 December 2017
Legal reserves	705.591	699.547
Investments sales income	344.487	333.369
Total	**1.050.078**	**1.032.916**

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Dividend Distribution

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

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

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

	Fair value Revaluation fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency translation differences
Balance as of 1 January 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 financial assets through other comprehensive income into financial assets at amortized cost	(2.160)	-	-	-
Tax effect	(39.769)	(14.891)	20.541	-
Balance as of 31 December 2017	**(310.337)**	**(121.522)**	**(228.186)**	**724.660**
Balance as of 1 January 2018	**(252.746)**	**(121.522)**	**(228.186)**	**724.660**
Increases/(decreases) during the period	(1.127.006)	(43.804)	(200.933)	658.116
Gains transferred to income statement	(149.035)	6.311	-	-
Net gains & losses included in the income statement due to transfer of financial assets through other comprehensive income into financial assets at amortized cost	38.628	-	-	-
Tax effect	272.231	8.248	44.205	-
Balance as of 31 December 2018	**(1.217.928)**	**(150.767)**	**(384.914)**	**1.382.776**

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

1 January - 31 December 2018

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 TRY 22.778 (Full Amount) as of 31 December 2018 (31 December 2017: TRY 3.503.342 (Full Amount)). For the year ended 31 December 2018 and 31 December 2017, 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 TRY 14.220.459 (Full Amount) as of 31 December 2018 (31 December 2017: Full Amount TRY 11.194.785). The amount recognised under "Liabilities Held For Sale" is TRY 4.273.745 (Full Amount) as of 31 December 2018 (31 December 2017: TRY 5.261.866 - Full Amount).

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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).

NOTE 23 - REVENUE AND COST OF SALES

	1 January-31 December 2018	1 January-31 December 2017
Domestic sales	14.785.979	12.191.647
Foreign sales	2.156.318	2.209.411
Less: Discounts	(681.960)	(561.207)
Total	**16.260.337**	**13.839.851**

	1 January-31 December 2018	1 January-31 December 2017
Cost of raw materials and merchandises	(10.370.697)	(9.085.652)
Change in finished good work in process inventory and merchandises	(23.091)	(88.261)
Depreciation and amortization expenses	(273.841)	(214.672)
Personnel expenses	(518.870)	(427.389)
Other	(1.670.798)	(1.127.876)
Total	**(12.857.297)**	**(10.943.850)**

NOTE 24 - EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Personnel expenses	(9.300)	(2.016)
Consultancy expenses	(3.990)	(2.839)
Repair and maintenance expenses	(959)	(408)
Depreciation and amortization expenses	(765)	(2.456)
Other	(72)	(134)
Total	**(15.086)**	**(7.853)**

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Marketing expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(719.275)	(648.231)
Rent expenses	(478.492)	(392.214)
Transportation, logistic and distribution expenses	(130.115)	(84.680)
Depreciation and amortization expenses	(129.584)	(146.473)
Advertisement expenses	(72.235)	(70.269)
Energy expenses	(56.779)	(24.691)
Maintenance and repair expenses	(46.637)	(41.242)
Danışmanlık giderleri	(42.929)	(24.835)
Outsourced services	(36.781)	(38.408)
Insurance expenses	(8.171)	(9.355)
Material expenses	(3.736)	(3.828)
Communication expenses	(3.276)	(1.886)
Other	(251.685)	(258.952)
Total	**(1.979.695)**	**(1.745.064)**

General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(2.570.013)	(2.222.383)
Credit card and banking service expenses	(726.023)	(549.689)
Consultancy expenses	(535.697)	(350.364)
Depreciation and amortization expenses	(429.749)	(357.791)
Repair and maintenance expenses	(239.725)	(171.874)
Insurance expenses	(231.087)	(208.442)
Communication expenses	(217.329)	(185.104)
Advertisement expenses	(180.498)	(152.069)
Taxes, duties and charges	(128.118)	(147.058)
Energy expenses	(59.534)	(51.783)
Material expenses	(52.040)	(37.585)
Outsourced services	(1.264)	(9.951)
Other	(1.324.729)	(890.881)
Total	**(6.695.806)**	**(5.334.974)**

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NOTE 25 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign currency gains resulting from operations	1.390.732	395.410
Due date income from trade receivables	97.565	53.012
Other income	377.636	880.209
Total	**1.865.933**	**1.328.631**

The details of other expenses from operating activities for the years ended 31 December 2018 and 2017 are as follows

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign currency losses resulting from operations	(1.128.327)	(250.798)
Due date expense from trade payables	(234.153)	(118.578)
Goodwill impairment provision expenses	(150.200)	(141.718)
Provision expense	(22.698)	(38.383)
Other expenses	(252.355)	(215.940)
Total	**(1.787.733)**	**(765.417)**

