

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020
TOGETHER WITH AUDITOR’S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020 AND 31 DECEMBER 2019

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

	Note References	30 June 2020 USD (*)	Reviewed 30 June 2020	Audited 31 December 2019
ASSETS				
Current Assets		36,504,387	249,770,316	206,970,925
Cash and Cash Equivalents		2,829,598	19,360,673	22,447,203
Financial Investments		5,560,714	38,047,515	28,210,697
- Fair Value Through Profit or Loss	5.a	1,197,488	8,193,454	7,289,522
- Fair Value through Other Comprehensive Income	5.b	2,195,301	15,020,686	16,750,747
- At Amortized Cost	5.c	2,167,925	14,833,375	4,170,428
Trade Receivables		203,642	1,393,360	1,625,419
Receivables From Finance Sector Operations	22	19,645,539	134,418,707	117,257,770
Reserve Deposits with the Central Bank of Republic of Turkey		5,674,756	38,827,817	26,541,745
Other Receivables	8	617,968	4,228,261	2,101,358
Derivative Financial Instruments	21	1,002,529	6,859,505	3,137,883
Inventories		533,323	3,649,106	3,124,669
Prepaid Expenses		209,979	1,436,717	893,037
Current Tax Assets	20	204	1,396	4,733
Other Current Assets	16	176,808	1,209,759	952,864
		36,455,061	249,432,816	206,297,378
Assets Classified as Held for Sale	18	49,326	337,500	673,547
Non Current Assets		31,322,667	214,315,951	199,376,954
Financial Investments		10,127,528	69,294,571	62,169,382
- Fair Value through Other Comprehensive Income	5.b	6,106,560	41,782,302	50,773,699
- At Amortized Cost	5.c	4,020,968	27,512,269	11,395,683
Trade Receivables		180	1,229	17
Receivables from Finance Sector Operations	22	15,669,940	107,216,865	100,134,183
Other Receivables	8	496,144	3,394,715	3,025,117
Derivative Financial Instruments	21	1,881,896	12,876,310	13,490,781
Investments Accounted Through Equity Method	9	1,095,493	7,495,585	7,335,503
Investment Property		32,517	222,490	191,035
Property, Plant and Equipment	10	1,121,491	7,673,469	7,295,877
Right of Use Assets	12	267,052	1,827,224	1,885,463
Intangible Assets		521,765	3,570,020	3,348,497
- Goodwill	13	219,686	1,503,137	1,475,337
- Other Intangible Assets	11	302,079	2,066,883	1,873,160
Prepaid Expenses		5,119	35,026	21,719
Deferred Tax Assets	20	85,942	588,031	353,154
Other Non-Current Assets	16	17,599	120,416	126,226
TOTAL ASSETS		67,827,054	464,086,267	406,347,879

These consolidated financial statements have been approved for issue by the Board of Directors on 11 August 2020. The General Assembly has the authority to change the consolidated financial statements.

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 30 June 2020, 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.**CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Note References	30 June 2020 USD (*)	Reviewed 30 June 2020	Audited 31 December 2019
LIABILITIES				
Short Term Liabilities		47,705,405	326,409,923	278,812,101
Short Term Borrowings	6	2,565,562	17,554,087	10,342,807
Current Portion of Long Term Borrowings	6	2,488,823	17,029,024	15,005,313
Liabilities From Leasing Transactions	7	50,498	345,515	306,876
Trade Payables		571,897	3,913,034	3,995,658
Payables From Finance Sector Operations	23	39,861,328	272,739,179	237,928,489
Payables Related with Employee Benefits		24,767	169,460	62,430
Other Payables	8	1,066,801	7,299,268	6,078,721
Derivative Financial Instruments	21	356,259	2,437,595	1,790,818
Deferred Income		28,804	197,084	186,978
Income Taxes Payable	20	148,454	1,015,752	355,895
Short Term Provisions		151,227	1,034,728	900,438
- Short Term Provisions for Employee Benefits		63,723	436,004	422,063
- Other Short Term Provisions	14	87,505	598,724	478,375
Other Short Term Liabilities	16	390,464	2,671,635	1,854,561
		47,704,885	326,406,361	278,808,984
Liabilities Classified as Held for Sale	18	521	3,562	3,117
Long Term Liabilities		9,881,385	67,610,412	61,058,335
Long Term Borrowings	6	4,948,948	33,861,695	32,736,661
Liabilities From Leasing Transactions	7	240,815	1,647,701	1,677,959
Payables from Finance Sector Operations	23	2,581,403	17,662,475	14,463,018
Other Payables	8	646,265	4,421,873	3,374,173
Derivative Financial Instruments	21	1,280,565	8,761,880	7,271,155
Deferred Income		14,513	99,303	83,279
Long Term Provisions		111,605	763,626	669,814
- Long Term Provisions for Employee Benefits		89,687	613,656	547,820
- Other Long Term Provisions	14	21,918	149,970	121,994
Taxes and Funds Payable		-	-	5,094
Deferred Tax Liabilities	20	50,494	345,489	737,000
Other Long Term Liabilities	16	6,777	46,370	40,182
EQUITY		10,240,264	70,065,932	66,477,443
Equity Attributable To The Parent	17	5,074,072	34,717,818	33,258,317
Share Capital	17	298,209	2,040,404	2,040,404
Adjustments to Share Capital		500,827	3,426,761	3,426,761
Share Premium	17	3,250	22,237	22,237
Treasury shares (-)	17	(27,838)	(190,470)	(190,470)
Accumulated Profits or Losses				
Will Not Be Reclassified to Profit or Loss		(17,878)	(122,328)	(116,253)
- Actuarial Gain/(Loss)		(17,878)	(122,328)	(116,253)
Accumulated Profits or Losses		66,115	452,373	531,823
Will Be Reclassified to Profit or Loss				
- Currency Translation Reserve	17	306,682	2,098,378	1,688,674
- Gains/Losses on Hedge	17	(227,887)	(1,559,247)	(1,213,290)
- Revaluation Reserve	17	(12,680)	(86,758)	56,439
Restricted Reserves	17	178,823	1,223,543	1,173,886
Retained Earnings		3,746,737	25,635,926	22,590,193
Net Income for the Period		325,827	2,229,372	3,779,736
Non-controlling Interests		5,166,191	35,348,114	33,219,126
TOTAL EQUITY AND LIABILITIES		67,827,054	464,086,267	406,347,879

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 30 June 2020, 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2020 AND 2019

(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 -30 June 2020 USD(*)	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019	Not reviewed 1 April- 30 June 2020	Not reviewed 1 April- 30 June 2019
CONTINUING OPERATIONS						
Sales (net)	4	1,382,627	8,951,048	9,101,548	4,398,412	4,813,213
Cost of Sales (-)	4	(1,104,040)	(7,147,496)	(7,178,311)	(3,524,396)	(3,760,850)
Gross Profit from Non-Financial Operations		278,587	1,803,552	1,923,237	874,016	1,052,363
Interest, Premium, Commission and Other Income	4	2,863,585	18,538,692	21,270,670	9,462,577	10,608,229
Interest, Premium, Commission and Other Expense (-)	4	(1,587,427)	(10,276,915)	(14,250,900)	(5,328,242)	(7,302,739)
Gross Profit from Financial Operations		1,276,158	8,261,777	7,019,770	4,134,335	3,305,490
GROSS PROFIT		1,554,745	10,065,329	8,943,007	5,008,351	4,357,853
General and Administrative Expenses (-)		(684,592)	(4,432,012)	(3,741,707)	(2,166,209)	(1,887,462)
Marketing Expenses (-)		(175,324)	(1,135,038)	(1,108,715)	(548,547)	(553,443)
Research and Development Expenses (-)		(1,913)	(12,385)	(7,430)	(6,233)	(4,752)
Other Income from Operating Activities		256,790	1,662,443	604,317	751,109	269,971
Other Expense from Operating Activities (-)		(228,833)	(1,481,450)	(591,744)	(662,941)	(299,762)
Share of Profit of Investments Accounted for Using the Equity Method	9	127,942	828,291	805,667	339,020	421,029
OPERATING PROFIT		848,815	5,495,178	4,903,395	2,714,550	2,303,434
Income from Investing Activities		3,953	25,592	36,308	20,148	14,758
Expense from Investing Activities (-)		(304)	(1,970)	(66,935)	(1,473)	(66,496)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		852,464	5,518,800	4,872,768	2,733,225	2,251,696
Financial Income	19	8,329	53,921	46,749	27,990	19,144
Financial Expenses (-)	19	(81,400)	(526,978)	(586,719)	(273,383)	(310,909)
INCOME BEFORE TAX						
FROM CONTINUING OPERATIONS		779,393	5,045,743	4,332,798	2,487,832	1,959,931
Tax Expense from Continuing Operations						
Current Tax Expense		(202,269)	(1,309,479)	(563,762)	(989,084)	(456,885)
Deferred Tax Income/(Expense)	20	48,088	311,319	(227,764)	468,587	110,261
PROFIT FOR THE PERIOD						
FROM CONTINUING OPERATIONS		625,212	4,047,583	3,541,272	1,967,335	1,613,307
DISCONTINUED OPERATIONS						
Profit After Tax						
From Discontinued Operations		(1)	(6)	(60)	17	(38)
PROFIT FOR THE PERIOD		625,211	4,047,577	3,541,212	1,967,352	1,613,269
ALLOCATION OF PROFIT						
- Non-controlling Interests		280,850	1,818,205	1,595,010	931,186	724,079
- Equity Holders of the Parent		344,361	2,229,372	1,946,202	1,036,166	889,190
Earnings per share						
- hundreds of ordinary shares (TRY)		0.17	1.09	0.95	0.51	0.44
Earnings per share from continuing operations						
- hundreds of ordinary shares (TRY))		0.17	1.09	0.95	0.51	0.44

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020 AND 2019

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

	Note References	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019	Not reviewed 1 April- 30 June 2020	Not reviewed 1 April- 30 June 2019
INCOME FOR THE PERIOD		4,047,577	3,541,212	1,967,352	1,613,269
Other Comprehensive Income / (Loss):					
Items that will not be Reclassified					
To Profit or Loss		(15,771)	(15,506)	(16,830)	(3,112)
Actuarial (losses) / gains		(17,195)	(14,402)	(13,339)	(2,190)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		1,424	(1,104)	(3,491)	(922)
Items that will be Reclassified					
To Profit or Loss		108,452	72,033	2,050,010	660,184
Gains/(losses) on available for sale financial assets transferred to the income statement, after tax		(337,841)	(67,700)	1,761,417	739,268
Currency translation differences		992,133	559,059	521,120	239,139
Cash flow hedges, after tax		(74,028)	(157,077)	(144,329)	(226,501)
Profit/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operation, after tax		(257,662)	(125,774)	(123,252)	(58,706)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		(214,150)	(136,475)	35,054	(33,016)
OTHER COMPREHENSIVE INCOME (AFTER TAX)		92,681	56,527	2,033,180	657,072
TOTAL COMPREHENSIVE INCOME		4,140,258	3,597,739	4,000,532	2,270,341
ALLOCATION OF TOTAL COMPREHENSIVE INCOME					
- Non-controlling Interests		1,996,411	1,692,874	2,097,730	1,123,745
- Equity Holders of the Parent		2,143,847	1,904,865	1,902,802	1,146,596

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 30 JUNE 2020 AND 2019

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

	Share capital	Adjustment to share capital	Treasury Shares (-)	Share Premium	Accumulated Other Comprehensive Income or Loss That Will										Total
					Actuarial gains / losses	Be reclassified				Restricted reserve	Retained earnings	Net income for the year	Equity attributable to the parent	Non-controlling interest	
						Profit or Loss									
						Currency translation reserve	Hedge reserve	Revaluation funds							
Balance at 1 January 2019	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	
Transfers	-	-	-	-	-	-	-	-	124.490	3.705.845	(3.830.335)	-	-	-	
Subsidiary acquisition or sale (****)	-	-	-	-	-	-	-	-	-	(10.594)	-	(10.594)	(262.117)	(272.711)	
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(660.845)	-	(660.845)	(47.827)	(708.672)	
Capital increase (***)	-	-	-	-	-	-	-	-	-	-	-	-	1.780.902	1.780.902	
Total comprehensive income	-	-	-	-	(5.970)	239.285	(251.225)	(23.427)	-	-	1.946.202	1.904.865	1.692.874	3.597.739	
Balances at 30 June 2019	2.040.404	3.426.761	(190.470)	22.237	(80.754)	1.622.061	(786.906)	(1.241.355)	1.174.568	22.590.645	1.946.202	30.523.393	30.269.661	60.793.054	
Balance at 1 January 2020	2.040.404	3.426.761	(190.470)	22.237	(116.253)	1.688.674	(1.213.290)	56.439	1.173.886	22.590.193	3.779.736	33.258.317	33.219.126	66.477.443	
Transfers	-	-	-	-	-	-	-	-	49.657	3.730.079	(3.779.736)	-	-	-	
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(684.346)	-	(684.346)	(14.423)	(698.769)	
Capital increase (**)	-	-	-	-	-	-	-	-	-	-	-	-	147.000	147.000	
Total comprehensive income	-	-	-	-	(6.075)	409.704	(345.957)	(143.197)	-	-	2.229.372	2.143.847	1.996.411	4.140.258	
Balances at 30 June 2020	2.040.404	3.426.761	(190.470)	22.237	(122.328)	2.098.378	(1.559.247)	(86.758)	1.223.543	25.635.926	2.229.372	34.717.818	35.348.114	70.065.932	

(*) Dividends paid by the Holding per share with a TRY 1 nominal value is TRY 0.30 (2019: TRY 0.30).

(**) Afyon Çimento A.Ş., a subsidiary of Çimsa Çimento Sanayi ve Ticaret A.Ş., which is a subsidiary of the Group, increased its issued capital of TRY100,000,000 (full) by 300% (or TRY300,000,000 (full)), to TRY400,000,000, with contributions composed entirely of cash. The capital contribution ended on 29 May 2020 with the registration of capital.

(***) In January 2019 the issued capital of Akbank, a subsidiary of the Group, was increased by TRY1.2 billion (full), from TRY4 billion (full) to TRY5.2 billion (full).

