

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**



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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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



3. Emphasis of matter

Subsidiaries are companies in which Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest. Our conclusion is not modified in respect of this matter.

4. Key audit matters

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

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Impairment of loans and lease receivables in accordance with TFRS 9</p> <p>The Group has total provision for impairment of TL 12,7 billion in respect to loans and lease receivables of TL 230 billion which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2019.</p> <p>TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models require large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans and lease receivables of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan and lease receivable balances; the classification of loans and lease receivables as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and lease receivables and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures.</p> <p>Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Group's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists. We have independently assessed together with our related specialists methodologies used in the models in respect to segmentation, use of macro-economic expectations, life time expected credit losses, losses given default.</p> <p>We have carried credit review on a selected sample of loans and lease receivables with the objective to identify whether the classification of loans is performed appropriately in line with TFRS 9 staging rules, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.</p> <p>In addition, we have evaluated the appropriateness of specific impairment provision with supportable input on non-performing loans and on other significant individual loans. Based on our discussions with the Group management, we evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loan and lease receivables and related impairment provision.</p>

Key Audit Matters	How the key audit matter was addressed in the audit
<p data-bbox="252 600 778 633">Valuation of Pension Fund Obligations</p> <p data-bbox="252 640 849 786">The Bank has booked provision amounting to TL 38 million for Pension Fund Liabilities in the accompanying consolidated financial statements as at 31 December 2019.</p> <p data-bbox="252 860 869 1659">The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as discount rates, salary increases, demographic assumptions used in the valuation of pension obligations with respect to social benefits and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.</p>	<p data-bbox="869 640 1482 853">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p data-bbox="869 891 1482 1037">Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p data-bbox="869 1075 1482 1178">In addition to the above procedures we have reviewed disclosures made with respect to pension fund.</p>



5. Other matters

As explained in Note 2 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2019 for the consolidated balance sheet; and the official USD average CBRT bid rates of the year 2019 for the consolidated statement of income, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of these consolidated financial statements.

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

7. Auditor's responsibilities for the audit of the consolidated financial statements

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

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



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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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



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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 24 February 2020.

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

Burak Özpoyraz, SMMM
Partner

İstanbul, 24 February 2020

CONTENTS	PAGE
CONSOLIDATED BALANCE SHEETS	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7-133
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	7-8
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	9-42
NOTE 3 BUSINESS COMBINATIONS	43-45
NOTE 4 SEGMENT REPORTING	45-65
NOTE 5 CASH AND CASH EQUIVALENTS	66
NOTE 6 FINANCIAL INVESTMENTS	66-71
NOTE 7 FINANCIAL LIABILITIES	72-74
NOTE 8 LIABILITIES FROM LEASING TRANSACTIONS	75
NOTE 9 TRADE RECEIVABLES AND TRADE PAYABLES	75-76
NOTE 10 OTHER RECEIVABLES AND PAYABLES	76-77
NOTE 11 INVENTORIES	77
NOTE 12 PREPAID EXPENSES AND DEFERRED INCOME	77-78
NOTE 13 INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD	78-81
NOTE 14 INVESTMENT PROPERTY	82
NOTE 15 PROPERTY, PLANT AND EQUIPMENT	83-84
NOTE 16 INTANGIBLE ASSETS	85
NOTE 17 USE RIGHT OF ASSETS	86
NOTE 18 GOODWILL	87
NOTE 19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	88-91
NOTE 20 COMMITMENTS	92-95
NOTE 21 EMPLOYEE BENEFITS	96-97
NOTE 22 OTHER ASSETS AND LIABILITIES	97
NOTE 23 EQUITY	98-99
NOTE 24 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS	100
NOTE 25 REVENUE AND COST OF SALES	101
NOTE 26 EXPENSES BY NATURE	101-102
NOTE 27 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	103
NOTE 28 INCOME AND EXPENSES FROM INVESTING ACTIVITIES	103-104
NOTE 29 FINANCIAL INCOME/EXPENSES	104
NOTE 30 TAX ASSETS AND LIABILITIES	105-109
NOTE 31 DERIVATIVE FINANCIAL INSTRUMENTS	109-110
NOTE 32 RECEIVABLES FROM FINANCE SECTOR OPERATIONS	110-112
NOTE 33 PAYABLES FROM FINANCE SECTOR OPERATIONS	113
NOTE 34 EARNINGS PER SHARE	114
NOTE 35 RELATED PARTY DISCLOSURES	114
NOTE 36 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	115-128
NOTE 37 FINANCIAL INSTRUMENTS	128-132
NOTE 38 EVENTS AFTER THE REPORTING PERIOD	133