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 2018 and 2017 are are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Fixed asset sales profit	598.483	91.451
Dividend income	126.411	-
Interest income on time deposits	6.593	2.698
Gain on sale of associates	2.366	1.971
Other	5.501	14.609
Total	**739.354**	**110.729**

Expenses from investing activities

The details of other expenses from investing activities for the years ended 31 December 2018 and 2017 are are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Loss on sale of fixed assets	(6.663)	(10.968)
Other	-	(6.685)
Total	**(6.663)**	**(17.653)**

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NOTE 27 - FINANCE INCOME/EXPENSES

	1 January- 31 December 2018	1 January- 31 December 2017
Financial income		
Foreign currency gains	221.567	141.096
Interest income	5.142	-
Total	**226.709**	**141.096**

Financial expenses		
Foreign currency losses	(376.587)	(195.996)
Interest expense	(324.206)	(338.727)
Other financial expenses	(274.769)	(62.031)
Total	**(975.562)**	**(596.754)**

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

NOTE 28 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Corporate and income taxes payable	464.788	1.705.443
Less: prepaid taxes	(402.392)	(902.992)
Total taxes payable	**62.396**	**802.451**

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% (2017: 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.

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.

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Investment incentives

The corporate tax rate in Turkey is 22%. However, there is a reduced corporate tax application for investments related to incentive certificate. The two factors that are important in calculating the discounted corporate tax in the Investment Incentive System are the contribution rate to investment and the rate of tax reduction. The amount of contribution of the investments to be met by Government through the tax is defined as the amount of contribution to the investment and dividing this amount by the total amount invested is defined as the rate of contribution to the investment. These rates are determined by the President according to the sectors and regions. Regulations on Reduced Corporate Tax are included in the Decree No: 2012/3305 of the Council of Ministers and 1 Serial Number of Corporate Tax.

The tax charges for comprehensive income statement items for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018			31 December 2017		
	Before Tax	Tax Charge	After Tax	Before Tax	Tax Charge	After Tax
Net gain from financial assets through other comprehensive income	(2.503.516)	550.774	(1.952.742)	446.266	(89.253)	357.013
Cash flow hedges	(378.805)	83.337	(295.468)	113.190	(22.638)	90.552
Income/(loss) from the derivative financial assets related to the hedging of net investment in foreign operations	(493.088)	108.479	(384.609)	(252.034)	50.405	(201.629)
Change in foreign currency translation differences	1.510.690	-	1.510.690	540.591	-	540.591
Actuarial gain/losses	3.098	(682)	2.416	(55.778)	11.956	(43.822)
Other comprehensive income	**(1.861.622)**	**741.909**	**(1.119.713)**	**792.235**	**(49.530)**	**742.705**

	31 December 2018	31 December 2017
Profit before tax included in the consolidated financial statements	8.898.262	9.217.993
Expected tax charge according to parent company's tax rate 22% (2017: 20%)	(1.957.617)	(1.843.599)
Tax rate differences of subsidiaries	4.607	7.871
Expected tax charge of the Group	**(1.953.011)**	**(1.835.728)**
Profit exempt from taxation	28.892	142.915
Non-deductible expenses	(16.252)	(187.404)
Utilization of carryforward tax losses that are not subject to deferred tax	(37.551)	(19.627)
Impact of profits from investments accounted through equity method	177.861	115.276
The effect of timing differences will not be subject to tax	91	-
Investment incentives impact	35.154	5.604
Real estate sales profit exemption	22.981	2.319
Other	86.001	(6.953)
Current year tax charge of the Group	**(1.655.834)**	**(1.783.598)**

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Deferred tax

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

Since the subsidiaries and joint ventures which are separately taxpayers presented their deferred tax assets and liabilities as net values in their financial statements, the effect of the presentation of the net amounts has been reflected to the Group's consolidated 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% (2017: 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.

At 31 December 2018, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY840.246 which can be offset against future taxable profits for a period of five years (31 December 2017: TRY1.142.324). As of 31 December 2018 and 31 December 2017 carry forward tax losses and the latest annual periods are as follows:

	31 December 2018	31 December 2017
2019	-	11.970
2020	24.796	41.345
2021	465.178	741.504
2022	344.549	347.505
2023	5.723	-
Total	**840.246**	**1.142.324**

Deferred tax assets/(liabilities) for the years ended at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Deferred tax assets	372.640	552.671
Deferred tax liabilities	(185.504)	(149.352)
Net Deferred Tax Assets	**187.136**	**403.319**

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The movements in deferred income tax assets/(liabilities) for the six-month periods ended 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	403.319	496.251
Charged to equity	149.563	(99.691)
Change in foreign currency translation differences	(35.408)	(3.403)
Charged to statement of profit or loss	(298.659)	10.390
Other	(31.679)	(228)
31 December	**187.136**	**403.319**

NOTE 29 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2018	**Fair Value**	
Derivative instruments held for trading:	**Asset**	**Liability**
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	12.772.069	11.181.788
Forward currency purchases and sales transactions	1.084.169	450.783
Currency purchases and sales options	521.910	609.422
Other purchases and sales transactions	3.249.356	867
Total derivative instruments held for trading	**17.627.504**	**12.242.860**
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	5.058.434	688.610
Currency purchases and sales transactions	2.678	-
Total derivative instruments held for hedging	**5.061.112**	**688.610**
Total derivative instruments	**22.688.616**	**12.931.470**

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**

Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa hedge against cash flow risk through the use of interest rate swaps against the cash flow risk arising from its financial debts.