(****) The sale of Temsa Ulaşım Araçları A.Ş., a Group subsidiary, was carried out on 30 May 2019.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD 1 JANUARY - 30 JUNE 2020 AND 2019

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019
Net income before tax from continuing operations		5.045.743	4.332.798
Net income before tax from discontinued operations		(6)	(60)
Adjustments to reconcile income before taxation to net cash provided by operating activities:			
Depreciation and amortization expenses	4	793.754	684.777
Provision for loan losses		3.361.630	2.678.242
Changes in the fair value of derivative instruments		(1.329.004)	(1.446.148)
Interest income and foreign currency gains		(3.635.754)	(4.516.257)
Interest expense		526.438	180.415
Provision for employment termination benefits		89.321	80.091
Impairment charge on property, plant and equipment, intangible assets and investment property		1.272	(5.093)
Impairment an assets held for sale		477.421	-
Income from sale of property, plant and equipment, intangible assets and investment property		(13.485)	(27.581)
Income from associates and joint ventures		(828.191)	(805.667)
Profit from sale of subsidiaries		-	66.494
Provision for / (reversal of) inventory impairment		13.539	(23.021)
Provision for / (reversal of) doubtful receivables		2.626	2.362
Unrealized foreign currency translation differences		207.381	(68.284)
Net cash provided by operating activities before changes in operating assets and liabilities		4.712.685	1.133.068
Changes in trade receivables		228.348	(234.736)
Changes in inventories		(535.866)	(558.105)
Changes in other receivables and other current assets		(3.278.100)	(26.367)
Changes in trade payables		(82.624)	671.892
Changes in other liabilities and other payables		3.274.879	(246.367)
Net cash provided in operating activities of assets classified as held for sale		24.510	3.472
Change in assets and liabilities in finance segment:			
Changes in securities held for trading		(908.225)	(334.607)
Changes in receivables from finance sector operations		(26.067.836)	(10.200.772)
Changes in payables from finance sector operations		38.574.941	18.901.156
Changes in reserve with the Central Bank of the Republic of Turkey		(12.882.541)	(2.457.718)
Income taxes paid	20	(751.407)	(91.825)
Employment termination benefits paid		(52.256)	(54.388)
Net cash provided from operating activities		2.256.508	6.504.703
Capital expenditures	4	(882.515)	(515.849)
Sale / (purchase) of available for sale and held to maturity financial assets		(16.480.628)	(7.581.705)
Collection from sales of subsidiary shares		-	182.693
Proceeds from sale of noncurrent assets held for sale, property, plant and equipment		99.979	94.651
Dividends received		428.922	459.018
Net cash provided from / (used in) investing activities		(16.834.242)	(7.361.192)
Cash inflow from financial liabilities		14.125.549	16.976.334
Financial liability repayments		(4.853.553)	(18.509.432)
Dividends paid		(684.346)	(660.845)
Share capital increase of subsidiaries		147.000	1.780.902
Dividends paid to noncontrolling interests		(14.423)	(47.827)
Net cash provided from / (used in) financing activities		8.720.227	(460.868)
Effect of change in foreign currency rates on cash and cash equivalents		2.178.962	2.265.729
Net increase / (decrease) in cash and cash equivalents		(3.678.545)	948.372
Cash and cash equivalents in the beginning of the period (*)		18.525.274	18.654.340
Cash and cash equivalents at the end of the period		14.846.729	19.602.712

(*) In the current period, cash and cash equivalents include an interest rediscount of TRY736 (31 December 2019: TRY5,190). The blocked deposit at the beginning of the current period was TRY3,916,739, and it was TRY4,513,208 at the end of the period (30 June 2019: respectively TRY5,002,895 and TRY4,343,076).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

(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 2020 is 61.671 (31 December 2019: 62.051). Holding's registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye

The Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on Borsa İstanbul ("BİST") (previously known as the Istanbul Stock Exchange ("ISE")) since 1997. As of 30 June 2020, the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 14)

	(%)
Sakıp Sabancı Holding A.Ş.	14.07
Serra Sabancı	7.22
Suzan Sabancı Dinçer	6.94
Çiğdem Sabancı Bilen	6.94
Other	64.83
	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 30 June 2020, 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 Employeess
Akbank T.A.Ş. ("Akbank")	BİST	Banking	Banking	16,396
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	BİST	Trade	Retailing	13,123
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	BİST	Trade	Retailing	2,344
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	BİST	Cement	Cement	2,269
Kordsa Teknik Tekstil Anonim Şirketi ("Kordsa")	BİST	Clinker tire	Industry	4,377
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	-	Trade	Other	51
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. ("SabancıDX")	-	Information Technologies	Other	195

Subsidiaries are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

(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 (Continued)

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

Joint Ventures

As at 30 June 2020, the nature of business and operating segments of the Joint Ventures which are accounted through equity method in the consolidated financial statements are as follows:

Joint ventures	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Aksigorta A.Ş. ("Aksigorta")	BİST	Insurance	Insurance	Ageas	658
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	BİST	Pension	Insurance	Aviva	1,655
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	BİST	Tire	Industry	Bridgestone	2,949
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	BİST	Cement and clinker	Cement	Heidelberg	2,056
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	BİST	Energy	Energy	E.ON SE	11,062
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim")	-	Energy	Energy	E.ON SE	1,235

All joint ventures are registered in Turkey.

Associates

As at 30 June 2020, the nature of business and operating segments of the affiliates which are accounted through equity method in the consolidated financial statements are as follows:

Affiliates	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	-	Tobacco products Production	Industry	Philip Morris	2,883
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

(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 (Continued)

The COVID-19 pandemic caused serious effects on health systems and the economy as the virus spread to the world in the first quarter of 2020, widespread closure of businesses and unprecedented constraints in social interactions have significantly affected economic activity. Countries have taken measures to slow the spread of the pandemic, such as testing and treating patients, applying travel restrictions, quarantining citizens and canceling large meetings. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce the negative effects on the economic outlook. Similarly, Turkey has implemented health and safety measures to support the households; fiscal and monetary measures to support the companies and regulators. Additional measures are being announced to tackle adverse impacts on companies and certain sectors. A limited time has passed to evaluate the reflections of the measures taken on economic activity regarding the reporting period that ended on March 31, 2020. The Group management closely monitors all developments and takes the necessary measures to effectively manage the negative effects of the COVID-19 outbreak on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows. The Group management believes that despite the uncertain economic outlook, it can successfully manage its commercial risks and liquidity reserves.

Group departments execute the COVID-19 pandemic approach as follows:

Banking:

Our banking group focuses on its strong features such as high liquidity, a low leverage ratio and strong capital structure, and provides uninterrupted services owing to its advanced digital infrastructure.

Energy:

Our energy group is taking measures to protect its infrastructure systems which are vital to public services, and is postponing its development investments, except those protecting service standards. Our power plants continue operations with minimal disruption. The effects of COVID-19 on our energy segment turnover is limited since our distribution income does not rely on energy consumption and our retail income comes mostly from household clients, which does not negatively affect our client portfolio.

Retail:

The priority for our retail group is to ensure business continuity. Transactions in the supply chain continue without disruption, with a particular focus on liquidity and operating capital. In food retail, to meet the unprecedented increase of demand via web services, software and hardware capabilities are being developed.

Financial Services:

Our financial services group made employee health a priority and took intensive measures to ensure the safety of business partners, clients and agents. The personal segment business volume effects of COVID-19 and other operational impacts are being closely followed. Because of the pandemic, the Group also applies strategies and policies that ensure the constant availability of enough liquidity to continue operating efficiently.

Building materials:

Our building materials group is following the potential effects of the pandemic on its operations and financial position carefully and has taken the necessary actions so that the Group is affected as little as possible. To this end, working in shifts in factories and strict health and safety measures for cases where an employee needs to be at the office for mandatory tasks have been implemented. To reduce the negative effect of the pandemic on the Group's business processes, necessary planning and scenario analyses are being carried out. A limit on non-urgent expenses was enforced in all regions of work.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

(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 (Continued)

Industry:

Our industry group is following the developments closely in the markets where it operates to evaluate the potential impact of the social and economic circumstances resulting from the pandemic. To this end, because of the effects of the pandemic, production has been reduced at some plants; inventory and receivables are focused on to improve liquidity and operational efficiency and investment expenses are regularly tracked.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance with TFRS

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.2 New and Revised Turkish Accounting Standards

(a) As at 30 June 2020, new standards in force and amendments to existing previous standards and interpretations

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 of the definition of materiality consistent with IFRS and financial reporting framework
- ii) clarification of the definition of materiality and
- iii) the inclusion of some guidance in TAS 1 on non-essential information

Changes in IFRS 3 - business definition; Effective for annual periods beginning on or after 1 January 2020. With this change, the definition of the business has been revised. Based on the feedback received by the IASB, it is often considered that the current practice guidance is very complex and results in a large number of transactions to meet the definition of business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.2 New and Revised Turkish Accounting Standards (Continued)

(b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:

IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2023. 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.

Amendments to IAS 1, "Presentation of financial statements"; on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3, "Business combinations";** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
- **Amendments to IAS 16, "Property, plant and equipment";** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37, "Provisions, contingent liabilities and contingent assets";** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, "First-time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying IFRS 16, "Leases".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.3 Basis of Consolidation

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 on which the Holding has the power to control directly or indirectly. The Group has control over a company if it is exposed to variable returns as a result of a business relationship with a company or has right on these returns and at the same time has the power to influence these returns with its power on the company.

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 recognized 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 recognized 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 IFRS). 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The companies which Holding has less than 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.1 Basis of Presentation (Continued)****2.1.3 Basis of Consolidation (Continued)**

The 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 30 June 2020 and 31 December 2019:

	30 June 2020		31 December 2019	
	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
Joint Ventures	(%)	(%)	(%)	(%)
AEO	76.85	76.85	76.85	76.85
Akbank	40.75	40.75	40.75	40.75
SabancıDX	100.00	100.00	100.00	100.00
Çimsa	63.52	58.10	63.52	58.10
Exsa	61.68	47.90	61.68	47.90
Kordsa	71.11	71.11	71.11	71.11
Teknosa	60.28	60.28	60.28	60.28
Tursa	100.00	100.00	100.00	100.00
Carrefoursa	50.61	50.61	50.61	50.61

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.1 Basis of Presentation (Continued)****2.1.3 Basis of Consolidation (Continued)**

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 30 June 2020 and 31 December 2019:

	30 June 2020		31 December 2019	
	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
Joint Ventures	(%)	(%)	(%)	(%)
Akçansa	39.72	39.72	39.72	39.72
Aksigorta	36.00	36.00	36.00	36.00
Avivasa	40.00	40.00	40.00	40.00
Brisa	43.63	43.63	43.63	43.63
Enerjisa Enerji	40.00	40.00	40.00	40.00
Enerjisa Üretim	50.00	50.00	50.00	50.00

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

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

The table below sets out all Associates and shows the total interest of the Holding in these associates at 30 June 2020 and 31 December 2019:

	Proportion of effective interest by the Holding
Associates	(%)
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.4 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 30 June 2020 comparatively with the consolidated balance sheet as of 31 December 2019 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 - 30 June 2020 comparatively with the year 1 January - 30 June 2019.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1. IFRS 16 Leases

The Group has adopted IFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard. Impacts of the first time adoption of IFRS 16 on the condensed interim consolidated financial statements of the Group are as below:

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) The costs assumed by the Group related to the restoration of the underlying asset to bring it in line with the terms and conditions of the lease (except those assumed for manufacturing inventory).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1. IFRS 16 Leases (Continued)

To apply a cost model, the Group measure the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any remeasurement of the lease liability

The Group applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

The Group apply IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- d) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1. IFRS 16 Leases (Continued)

Variable lease payments

Group's lease contracts also include variable lease payments which are based on income. Variable lease payments are recognised in profit or loss in the related period.

Facilitative practices

Lease agreements with lease periods of 12 or fewer months, and agreements related to information technology equipment identified as impaired by the Group (mostly printers, laptops, mobile phones and the like), are considered within the scope of the exemption in the IFRS 16 lease standard, and payments related to these agreements continue to be recognised as expenses in the period in which they occur.

The Group - as a lessor

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. The lease process, where a significant part of the property risks and returns belong to the lessor, is classified as an operating lease.. Payments made within the scope of operating lease (after the incentives received from the lessor are deducted) are reflected in the consolidated income statement by linear method during the lease period.

2.3 Summary of Significant Accounting Policies

For the period ended 30 June 2020, the Group prepared its financial statements in accordance with TAS 34 Interim Financial Reporting Standard. The condensed interim consolidated financial statements do not contain all information required to be included in the annual financial statements and should be read in conjunction with the annual financial statements prepared as of 31 December 2019.

2.3.1 Goodwill

The goodwill emerging from associate acquisition is the rate of the fair value of the business's net identifiable assets, liabilities and contingent liabilities in the acquired entity and the portion that exceeds the amount of non-controlling interests in the acquired entity. Goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. For intercompany administrative purposes, each unit or group of units that is allocated goodwill is the smallest asset group of the business whose goodwill is tracked. Goodwill impairment reviews are carried out once a year or more frequently if changes in events or conditions point to the possibility of impairment. The larger of book value of goodwill, usage value of goodwill and fair value minus the costs of disposal is compared with the recoverable value. In the event of any impairment, the loss is recognised right away and is not written off in the following periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.3 Summary of Significant Accounting Policies

2.3.1 Goodwill (continued)

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.

2.3.2 Impairment of loan receivables

In each reporting period, the bank reviews the impairment of its loans, and if there is any impairment it is recognised in the income statement. In this scope, management is evaluating the amounts and periods of future cash flows of credits using various predictions. The bank considers the financial position of the borrower and the net realisable value of collateral during this evaluation. Loans may be individually evaluated with regard to impairment, and small loans with similar characteristics may also be evaluated collectively. The evaluation for the credit portfolio is based on risk and economic data (Note 19).

2.3.3 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

2.3.4 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.