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

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

	Note References	31 December 2019 USD(*)	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
ASSETS				
Current Assets		34,842,417	206,970,925	185,300,225
Cash and Cash Equivalents	5	3,778,863	22,447,203	23,657,667
Financial Assets		4,749,116	28,210,697	15,789,459
- Through Profit or Loss	6.a	1,227,151	7,289,522	6,869,025
- Through Other Comprehensive Income	6.b	2,819,896	16,750,747	5,450,262
- At Amortised Cost	6.c	702,069	4,170,428	3,470,172
Trade Receivables	9	273,630	1,625,419	2,010,806
Receivables from Finance Sector Operations	32	19,739,701	117,257,770	104,749,857
Reserve Deposits with the Central Bank of the Republic of Turkey		4,468,157	26,541,745	26,433,745
Other Receivables	10	353,752	2,101,358	1,519,760
Derivative Financial Instruments	31	528,245	3,137,883	5,147,767
Inventories	11	526,021	3,124,669	2,944,845
Prepaid Expenses	12	150,338	893,037	900,603
Assets Related to Current Tax		797	4,733	16,167
Other Current Assets	22	160,409	952,864	1,850,945
		34,729,029	206,297,378	185,021,621
Non-current Assets Held for Sale	24	113,388	673,547	278,604
Non-current Assets		33,564,015	199,376,954	186,386,046
Financial Investments		10,465,874	62,169,382	47,654,602
- Through Other Comprehensive Income	6.b	8,547,473	50,773,699	38,909,591
- At Amortized Cost	6.c	1,918,401	11,395,683	8,745,011
Trade Receivables	9	3	17	126,256
Receivables from Finance Sector Operations	32	16,857,039	100,134,183	101,849,702
Other Receivables	10	509,262	3,025,117	3,054,550
Derivative Financial Instruments	31	2,271,099	13,490,781	17,540,849
Investments Accounted Through Equity Method	13	1,234,892	7,335,503	6,756,459
Investment Property	14	32,160	191,035	136,930
Property, Plant and Equipment	15	1,228,221	7,295,877	6,626,678
Use Right of Assets	17	317,407	1,885,463	-
Intangible Assets		563,701	3,348,497	2,108,876
- Goodwill	18	248,365	1,475,337	849,215
- Other Intangible Assets	16	315,336	1,873,160	1,259,661
Prepaid Expenses	12	3,656	21,719	20,991
Deferred Tax Assets	30	59,452	353,154	372,640
Other Non-Current Assets	22	21,249	126,226	137,513
Total Assets		68,406,432	406,347,879	371,686,271

These consolidated financial statements have been approved for issue by the Board of Directors on 24 February 2020 and signed on its behalf by Cenk Alper, Member of Board of Directors and CEO and Barış Oran, CFO. General Assembly has the right to change these 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 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1.6)

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Note	31 December 2019 USD (*)	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
References				
LIABILITIES				
Current Liabilities		46,936,485	278,812,101	255,444,010
Short Term Borrowings	7	1,741,155	10,342,807	9,726,191
Short Term Portion of Long Term Borrowings	7	2,526,062	15,005,313	20,815,668
Liabilities From Leasing Transactions	8	51,661	306,876	-
Trade Payables	9	672,647	3,995,658	3,372,749
Payables from Finance Sector Operations	33	40,053,953	237,928,489	205,815,346
Payables related to Employee Benefits	21	10,510	62,430	93,671
Other Payables	10	1,023,319	6,078,721	6,142,410
Derivative Financial Instruments	31	301,474	1,790,818	5,348,337
Deferred Income	12	31,477	186,978	291,868
Current Tax Liabilities	30	59,913	355,895	62,396
Short Term Provisions		151,584	900,438	1,006,206
- Short Term Provisions for Employee		71,052	422,063	327,351
- Other Short Term Provisions	21	80,532	478,375	678,855
Other Short Term Liabilities	19	312,205	1,854,561	2,764,894
		46,935,960	278,808,984	255,439,736
Liabilities Related to Asset Group Held for Sale	24	525	3,117	4,274
Non-current Liabilities		10,278,835	61,058,335	59,846,465
Long Term Borrowings	7	5,511,037	32,736,661	35,222,289
Liabilities From Leasing Transactions	8	282,475	1,677,959	-
Payables from Finance Sector Operations	33	2,434,770	14,463,018	13,818,904
Other Payables	10	568,023	3,374,173	2,372,596
Derivative Financial Instruments	31	1,224,059	7,271,155	7,583,133
Deferred Income	12	14,020	83,279	116,833
Long Term Provisions		112,759	669,814	452,305
- Long Term Provisions for Employee Benefits	21	92,222	547,820	448,045
- Other Long Term Provisions	19	20,537	121,994	4,260
Taxes and Funds Payable		858	5,094	-
Deferred Tax Liabilities	30	124,070	737,000	185,504
Other Long Term Liabilities	22	6,764	40,182	94,901
EQUITY		11,191,112	66,477,443	56,395,796
Equity Attributable To The Parent	23	5,598,855	33,258,317	29,289,967
Share Capital	23	343,491	2,040,404	2,040,404
Adjustments to Share Capital		576,876	3,426,761	3,426,761
Share Premium	23	3,743	22,237	22,237
Treasury shares (-)	23	(32,065)	(190,470)	(190,470)
Other Comprehensive Income or Expenses That				
Will Not Be Reclassified to Profit or Loss		(19,571)	(116,253)	(74,784)
- Actuarial Gain/Loss		(19,571)	(116,253)	(74,784)
Other Comprehensive Income or Expenses		89,529	531,823	(370,833)
Will Be Reclassified to Profit or Loss				
- Currency Translation Reserve	23	(2,310,826)	1,688,674	1,382,776
- Gains/Losses on Hedge	23	(204,251)	(1,213,290)	(535,681)
- Revaluation Reserve	23	9,501	56,439	(1,217,928)
Restricted Reserves	23	197,617	1,173,886	1,050,078
Retained Earnings		6,369,008	22,590,193	19,556,239
Net Income for the Period		665,332	3,779,736	3,830,335
Non-controlling Interests		5,592,257	33,219,126	27,105,829
TOTAL EQUITY AND LIABILITIES		68,406,432	406,347,879	371,686,271