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NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	31 December 2018	31 December 2017
Consumer loans and credit cards receivables	45.957.225	48.763.903
Project finance loans (*)	48.446.550	35.328.282
Construction	21.226.158	29.093.069
Financial institutions	25.290.619	28.290.165
Small-scale enterprises	14.967.236	17.271.905
Mining	6.241.256	6.746.537
Telecommunication	6.983.889	6.804.962
Other manufacturing industries	8.031.069	6.418.826
Food and beverage, wholesale and retail	5.149.361	5.392.196
Textile	6.004.275	5.273.075
Chemicals	4.608.734	4.099.549
Automotive	4.556.178	3.616.780
Other	17.894.126	15.759.297
Total loans and advances to customers	**215.356.676**	**212.858.546**
Provision for loan losses	(8.482.445)	(6.963.538)
Leasing receivables	6.415.536	5.811.994
Net loans and advances to customers	**213.289.767**	**211.707.002**

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.

(*) Within the scope of acquisition financing of Türk Telekomunikasyon A.Ş. (Türk Telekom) provided to Ojer Telekomünikasyon A.Ş. within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has transferred cash loan risk amounting TRY 3.269 millon from "Loans and receviables-Monitored" to "Non-performing Loans" and subsequently has written off TRY 3.269 millon (Full Amount). Furthermore, TRY 119 million ((Full Amount) receivable amount of the Group's subsidiary is classified under Receivables from Financial Sector Operations.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

For the restructuring of the syndication loan extended to Ojer Telekominasyon A.Ş (OTAŞ), the main shareholder of Türk Telekom, an agreement has been made between all creditors including Akbank. As per the agreed structure, 192.500.000.000 Class A Shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities, are taken over on 21 December 2018 by a special purpose vehicle Levent Yapılandırma Yönetimi A.Ş. ("LYY") owned directly or indirectly by the creditors. The Bank participated in LYY with a share of 35,56% for its share in receivables from OTAŞ. Within the scope of the acquisition of Türk Telekom shares by LYY and related agreements, the amount of credit extended to LYY by the Bank for the acquisition of shares, which are the guarantee of OTAŞ loans, is 1.272 million USD (6.990 million TRY Full Amount) as of 31 December 2018. This loan has been reclassified as "Receivables from Finance Sector Operations". The maturity of related loan is 1 year and it can be extended. As stated in agreements for abovementioned loan, it is expected that a part of the loan given to LYY shall be transferred from loans to capital and added to LYY capital in the following period. The shares of Türk Telekom, are pledged for this loan and constitute the guarantee of the loan granted to LYY. The main purpose of LYY is transferring the shares of Türk Telekom to an expert investor by providing the necessary conditions as soon as possible.

31 December 2018	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease		Total	
	Balance	Expected Credit Loss	Balance	Expected Credit Loss	Balance	Expected Credit Loss	Balance	Expected Credit Loss	Balance	Expected Credit Loss
Loans	**169.476.968**	**5.576.750**	**30.310.656**	**1.476.363**	**15.543.270**	**928.150**	**6.441.318**	**501.182**	**221.772.212**	**8.482.445**
Stage 1	133.575.347	391.823	25.569.867	179.790	13.096.826	105.190	5.048.008	61.129	177.290.048	737.932
Stage 2	23.328.009	2.257.273	3.572.225	336.290	1.659.792	148.050	792.903	122.000	29.352.929	2.863.613
Stage 3	5.883.404	2.927.654	1.168.564	960.283	786.652	674.910	600.407	318.053	8.439.027	4.880.900
Financial assets through profit or loss	6.690.208		-	-	-	-	-	-	6.690.208	-
Financial assets	**76.107.578**	**48.418**	**-**	**-**	**-**	**-**	**-**	**-**	**76.107.578**	**48.418**
Other	**14.475.064**	**59.733**	**-**	**-**	**-**	**-**	**-**	**-**	**14.475.064**	**59.733**
Non cash loans	**52.795.371**	**381.930**	**-**	**-**	**-**	**-**	**-**	**-**	**52.795.371**	**381.930**
Stage 1 & 2	52.614.940	331.189	-	-	-	-	-	-	52.614.940	331.189
Stage 3	180.431	50.741	-	-	-	-	-	-	180.431	50.741
Total	**313.501.958**	**6.066.831**	**30.310.657**	**1.476.364**	**15.543.270**	**928.150**	**6.441.318**	**501.182**	**365.797.203**	**8.972.528**

	31 December 2017			
	Commerical 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**

Effective interest rates of USD, EUR,YEN and TRY denominated loans and advances to customers are 7,26% p.a. (31 December 2017: 5,93% p.a.), 4,28% p.a. (31 December 2017: 3,73% p.a.), 9,06% p.a. (31 December 2017: 4,24% p.a.), and 18,41% (31 December 2017: 14,55% p.a) respectively.