2.3.5 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 3 - BUSINESS COMBINATIONS**The business combinations between the period 1 January and 30 June 2020 are as follows**

None.

The business combinations between the period 1 January and 30 June 2019 are as follows

As per the share transfer agreement dated 23 July 2019, Kordsa Inc., residing in the USA and a 100% subsidiary of the Group, completed the acquisition of 95.86% of Axiom Materials Acquisition LLC, which provides advanced composite materials for next generation transportation vehicles as well as for the space and aeronautics industry, and was wholly owned by Axiom Materials Holdings LLC (Axiom), for USD3,493,365 and USD178,323,365 in cash and operating capital adjustments. The market positioning of Axiom as a strong company providing high quality composite, and this company's value contribution to the growth targets of the Group in the composite industry, became the basis for goodwill. Assuming the purchase and sales transactions of Axiom acquired within the year happened on 1 January 2019, Axiom would have an effect of TRY158,982,480 on the consolidated income, in addition to its registered income and expenses, and a TRY36,243,057 loss on consolidated net profit or loss (except purchasing profits). As per the TFRS 3 Business Combinations standard (TFRS 3), Houlihan Lokey Financial Advisors, Inc., a third-party valuation institution, is carrying out a study to determine the fair value of identifiable assets and liabilities it is necessary to recognise via the purchasing method, and as the result of this study, the study related to the allocation of the purchasing amount to tangible and intangible fixed assets and value appraisal studies are ongoing as of the date of the report. In this scope, the fair values of the identifiable assets, liabilities and conditional liabilities of relevant companies as of the reporting period were predicted by preparing financial statements as per TFRS and were reflected in the financial statements as temporary amounts.

As per the TFRS 3 standard, the measuring period was defined to be a maximum of one year as of the date of purchase, and if new information arises following the completion of the report, additional assets and liabilities may be recognised.

The purchase price, recorded assets and liabilities at the date of purchase:

	Axiom Materials (Full TRY)
Purchased intangible assets	408,124,800
Purchased other assets	130,595,623
Purchased liabilities	(31,045,799)
Total net identifiable assets	507,674,624
Cash purchase price	1,010,827,634
Cash and cash equivalents acquired	11,881,891
Net cash outflow	998,945,743
Goodwill	503,153,010

The TRY503,153,010 portion of the fair value of identifiable assets, liabilities and contingent liabilities acquired as a result of the purchase and which exceeded the purchase fee, was recognised as goodwill on the balance sheet.

As per the shareholding agreement signed for the share purchase, Axiom has the option to purchase the remaining 4.14% of the shares from the non-controlling interests (Kordsa Inc.'s purchasing liability). The share selling option was recognised under other long-term liabilities at the amortised value (31 December 2019: TRY33,681,278) of the amount constituting the base of the agreement, and was reflected separately under parent company shares in equities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING

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

a) External Revenues (Consolidated):

	1 January- 30 June 2020	1 January- 30 June 2019
Banking	18,538,692	21,270,670
Industry	2,006,534	3,390,967
Retail	5,622,376	4,776,341
Building materials	971,496	812,064
Other	350,642	122,176
Total (*)	27,489,740	30,372,218

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

b) Segment Assets (Consolidated):

	30 June 2020	31 December 2019
Banking	441,043,939	384,499,463
Industry	7,610,410	7,223,360
Retail	5,793,635	5,335,597
Building materials	3,806,195	3,573,333
Other	3,367,030	2,991,852
Segment assets	461,621,209	403,623,605
Assets classified as held for sale	337,500	673,547
Investments accounted through equity method (Note 9)	7,495,585	7,335,503
Unallocated assets	(375,542)	(638,417)
Less: intersegment eliminations	(4,992,485)	(4,646,359)
Total assets as per consolidated financial statements	464,086,267	406,347,879

c) Segment Liabilities (Consolidated):

	30 June 2020	31 December 2019
Banking	385,083,489	332,159,983
Industry	4,623,657	4,412,665
Retail	6,514,090	5,828,136
Building materials	2,449,646	2,358,618
Other	692,066	351,883
Segment liabilities	399,362,948	345,111,285
Assets classified as held for sale	3,562	3,117
Unallocated liabilities	(364,043)	(614,007)
Less: intersegment eliminations	(4,982,132)	(4,629,959)
Total liabilities as per consolidated financial statements	394,020,335	339,870,436

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment:

i) Banking:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	18,278,316	18,278,316	21,358,331	21,358,331
Financial assets	107,309,110	107,309,110	90,363,657	90,363,657
Derivative financial instruments	19,601,495	19,601,495	16,517,763	16,517,763
Reserve deposits with the Central Bank of Republic of Turkey	38,827,817	38,827,817	26,541,745	26,541,745
Receivables from finance sector operations	243,250,234	243,250,234	219,209,537	219,209,537
Property, plant and equipment	2,248,625	2,248,625	2,010,687	2,010,687
Right of use assets	622,957	622,957	625,584	625,584
Intangible assets	1,055,559	1,055,559	953,188	953,188
Other receivables and other assets	10,167,362	10,167,362	7,585,038	7,585,038
Total segment assets	441,361,475	441,361,475	385,165,530	385,165,530
Financial liabilities	63,820,281	63,820,281	54,529,896	54,529,896
Payables from finance sector operations	293,700,339	293,700,339	255,155,638	255,155,638
Derivative financial instruments	11,089,218	11,089,218	8,945,703	8,945,703
Other payables and other liabilities	16,473,651	16,473,651	13,528,746	13,528,746
Total segment liabilities	385,083,489	385,083,489	332,159,983	332,159,983

(*) 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 30 June 2020, the cash flows from operating activities of the Bank is TRY(1,710,118) (30 June 2019: TRY(3,407,582)).

As of 30 June 2020, the cash flows from investing activities of the Bank is TRY(11,710,940) (30 June 2019: TRY(6,896,568)).

As of 30 June 2020, the cash flows from financing activities of the Bank is TRY6,247,577 (30 June 2019: TRY7,960,326).

Banking segment consists of Akbank. Akbank's accumulated non-controlling interests calculated from its financial statements amount to TRY33,344,707 as of 30 June 2020 (31 December 2019: TRY31,405,787).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

ii) Financial services:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	2,059,673	-	2,925,064	-
Financial investments	3,973,489	-	2,639,316	-
Receivables from finance sector operations	1,160,009	-	1,003,875	-
Investments accounted through equity method (Note 9)	-	619,151	-	608,612
Property, plant and equipment	49,036	-	50,599	-
Right of use assets	56,590	-	61,862	-
Intangible assets	128,307	-	119,104	-
Other receivables and other assets	3,986,974	-	3,584,901	-
Total segment assets	11,414,078	619,151	10,384,721	608,612
Payables from finance sector operations	9,215,214	-	8,220,517	-
Other payables and other liabilities	595,467	-	589,182	-
Total segment liabilities	9,810,681	-	8,809,699	-

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

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

The insurance section includes the results of Aksigorta and Avivasa companies.

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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 4 - SEGMENT REPORTING (Continued)

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

iii) Energy:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	1,818,023	-	1,445,263	-
Financial investments	104,794	-	122,545	-
Trade receivables	4,243,046	-	3,622,499	-
Inventories	342,895	-	291,798	-
Investments accounted through equity method (Note 9)	-	5,838,815	-	5,763,312
Property, plant and equipment	9,904,062	-	10,129,083	-
Right of use assets	225,977	-	215,695	-
Intangible assets	4,979,007	-	5,279,489	-
Other receivables and other assets	16,959,856	-	15,865,366	-
Total segment assets	38,577,660	5,838,815	36,971,738	5,763,312
Financial liabilities	17,572,616	-	15,674,359	-
Trade payables	2,184,933	-	3,078,322	-
Other payables and other liabilities	5,759,433	-	5,327,626	-
Total segment liabilities	25,516,982	-	24,080,307	-

(*) 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.

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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 4 - SEGMENT REPORTING (Continued)

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

iv) Industry:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	1,771,569	720,046	1,522,232	729,637
Financial investments	100,960	588	102,283	586
Trade receivables	1,390,185	672,756	1,637,792	969,211
Inventories	2,086,069	1,467,923	1,865,732	1,231,051
Investments accounted through equity method (Note 9)	247,041	681,116	200,670	592,049
Property, plant and equipment	4,179,642	2,372,604	4,065,751	2,220,492
Right of use assets	111,982	93,247	98,500	83,802
Intangible assets	979,888	892,441	878,506	797,889
Other receivables and other assets	3,220,836	1,399,370	2,653,596	1,198,041
Total segment assets	14,088,172	8,300,091	13,025,062	7,822,758
Financial liabilities	7,003,939	3,390,649	6,291,380	3,114,110
Trade payables	1,228,139	393,778	1,643,553	620,287
Other payables and other liabilities	1,603,782	842,792	1,158,872	681,385
Total segment liabilities	9,835,860	4,627,219	9,093,805	4,415,782

(*) 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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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

v) Retail:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	831,104	831,104	544,168	544,168
Trade receivables	156,592	156,592	130,564	130,356
Inventories	1,638,626	1,638,626	1,648,050	1,648,050
Investment property	29,222	29,222	29,222	29,222
Property, plant and equipment	682,650	682,650	697,516	697,516
Right of use assets	1,049,914	1,049,914	1,116,579	1,116,579
Intangible assets	81,073	81,073	82,865	82,865
Other receivables and other assets	1,263,619	1,324,454	1,025,798	1,086,841
Total segment assets	5,732,800	5,793,635	5,274,762	5,335,597
Financial liabilities(***)	2,904,268	2,904,268	2,525,031	2,525,031
Trade payables	2,854,469	2,854,469	2,921,264	2,921,264
Other payables and other liabilities	755,353	755,353	381,841	381,841
Total segment liabilities	6,514,090	6,514,090	5,828,136	5,828,136

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

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

Retail segment consists of Teknosa and Carrefoursa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

vi) Building materials:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	692,043	415,732	419,392	267,351
Financial investments	185,224	64	185,224	64
Trade receivables	866,624	515,813	830,052	460,976
Inventories	385,430	224,888	365,985	184,774
Investments accounted through equity method (Note 9)	-	356,503	-	371,530
Property, plant and equipment	2,982,164	2,136,950	2,952,999	2,129,718
Right of use assets	132,653	45,601	123,313	41,664
Intangible assets	57,733	16,665	60,539	18,035
Other receivables and other assets	693,591	461,878	686,256	470,882
Total segment assets	5,995,462	4,174,094	5,623,760	3,944,994
Financial liabilities	2,419,675	1,748,003	2,177,285	1,700,831
Trade payables	719,508	403,892	701,774	346,018
Other payables and other liabilities	458,280	297,751	461,966	311,769
Total segment liabilities	3,597,463	2,449,646	3,341,025	2,358,618

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

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

Building materials segment consists of Çimsa and Akçansa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

vii) Other:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Cash and cash equivalents	2,414,061	2,414,061	2,312,456	2,312,456
Financial investments	12,971,683	32,325	12,964,462	25,104
Trade receivables	81,860	81,849	97,234	96,260
Inventories	317,669	317,669	60,794	60,794
Property, plant and equipment	245,393	209,329	254,943	218,879
Right of use assets	15,506	15,506	17,834	17,834
Intangible assets	21,181	21,181	21,218	21,218
Other receivables and other assets	276,820	275,110	224,267	239,307
Total segment assets	16,344,173	3,367,030	15,953,208	2,991,852
Financial liabilities	202,237	202,237	31,509	31,509
Trade payables	291,785	291,273	136,725	135,365
Other payables and other liabilities	209,203	198,556	194,809	185,009
Total segment liabilities	703,225	692,066	363,043	351,883

(*) 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)
e) The reconciliation of the consolidated statement of profit or loss:

	1 January- 30 June 2020			1 January- 30 June 2019		
	Total Consolidation of Segments Before Elimination	Elimination Consolidation Adjustments	Consolidated	Total Consolidation of Segments Before Elimination	Elimination Consolidation Adjustments	Consolidated
Total revenue	27,655,825	(166,085)	27,489,740	30,528,368	(156,150)	30,372,218
Cost of sales and interest, premiums, commissions and other expenses	(17,775,895)	351,484	(17,424,411)	(21,680,932)	251,721	(21,429,211)
General administration expenses	(4,475,617)	43,605	(4,432,012)	(3,801,637)	59,930	(3,741,707)
Sales, marketing and distribution expenses	(1,135,038)	-	(1,135,038)	(1,109,331)	616	(1,108,715)
Research and development expenses	(12,385)	-	(12,385)	(7,431)	1	(7,430)
Other operating income/(expense) - net	181,007	(14)	180,993	13,687	(1,114)	12,573
Interest in income of joint ventures	828,291	-	828,291	805,666	1	805,667
Operating profit	5,266,188	228,990	5,495,178	4,748,390	155,005	4,903,395
Income/(expense) from investing activities - net	339,990	(316,368)	23,622	203,961	(234,588)	(30,627)
Operating profit before financial expense	5,606,178	(87,378)	5,518,800	4,952,351	(79,583)	4,872,768
Financial income/(expense) – net	(565,095)	92,038	(473,057)	(625,286)	85,316	(539,970)
Income before tax	5,041,083	4,660	5,045,743	4,327,065	5,733	4,332,798
Tax	(998,160)	-	(998,160)	(791,526)	-	(791,526)
Profit/(loss) after tax from discontinued operations	(6)	-	(6)	(60)	-	(60)
Income for the period	4,042,917	4,660	4,047,577	3,535,479	5,733	3,541,212
Net income attributable to equity holders of the parent			2,229,372			1,946,202

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment:

i) Banking:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Interest, commission and other income	18,641,115	18,641,115	21,362,658	21,362,658
Interest, commission and other expenses	(10,605,496)	(10,605,496)	(14,496,777)	(14,496,777)
General administration expenses	(4,047,113)	(4,047,113)	(3,383,638)	(3,383,638)
Other operating income/(expense) - net	126,028	126,028	75,266	75,266
Operating profit	4,114,534	4,114,534	3,557,509	3,557,509
Income/(expense) from investing activities - net	3,813	3,813	5,526	5,526
Income before tax	4,118,347	4,118,347	3,563,035	3,563,035
Tax	(977,155)	(977,155)	(790,162)	(790,162)
Net income	3,141,192	3,141,192	2,772,873	2,772,873
Net income attributable to equity holders of the parent		1,280,032		1,129,942
EBITDA	4,430,775		3,804,252	