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1.6)

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Note References	1 January - 31 December 2019 (USD) (*)	Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
CONTINUING OPERATIONS				
Sales (net)	4, 25	3,306,297	18,782,988	16,260,337
Cost of Sales (-)	4, 25	(2,618,333)	(14,874,681)	(12,857,297)
Gross Profit from Non-Financial Operations		687,964	3,908,307	3,403,040
Interest, Premium, Commission and Other Income	4	7,231,801	41,083,678	38,027,550
Interest, Premium, Commission and Other Expense(-)	4	(4,778,980)	(27,149,264)	(24,712,239)
Gross Profit from Financial Operations		2,452,821	13,934,414	13,315,311
GROSS PROFIT		3,140,785	17,842,721	16,718,351
General and Administrative Expenses (-)	26	(1,350,552)	(7,672,450)	(6,695,806)
Marketing Expenses (-)	26	(385,650)	(2,190,870)	(1,979,695)
Research and Development Expenses (-)	26	(3,430)	(19,486)	(15,086)
Other Income from Operating Activities	27	188,083	1,068,496	1,865,933
Other Expense from Operating Activities (-)	27	(186,069)	(1,057,054)	(1,787,733)
Share of Profit of Investments Accounted for Using the Equity Method	13	258,176	1,466,691	808,460
OPERATING PROFIT		1,661,343	9,438,048	8,914,424
Income from Investing Activities	28	30,893	175,503	739,354
Expense from Investing Activities (-)	28	(13,474)	(73,714)	(6,663)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		1,678,762	9,537,007	9,647,115
Financial Income	29	12,046	68,432	226,709
Financial Expenses (-)	29	(186,781)	(1,061,097)	(975,562)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		1,504,027	8,544,342	8,898,262
Tax Expense from Continuing Operations				
Current Tax Expense	30	(344,260)	(1,955,731)	(1,357,175)
Deferred Tax Income/(Expense)	30	66,275	376,509	(298,659)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1,226,042	6,965,120	7,242,428
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	24	(27)	(152)	23
PROFIT FOR THE PERIOD		1,226,015	6,964,968	7,242,451
ALLOCATION OF PROFIT				
- Non-controlling Interests		560,684	3,185,232	3,412,116
- Owner of the Company		665,332	3,779,736	3,830,335
Earnings per share				
- hundreds of ordinary shares (TRY) (Note 34)		0.33	1.85	1.88
Earnings per share from continuing operations				
- hundredss of ordinary shares (TRY) (Note 34)		0.33	1.85	1.88

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1.6)

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Note References	Audited Current period 1 January - 31 December 2019	Audited Prior period 1 January - 31 December 2018
NET INCOME FOR THE YEAR		6,964,968	7,242,451
Other Comprehensive Income/(Loss):			
Items That Will Not Be Reclassified			
To Profit or Loss		(84,326)	2,416
Actuarial (losses)/gains, after tax	30	(72,339)	3,887
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax	30	(11,987)	(1,471)
Items That Will Be Reclassified To Profit or Loss		2,452,739	(1,122,129)
Fair value gains/(losses) from financial assets through other comprehensive income	30	3,089,644	(1,934,514)
Currency translation differences	30	710,487	1,512,992
Cash flow hedges after tax	30	(994,821)	(205,284)
Income/(loss) from the derivative financial assets related to net investment hedge in a foreign operation, after tax	30	(155,126)	(384,609)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		(197,445)	(110,714)
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		2,368,414	(1,119,713)
TOTAL COMPREHENSIVE INCOME		9,333,381	6,122,738
ALLOCATION OF TOTAL COMPREHENSIVE INCOME			
- Non-controlling Interests		4,692,454	2,784,107
- Equity Holders of the Parent		4,640,923	3,338,631