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As of 31 December 2018, the movement table of the credit risk provision of the banking industrial segment based on asset classes is as follows:

	Corporate	Commercial	Leasing Receivables	Total
1 January 2018	**3.942.225**	**3.021.313**	**209.879**	**7.173.417**
IFRS 9	845.575	(919.590)	49.480	(24.535)
Gross provisions	4.986.256	1.753.633	366.340	7.106.229
Collections	(709.473)	(440.373)	(5.794)	(1.155.640)
Written-off (*)	(3.598.126)	(900.176)	(118.724)	(4.617.026)
31 December 2018	**5.466.457**	**2.514.807**	**501.181**	**8.482.445**

(*) Akbank has sold TRY 774 million (total TRY amount) in the following loans portfolio to three companies which are Güven Varlık Yönetimi A.Ş., Efes Varlık Yönetim A.Ş. and Hayat Varlık Yönetimi A.Ş. for a consideration of TRY 36 million (total TRY amount). Akbank has sold TRY 446 million (total TRY amount) in the non-performing loans portfolio to three companies which are Arsan Varlık Yönetim A.Ş., İstanbul Varlık Yönetim A.Ş. and Sümer Varlık Yönetim A.Ş. for a consideration of TRY 19.4 million (total TRY amount).

The movement of loan loss provision of banking segment as of 31 December 2017 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**

(*) The Bank has sold TRY450,1 million (total TRY amount) which is previously 100% impaired in the following loans portfolio to Güven Varlık Yönetimi A.Ş. for a consideration of TRY49,1 (total TRY amount) million.

The maturity analysis of loans and advances given to customers at 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Up to 3 months	61.110.257	52.114.105
3 to 12 months	48.173.860	43.286.730
Current	**109.284.117**	**95.400.835**
1 to 5 years	74.553.660	86.445.812
Over 5 years	23.036.454	24.048.361
Non-current	97.590.114	110.494.173
Total	**206.874.231**	**205.895.008**

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The repricing dates of the loans and advances given to customers as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Up to 3 months	86.877.733	76.335.391
3 to 12 months	52.351.839	48.493.144
1 to 5 years	60.537.709	71.314.084
Over 5 years	7.106.950	9.752.389
Total	**206.874.231**	**205.895.008**

NOTE 31 - PAYABLES FROM FINANCE SECTOR OPERATIONS

Banking

	31 December 2018			31 December 2018		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	20.345.719	105.662.512	126.008.231	17.851.983	89.346.331	107.198.314
Commercial deposits	19.275.050	48.031.661	67.306.711	17.616.473	57.209.394	74.825.867
Interbank money market deposits	1.487.220	6.564.165	8.051.385	1.187.569	12.741.468	13.929.037
Funds provided from repo transactions	-	14.275.016	14.275.016	-	28.850.276	28.850.276
Other	1.321.784	2.671.123	3.992.907	546.072	3.007.742	3.553.814
Total	**42.429.773**	**177.204.477**	**219.634.250**	**37.202.097**	**191.155.211**	**228.357.308**

Effective interest rates of USD, EUR and TRY denominated customer deposits are 3,51% p.a. (31 December 2017: 1,97% p.a.), 0,26% p.a. (31 December 2017: 0,49% p.a.) and 22,55% p.a. (31 December 2017: 10,81% p.a.).

As of 31 December 2018 and 2017, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2018	31 December 2017
Demand	39.131.043	35.239.920
Up to 3 months	153.046.100	166.467.421
3 to 12 months	20.966.242	19.360.469
1 to 5 years	5.955.533	6.693.448
Over 5 years	535.332	596.050
Total	**219.634.250**	**228.357.308**

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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 2018	31 December 2017
Earnings per share total TRY		
- ordinary share ('000)	1,88	1,71
Earnings per share from continuing operations total TRY		
- ordinary share ('000)	1,88	1,70
Number of treasury shares	(190.470.000)	(190.470.000)
Earnings per share excluding treasury shares (total TRY)		
- ordinary share ('000)	1,88	1,71
Earnings per share from continuing operations excluding treasury shares (total TRY)		
- ordinary share ('000)	1,88	1,71
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 CEO, general secretary, SBU presidents, head of departments and group directors. 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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Short term benefits	25.556	21.759
Benefits provided by termination	3.125	2.165
Other long term benefits	271	234
Total	**28.953**	**24.158**