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

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

Akbank's net income attributable to non-controlling interest is TRY1,861,156 (30 June 2019: TRY1,642,927).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (continued):

ii) Financial services:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Gross premiums	1,946,673	-	1,350,872	-
- Gross written premiums	2,923,113	-	2,511,475	-
- Unearned premiums reserves	(976,440)	-	(1,160,603)	-
Premiums, commission and other expenses	(1,645,230)	-	(1,208,797)	-
General administration expenses	(328,826)	-	(289,103)	-
Other operating income/(expense) - net	557,385	-	481,187	-
Interest in income of joint ventures (Note 9)	-	156,293	-	100,052
Operating profit	530,002	156,293	334,159	100,052
Income/(expense) from investing activities - net	23,992	-	50,252	-
Operating profit before financial expense	553,994	156,293	384,411	100,052
Financial income/(expense) - net	(30,367)	-	(37,910)	-
Profit before tax	523,627	156,293	346,501	100,052
Tax	(109,295)	-	(82,354)	-
Net income	414,332	156,293	264,147	100,052
Net income attributable to equity holders of the parent		156,293		100,052
EBITDA	553,702		332,137	

(*) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (continued):

iii) Energy:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Sales revenue (net)	15,140,071	-	12,400,473	-
Cost of sales	(10,714,389)	-	(8,443,944)	-
General administration expenses	(1,232,896)	-	(1,038,049)	-
Other operating income/(expense) - net	(425,045)	-	(62,635)	-
Interest in income of joint ventures (Note 9)	-	578,247	-	635,937
Operating profit/(loss)	2,767,741	578,247	2,855,845	635,937
Income from investment activities -net	158	-	1,778	-
Financial income/(expense) - net	(1,188,080)	-	(1,199,013)	-
Profit before tax	1,579,819	578,247	1,658,610	635,937
Tax	(281,662)	-	(294,967)	-
Net income	1,298,157	578,247	1,363,643	635,937
Net income attributable to equity holders of the parent		578,247		635,937
EBITDA	3,271,209		3,264,559	

(*) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (continued):

iv) Industry:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Sales revenue (net)	3,701,223	2,006,534	5,029,578	3,390,967
Cost of sales	(2,922,779)	(1,644,593)	(3,976,480)	(2,710,472)
General administration expenses	(187,056)	(132,870)	(204,168)	(161,378)
Marketing expenses	(228,714)	(86,998)	(352,927)	(195,850)
Research and development expenses	(10,967)	(9,719)	(5,587)	(4,963)
Other operating income/(expense) - net	(1,520)	59,137	81,724	115,615
Interest in income of joint ventures (Note 9)	48,004	90,291	50,550	57,833
Operating profit	398,191	281,782	622,690	491,752
Income/(expense) from investing activities - net	5,760	6,083	2,664	2,684
Operating profit before financial expense	403,951	287,865	625,354	494,436
Financial income/(expense) – net	(177,798)	(110,473)	(315,625)	(193,347)
Income before tax	226,153	177,392	309,729	301,089
Tax	(6,192)	(12,067)	(46,406)	(47,176)
Profit after tax from discontinued operations	(6)	(6)	(60)	(60)
Net income	219,955	165,319	263,263	253,853
Net income attributable to equity holders of the parent		143,146		177,309
EBITDA	656,631		755,142	

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (continued):

v) Retail:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Sales revenue (net)	5,629,121	5,626,568	4,780,777	4,779,182
Cost of sales	(4,382,890)	(4,380,337)	(3,650,081)	(3,648,540)
General administration expenses	(118,338)	(117,691)	(116,495)	(116,412)
Marketing expenses	(1,025,872)	(1,025,872)	(901,742)	(901,742)
Other operating income/(expense) - net	(87,636)	(87,636)	(201,588)	(201,588)
Operating profit	14,385	15,032	(89,129)	(89,100)
Income/(expense) from investing activities – net	482	482	100	100
Operating profit before financial expense	14,867	15,514	(89,029)	(89,000)
Financial income/(expense) – net	(293,341)	(293,341)	(283,438)	(283,438)
Income before tax	(278,474)	(277,827)	(372,467)	(372,438)
Tax	50,619	50,619	78,455	78,455
Net income	(227,855)	(227,208)	(294,012)	(293,983)
Net income attributable to equity holders of the parent		(119,836)		(157,908)
EBITDA	351,567		325,941	

(*) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (continued):

vi) Building materials:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Sales revenue (net)	1,812,055	971,793	1,702,432	812,064
Cost of sales	(1,531,436)	(799,669)	(1,440,903)	(663,481)
General administration expenses	(134,371)	(90,089)	(104,998)	(62,093)
Research and development expenses	(2,666)	(2,666)	(2,468)	(2,468)
Marketing expenses	(18,067)	(9,583)	(22,138)	(8,350)
Other operating income/(expense) - net	55,075	69,486	12,983	14,347
Interest in income of joint ventures	-	3,460	-	10,173
Operating profit	180,590	142,732	144,908	100,192
Income/(expense) from investing activities - net	15,914	14,322	70,447	28,095
Operating profit before financial expense	196,504	157,054	215,355	128,287
Financial income/(expense) - net	(184,608)	(153,746)	(217,538)	(146,579)
Profit before tax	11,896	3,308	(2,183)	(18,292)
Tax	(223)	3,225	8,679	9,985
Net income	11,673	6,533	6,496	(8,307)
Net income attributable to equity holders of the parent		7,331		7,317
EBITDA	243,870		248,946	

(*) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (continued):

vii) Other:

	Combined(*) 30 June 2020	Consolidated(**) 30 June 2020	Combined(*) 31 December 2019	Consolidated(**) 31 December 2019
Sales revenue (net)	905,476	409,815	794,837	183,498
Cost of sales	(346,880)	(345,800)	(162,619)	(161,662)
General administration expenses	(90,404)	(87,854)	(88,083)	(78,116)
Marketing expenses	(12,726)	(12,585)	(3,505)	(3,389)
Other operating income/(expense) - net	22,204	13,978	17,662	10,048
Shares in profits of joint ventures (Note 9)	-	-	1,671	1,671
Operating profit	477,670	(22,446)	559,963	(47,950)
Income/(expense) from investing activities - net	323,174	315,290	174,724	167,556
Operating profit before financial expense	800,844	292,844	734,687	119,606
Financial income/(expense) - net	(7,535)	(7,535)	(1,922)	(1,922)
Profit before tax	793,309	285,309	732,765	117,684
Tax	(62,782)	(62,782)	(42,628)	(42,628)
Net income	730,527	222,527	690,137	75,056
Net income attributable to equity holders of the parent		184,159		53,554
EBITDA	483,744		575,156	

(*) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)**g) Detail of net income/(loss) attributable to equity holders of the parent**

One-off incomes and expenses that are not expected to be realized during routine course of business. Details of the net profit / (loss) attributable to equity holders of the parent with adjusted segments is as follows:

	30 June 2020	30 June 2019
Banking	1,280,032	1,129,942
Insurance	137,410	101,839
Industry	143,597	180,105
Building materials	6,762	(8,420)
Energy	730,069	635,350
Retail	(119,320)	(168,281)
Other	188,853	120,046
Total	2,367,403	1,990,581

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

	30 June 2020	30 June 2019
Adjusted net income for reported operating segments (Equity holders of the Parent)	2,367,403	1,990,581
One off income/(expenses) related to Carrefoursa - net	(516)	10,373
One off income/(expenses) related to Enerjisa - net	(151,822)	587
One off income/(expenses) related to Avivasa - net	18,883	-
One off income/(expenses) related to Holding - net	(1,193)	(66,494)
Other	(3,383)	11,155
Net income (Equity holders of the Parent)	2,229,372	1,946,202

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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 4 - SEGMENT REPORTING (Continued)

h) Combined EBITDA Detail

30 June 2020	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interests	EBITDA
Banking	4,118,348	316,240	3,813	-	-	4,430,775
Industry	226,153	245,077	5,760	(177,798)	(13,363)	656,631
Building materials	11,896	128,109	15,914	(184,608)	64,829	243,870
Retail	(278,474)	241,387	482	(293,341)	(95,795)	351,567
Energy	1,579,819	451,073	158	(1,188,080)	(52,395)	3,271,209
Financial services	523,627	41,779	23,992	(30,367)	18,079	553,702
Other	793,309	21,289	323,174	(7,535)	15,215	483,744
30 June 2019	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interests	EBITDA
Banking	3,563,035	246,743	5,526	-	-	3,804,252
Industry	309,729	208,799	2,664	(315,625)	76,347	755,142
Building materials	(2,183)	118,788	70,447	(217,538)	14,750	248,946
Retail	(372,467)	234,264	100	(283,438)	(180,806)	325,941
Energy	1,658,610	402,323	1,778	(1,199,013)	(6,391)	3,264,559
Financial services	346,501	25,207	50,252	(37,910)	27,229	332,137
Other	732,765	18,176	174,724	(1,922)	2,983	575,156

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)**i) Depreciation and amortization, impairment and investment expenses (Consolidated):****1 January – 30 June 2020**

	Finance	Financial		Building				
	Banking	services	Industry	materials	Energy	Retail	Other	Total
Depreciation and amortisation expenses	316,240	-	135,119	79,719	-	241,387	21,289	793,754
(Impairment) / reversal of impairment of property, plant and equipment and investment properties	-	-	-	-	-	1,272	-	1,272
Capital expenditure	612,515	-	144,409	20,078	-	81,220	24,293	882,515

1 January – 30 June 2019

	Finance	Financial		Building				
	Banking	services	Industry	materials	Energy	Retail	Other	Total
Depreciation and amortisation expenses	246,743	-	114,402	71,223	-	234,264	18,145	684,777
(Impairment) / reversal of impairment of property, plant and equipment and investment properties	-	-	-	-	-	5,093	-	5,093
Capital expenditure	193,263	-	88,652	134,899	-	75,584	23,451	515,849

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SEGMENT REPORTING (Continued)

j) Depreciation and amortization, impairment and investment expenses (Combined):

1 January – 30 June 2020

	<u>Finance</u>							
	Banking	Financial services	Industry	Building materials	Energy	Retail	Other	Total
Depreciation and amortisation expenses	316,240	41,779	245,077	128,109	451,073	241,387	21,289	1,444,954
(Impairment) / reversal of impairment of property, plant and equipment and investment properties	-	-	-	-	-	1,272	-	1,272
Capital expenditure	612,515	39,828	218,599	81,991	1,220,945	81,220	24,294	2,279,392

1 January – 30 June 2019

	<u>Finance</u>							
	Banking	Financial services	Industry	Building materials	Energy	Retail	Other	Total
Depreciation and amortisation expenses	246,743	25,207	208,799	118,788	402,323	234,264	18,176	1,254,300
(Impairment) / reversal of impairment of property, plant and equipment and investment properties	-	-	-	-	-	5,093	-	5,093
Capital expenditure	193,263	29,984	238,839	171,978	1,036,345	75,584	23,451	1,769,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 5 - FINANCIAL INVESTMENTS**a) Financial assets at fair value through profit or loss**

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

	30 June 2020	31 December 2019
Share notes	732,688	232,765
Government bonds	32,804	182,344
Eurobonds	86,702	92,378
Other (*)	7,341,260	6,782,035
Total	8,193,454	7,289,522

(*) In the previous period, the syndication loans provided to Ojer Telekomünikasyon A.Ş. (OTAŞ) were restructured. In this scope, LYY Telekomünikasyon A.Ş. (former name: Levent Yapılandırma Yönetimi A.Ş.), which the creditors are direct or indirect partners of, was established as a special purpose company to protect the creditors and act as a warranty for these loans, and LYY Telekomünikasyon A.Ş. completed the takeover of 192,500,000,000 A Group shares, which made up 55% of Türk Telekom's issued capital, on 21 December 2018. The bank held 35.56% of LYY Telekomünikasyon A.Ş., which is its share of OTAŞ receivables. In the Ordinary General Assembly of LYY Telekomünikasyon A.Ş. on 23 September 2019 it was decided that a portion of the loan will be turned into capital and added to LYY Telekomünikasyon A.Ş., and the nominal value of the bank's shares of LYY Telekomünikasyon A.Ş. increased from TRY18 to TRY1,416,090. Profit/Loss" in the financial statements. The recognised total fair impairment for the total amount turning into loans and capital is TRY2,222,136. TRY1,416,090 of this amount was recognised under "Fixed Assets Held for Sale and Discontinued Operations", and TRY806,046 of it was recognised under "Other Financial Assets" under "Financial Assets for Which the Fair Value Difference is Reflected to Profit/Loss".

The financial asset for which the fair value difference was reflected in the profit/loss and assets, which was turned into capital and was worth TRY7,200,669 was measured at fair value in the scope of the TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held-for-Sale and Discontinued Operations. The results of a study of an independent valuation company was used to determine this value. For the said valuation study, the fair value was defined by considering the average of various methods (discounted cash flows, similar market factors, similar transaction factors in the same industry, market value and analyst reports). The financial asset for which the fair value difference is reflected in profit/loss, is followed up on as Level 3 in the scope of TFRS 13. Potential changes in the basic assumptions in the said valuation study will affect the carrying value of the amount turned into capital and the financial asset for which the fair value difference is reflected in profit/loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 5 - FINANCIAL INVESTMENTS (Continued)**a) Financial assets at fair value through profit or loss (Continued)**

If both the growth rate and the risk-free investment income rate in the assumptions used in the discounted cash flow method increase or decrease by 0.25%, assuming that all other variables are stable, the assets and period profit before tax recognised in the consolidated financial statements will either increase by approximately TRY170 million or decrease by TRY150 million. The main objective of creditor banks is to hand over the said Türk Telekom shares to an investor expert in the field by meeting the requirements as quickly as possible. An international investment bank was authorised as the sale advisor on 19 September 2019 for the purpose of selling the 55% of shares of Türk Telekomünikasyon A.Ş. owned by LYY Telekomünikasyon A.Ş., and necessary studies related to the sale and negotiations with potential investors will begin.