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Accumulated Other Comprehensive Income or Loss That Will													
					Not be reclassified		Be reclassified							
					Profit or Loss									
Share capital	Adjustment to share capital	Treasury Shares (-)	Share premium	Actuarial gains / losses	Currency translation reserve	Hedge Reserve	Revaluation funds	Restricted reserve	Retained earnings	Net income for the year	Equity attributable to the parent	Non-controlling interests	Total	
Balance at 1 January 2018	2.040.404	3.426.761	(190.470)	22.237	(76.380)	724.660	(349.708)	(310.337)	1.032.916	16.790.619	3.481.086	26.591.788	25.406.151	51.997.939
Effect of changes in accounting policies	-	-	-	-	-	-	-	57.591	-	(43.869)	-	13.722	29.183	42.905
Restated balance as of 1 January 2018	2.040.404	3.426.761	(190.470)	22.237	(76.380)	724.660	(349.708)	(252.746)	1.032.916	16.746.750	3.481.086	26.605.510	25.435.334	52.040.844
Transfers	-	-	-	-	-	-	-	-	31.033	3.450.053	(3.481.086)	-	-	-
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(639.523)	-	(639.523)	(1.042.122)	(1.681.645)
Other (**)	-	-	-	-	696	-	-	(435)	(13.871)	15.765	-	2.155	-	2.155
Transactions with non-controlling interests (****)	-	-	-	-	-	-	-	-	-	(16.806)	-	(16.806)	(71.490)	(88.296)
Total comprehensive income	-	-	-	-	900	658.116	(185.973)	(964.747)	-	-	3.830.335	3.338.631	2.784.107	6.122.738
Balances at 31 December 2018	2.040.404	3.426.761	(190.470)	22.237	(74.784)	1.382.776	(535.681)	(1.217.928)	1.050.078	19.556.239	3.830.335	29.289.967	27.105.829	56.395.796
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	-	-	-	-	-	-	-	-	123.808	3.706.527	(3.830.335)	-	-	-
Subsidiary acquisition or sale (*****)	-	-	-	-	-	-	-	-	-	(11.728)	-	(11.728)	(297.901)	(309.629)
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(660.845)	-	(660.845)	(62.162)	(723.007)
Capital increase (***)	-	-	-	-	-	-	-	-	-	-	-	-	1.780.902	1.780.902
Total comprehensive income	-	-	-	-	(41.469)	305.898	(677.609)	1.274.367	-	-	3.779.736	4.640.923	4.692.458	9.333.381
Balances at 31 December 2019	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

(*) Dividends paid by the Holding per share with a TRY1 nominal value is TRY0,30 (2018: TRY0,30).

(**) Enerji Enerji A.Ş.’s initial public offering, consisting 20% of the Entity’s share, was completed on February 8, 2018.

(***) In January 2019, Akbank’s subsidiary's paid-in capital increased by TRY1.2 billion (full) to TRY5.2 billion (full) from 4 billion (full) TRY.

(****) In April 2018, 6.908.992 lot shares corresponding to 5,11% of the shares of Çimsa Çimento Sanayi ve Ticaret A.Ş., a subsidiary of the Group, were purchased at a price of TRY12,78 per lot.

(*****) A subsidiary of the Group Temsa Ulaşım Araçları A.Ş., was sold on 30 May 2019, and subsidiary Yünsa was sold on 26 November 2019.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
Net income before tax from continuing operations		8.544.342	8.898.262
Net income before tax from discontinued operations		(152)	23
Adjustments to reconcile income before taxation to net cash provided by operating activities			
Depreciation and amortization expenses	4	1.403.433	837.400
Provision for loan losses		7.137.683	7.106.229
Changes in the fair value of derivative instruments		639.063	(6.138.539)
Interest income and foreign currency gains		(8.420.665)	(7.778.924)
Interest expense		1.365.778	838.909
Provision for employment termination benefits		139.163	146.888
Impairment charge on property, plant and equipment, intangible assets and investment property	14,15,16	4.395	(10.178)
Impairment of goodwill	18	-	150.200
Income from sale of property, plant and equipment, intangible assets and investment property		(65.429)	(598.483)
Income from associates and joint ventures		(1.466.691)	(808.460)
Income from sale of shares of subsidiaries		46.495	-
Adjustments for impairment loss of non-current assets classified as held for sale	24	938.867	-
Provision for / (reversal of) inventory impairment		(16.917)	2.538
Provision for / (reversal of) doubtful receivables		(125.675)	102.853
Income from sale of shares of associates / joint ventures		(56.525)	(144.538)
Unrealized foreign currency translation differences		36.160	28.146
Other		-	1.459
Net cash provided by operating activities before changes in operating assets and liabilities		10.103.325	2.633.785
Changes in trade receivables		(2.488)	(184.855)
Changes in inventories		(568.957)	(562.451)
Changes in other receivables and other current assets		(26.038)	(2.719.544)
Changes in trade payables		832.258	462.708
Changes in other liabilities and other payables		(275.599)	3.929.590
Net cash provided in operating activities of assets classified as held for sale		240.649	5.973
Changes in assets and liabilities in finance segment:			
Changes in securities held for trading		(411.136)	(138.308)
Changes in receivables from finance sector operations		(15.797.616)	(7.515.936)
Changes in payables from finance sector operations		33.640.035	(8.639.974)
Changes in Central Bank of the Republic of Turkey account		978.156	6.160.679
Income taxes paid	20	(1.385.511)	(1.204.843)
Employment termination benefits paid		(102.435)	(107.311)
Net cash provided from operating activities		27.224.643	(7.880.487)
Capital expenditures	4	(1.900.829)	(2.131.841)
Sale / (purchase) of available for sale and held to maturity financial assets		(20.853.658)	4.340.100
Purchase of subsidiaries, associates and joint ventures		(998.946)	(576.535)
Share sale of subsidiaries		252.149	-
Share sale of joint ventures		152.930	738.168
Proceeds from sale of noncurrent assets held for sale, property, plant and equipment and intangible assets		133.052	1.154.660
Dividends received		565.570	490.026
Capital increase of joint ventures		-	(714.000)
Net cash provided from / (used in) operating activities		(22.649.732)	3.300.578
Cash inflow from financial liabilities		3.245.573	20.180.086
Financial liability repayments		(12.252.903)	(10.276.282)
Dividends paid		(660.845)	(639.523)
Share capital increase of subsidiaries		1.780.902	-
Dividends paid to noncontrolling interests		(62.162)	(1.042.122)
Net cash provided by / (used in) financing activities		(7.949.435)	8.222.159
Effect of change in foreign currency rates on cash and cash equivalents		3.245.458	5.036.545
Net increase / (decrease) in cash and cash equivalents		(129.066)	8.678.795
Cash and cash equivalents at the beginning of the period (*)		18.654.340	9.975.545
Cash and cash equivalents at the end of the period		18.525.274	18.654.340