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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 2018 and 2017 terms of TRY are as follows:

	31 December 2018	31 December 2017
Assets	178.595.578	161.104.048
Liabilities	(201.601.365)	(182.835.953)
Net foreign currency balance sheet position	**(23.005.787)**	**(21.731.905)**
Net foreign currency position of off-balance sheet derivative financial instruments	26.926.316	25.034.376
Net foreign currency balance sheet and off-balance sheet position	**3.920.529**	**3.302.471**

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31 December 2018	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and Cash Equivalents	23.603.634	16.396.562	5.458.393	1.403.846	344.833
Financial Investments	26.175.616	19.210.249	6.342.367	-	623.000
Receivables From Financial Operations	95.632.459	44.747.843	50.843.790	3.001	37.825
Reserve Deposits at Central Bank	23.504.830	11.522.486	8.549.661	-	3.432.683
Trade Receivables	932.242	216.542	638.387	23.246	54.067
Other Assets	8.746.797	6.404.821	2.220.539	143	121.294
Total Assets	**178.595.578**	**98.498.503**	**74.053.137**	**1.430.236**	**4.613.702**
Liabilities:					
Funds Borrowed and Debt Securities in Issue	57.923.109	45.858.329	11.873.391	-	191.389
Customer Deposits	138.209.510	87.646.861	43.801.101	3.267.100	3.494.448
Trade payables	288.550	116.258	132.337	956	38.999
Other Payables and Provisions	5.180.196	2.123.396	2.973.325	2.230	81.245
Total Liabilities	**201.601.365**	**135.744.844**	**58.780.154**	**3.270.286**	**3.806.081**
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	**26.926.316**	**38.527.196**	**(12.450.162)**	**1.852.690**	**(1.003.409)**
Monetary items net assets/(liabilities) foreign currency position	**3.920.529**	**1.280.855**	**2.822.821**	**12.640**	**(195.788)**

Net profit effect of the consolidated to the total net foreign currency position is TRY1.675.565 as of 31 December 2018 (Bank and Philsa-Philip Morrissa excluded).

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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 TRY447.981 as of 31 December 2017 (Bank and Philsa-Philip Morrissa excluded).

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

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The foreign exchange risk of Group companies other than that of the banking segment for the years ended 31 December 2018 and 2017 is summarized as follows:

	Profit/Loss	
31 December 2018	**Appreciation of foreign currency**	**Appreciation of foreign currency**
Change in USD against TL by 20%		
USD net assets/liabilities	287.692	(287.692)
USD hedge items (-)	-	-
USD net effect	**287.692**	**(287.692)**
Change in EUR against TL by 20%		
EUR net assets/liabilities	1.124	(1.124)
EUR hedge items (-)	-	-
EUR net effect	**1.124**	**(1.124)**
Change in GBP against TL by 20%		
GBP net assets/liabilities	3.826	(3.826)
GBP hedge items (-)	-	-
GBP net effect	**3.826**	**(3.826)**
Change in other currency against TL by 20%		
Other currency net assets/liabilities	(730)	730
Other Hedges items(-)	-	-
Other currency net effect	**(730)**	**730**

	Profit/Loss	
31 December 2017	**Appreciation of foreign currency**	**Appreciation of foreign currency**
Change in USD against TL by 20%		
USD net assets/liabilities	167.258	(167.258)
USD hedge items (-)	-	-
USD net effect	**167.258**	**(167.285)**
Change in EUR against TL by 20%		
EUR net assets/liabilities	101.876	(101.876)
EUR hedge items (-)	-	-
EUR net effect	**101.876**	**(101.876)**
Change in GBP against TL by 20%		
GBP net assets/liabilities	898	(898)
GBP hedge items (-)	-	-
GBP net effect	**898**	**(898)**
Change in other currency against TL by 20%		
Other currency net assets/liabilities	3.186	(3.186)
Other Hedges items(-)	-	-
Other currency net effect	**3.186**	**(3.186)**

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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 2018 and 2017, the Group's borrowings at floating rates are denominated in TRY, USD, EUR and GBP.

As of 31 December 2018 and 2017, the interest position table of the Group's non-banking industrial segments is as follows:

	31 December 2018	31 December 2017
Fixed interest rate financial instruments		
Financial assets	122.991	104.893
Time deposits	122.991	104.893
Financial liabilities	3.278.377	3.156.886
Floating interest rate financial instruments		
Financial liabilities	399.176	260.643

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 2018, 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(25.731) (31 December 2017: TRY(6.500).lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2018, 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(1.419) (31 December 2017: TRY1.751) 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(861) (31 December 2017: TRY(777) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

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.