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

	30 June 2020	31 December 2019
TRY	%8.81	%11.17

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TRY7,041 (31 December 2019: TRY10,049).

The maturity analysis of financial assets at fair value through profit and loss as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
0 to 3 months	770,721	257,952
3 to 12 months	7,256,506	6,882,627
1 to 5 years	75,538	121,822
Over 5 years	90,689	27,121
Total	8,193,454	7,289,522

Period remaining to contractual repricing dates:

	30 June 2020	31 December 2019
No maturity	770,721	257,952
Up to 3 months	11,502	22,714
3 to 12 months	7,252,598	6,860,314
1 to 5 years	67,944	121,421
Over 5 years	90,689	27,121
Total	8,193,454	7,289,522

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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 5 - FINANCIAL INVESTMENTS (Continued)**b) Financial assets at fair value through other comprehensive income**

	30 June 2020	31 December 2019
Debt securities		
- Government bonds	29,610,833	35,534,282
- Eurobonds	16,018,324	16,168,796
- Investment funds	440,601	424,665
- Other bonds denominated in foreign currency	10,702,253	15,374,312
Sub-total	56,772,011	67,502,055
Share notes		
- Traded in organized markets	138	138
- Not traded in organized markets	30,839	22,253
Sub-total	30,977	22,391
Financial investments at fair value through other comprehensive income	56,802,988	67,524,446

Effective interest rates of USD, EUR, JPY and TRY denominated available-for-sale securities are 5.08% (31 December 2019: 5.20%), %2.89 (31 December 2019: 2.70%), %3.09 (31 December 2019: %3.09) and 12.55% respectively. (31 December 2019: 14.14%).

The Group's financial assets available for sale subject to funds provided from repo are TRY18,441,869 (31 December 2019: TRY8,422,563). Available for sale financial assets that are given as collateral because of the Group's financing activities are amounting to TRY13,198,477 (31 December 2019: TRY17,108,499).

Akbank has Consumer Price Index ("CPI") linked government bonds under available-for-sale and held-to maturity portfolio. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two month before. The estimated inflation rate used is updated during the year when necessary

The maturity analysis in accordance with expiring date as at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020			31 December 2019		
	Banking	Other companies	Total	Banking	Other companies	Total
0 to 3 months	2,451,413	-	2,451,413	2,570,694	-	2,570,694
3 to 12 months	12,128,672	-	12,128,672	13,755,389	-	13,755,389
1 to 5 years	34,147,261	-	34,147,261	38,853,989	-	38,853,989
Over 5 years	7,635,041	-	7,635,041	11,919,710	-	11,919,710
No maturity	440,601	-	440,601	424,664	-	424,664
Total	56,802,988	-	56,802,988	67,524,446	-	67,524,446

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 5 - FINANCIAL INVESTMENTS (Continued)**b) Financial assets at fair value through other comprehensive income (continued)**

The maturity analysis in accordance with expiring date as at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020			31 December 2019		
	Banking	Other companies	Total	Banking	Other companies	Total
0 to 3 months	11,758,202	-	11,758,202	11,244,537	-	11,244,537
3 to 12 months	17,608,769	-	17,608,769	20,937,235	-	20,937,235
1 to 5 years	20,356,532	-	20,356,532	25,225,086	-	25,225,086
Over 5 years	6,638,884	-	6,638,884	9,692,924	-	9,692,924
No maturity	440,601	-	440,601	424,664	-	424,664
Total	56,802,988	-	56,802,988	67,524,446	-	67,524,446

c) Financial assets carried at amortized cost:

Details of financial investments valued over their amortized cost are presented below:

	30 June 2020	31 December 2019
Government bonds	42,345,644	15,566,111
Total	42,345,644	15,566,111

Details of financial investments valued over their amortized cost are presented below:

	30 June 2020	31 December 2019
Balance, 1 January	15,566,111	12,215,183
Additions	23,934,207	5,397,163
Foreign exchange differences in monetary assets	4,035,303	414,623
Valuation effect	795,473	677,288
Disposals through sales and redemptions (*)	(1,985,038)	(3,214,759)
Allowance for impairment	(412)	76,613
Total	42,345,644	15,566,111

(*) Including expected loss provision.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 5 - FINANCIAL INVESTMENTS (Continued)**c) Financial assets carried at amortized cost:**

Effective interest rate of debt securities in USD, Euro and TRY are 5.86% 1.70% ve 11.42%.
(31 December 2019: Effective interest rate of debt securities in USD, Euro and TRY are 5.22%, 3.46% and 14.74%).

For financial investments valued at amortized cost as of 30 June 2020 and 31 December 2019, the remaining time to maturity dates specified in the contract on the basis of banking and other sectors is as follows:

	30 June 2020			31 December 2019		
	Other			Other		
	Banking	companies	Total	Banking	companies	Total
3 to 12 months	14,833,375	-	14,833,375	4,170,428	-	4,170,428
1 to 5 years	23,306,171	588	23,306,759	10,735,539	586	10,736,125
Over 5 years	4,205,510	-	4,205,510	659,558	-	659,558
Total	42,345,056	588	42,345,644	15,565,525	586	15,566,111

For financial investments valued at amortized cost as of 31 December 2019 and 30 June 2020, the period remaining until the re-pricing date determined by the contract is as follows:

	30 June 2020			31 December 2019		
	Other			Other		
	Banking	companies	Total	Banking	companies	Total
Up to 3 months	9,001,096	-	9,001,096	3,989,518	-	3,989,518
3 to 12 months	19,662,125	-	19,662,125	6,008,502	-	6,008,502
1 to 5 years	12,605,973	588	12,606,561	4,907,947	586	4,908,533
Over 5 years	1,075,862	-	1,075,862	659,558	-	659,558
Total	42,345,056	588	42,345,644	15,565,525	586	15,566,111

NOTE 6 - FINANCIAL LIABILITIES**Short term funds, bank loans and issued debt securities:**

	30 June 2020	31 December 2019
Short term	17,554,087	10,342,807
Short-term portion of long term	17,029,024	15,005,313
Total short term	34,583,111	25,348,120
Long-term funds borrowed, bank borrowings and debt securities:		
Long term	33,861,695	32,736,661
Total	68,444,806	58,084,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

Maturity analysis as of 30 June 2020 and 31 December 2019 is presented below:

	30 June 2020	31 December 2019
Up to 3 months	4,345,958	9,312,146
3 to 12 months	30,237,153	16,035,974
Short term financial liabilities and short term portion of long term financial liabilities	34,583,111	25,348,120
1 to 5 years	25,020,370	20,888,158
Over 5 years	8,841,325	11,848,503
Long term financial liabilities	33,861,695	32,736,661
Total financial liabilities	68,444,806	58,084,781

The repayment schedule of long term financial liabilities at 30 June 2020 and 31 December 2019 is summarized below:

	30 June 2020	31 December 2019
1-2 years	5,921,571	5,951,036
2-3 years	7,571,737	6,822,421
3-4 years	4,890,050	4,620,070
4-5 years	6,637,012	3,494,631
Over 5 years	8,841,325	11,848,503
Total	33,861,695	32,736,661

The repayment schedule of long term financial liabilities at 30 June 2020 and 31 December 2019 is summarized below:

	30 June 2020	31 December 2019
Up to 3 months	35,594,243	38,080,668
3 to 12 months	16,707,653	3,998,513
1 to 5 years	9,903,360	7,728,695
Over 5 years	6,239,550	8,276,905
Total	68,444,806	58,084,781

The transactions related with the funds and loans as of 30 June 2020 are as follows:

Akbank - Syndicated Loan

As of 30 June 2020, there are two syndicated loans. The syndication credit with a one-year (EUR373.5 million and USD402 million) maturity was signed on 07 October 2019. The cost of the credit is Euribor + 210 bps and Libor + 225 bps. The syndication credit with a one-year (EUR315.5 million and USD256 million) maturity was signed on 01 April 2020. The cost of the credit is Euribor + 200 bps and Libor + 225 bps.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)**Issued securities:**

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	30 June 2020		31 December 2019	
	USD	TRY	USD	TRY
2020	296,341	2,027,921	1,044,191	6,181,611
2021	585,626	4,007,556	583,035	3,451,567
2022	1,018,717	6,971,284	1,005,694	5,953,708
2023	535,065	3,661,557	533,257	3,156,881
2024	518,430	3,547,720	516,762	3,059,231
2025	871,794	5,965,861	861,331	5,099,080
2026	80,013	547,545	79,035	467,887
2027	358,952	2,456,380	347,457	2,056,945
2028	249,655	1,708,442	241,635	1,430,479
Total	4,514,593	30,894,266	5,212,397	30,857,389

The balance amounting to USD4,631,953 consists of securitization deals and USD denominated securities issued by the Bank.

	30 June 2020		31 December 2019	
	EUR	TRY	EUR	TRY
2020	22,950	176,072	45,883	304,649
2021	23,112	177,315	23,104	153,404
2022	370	2,839	362	2,404
2023	355	2,724	348	2,311
2024	341	2,616	335	2,224
2025	328	2,516	322	2,138
2026	315	2,417	309	2,052
2027	303	2,325	297	1,972
2028	291	2,233	286	1,899
2029	7,225	55,431	7,082	47,025
Total	55,590	426,488	78,328	520,078

The balance amounting to EUR55,590 consists of securitization deals and EUR denominated securities issued by the Group.

Additionally, as of 30 June 2020, there are bonds issued by the Bank amounting to TRY1,184,966 with 1-3 months maturity, TRY1,251 with 3-6 months maturity, TRY 8,873,957 with 6-12 months maturity, TRY758,985 with 1-5 years maturity and TRY1,432,123 with 5 years over maturity. (31 December 2019: TRY 1,840,532 with 1-3 months maturity, TRY 723,846 with 3-6 months maturity and TRY678,966 with 1-5 years maturity and TRY1,853,449 with 5 years and over maturity).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 7 - OBLIGATIONS FROM LEASING TRANSACTIONS

The breakdown of the Group's obligations with respect to the lease transactions in accordance with IFRS 16 is as follows:

Liabilities arising from short term lease transactions as of 30 June 2020:

	Up to 3 months	Between 3-12 months	Total
TRY	141,196	168,238	309,434
USD	10,233	11,943	22,176
EUR	2,248	10,376	12,624
Other	109	1,172	1,281
Total	153,786	191,729	345,515

Liabilities arising from short term lease transactions as of 31 December 2019:

	Up to 3 months	Between 3-12 months	Total
TRY	96,816	195,825	292,641
USD	3,798	1,727	5,525
EUR	1,235	6,818	8,053
Other	95	562	657
Total	101,944	204,932	306,876

Liabilities arising from long term lease transactions as of 30 June 2020:

	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	5 years and more	Total
TRY	228,563	186,076	338,389	451,147	321,133	1,525,308
USD	10,579	3,634	4,021	4,081	67,651	89,966
EUR	8,721	3,573	3,675	3,417	12,812	32,198
Other	191	38	-	-	-	229
Total	248,054	193,321	346,085	458,645	401,596	1,647,701

Liabilities arising from long term lease transactions as of 31 December 2020:

	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	5 years and more	Total
TRY	222,828	261,460	705,927	100,304	269,491	1,560,010
USD	11,378	3,073	3,335	3,556	53,072	74,414
EUR	7,359	10,429	924	9,337	15,138	43,187
Other	244	104	-	-	-	348
Total	241,809	275,066	710,186	113,197	337,701	1,677,959

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	30 June 2020	31 December 2019
Receivables from credit card payments	26,707	47,441
Other receivables(*)	4,201,554	2,053,917
Total	4,228,261	2,101,358
Other long term receivables:	30 June 2020	31 December 2019
Deposits and guarantees given	46,415	38,935
Other receivables(*)	3,348,300	2,986,182
Total	3,394,715	3,025,117

(*) Other receivables mainly consist of the collaterals obtained by Akbank for derivative transactions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

Other short term payables::	30 June 2020	31 December 2019
Payables related to credit card transactions	4,498,818	4,287,406
Taxes and funds payable	593,180	563,572
Export deposits and transfer orders	40,278	31,963
Payment orders to correspondent banks	32,447	27,401
Financial lease payables	897	24,140
Other (*)	2,133,648	1,144,239
Total	7,299,268	6,078,721

Other long term payables:	30 June 2020	31 December 2019
Financial lease payables	3,325	5,281
Other (*)	4,418,548	3,368,892
Total	4,421,873	3,374,173

(*) Other payables mainly include the collaterals given by Akbank for derivative transactions.