(*) Cash and cash equivalents at the end of the period comprise interest accruals of TRY5.190 (31 December 2018: TRY 432). Restricted cash in the banks is not included in the cash and cash equivalents. At the beginning and at the end of the current period, restricted deposit is TRY 5.002.895 and TRY 3.916.739, respectively (31 December 2018: TRY 4.541.840 and TRY 5.002.895 respectively)

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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 2019 is 62,051'dir (31 December 2018: 64,294). 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 31 December 2019 the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 23):

	(%)
Sakıp Sabancı Holding A.Ş.	14.07
Serra Sabancı	7.21
Suzan Sabancı Dinçer	6.94
Çiğdem Sabancı Bilen	6.94
<u>Other</u>	<u>64.84</u>
	100.00

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

Subsidiaries

As of 31 December 2019, 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	16,604
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	BİST	Trade of Consumer Goods	Retailing	12,574
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	BİST	Trade	Retailing	2,270
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	BİST	Cement and Clinker	Cement	2,271
Kordsa Teknik Tekstil Anonim Şirketi ("Kordsa")	BİST	Tire Reinforcement	Industry	4,520
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	-	Automotive	Industry	
Ankara Enternasyonal Otelcilik A.Ş. ("AEO")	BİST	Textile	Industry	52
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	-	Trade	Other	3
Sabancı Dijital Teknoloji Hizmetleri A.Ş. ("SabancıDX")	-	Tourism	Other	
	-	Tourism	Other	190

Subsidiaries are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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 (Note 4).

Joint Ventures

As at 31 December 2019, the nature of business and operating segments of the Joint Ventures which are accounted through equity method in the consolidated financial statements are as follows:

	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Joint ventures					
Aksigorta A.Ş. ("Aksigorta")	BİST	Insurance	Insurance	Ageas	662
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	BİST	Pension and Insurance	Insurance	Aviva	1,688
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	BİST	Tire	Industry	Bridgestone	2,956
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	BİST	Cement	Cement	Heidelberg	2,214
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	BİST	Energy	Energy	E.ON SE	11,483
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim")	-	Energy	Energy	E.ON SE	1,111

All joint ventures are registered in Turkey.

Associates

As at 31 December 2019, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Joint ventures					
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	-	Tobacco products Production	Industry	Philip Morris	2,944
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrisa")	-	Tobacco products Marketing and Sales	Industry	Philip Morris	

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

All affiliates are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Basis of Presentation*

2.1.1 *Statement of compliance with TAS*

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

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

Additionally, the consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013 and the announcement published by Public Oversight Accounting and Auditing Standards Authority ("POA") on 2 June 2016. The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

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

2.1.2 *New and Revised Turkish Accounting Standards*

a) As at 31 December 2019, new standards in force and amendments to existing previous standards and interpretations:

IFRS 9, "Financial instruments"; Effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 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)

a) As at 31 December 2018, new standards in force and amendments to existing previous standards and interpretations (continued):

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

IFRS 16, "Leases"; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRIC 23, "Uncertainty over income tax treatments"; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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)

Annual improvements 2015 - 2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

(b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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 31 December 2019 (continued):

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.

IFRS 17, "Insurance contracts"; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.1.3 Basis of Consolidation

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Basis of Consolidation (Continued)

d) When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRS. 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 TFRS 9 "Financial instruments: recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The companies which Holding has less 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.

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2019 and 2018:

	31 December 2019		31 December 2018	
	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
Subsidiaries	(%)	(%)	(%)	(%)
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
Temsa (*)	-	-	48.71	48.71
Tursa	100.00	100.00	100.00	100.00
Yülsa (*)	-	-	57.88	57.88
Carrefoursa	50.61	50.61	50.61	50.61

(*) Temsa Ulaşım, a subsidiary of the Group, was sold on 30 May 2019, a subsidiary of the Group Yülsa was sold on 26 November 2019.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Basis of Consolidation (Continued)

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

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

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

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2019 and 31 December 2018:

	31 December 2019		31 December 2018	
	Direct and indirect ownership interest by the Holding and its Subsidiaries	Proportion of effective interest	Direct and indirect ownership interest by the Holding and its Subsidiaries	Proportion of effective interest
Joint Ventures	(%)	(%)	(%)	(%)
Akçansa	39.72	39.72	39.72	39.72
Aksigorta	36.00	36.00	36.00	36.00
Avivasa	40.00	40.00	40.00	40.00
Brisa	43.63	43.63	43.63	43.63
Enerjisa Enerji	40.00	40.00	40.00	40.00
Enerjisa Üretim	50.00	50.00	50.00	50.00
Temsa Mısır (*)	-	-	73.75	73.75
Temsa İş Makinaları (**)	-	-	51.00	24.84

(*) Temsa Mısır, a joint venture of Temsa Ulaşım, a subsidiary of the Group, was sold on 30 May 2019.