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i) Banking

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 2018 and 2017 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

	31 December 2018						
Liabilities	**Book value**	**Contructual Cash flows**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Customer deposits	222.839.127	225.656.385	164.373.540	25.266.132	21.293.569	12.072.952	2.650.192
Funds borrowed and debt securities in issue	60.380.409	69.669.966	1.597.187	5.832.101	20.954.385	32.060.105	9.226.188
	283.219.536	**295.326.351**	**165.970.727**	**31.098.233**	**42.247.954**	**44.133.057**	**11.876.380**

	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**

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.

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As of 31 December 2018 and 2017, the Group's analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2018	Book value	Contructual Cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	2.784.240	3.540.228	783.910	1.765.710	990.608	80.537
Financial lease obligations	85.957	144.977	10.057	20.808	33.576	-
Trade payables	3.251.488	3.267.803	2.893.652	374.152	-	-
Othe payables	147.961	162.805	70.469	-	92.336	-
	6.269.646	**7.115.814**	**3.758.088**	**2.160.669**	**1.116.519**	**80.537**

31 December 2017	Book value	Contructual Cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	3.910.837	4.145.969	1.066.078	1.831.196	1.247.033	1.662
Financial lease obligations	87.136	93.822	9.228	23.582	39.009	22.003
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**	**23.665**

34.1.1.4 Credit Risk

i) Banking

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.

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

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

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

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

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

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

The rating tool concentration by risk classes are as follows:

	31 December 2018	31 December 2017
Above average	50,82%	39,10%
Average	30,42%	47,07%
Below average	16,25%	13,31%
Unrated	2,52%	0,52%

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

	31 December 2018	31 December 2017
Loans and advances to other banks	49.617.879	44.637.555
Loans and advances	207.349.631	206.894.944
Consumer loans and advances	43.449.413	45.493.948
Corporate loans and advances	163.900.218	161.400.996
Financial lease receivables	5.940.136	5.811.992
Financial Assets through profit or loss	28.132	16.459
Derivative financial assets through profit or loss	20.616.295	8.316.049
Derivative financial assets through other comprehensive income	1.989.608	1.136.284
Financial assets through other comprehensive income and financial assets at amortised cost	56.352.318	61.336.793
Other assets	5.130.107	2.467.680
Total	**347.024.106**	**330.617.756**

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Marketable securities of the banking industrial segment as of 31 December 2018 and 2017. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2018	Financial assets through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	253.903	-	253.903
A1, A2, A3	-	239.278	-	239.278
Baa1, Baa2, Baa3	-	266.730	-	266.730
Ba1	-	840	-	840
Ba2	-	62.051	-	62.051
Ba3	22.006	37.193.092	9.754.326	46.969.424
B1, B2, B3	-	6.072.943	2.509.155	8.582.098
Total	**22.006**	**44.088.837**	**12.263.481**	**56.374.324**

31 December 2017	Financial assets through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	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**

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The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2018 and 2017 are summarized as follows:

31 December 2018	**Turkey**	**USA**	**EU Contries**	**Non-EU Contries**	**Total**
Loans and advances to banks	31.332.399	5.988.306	12.268.242	28.932	49.617.879
Loans and advances	198.280.891	39.047	8.368.831	660.862	207.349.631
Consumer loans and advances	*43.449.413*	-	-	-	*43.449.413*
Corporate loans and advances	*154.831.478*	*39.047*	*8.368.831*	*660.862*	*163.900.218*
Financial lease receivables	5.940.136	-	-	-	5.940.136
Financial assets at fair value through profit and loss	28.132	-	-	-	28.132
Derivative financial assets at fair value through profit and loss	8.631.718	2.964	13.948.210	23.010	22.605.903
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	55.820.051	-	532.267	-	56.352.318
Other assets	5.130.107	-	-	-	5.130.107
Total	**305.163.434**	**6.030.317**	**35.117.550**	**712.804**	**347.024.106**

31 December 2017	**Turkey**	**USA**	**EU Countries**	**Non-EU Countries**	**Total**
Loans and advances to 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**

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The industrial distribution of the financial assets of banking sector for the years ended 31 December 2018 and 2017 are summarized as follows:

	Financial institutions	Public sector	Wholesale ratail and trade	Manufacturing	Other	Individual customers	Total
Loans and advances to banks	49.617.879	-	-	-	-	-	49.617.879
Loans and advances							
Customer loans	-	-	-	-	-	*43.449.413*	*43.449.413*
Corporate loans	*24.666.717*	*1.508.632*	*25.253.466*	*71.024.751*	*41.446.652*	-	*163.900.218*
Financial lease receivables	166.469	-	536.938	1.927.658	3.309.071	-	5.940.136
Financial assets through profit or loss	6.126	10.113	-	-	11.89	-	28.132
Derivative instruments	13.492.081	-	-	-	9.179.486	17.049	22.688.616
Financial assets through other comprehensive income and financial assets at amortized cost	9.663.343	46.778.899	-	86.249	94.929	-	56.623.420
Other assets	5.130.107	-	-	-	-	-	5.130.107
31 December 2018	**102.742.722**	**48.297.644**	**25.790.404**	**73.038.658**	**54.042.031**	**43.466.462**	**347.377.921**
31 December 2017	**88.350.297**	**54.879.359**	**30.139.113**	**62.041.854**	**49.657.585**	**45.549.548**	**330.617.756**

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 2018 and 2017 is as follows.