NOTE 9 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	30 June 2020	Share (%)	31 December 2019	Share (%)
Aksigorta	284,610	36.00	277,306	36.00
Avivasa	334,541	40.00	331,306	40.00
Brisa	434,075	43.63	391,379	43.63
Akçansa	356,503	39.72	371,530	39.72
Enerjisa Üretim Santralleri	3,072,717	50.00	3,033,693	50.00
Enerjisa Enerji	2,766,098	40.00	2,729,619	40.00
Philisa	144,861	25.00	111,882	25.00
Philip Morrissa	102,180	24.75	88,788	24.75
Total	7,495,585		7,335,503	

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

	1 January - 30 June 2020	1 January - 30 June 2019
Aksigorta	84,966	50,467
Avivasa	71,327	49,585
Brisa	42,288	7,283
Akçansa	3,460	10,173
Enerjisa Üretim Santralleri	294,921	452,401
Enerjisa Enerji	283,326	183,536
Philisa	34,711	(35,748)
Philip Morrissa	13,292	74,932
Temsa İş Makineleri (*)	-	13,038
Total	828,291	805,667

(*) As of 9 August 2019, as a result of the sale of 41% of Temsa İş Makinaları shares, it is recognized as a financial investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 9 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

The financial statements of the associates and joint ventures are as follows:

	30 June 2020		31 December 2019	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	7,768,934	6,978,351	7,333,423	6,563,128
Avivasa	3,645,144	2,832,329	3,051,298	2,246,571
Brisa	6,203,540	5,208,640	5,575,065	4,678,023
Akçansa	2,058,273	1,147,817	1,930,697	982,407
Enerjisa Üretim Santralleri	13,850,807	7,705,371	13,573,530	7,506,145
Enerjisa Enerji	24,726,854	17,811,609	23,398,208	16,574,161
Philisa	4,874,126	4,294,681	3,687,791	3,240,265
Philip Morrissa	2,604,646	2,191,799	1,355,134	996,395
Total	65,732,324	48,170,597	59,905,146	42,787,095

Sales Income

	1 January - 30 June 2020	1 January- 30 June 2019
Aksigorta	2,265,939	2,142,765
Avivasa	657,174	368,710
Brisa	1,694,689	1,638,611
Akçansa	840,262	890,368
Enerjisa Üretim Santralleri	4,035,303	3,073,194
Enerjisa Enerji	11,104,768	9,327,279
Philisa (*)	14,199,523	12,711,943
Philip Morrissa	13,982,854	12,937,490
Temsa İş Makineleri	-	380,115

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

Net profit / (loss) for the period

	1 January - 30 June 2020	1 January- 30 June 2019
Aksigorta	236,016	140,185
Avivasa	178,317	123,962
Brisa	96,923	16,694
Akçansa	8,601	24,975
Enerjisa Üretim Santralleri	589,842	904,802
Enerjisa Enerji	708,314	458,841
Philisa	138,842	(142,991)
Philip Morrissa	53,712	302,755
Temsa İş Makineleri (*)	-	25,563

(*) As of 9 August 2019, as a result of the sale of 41% of Temsa İş Makinaları shares, it is recognized as a financial investment.

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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 10 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 30 June 2020 is as follows:

	1 January 2020	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	30 June 2020
Cost:							
Land and land improvements	559,287	25,273	1,796	(90,529)	(11,731)	-	484,096
Buildings	3,459,621	118,767	113,206	(4,573)	3,098	-	3,690,119
Machinery and equipment	5,479,213	389,452	28,244	(24,258)	43,581	-	5,916,232
Motor vehicles	94,270	3,595	678	(6,074)	-	-	92,469
Furniture and fixtures	3,461,421	3,283	440,961	(32,329)	2,484	682	3,876,502
Total	13,053,812	540,370	584,885	(157,763)	37,432	682	14,059,418
Construction in progress	246,441	(45,443)	80,384	(1,697)	(51,462)	-	228,223
Total	13,300,253	494,927	665,269	(159,460)	(14,030)	682	14,287,641
Accumulated depreciation:							
Land and land improvements	(231,036)	(2,580)	(3,764)	21	-	-	(237,359)
Buildings	(990,425)	(43,151)	(83,969)	3,290	-	-	(1,114,255)
Machinery and equipment	(2,683,713)	(173,529)	(136,792)	3,048	-	-	(2,990,986)
Motor vehicles	(92,218)	(1,161)	(5,164)	6,074	-	-	(92,469)
Furniture and fixtures	(2,006,984)	(5,964)	(192,439)	25,693	-	591	(2,179,103)
Total	(6,004,376)	(226,385)	(422,128)	38,126	-	591	(6,614,172)
Net book value	7,295,877						7,673,469

(*) TRY2,165 of the transfers from construction in progress in the current period is recognized in intangible assets.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in property, plant and equipment for the year ended 30 June 2019 is as follows:

	1 January 2019	Currency translation differences	Additions	Disposals	Transfers (*)	Subsidiary Disposal Effect (***)	Impairment	30 June 2019
Cost:								
Land and land improvements	504,524	11,982	497	(8,530)	6,153	(22,219)	-	492,407
Buildings	2,923,521	51,238	5,735	(12,171)	28,133	(51,070)	-	2,945,386
Financial leasing buildings	20,512	-	-	-	(20,512)	-	-	-
Machinery and equipment	4,921,161	228,956	14,545	(12,830)	123,093	(89,312)	-	5,185,613
Motor vehicles	122,132	872	214	(2,343)	-	(20,643)	-	100,232
Furniture and fixtures	3,336,710	8,750	134,754	(28,962)	3,951	(43,508)	-	3,411,695
Total	11,828,560	301,798	155,745	(64,836)	140,818	(226,752)	-	12,135,333
Construction in progress	863,615	18,777	236,656	(14)	(185,847)	(6,605)	-	926,582
Total	12,692,175	320,575	392,401	(64,850)	(45,029)	(233,357)	-	13,061,915
Accumulated depreciation:								
Land and land improvements	(239,584)	(1,440)	(4,877)	424	722	3,940	-	(240,815)
Buildings	(1,039,002)	(19,581)	(34,845)	2,090	3,301	17,110	-	(1,070,927)
Financial leasing buildings	(7,732)	-	-	-	7,732	-	-	-
Machinery and equipment	(2,429,790)	(114,837)	(123,461)	7,644	4,806	71,136	-	(2,584,502)
Motor vehicles	(102,139)	(394)	(8,390)	2,289	-	10,113	-	(98,521)
Furniture and fixtures	(2,247,250)	(6,188)	(165,575)	23,351	559	37,968	5,077	(2,352,058)
Total	(6,065,497)	(142,440)	(337,148)	35,798	17,120	140,267	5,077	(6,346,823)
Net book value	6,626,678							6,715,092

(*) TRY15.297 of the transfers from construction in progress in the current period is recognized in intangible assets..

(**) Includes Temsa Ulaşım Araçları San. Tic. A.Ş. balances sold in May 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 11 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 30 June 2020 and 2019 are as follows:

	1 January 2020	Currency translation differences	Additions	Impairment	Disposals	Transfers	30 June 2020
Cost (*)	2,874,779	68,824	299,076	22	(5,150)	2,165	3,239,716
Accumulated amortization (-)	(1,001,619)	(17,180)	(156,349)	(22)	2,337	-	(1,172,833)
Net book value	1,873,160						2,066,883

	1 January 2019	Currency translation differences	Additions	Impairment	Disposals	Transfers	Subsidiary Exit Effect (**)	30 June 2019
Cost (*)	2,530,363	39,961	114,551	16	(2,681)	15,297	(228,555)	2,468,952
Accumulated amortization (-)	(1,270,702)	(11,954)	(147,731)	(12)	461	-	110,544	(1,319,394)
Net book value	1,259,661							1,149,558

(*) Intangible assets mainly consist of licenses and software.

(**) Includes Temsa Ulaşım Araçları San. Tic. A.Ş. balances sold in May 2019

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020**

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

NOTE 12 - RIGHT TO USE ASSETS

Movement of right-of-use assets for the year ended 30 June 2020 is as follows:

	1 January 2020	Addition	Disposals	Currency translation differences	30 June 2020
Cost					
Property	2,187,816	180,568	(97,237)	22,353	2,293,500
Fixtures	595	-	(425)	66	236
Vehicles	38,758	14,191	-	1,137	54,086
Other	16,521	388	-	1,489	18,398
Total	2,243,690	195,147	(97,662)	25,045	2,366,220
Accumulated depreciation					
Property	(338,619)	(202,918)	39,394	(5,446)	(507,589)
Fixtures	(186)	(28)	244	(104)	(74)
Vehicles	(16,204)	(8,229)	-	70	(24,363)
Other	(3,218)	(3,735)	-	(17)	(6,970)
Total	(358,227)	(214,910)	39,638	(5,497)	(538,996)
Net book value	1,885,463	(19,763)	(58,024)	19,548	1,827,224

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 12 - RIGHT TO USE ASSETS (Continued)

Movement of right-of-use assets for the year ended 30 June 2019 is as follows:

	1 January 2019	Transfers(*)	Addition	Disposals	Other	30 June 2019
Cost						
Property	1,894,409	20,513	168,523	(54,085)	(4,269)	2,025,091
Fixtures	407	-	-	-	25	432
Vehicles	28,854	-	3,461	-	291	32,606
Other	11,973	-	182	-	598	12,753
Total	1,935,643	20,513	172,166	(54,085)	(3,355)	2,070,882
Accumulated depreciation						
Property	-	(7,901)	(190,183)	19,812	-	(178,272)
Fixtures	-	-	(49)	-	-	(49)
Vehicles	-	-	(8,037)	-	-	(8,037)
Other	-	-	(1,628)	-	-	(1,628)
Total	-	(7,901)	(199,897)	19,812	-	(187,986)
Net book value	1,935,643	12,612	(27,731)	(34,273)	(3,355)	1,882,896

(*) During the period, TRY 12,612 of property, plant and equipment has been transferred to Right to Use Assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 13 - GOODWILL

The movements of goodwill for the three month period ended on 30 June 2020 and 2019 are as follows:

	2020	2019
1 January	1,475,337	849,215
Additions (*)	-	40,898
Currency translation differences	27,800	15,571
30 June	1,503,137	905,684

(*) Fabric Development Inc., a subsidiary of Kordsa, acquired in 2018. has completed the evaluation and application process of the tax incentive opportunities related to the purchase and sale of the tax legislation ("338 (h) / 10 u) to which it is affiliated, on 11 April 2019. It has been decided not to apply for tax base adjustment for intangible assets accounted for during purchase. The effect of this adjustment and the effect of the correction of temporary differences in tax bases are recognized as good TRY40.897.916 (Full USD7.209.603) under goodwill.

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	30 June 2020	31 December 2019
Provision for liabilities	460,904	452,605
<i>Credit bonus provision</i>	<i>50,511</i>	<i>58,926</i>
<i>Litigation</i>	<i>90,691</i>	<i>88,207</i>
<i>Uncompensated and not encashed non-cash loans</i>	<i>298,463</i>	<i>297,102</i>
<i>Other short term provisions</i>	<i>21,241</i>	<i>8,370</i>
Other debt provisions	137,820	25,770
Total	598,724	478,375

Other long term provisions	30 June 2020	31 December 2019
Provision for liabilities	149,970	121,994
<i>Litigation</i>	<i>38,558</i>	<i>35,218</i>
<i>Other long-term provisions</i>	<i>111,412</i>	<i>86,776</i>
Total	149,970	121,994

Commitments - Banking segment	30 June 2020	31 December 2019
Letters of guarantee given	30,808,616	30,717,394
Letters of credit	3,796,786	4,398,221
Foreign currency acceptance credits	59,950	50,678
Other guarantees	6,642,927	6,541,435
Total	41,308,279	41,707,728

Commitments – Other companies	30 June 2020	31 December 2019
Letters of guarantee given	1,510,368	1,317,516
Other guarantees given	1,188,841	1,016,434
Mortgages, guarantees and pledges for tangible assets	13,973	12,056
Total	2,713,182	2,346,006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**Commitments for resale and repurchase of debt securities:**

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Repurchase commitments	34,450,924	10,095,553
Transactions for held for trading:		
	30 June 2020	31 December 2019
Foreign currency purchases	4,592,060	7,573,795
Foreign currency sales	4,532,869	7,228,044
Total	9,124,929	14,801,839
	30 June 2020	31 December 2019
Currency swap purchases	92,759,589	118,346,112
Currency swap sales	99,042,001	120,827,669
Interest swap purchases	79,236,980	76,289,552
Interest swap sales	79,236,980	76,289,552
Total	350,275,550	391,752,885
	30 June 2020	31 December 2019
Spot purchases	1,922,669	2,934,998
Spot sales	1,922,554	2,934,711
Total	3,845,223	5,869,709
	30 June 2020	31 December 2019
Currency, interest and securities options purchases	13,294,838	15,793,725
Currency, interest and securities options sales	13,278,853	15,958,797
Total	26,573,691	31,752,522
	30 June 2020	31 December 2019
Other purchase transactions	19,272,953	14,417,136
Other sales transactions	8,216,801	7,763,410
Total	27,489,754	22,180,546
	30 June 2020	31 December 2019
Future purchase transactions	550,342	85,946
Future sales transactions	540,708	85,005
Total	1,091,050	170,951

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)
Types of derivative transactions held for hedges:

	30 June 2020	31 December 2019
Interest swap purchases	21,089,337	16,424,864
Interest swap sales	21,089,337	16,424,864
Total	42,178,674	32,849,728

	30 June 2020	31 December 2019
Currency swap purchases	-	155,171
Total	-	155,171

	30 June 2020	31 December 2019
Money swap purchases	21,731,649	18,824,262
Money swap sales	14,657,452	12,985,025
Total	36,389,101	31,809,287

The maturity analysis of the off-balance sheet assets of the Banking segment at 30 June 2020 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	13,239,203	17,569,413	30,808,616
Letters of credits	3,017,788	778,999	3,796,787
Acceptance credits	59,950	-	59,950
Other guarantees	1,741,153	4,901,773	6,642,926
Total	18,058,094	23,250,185	41,308,279

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2019 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	13,661,607	17,055,787	30,717,394
Letters of credits	3,121,595	1,276,626	4,398,221
Acceptance credits	50,678	-	50,678
Other guarantees	2,043,849	4,497,586	6,541,435
Total	18,877,729	22,829,999	41,707,728

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The economic sector risk concentrations of the commitments of the Banking segment at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Wholesale	7,735,187	7,653,743
Construction	7,599,796	8,130,380
Financial institutions	4,193,610	4,194,793
Electricity, gas and water	3,168,140	2,628,360
Other manufacturing	3,060,750	3,538,816
Small-scale retailers	3,024,607	3,129,987
Steel and mining	2,606,460	2,301,980
Textile	1,854,427	1,533,427
Transportation	1,666,287	1,019,990
Chemicals	1,092,539	1,114,426
Food and beverage	1,021,056	1,207,821
Automotive	816,960	986,218
Tourism	409,225	322,063
Electronics	296,272	326,898
Telecommunications	271,945	255,455
Agriculture and forestry	83,016	274,728
Other	2,408,002	3,088,643
Total	41,308,279	41,707,728

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 15 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by Subsidiaries at 30 June 2020 is as follows:

	30 June 2020				
	Total TRY Equivalent	TRY	USD	EUR	Other
A. Total amounts of the Collaterals given for its own legal entity	758.050	530.478	25.146	7.202	-
B. Collaterals given on behalf of fully consolidated companies	1.291.468	563.240	29.250	67.215	9.991
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	41.308.279	18.952.710	1.476.363	1.522.932	514.931
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	43.357.797	20.046.428	1.530.759	1.597.349	524.922
A. Total amounts of the Mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of the third parties' debt for continuation of their economic activities	-	-	-	-	-
D.Total amount of other mortgages					
i.Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii.Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amounts of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of the third parties' debt for continuation of their economic activities	-	-	-	-	-
D.Total amount of other pledges					
i.Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii.Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 15 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("CPM") given by Joint Ventures at 30 June 2020 is as follows;

	30 June 2020				
	Total TRY Equivalent	TRY	USD	EUR	Other
A. Total amounts of the Collaterals given for its own legal entity	1.178.372	1.007.417	23.258	1.533	-
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	3.711	3.711	-	-	-
D.Total amount of other collaterals					
i.Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii.Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	1.182.083	1.011.128	23.258	1.533	-
A. Total amounts of the Mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of the third parties' debt for continuation of their economic activities	-	-	-	-	-
D.Total amount of other mortgages					
i.Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii.Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amounts of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of the third parties' debt for continuation of their economic activities	-	-	-	-	-
D.Total amount of other pledges					
i.Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii.Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 15 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“CPM”) given by Subsidiaries at 31 December 2019 is as follows:

	31 December 2019				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1.313.267	539.799	101.429	25.698	-
B, Collaterals given on behalf of fully consolidated companies	2.007.732	299.619	173.609	101.173	3.970
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	41.707.728	19.606.154	1.881.686	1.545.598	644.828
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	45.028.727	20.445.572	2.156.724	1.672.469	648.798
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	-	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 15 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“CPM”) given by Joint Ventures at 31 December 2019 is as follows;

	31 December 2019				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	816.793	805.186	567	1.239	-
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	2.803	2.803	-	-	-
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	819.596	807.989	567	1.239	-
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	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other Current Assets	30 June 2020	31 December 2019
Cheques in clearance	952,366	702,265
Deductible, deferred and other VAT	191,145	133,747
Other Current Assets	66,248	116,852
Total	1,209,759	952,864

Other Non-Current Assets	30 June 2020	31 December 2019
Long term tax claims and other legal receivables	20,300	29,861
Deductible, deferred and other VAT	-	1,583
<i>Other non-current assets</i>	100,116	94,782
Total	120,416	126,226

Other Short Term Liabilities	30 June 2020	31 December 2019
Cheques in clearance	1,992,661	1,410,474
Saving deposits insurance	106,604	93,838
Other short term liabilities	572,370	350,249
Total	2,671,635	1,854,561

Other Long Term Liabilities		
Other long term liabilities	46,370	40,182
Total	46,370	40,182

NOTE 17 - EQUITY

Hacı Ömer Sabancı Holding A.Ş.'s authorised and issued capital consists of 204.040.393.100 (31 December 2019: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 30 June 2020 and 31 December 2019 is as follows:

Shareholders:	Share (%)	30 June 2020	Share (%)	31 December 2019
Sakıp Sabancı Holding A.Ş.	14.07	287,100	14.07	287,100
Serra Sabancı	7.22	147,371	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	64.83	1,322,799	64.84	1,323,010
Share capital	100.00	2,040,404	100.00	2,040,404
Repurchased shares (-)		(190,470)		(190,470)
Share premium		22,237		22,237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 17 - EQUITY (Continued)

As a result of the Board of Directors decision dated 22 December 2015, EXSA Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa) has started acquiring publicly traded shares of Sabancı Holding in Borsa İstanbul. With these transactions Exsa's share in Sabancı Holding's share capital has reached 1,17% as of 30 June 2020. These shares is classified as capital adjustments due to cross-ownership in equity.

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Holding's paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Furthermore, to be entitled to the exemption for sale of participation shares and property, 75% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. 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:

	30 June 2020	31 December 2019
Legal reserves	879,056	829,399
Investments sales income	344,487	344,487
Total	1,223,543	1,173,886

Dividend Distribution

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 17 - EQUITY (Continued)
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 Effect
Balance as of 1 January 2019	(1,217,928)	(150,767)	(384,914)	1,382,776
Increases/(decreases) during the period)	61,476	(227,685)	(65,709)	239,285
Gains transferred to income statement	(149,035)	(28,689)	-	-
Net gains & losses included in the ..income statement due to transfer of available for sale financial assets into held to maturity assets	57,524	-	-	-
Tax effect	6,608	56,402	14,456	-
Balance as of 30 June 2019	(1,241,355)	(350,739)	(436,167)	1,622,061

	Fair Value Revaluation Fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency Translation Effect
Balance as of 1 January 2020	56,439	(765,162)	(448,128)	1,688,674
Increases/(decreases) during the period)	(270,362)	(621,237)	(134,612)	409,704
Gains transferred to income statement	355,718	312,314	-	-
Net gains & losses included in the ..income statement due to transfer of available for sale financial assets into held to maturity assets	(268,942)	-	-	-
Tax effect	40,389	67,963	29,615	-
Balance as of 30 June 2020	(86,758)	(1,006,122)	(553,125)	2,098,378

NOTE 18 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS
1 January - 30 June 2020

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period loss amounting to Total TRY 59,957 as of 30 June 2020. (30 June 2019: 59,957) In 30 June 2020 and 30 June 2019, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements.

About Nile Kordsa Company for Industrial Fabric, the amount recognised under "Assets Held For Sale" is Total TRY8,565,339 as of 30 June 2020 (31 December 2019: Total TRY7,347,731). The amount recognised under "Liabilities Held For Sale" is Total TRY3,562,107 as of 30 June 2020 (31 December 2019: Total TRY3,116,610).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 18 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)**Information on other assets held for sale:**

	30 June 2020	31 December 2019
Cost	337,571	673,620
Accumulated Depreciation (-)	71	73
Net Book Value	337,500	673,547

	30 June 2020	31 December 2019
Net book value at the beginning of the term	673,547	278,604
Acquisitions (*)	165,439	1,575,616
Disposals (-), net	36,549	235,066
Impairment (-)	477,421	938,867
Other	12,484	(6,740)
Net Book Value	337,500	673,547

(*) The share Group subsidiary Akbank held of LYY Telekomünikasyon A.Ş. increased from TRY18 to TRY1,416,090 in the previous period. This amount was reflected in the "Acquired" row in the table above. The total fair impairment the bank allocated for this credit amount, TRY1,416,090, is shown in the "Impairment" row.

Other portion of other assets held for sale includes real estates acquired by the bank due to its receivables.

1 January - 30 June 2019

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period loss amounting to Total TRY 59,957 as of 30 June 2019. In 30 June 2019 and 30 June 2019, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements.

About Nile Kordsa Company for Industrial Fabric, the amount recognised under "Assets Held For Sale" is Total TRY 6,473,746 as of 30 June 2019 (31 December 2018: Total TRY 14,220,459). The amount recognised under "Liabilities Held For Sale" is Total TRY 2.899.485 as of 30 June 2019.

NOTE 19 - FINANCIAL INCOME AND EXPENSE

	1 January- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2020	1 April- 30 June 2019
Financial income				
Foreign currency gains	51,426	31,508	25,495	4,515
Interest Income	2,495	15,241	2,495	14,629
Total	53,921	46,749	27,990	19,144
Financial expenses				
Foreign currency losses	(111,098)	(117,900)	(66,718)	(78,258)
Interest expense	(312,088)	(409,904)	(162,774)	(201,038)
Other financial expenses	(103,792)	(58,915)	(43,891)	(31,613)
Total	(526,978)	(586,719)	(273,383)	(310,909)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - TAX ASSETS AND LIABILITIES

	30 June 2020	31 December 2019
Corporate and income taxes payable	1,414,601	1,690,444
Less: prepaid taxes	(400,245)	(1,339,282)
Total taxes payable	1,014,356	351,162

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 2020 is 22% (2019: %22). Corporation tax is payable 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 22% 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

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 2019, the exemption for real estate has been revised to 50%. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

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

Exemption for investment incentive

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The tax charges for comprehensive income statement items for the periods ended 30 June 2020 and 2019 are as follows:

	30 June 2020			30 June 2019		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
Fair value of financial assets transferred to the other comprehensive income	(443,704)	97,616	(346,088)	(82,969)	18,253	(64,716)
Cash flow hedges	(359,355)	79,058	(280,297)	(380,059)	83,613	(296,446)
Financial assets related to the hedging of net investment in a foreign operation, after tax	(330,336)	72,674	(257,662)	(161,249)	35,475	(125,774)
Change in currency translation differences	992,499	-	992,499	558,969	-	558,969
Actuarial loss/gain	(20,219)	4,448	(15,771)	(19,879)	4,373	(15,506)
Other Comprehensive Income	(161,115)	253,796	92,681	(85,187)	141,714	56,527

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. With the amendment of the Law, this rate was determined as 22% for the years 2018, 2019 and 2020.

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 30 June 2020, tax on the income generated for the three-month periods are paid at the rate of 22% (2019: 22%) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

At 30 June 2020, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY1,465,033 which can be offset against future taxable profits for a period of five years (31 December 2019: TRY1,174,440). As of 30 June 2020 and 31 December 2019 carry forward tax losses and the latest annual periods are as follows:

	30 June 2020	31 December 2019
2021	312,597	361,220
2022	439,217	439,217
2023	50,869	344,107
2024	472,289	29,896
2025	190,061	-
Total	1,465,033	1,174,440

Deferred tax assets/(liabilities) for the periods ended 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Deferred Tax Assets	588,031	353,154
Deferred Tax Liabilities	(345,489)	(737,000)
Net Deferred Tax Assets/(Liabilities)	242,542	(383,846)

The movements in deferred income tax assets/(liabilities) for the periods ended 30 June 2020 and 2019 are as follows:

	2020	2019
1 January	(383,846)	187,136
Charged to equity	327,177	(103,417)
Change in foreign currency translation differences	(8,640)	(3,965)
Company outputs	-	(114,435)
Charged to statement of profit or loss	311,319	(227,764)
Other	(3,468)	(79,376)
30 June	242,542	(341,821)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 21 - DERIVATIVE FINANCIAL INSTRUMENTS

30 June 2020		Fair Value	
Derivative instruments held for trading:		Asset	Liability
Foreign exchange derivative instruments:			
Currency and interest rate swaps purchases and sales transactions	9,887,873		9,150,346
Forward currency purchases and sales transactions	341,649		425,226
Currency purchases and sales options	108,634		103,313
Other purchases and sales transactions	2,872,934		9
Total derivative instruments held for trading	13,211,090		9,678,894
Derivative instruments held for hedging:			
Currency and interest rate swap purchases and sales transactions	6,442,647		1,520,581
Forward currency purchases and sales transactions	82,078		-
Total derivative instruments held for hedging	6,524,725		1,520,581
Total derivative instruments	19,735,815		11,199,475
31 December 2019		Fair Value	
Derivative instruments held for trading:		Asset	Liability
Foreign exchange derivative instruments			
Currency and interest rate swaps purchases and sales transactions	7,835,600		7,537,430
Forward currency purchases and sales transactions	585,732		260,172
Currency purchases and sales options	71,902		100,197
Other purchases and sales transactions	2,776,466		34
Total derivative instruments held for trading	11,269,700		7,897,833
Derivative instruments held for hedging:			
Currency and interest rate swap purchases and sales transactions	5,350,817		1,164,140
Forward currency purchases and sales transactions	8,147		-
Total derivative instruments held for hedging	5,358,964		1,164,140
Total derivative instruments	16,628,664		9,061,973

Akbank hedges cash flow risk by using interest rate swaps against cash flow risk arising from its financial debts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 22 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS
Banking

Loans and advances to customers	30 June 2020	31 December 2019
Consumer loans and credit cards receivables	55,571,331	50,475,117
Project finance loans	55,922,980	50,398,684
Construction	24,323,170	20,827,726
Small-scale enterprises	15,153,394	15,521,011
Financial institutions	11,575,773	12,259,613
Chemicals	11,557,982	8,581,287
Other manufacturing industries	9,577,493	6,546,945
Textile	7,379,966	6,212,710
Mining	6,832,356	7,801,926
Food and beverage, wholesale and retail	6,391,103	6,482,757
Automotive	6,852,960	3,653,900
Telecommunication	723,816	1,342,522
Other	40,046,419	34,854,517
Total loans and advances to customers	251,908,743	224,958,715
Provision for loan losses	5,092,389	5,140,318
Credit risk provision	(15,365,560)	(12,707,080)
Net loans and advances to customers	241,635,572	217,391,953

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.

Annual effective interest rates of loans and advances granted to clients in USD, EUR, JPY, TRY are as follows respectively 6,33% (31 December 2019: 6,88%), 4,22% (31 December 2019: 4,45%), 7,23% (31 December 2019: 7,19%) and 12,01% (31 December 2019: 15,47%).