(**) As of 9 August 2019, the Group sold 41% of its shares (Temsal İş Makinaları shares) corresponding to 80% of its total shares. As of the date of the sale, the direct and indirect shares held by the Holding and its subsidiaries decreased to 10%. The related amount is accounted as financial investment.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Basis of Consolidation (Continued)

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

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

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2019 and 31 December 2018:

Associates	Proportion of effective interest by the Holding (%)
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. ("Philsa")	25.00
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	24.75

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

2.1.4 Offsetting

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

2.1.5 Comparatives and Restatement of Prior Year Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance.

The Group presented the consolidated balance sheet as of 31 December 2019 comparatively with the consolidated balance sheet as of 31 December 2018 and presented the consolidated statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the period 1 January - 31 December 2019 comparatively with the year 1 January - 31 December 2018.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors

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

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

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

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

2.2.1. 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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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)

- 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:
- 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;
 - 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:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- 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).

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

- Less any accumulated depreciation and any accumulated impairment losses; and
- 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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)

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.

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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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)

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 TFRS 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.

First adoption to IFRS 16

The Group has adopted IFRS 16 "Lease" replacing IAS 17 from January 1, 2019 with simplified approach. The Group has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach. With this method, use of rights are measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period.

During the initial application, the Group recognized a lease obligation for leases previously classified as operational leases in accordance with TAS 17. These liabilities are measured at the present value of the remaining lease payments discounted using the alternative borrowing interest rates as of 1 January 2019.

The right to use and liability of the leases previously classified as finance leases is measured from the carrying value of the assets before the transition.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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)

	1 January 2019
Operational lease commitments	3,841,701
- Short term leases (-)	(626)
- Low value leases (-)	(116,482)
Total lease liability	3,724,593
Discounted lease liability with alternative borrowing rate	1,935,643
- Short term lease liability	835,976
- Long term lease liability	1,099,667

The details of the right of use on the basis of asset are as follows:

	31 December 2019	1 January 2019
Real Estates	1,849,197	1,893,886
Fixtures	409	407
Vehicles	22,554	27,624
Other	13,303	11,973
Total right of use	1,885,463	1,933,890

The entries related to the right of use details on the basis of asset are as follows:

	31 December 2019	1 January 2019
Real Estates	256,306	-
Fixtures	162	-
Vehicles	11,328	-
Other	4,136	-
Total entries of right of use	271,932	-

The depreciation expenses related to the right of use of the accounted asset are as follows:

	31 December 2019	1 January 2019
Real Estates	(390,336)	-
Fixtures	(178)	-
Vehicles	(16,093)	-
Other	(3,099)	-
Total depreciation expense for right of use asset	(409,706)	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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.)

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

2.2.1. IFRS 16 Leases (continued)

Effects of standard on "Segment reporting" and "Per share" disclosures

As of 31 December 2019, EBITDA, depreciation and amortization expenses increased due to the change in accounting policy. The effects on the basis of sections are as follows:

1 January - 31 December 2019	Banking	Industry	Retail	Cement	Other	Total
EBITDA effect	102,775	10,784	464,956	13,690	7,841	600,046
Interest expenses	16,048	1,772	168,192	2,197	2,132	190,340
Depreciation and amortization expenses	86,727	9,012	296,764	11,493	5,709	409,706

For the six months period ended 31 December 2019, the effect of TFRS 16 on earnings per share was insignificant.

Facilitative practices in the scope of the transition

In the scope of the transition, the following facilitative practices defined in TFRS 16 were adopted as Group policies.

- Leases of one year and less were excluded from the scope. In cases where lease duration is one year or less, should the Group have the option to extend the lease and be reasonably sure that it will utilise the said extension option (e.g. have a leasehold improvement investment of a significant amount related to the asset leased, and this investment will be amortised for more than one year), the Group has made a judgement about the agreement and included the said agreement in the scope of TFRS 16.
- Assets of low value (mostly IT equipment like printers, laptops, mobile phones etc.) were excluded from the scope.
- A single discount rate was applied to a portfolio of leases with reasonably similar specifications (e.g. a similar class of assets with similar remaining lease durations in similar economic conditions).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 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)

Current period effect

As a result of IFRS 16, as of 31 December 2019, the Group has recognized "Rights of Use" amounting to TRY1,885,463 and "Liabilities from leasing transactions" amounting to TRY1,984,835 in respect of leases classified as financial leases in accordance with TAS 17. In addition, the Group has recognized depreciation and interest expenses instead of operating lease expenses related to the lease agreements under IFRS 16.