31 December 2018	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C)	**2.137.062**	**-**	**141.795**	**477.977**	**3.491**
A. Restructed otherwise accepted as past due and impaired	1.852.862	-	141.795	477.977	3.491
B. Past due but not impaired net book value	284.200	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Past due (Gross amount)	190.375	-	-	-	-
- Impairment	(190.375)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-

(*) Does not include tax and other legal receivables.

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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)	**2.003.566**	**-**	**244.073**	**514.624**	**35.294**
A.Restructed otherwise accepted as past due and impaired	1.855.103	-	225.219	514.624	35.294
B. Past due but not impaired net book value	148.463	-	18.854	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Past due (Gross amount)	85.968	-	754	-	-
- Impairment	(85.968)	-	(754)	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-

(*) Does not include tax and other legal receivables.

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.

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As of 31 December 2018 and 2017, 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 2018			31 December 2017	
Currency	Applied Shock (+/- x basis points)	Gains / Losses	Gains /Shareholders Equity- Losses / Shareholders Equity	Gains / Losses	Gains /Shareholders Equity- Losses / Shareholders Equity
TRY	(400)	2.653.182	5,28%	4.767.280	10,68%
TRY	500	(2.982.938)	(5,94)%	(4.987.185)	(11,19)%
USD	(200)	(200)	(0,40)%	(193.390)	(0,43)%
USD	200	201	0,40%	203.408	0,46%
EUR	(200)	107	0,21%	(272.548)	(0,61)%
EUR	200	(790)	(1,57)%	(157.953)	(0,35)%
Total (for negative shocks)		2.560.980	5,10%	4.301.342	9,64%
Total (for positive shocks)		(3.572.417)	(7,11)%	(4.941.730)	(11,08)%

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.

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).

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The net liability/invested capital ratios at 31 December 2018 and 2017 are as follows:

Thousand TRY	31 December 2018	31 December 2017
Total financial liabilities	315.290.475	302.136.812
Cash and cash equivalents	23.657.667	14.519.064
Net liability	291.632.808	287.617.748
Equity	56.395.796	51.997.939
Invested capital(**)	348.028.604	339.615.687
Net liability/invested capital ratio	84%	85%

(*) The capital invested consists of equity and net debt total.

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:

Financial assets

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

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

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

Financial liabilities

The fair value of short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at floating rates and denominated in foreign currencies, are translated at year-end exchange rates and accordingly their carrying amounts approximate their fair values.

Trade payables are valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

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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 2018 and 2017 are as follows:

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

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

i) Banking

Fair values of the financial assets and liabilities of the Group's banking segment as of 31 December 2018 and 2017 are as follows:

Current Year – 31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
– Government Debt Securities	10.113	–	–	10.113
– Marketable Securities Representing Capital Share	150.684	–	–	150.684
– Other Financial Assets	18.020	–	–	18.020
Financial Assets at Fair Value Through				
Other Comprehensive Income				
– Government Debt Securities	36.502.564	–	–	36.502.564
– Marketable Securities Representing Capital Share	–	–	–	0
– Other Financial Assets	6.637.480	1.219.809	–	7.857.289
Derivative Financial Assets				
Derivative Financial Assets at Fair				
Value Through Profit or Loss	1.371	20.697.637	–	20.699.008
Fair Value Difference of Derivative Financial Assets				
Reflected on Other Comprehensive Income	–	1.989.608	–	1.989.608
Borrowings	–	206.599.559	6.690.208	213.289.767
Financial Assets measured at amortized cost (Net)				
– Government Debt Securities	9.411.205	–	–	9.411.205
– Other Financial Assets	2.852.362	–	–	2.852.362
Total Assets	**55.583.799**	**230.506.613**	**6.690.208**	**292.780.620**
Derivative Financial Liabilities				
Derivative Financial Liabilities at Fair				
Value Through Profit or Loss	248	12.931.222	–	12.931.470
– Fair Value Difference of Derivative Financial Liabilities				
Total Liabilities	**248**	**12.931.222**	**–**	**12.931.470**

(*) The fair value of the loan considered as third level is determined based on the results various valuation methods. Possible changes in the underlying assumptions may affect the carrying value of the loan.

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

There are no transfers between levels in the current year.