The movement of loan loss provision of banking segment as of 30 June 2020 by class is as follows:

	Corporate	Consumer	Rental Receivables	Total
1 January 2020	9,980,877	2,324,492	401,711	12,707,080
Gross provisions	2,721,867	532,681	107,085	3,361,633
Collections	(367,585)	(205,243)	(31,905)	(604,733)
Written off	(275)	(3,827)	(94,318)	(98,420)
30 June 2020	12,334,884	2,648,103	382,573	15,365,560

The movement of loan loss provision of banking segment as of 30 June 2019 by class is as follows:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 22 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)
Banking (continued)

	Corporate	Consumer	Rental Receivables	Total
1 January 2019	5,576,750	2,404,514	501,182	8,482,446
Gross provisions	2,193,127	454,213	30,902	2,678,242
Collections	(187,420)	(230,377)	(14,326)	(432,123)
Written off	(228)	(3,678)	-	(3,906)
30 June 2019	7,582,229	2,624,672	517,758	10,724,659

The maturity schedule of loans and advances to customers at 30 June 2020 and 31 December 2019 are summarized below:

	30 June 2020	31 December 2019
Up to 3 months	70,976,367	75,181,405
3 to 12 months	61,658,437	40,330,281
Current	132,634,804	115,511,686
1 to 5 years	83,185,413	75,734,797
Over 5 years	20,722,966	21,005,152
Non-current	103,908,379	96,739,949
Total	236,543,183	212,251,635

The repricing schedule of loans and advances to customers at 30 June 2020 and 31 December 2019 are summarized below:

	30 June 2020	31 December 2019
Up to 3 months	95,713,639	97,452,545
3 to 12 months	69,615,045	43,842,267
1 to 5 years	66,586,697	65,290,494
Over 5 years	4,627,802	5,666,329
Total	236,543,183	212,251,635

NOTE 23 - PAYABLES FROM FINANCE SECTOR OPERATIONS
Banking

	30 June 2020			31 December 2019		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	43,519,768	118,405,625	161,925,393	29,769,128	118,639,877	148,409,005
Commercial deposits	34,428,832	45,320,196	79,749,028	20,861,510	61,873,309	82,734,819
Bank deposits	1,153,765	10,371,390	11,525,155	1,555,546	5,220,007	6,775,553
Funds provided from repo transactions	-	33,862,892	33,862,892	-	9,955,766	9,955,766
Other	967,443	2,371,743	3,339,186	1,410,044	3,106,320	4,516,364
Total	80,069,808	210,331,846	290,401,654	53,596,228	198,795,279	252,391,507

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 23 - PAYABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Annual effective interest rate of deposit accounts in USD, Euro and TRY are 1.41% (31 December 2019: 2.15%), 0.15% (31 December 2019: 0.05%) and 7.49% (31 December 2019: 9.43%).

The following is the analysis of remaining time of debts to deposit and money markets for term and repricing in the agreement as of 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
No maturity	80,069,808	53,596,228
Up to 3 months	188,432,556	176,547,906
3 to 12 months	11,021,856	13,797,294
1 to 5 years	9,627,585	7,469,389
Over 5 years	1,249,849	980,690
Total	290,401,654	252,391,507

NOTE 24 - RELATED PARTY DISCLOSURES**Key management personnel compensation:**

The Group defined its key management as board of directors, general manager, general secretary, group chiefs, head of departments and group directors. Short term benefits include wages, bonuses, social security, health insurance, unused vacation, premium bonuses and incentive premiums. Other long term benefits include private pension system payments. Benefits resulted from discharge include severance pay and unused vacation payments for executive management who is discharged as a result of transfer or retirement.

The detailed schedule of compensation paid or payable to key management for the periods ended 30 June 2020 and 2019 are as follows:

	30 June 2020	30 June 2019
Short term benefits	24,720	22,495
Benefits resulted from discharge	798	1,096
Other long term benefits	226	161
Total	25,744	23,752

NOTE 25 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**25.1 Financial Instruments and Financial Risk Management****25.1.1 Financial Risk Management**

The Group is exposed to a variety of financial risks due to its operations. These risks are; market risk (including exchange 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 program focuses on minimizing the effects of the unpredictability of financial markets and their possible adverse effects on the Group's financial performance. The Group uses financial derivative instruments in order to hedge from various risks.

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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 25 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**25.1 Financial Instruments and Financial Risk Management (continued)****25.1.1 Financial Risk Management (continued)**

Financial risk management is carried out within the context of policies approved by their Board of Directors for each Subsidiary and Jointly Controlled Entity.

25.1.1.1 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 analyzing foreign currency position. The Group aims to lower foreign exchange risk arising from assets and liabilities by using swap and forward derivative instruments.

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the "Net Foreign Currency ("FC") position" and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). The Bank keeps the amount exposed to foreign exchange risk within the limits determined by the Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. When necessary swap and forward contracts are used as a tool to hedge the foreign exchange risk.

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

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations as at 30 June 2020 and 31 December 2019 in terms of TRY are as follows:

	30 June 2020	31 December 2019
Assets	194,377,930	184,702,062
Liabilities	(229,314,961)	(214,694,810)
Net foreign currency balance sheet position	(34,937,031)	(29,992,748)
Off-balance sheet derivative financial instruments position	39,024,066	34,764,951
Net foreign currency balance sheet and off-balance sheet position	4,087,035	4,772,203

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 25 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)
25.1 Financial Instruments and Financial Risk Management (continued)
25.1.1 Financial Risk Management (continued)
25.1.1.1 Foreign Exchange Risk (continued)

30 June 2020	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and Cash Equivalents	19,165,466	10,277,683	6,751,297	1,198,364	938,122
Financial Investments	40,766,965	34,004,652	5,692,370	-	1,069,943
Receivables from Financial Operations	89,239,738	34,993,016	54,171,607	549	74,566
Reserve Deposits at Central Bank	34,175,195	18,617,654	12,986,435	-	2,571,106
Trade Receivables	523,267	284,412	226,203	386	12,266
Other Current Assets	10,507,299	6,767,919	3,643,262	79	96,039
Total assets	194,377,930	104,945,336	83,471,174	1,199,378	4,762,042
Liabilities:					
Funds Borrowed and Debt					
Securities in Issue	51,849,858	41,828,937	10,010,885	-	10,036
Customer Deposits	169,289,354	102,551,565	51,577,554	3,681,820	11,478,415
Trade Payables	359,603	283,901	70,123	414	5,165
Other Payables and Provisions	7,816,146	4,449,178	3,055,418	266,728	44,822
Total liabilities	229,314,961	149,113,581	64,713,980	3,948,962	11,538,438
Net foreign currency asset/ (liability)					
position of off-balance sheet derivative	39,024,066	43,740,975	(14,113,751)	2,743,455	6,653,387
Net foreign currency asset/ (liability)					
position of off-balance sheet derivative	4,087,035	(427,270)	4,643,443	(6,129)	(123,009)

Net profit effect of the consolidated to the total net foreign currency position is TRY2,348,907 in the long term as of 30 June 2020 (Akbank and Philsa-Philip Morris excluded).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 25 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

25.1 Financial Instruments and Financial Risk Management (continued)

25.1.1.1 Foreign Exchange Risk (continued)

31 December 2019	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and Cash Equivalents	22,368,133	11,720,587	8,006,380	2,044,154	597,012
Financial Investments	42,169,122	35,762,261	5,451,050	0	955,811
Receivables from Financial Operations	85,166,689	36,364,679	48,704,558	21	97,431
Reserve Deposits at Central Bank	25,808,586	15,377,023	9,277,376	0	1,154,187
Trade Receivables	674,130	303,192	330,038	2,391	38,509
Other Current Assets	8,515,402	5,712,945	2,707,410	85	94,962
Total assets	184,702,062	105,240,687	74,476,812	2,046,651	2,937,912
Liabilities:					
Funds Borrowed and Debt					
Securities in Issue	49,960,071	41,136,439	8,814,696	0	8,936
Customer Deposits	158,867,209	90,653,462	58,377,522	4,061,118	5,775,107
Trade Payables	412,303	288,168	103,806	367	19,962
Other Payables and Provisions	5,455,227	2,430,269	2,965,486	2,838	56,634
Total liabilities	214,694,810	134,508,338	70,261,510	4,064,323	5,860,639
Net foreign currency asset/ (liability) position of off-balance sheet derivative	34,764,951	31,083,116	(1,258,919)	2,012,918	2,927,836
Net foreign currency asset/ (liability) position of off-balance sheet derivative	4,772,203	1,815,465	2,956,383	(4,754)	5,109

Net profit effect of the consolidated to the total net foreign currency position is TRY1,831,974 as of 31 December 2019 (Akbank and Philsa-Philip Morris excluded).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 25 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**25.1 Financial Instruments and Financial Risk Management (continued)****25.1.1.1 Foreign Exchange Risk (continued)**

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 30 June 2020 and 30 June 2019 is summarized as follows:

30 June 2020	Profit/loss	
	Appreciation of foreign currency	Appreciation of foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	309,663	(309,663)
Hedged items (-)	-	-
USD net effect	309,663	(309,663)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	27,297	(27,297)
Hedged items (-)	-	-
EUR net effect	27,297	(27,297)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	20	(20)
Hedged items (-)	-	-
GBP net effect	20	(20)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(403)	403
Hedged items (-)	-	-
Other currency net effect	(403)	403
30 June 2019		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	257.762	(257.762)
Hedged items (-)	-	-
USD net effect	257.762	(257.762)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	8.335	(8.335)
Hedged items (-)	-	-
EUR net effect	8.355	(8.335)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	749	(749)
Hedged items (-)	-	-
GBP net effect	749	(749)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(628)	628
Hedged items (-)	-	-
Other currency net effect	(628)	628

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 26 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

Financial Assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate their carrying values.

The fair values of certain financial assets carried at cost, including cash and due from banks and banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The fair values of marketable securities have been estimated based on market prices at the balance sheet date.

Trade receivables are measured at amortized cost using the effective interest method, and it is recognized that the carrying value of the trade receivables along with the related expected credit losses approximate their fair values.

Financial Liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are denominated in foreign currencies, are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

Trade payables are measured at amortized cost using the effective yield method, and hence are considered to approximate their fair values.

Derivative instruments

The fair values of foreign currency and interest rate swaps and forward foreign exchange contracts are estimated based on the market prices at the balance sheet date.

As of 31 December 2019 and 30 June 2020, the fair values of financial assets and liabilities of the banking industrial segment are as follows:

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

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

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

NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (continued)

Banking

Fair values of the financial assets and liabilities of the Group's banking segment as of 30 June 2020 and 31 December 2019 are as follows:

30 June 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Government debt securities	119,506	-	-	119,506
- Securities representing share in capital	732,684	-	-	732,684
- Other financial assets	140,595	-	7,200,669	7,341,264
Financial assets at fair value through other comprehensive income				
- Government debt securities	45,629,157	-	-	45,629,157
- Other financial assets	10,569,714	604,117	-	11,173,831
Derivative financial assets				
- Fair value difference of derivative financial assets				
Reflected portion of profit and loss	-	19,735,815	-	19,735,815
Borrowings	-	241,635,572	-	241,635,572
Financial assets measured at amortized cost (Net)				
- Government debt securities	41,673,170	-	-	41,673,170
- Other financial assets	672,474	-	-	672,474
Total Assets	99,537,300	261,975,504	7,200,669	368,713,473
Derivative Financial Liabilities	-	11,199,475	-	11,199,475
Financial Liabilities at Fair Value	-	-	-	-
- Customer Deposit	-	241,674,421	-	241,674,421
- Interbank money market deposits, funds borrowed and debt securities in issue	-	48,727,233	-	48,727,233
Total Liabilities	-	301,601,129	-	301,601,129

The fair value of the loan, which is considered as Level 3, is determined based on the results of the study, which includes various valuation methods. Possible changes in the underlying assumptions included in the valuation study may affect the carrying value of the loan.

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

There are no transfers between the levels in the prior year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (continued)

Banking (continued)

Current Year - 31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	274.722	-	-	274.722
- Marketable Securities Representing Capital Share	232.764	-	-	232.764
- Other Financial Assets	58.216	401	6.723.419	6.782.036
Financial Assets at Fair Value Through Other Comprehensive Income				
- Government Debt Securities	51.703.078	-	-	51.703.078
- Marketable Securities Representing Capital Share	-	-	-	-
- Other Financial Assets	13.803.815	2.017.553	-	15.821.368
Derivative Financial Assets				
Derivative Financial Assets at Fair Value Through Profit or Loss	-	2.127.012	-	2.127.012
- Fair Value Difference of Derivative Financial Assets, Reflected on Other Comprehensive Income	774	14.500.878	-	14.501.652
Borrowings	-	217.391.953	-	217.391.953
Financial Assets measured at amortized cost (Net)				
- Government Debt Securities	14.030.740	-	-	14.030.740
- Other Financial Assets	1.544.704	-	-	1.544.704
Total Assets	81.648.813	236.037.797	6.723.419	324.410.029
Derivative Financial Liabilities				
- Reflected on Other Comprehensive Income at Fair Value Difference	-	901.104	-	901.104
- Reflected on Other Comprehensive Income at Fair Value Through Profit or Loss	311	8.160.558	-	8.160.869
Financial Liabilities at Fair Value				
- Customer Deposit	-	198.306.881	-	198.306.881
- Interbank money market deposits, funds borrowed and debt securities in issue	-	54.084.626	-	54.084.626
Total Liabilities	311	261.453.169	-	261.453.480

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

There are no transfers between the levels in the prior year.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments

30 June 2020	Note	Financial Investments Valued at Amortized Cost	Loans and Receivables (Including cash and cash equivalents)	Fair Value Differences Projected to Other Comprehensive Income	Financial Liabilities At Amortized Cost	Book Value	Fair Value
Financial assets							
Cash and cash equivalents		-	19,360,673	-	-	19,360,673	19,360,673
Trade receivables		-	1,394,589	-	-	1,394,589	1,394,589
Other financial assets (*)	5	42,345,644	7,622,976	56,802,988	-	106,771,608	107,801,809
Receivables from financial operations	22	-	241,635,572	-	-	241,635,572	247,788,500
Financial liabilities							
Financial payables	6	-	-	-	68,444,806	68,444,806	68,444,806
Trade payables		-	-	-	3,913,034	3,913,034	3,913,034
Other financial liabilities (**)	8	-	-	-	11,721,141	11,721,141	11,721,141
Payables from financial operations	23	-	-	-	290,401,654	290,401,654	289,483,156
31 December 2019							
Financial assets							
Cash and cash equivalents		-	22,447,203	-	-	22,447,203	22,447,203
Trade receivables		-	1,625,436	-	-	1,625,436	1,625,436
Other financial assets (*)	5	15,566,111	5,792,542	67,524,446	-	88,883,099	88,894,295
Receivables from financial operations	22	-	217,391,953	-	-	217,391,953	228,831,850
Financial liabilities							
Financial payables	6	-	-	-	58,084,781	58,084,781	58,084,781
Trade payables		-	-	-	3,995,658	3,995,658	3,995,658
Other financial liabilities (**)	8	-	-	-	9,452,894	9,452,894	9,452,894
Payables from financial operations	23	-	-	-	252,391,507	252,391,507	252,169,296

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 27 - EVENTS AFTER THE REPORTING PERIOD

None.