2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

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

2.3.2 Sale and repurchase agreements

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

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

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

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Group is required to maintain reserves in CBRT for TL and foreign currency liabilities. The required reserve rates for TL liabilities vary between 1% and 7% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2019 (2018: 1,5% and 8% for all TL liabilities) The reserve rates for foreign currency liabilities vary between (31 December 2018: 4% and 20%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2 Summary of Significant Accounting Policies

2.3.4 Trade receivables and expected credit losses (continued)

Group uses a provision matrix for the calculation of the expected credit losses on trade receivables. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under "other operating income/expenses" account of the consolidated statement of income. As of the reporting date the provision effect is immaterial.

Impairment

"Expected credit loss model" defined in TFRS 9, "Financial Instruments" superseded the "incurred credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2019. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

2.3.5 Receivables From Finance Sector Operations

As of 1 January 2019, Group has adopted "three stage approach (general model)" defined in TFRS 9 for the recognition of impairment losses on receivables from finance sector operations, carried at amortised cost or carried at fair value through other comprehensive income. General model considers the changes in the credit quality of the financial instruments after the initial recognition. Three stages defined in the general model are as follows:

"Stage 1", includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECL") are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date and represents the credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

"Stage 2", includes financial instruments that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.5 Receivables From Finance Sector Operations (continued)

"Stage 3", includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised. Group appropriately classifies its financial instruments considering common risk factors (such as the type of the instrument, credit risk rating, guarantees, time to maturity and sector) to determine whether the credit risk on a financial instrument has increased significantly and to account appropriate amount of credit losses in the consolidated financial statements. The changes in the expected credit losses on receivables from finance sector operations are accounted for under "other operating income/expenses" account of the consolidated statement of income.

2.3.6 Related parties

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

2.3.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes all procurement costs, conversion costs and other costs that incurred for bringing the stock in current position and situation. The unit cost of inventories is determined on the moving weighted average basis (Note 11). Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2.3.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivatives at fair value through profit or loss are included in the income statement.

Certain derivative transactions, while providing effective economic hedges under the risk management position, under the specific rules under IFRS 9 treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.8 *Derivative financial instruments (continued)*

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

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

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows are recognised in the income statement.

The Group also applies net investment risk hedge transactions in order to hedge currency risk related to investments abroad. For the said net investment hedge transaction, the active part of the fair value change of the hedging instrument is recognised in "Other Accumulated Comprehensive Income or Expenses to be Reclassified in Case of Profit or Loss" under equities.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.9 Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 13). The cost of a self constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies TAS 16 "Property, Plant and Equipment". At that date, the property becomes investment property and thus is transferred to investment property. Assets held under operating leases are not disclosed as investment property. Fair values of investment properties are not materially different from costs. Depreciation periods are determined by useful lives and between 20-49 years.

2.3.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 15). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.11 *Intangible assets*

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 16). The amortisation of mining rights commences when the extraction begins.

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. Customer relations and contracts are depreciated on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization and impairment losses (Note 15).

2.3.12 *Non-current assets held for sale and discontinued operations*

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

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

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

2.3.13 *IFRS Interpretation 12 - Service Concession Arrangements*

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.13 IFRS Interpretation 12 - Service Concession Arrangements (continued)

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

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

2.3.14 Shareholders' equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders. In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of premium in excess of par, the payment dates are considered (Note 23).

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.15 Research expenses and development costs

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

2.3.16 Borrowing costs

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognised directly in the income statement.

The financing costs of borrowings attributable to ongoing investments (interest expenses and foreign Exchange losses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalised until the completion of the investments.

2.3.17 Deferred financing charges

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

2.3.18 Income taxes

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

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

Current tax

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.18 Income taxes (continued)

Deferred Tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax for the period

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits

Retirement benefits

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits (continued)

Retirement benefits (continued)

The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No,5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published in the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no,5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "president".

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

The Group allocated a provision in its financial statements for the technical gap of TRY38,125 identified with a report prepared by an actuary with the actuarial registration.

The employees of the financial establishments falling in the scope of the consolidation are not included in the retirement plan explained above but are within the scope of the Social Security Institution and other contribution plans.

	31 December 2019	31 December 2018
Current value of funded liabilities	(6,729,229)	(5,784,979)
Advance value of future contributions	4,895,180	4,163,438
Total Transfer Liability to Social Security Institution	(1,834,049)	(1,621,541)
Past service obligation	(269,546)	(167,755)
Transfer to the Social Security Institution and Additional Liabilities	(2,103,595)	(1,789,296)
Market value of assets	2,065,470	1,795,491
Crate surplus after assets	(38,125)	6,195

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits (continued)

The principal actuarial assumptions used were as follows:

	31 December 2019	31 December 2018
Discount rate		
- Pension benefits transferrable to SSI	%9.80	%9.80
- Post-employment medical benefits transferrable to SSI	%9.80	%9.80
- Other non-transferrable benefits	%3.97	%5.73

The average life expectancy of a person who retired at age 60 for men and 58 years for women was determined according to the statistical data based on statistical data and was 17 years for men and 23 years for women.