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Trading financial assets	**32.957**	**6.933**	**-**	**39.890**
- Government securities	9.525	-	-	9.525
- Stocks	23.432	-	-	23.432
- Other	-	6.933	-	6.933
Avaible for sale financial assets	**42.743.386**	**102.441**	**-**	**42.845.827**
- Government securities	23.159.176	-	-	23.159.176
- Eurobonds	13.657.442	-	-	13.657.442
- Mutual Funds	277.987	-	-	277.987
- Equities traded in organized markets	-	116	-	116
- Other	5.648.781	102.325	-	5.751.106
Trading purpose derivative financial assets	**2.328**	**8.313.721**	**-**	**8.316.049**
Derivative financial instruments for hedging purposes	**-**	**1.136.284**	**-**	**1.136.284**
Total assets	**42.778.671**	**9.559.379**	**-**	**52.338.050**
Trading financial liabilities	**186**	**5.423.642**	**-**	**5.423.828**
Derivative financial liabilities for hedging purposes	**-**	**75.710**	**-**	**75.710**
Total liabilities	**186**	**5.499.352**	**-**	**5.499.538**

(*) The fair value of the loan considered as third level is determined based on the results various valuation methods. Possible changes in the underlying assumptions may affect the carrying value of the loan.

Equity securities 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED. CURRENCIES OTHER THAN TRY ARE EXPRESSED IN THOUSANDS UNLESS OTHERWISE INDICATED.)

Classification of financial instruments and fair value

31 December 2018	Note	Financial Assets at Amortised Cost	Loans and receivables (cash and cash equivalents included)	Financial assets through other comprehensive income	Financial liabilites measured at amortized cost	Book value	Fairvalue
Financial Assets							
Cash and cash equivalents	5	-	23.657.667	-	-	23.657.667	23.657.667
Trade receivables	8	-	2.137.062	-	-	2.137.062	2.137.062
Other financial asset (*)	6,9	12.263.567	4.838.694	44.359..853	-	61.462.114	61.056.630
Receivables from financial operations	30	-	213.289.767	-	-	213.289.767	242.135.332
Financial Liabilities							
Financial payables	7	-	-	-	65.764.148	65.764.148	65.764.148
Trade payables	8	-	-	-	3.372.749	3.372.749	3.372.749
Other financial liabilities (**)	9	-	-	-	8.515.006	8.515.006	8.515.006
Payables from financial operations	31	-	-	-	219.634.250	219.634.250	218.872.618
31 December 2017							
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

(*) 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

The application to Capital Markets Board for increasing Akbank's, a subsidiary of the Group's, paid-in-capital by TRY1.200.000.000 (full amount) from TRY 4.000.000.000 (full amount) to TRY5.200.000.000 (full amount) has been approved by Capital Markets Board in the meeting dated 27.12.2018 numbered 65/1535. Related approval has been publicly announced in the Board Weekly Bulletin numbered 2018/59.

Within this framework; via rights (TRY2.5 for each share with nominal value of TRY 1) issue period between 03.01.2019 - 17.01.2019; a total fund amounting to TRY 3.005.741.611,22 (full amount) has been provided, consisting of TRY 2.996.306.795,62 (full amount) from exercising the pre-emptive rights to purchase new shares and TRY 9.434.815,60 (full amount) from the sale of remaining shares on 22 January 2019 at the Primary Market of Borsa Istanbul.

Following the necessary approvals, registration and announcement processes have been fully completed. The Bank's capital was increased by TRY 1.200.000.000 (full amount), and as a result of full participation in the capital increase, there was no change in the Group's effective ownership share.

Shares of Temsa İş Makinaları Üretim ve Pazarlama A.Ş. and Temsa Motorlu Araçlar Pazarlama ve Dağıtım A.Ş;respectively 51% joint venture and 100% affiliate of Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş., a subsidiary of the Group, will be transferred to new companies with spin off by the decision of the Board of Directors of Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş. dated 01.02.2019 and numbered 2019/2.

In this context, Partition Plan, Division Report, the Financial Statements of the last three years, annual reports and interim financial statements as of 30 September 2018 of Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş. were presented on the Turkey Trade Registry Gazette dated 15 February 2019 and numbered 739, for the review of shareholders.

Kordsa Inc., a 100% affiliate of Kordsa (which is a subsidiary of the Group), decided to acquire 95,83% share of a company named "Axiom Materials Acquisition LLC." (The Company). The Company provides advanced composite materials to the aviation industry and next generation transportation vehicles, and it is fully owned by Axiom Materials Holdings LLC. Kordsa Inc., has taken a decision on the acquisition of Axiom Materials Holding LLC for approximately USD 174.830.000 (full amount-except closing adjustments) following all legal approvals and providing the required conditions. The acquisition amount will become finalized after the closure conditions regarding approvals from competition law in USA and the foreign investments committee.

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