The movement table of the fair value of the assets is as follows:

	31 December 2019	31 December 2018
Death rate		
End of previous period	1,795,491	1,551,402
Real return of fund assets	333,700	338,869
Employer contributions	343,326	232,880
Employee contributions	232,839	199,473
Paid compensations	(639,886)	(527,133)
End of period	2,065,470	1,795,491

The distribution of fund assets is as follows:

	31 December 2019		31 December 2018	
Bank placements	1,181,437	%57	1,160,797	%65
Tangible assets	17,495	%1	17,975	%1
Securities and shares	571,189	%28	358,510	%20
Other	295,349	%14	258,209	%14
End of period	2,065,470	%100	1,795,491	%100

Provision for Employment Termination Benefit

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.20 Provisions, contingent liabilities and assets

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

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

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

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

2.3.21 Investment incentives

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.22 *Insurance technical reserves*

Unearned premiums reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written except for marine and earthquake premiums issued before 14 June 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12:00 noon again. Within the framework of the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") issued in Official Gazette No: 26606 dated 7 August 2007, unearned premium reserve and the reinsurer's share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Continued risk provisions

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95% the unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with the unearned premium reserve for the related branch. The difference between gross amount and net amount is considered as reinsurance portion. Opening outstanding claims provision amount is revised consistently with the current period, in calculation of expected loss ratio considered in the calculation of unexpired risk reserve as of 31 December 2019.

Outstanding claim and provision

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.22 *Insurance technical reserves*

Life mathematical reserves

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

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

2.3.23 *Revenue recognition*

Banking

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

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method".

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

Insurance

Life:

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

Non-Life:

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.23 *Revenue recognition (continued)*

Other segments

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

2.3.24 *Earnings per share*

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 34 earnings per share are calculated in accordance with IAS 33 "Earnings Per Share".

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

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

2.3.25 *Foreign currency transactions*

Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish lira, which is the functional currency of the Holding.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.25 Foreign currency transactions (continued)

Foreign Group companies

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

2.3.26 Business combinations

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.26 Business combinations (continued)

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.26 Business combinations (continued)

Partial share purchase-sale transactions with non-controlling interests

The group applies a policy of treating transactions with non- controlling interests as transactions with equity owners of the group. For purchases from non- controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non- controlling interests are also recorded in equity. For disposals to non- controlling interests, differences between any proceeds received and the relevant share of non- controlling interests are recorded in equity under retained earnings since.

2.3.27 Segment reporting

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Summary of Significant Accounting Policies (continued)

2.3.28 Events occurring after the balance sheet date

If any event requiring adjustment arises after the balance sheet date, the group adjusts the amounts included in the financial statements in line with the new circumstances. Issues occurring after the balance sheet date which do not require any adjustment are explained in the footnotes of the consolidated financial statements if they affect the economic decisions of the financial statement users.

2.3.29 Impairment defined in the scope of TFRS and related to receivables of loans and lease transactions

In the Group's consolidated financial statements dated 31 December 2019, there are loan and rent receivables totalling TRY230,099,033 thousand, which constitutes an important part of the assets, and a total impairment provision of TRY12,707,080 allocated in relation to these loan and rent receivables. The Group calculates the expected loan loss as per TFRS 9, "Financial Instruments Standard". TFRS 9 is a complicated accounting standard, requiring critical judgement and interpretation in practice. These judgements and interpretations are key in developing financial models measuring expected loan losses for loans calculated at amortised cost. In addition, a large data set obtained from multiple systems is necessary for use in the models developed. Also, the provision calculation includes complicated information and estimations such as past losses, current conditions and macro-economic expectations. The provision for the expected losses from lease transactions related to loans and receivables is collectively allocated for similar loan portfolios in a way that includes management's best estimations and past losses as of the balance sheet date, and for important loans, it is allocated by evaluating each item separately.

2.4 Critical accounting estimates and assumptions

When preparing the consolidated financial statements according to Turkish Financial Reporting Standards, Group management must make some assumptions and estimations which identify the amount of income and expenses as of the reporting period, which identify liabilities and commitments likely to occur as of the balance sheet date and which may affect the amount of assets and liabilities which are reported. These estimations and assumptions may differ from actual results even though they are based on the best knowledge of Group management regarding current events and transactions. Estimations are reviewed regularly, and necessary adjustments are made and reflected on the statement of income for the relevant period. If changes in accounting estimations are related to one period only, they are reflected in the financial statements in the current period of the change. If they are related to future periods, they are reflected in the financial statements prospectively, both in the period of the change and in the future period, and are considered when defining the net period profit or loss.

a) Goodwill

Business combinations are recognised using the purchase method in the scope of the TFRS 3 "Business Combinations" standard. (i) The value of the net identifiable assets and the conditional liabilities on the balance sheet prepared on the date of acquisition as per the provisions of TFRS 3, (ii) the value of non-controlling interest and (iii) the difference between them and previously owned shares of the company acquired with a purchase fee are recognised as goodwill. If the difference is negative, goodwill does not arise and the difference is recognised under "Investment operation income" as negotiated purchase earnings.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates and assumptions (continued)

a) Goodwill (continued)

Using this method, the purchase fee was calculated at the fair value of cash and other assets provided on the date of acquisition, of excluded capital instruments or of liabilities undertaken. If the business combination agreement includes provisions that the purchase fee may be adjusted in line with future occurrences, and if this adjustment is probable and its value definable, this adjustment is included in the purchase fee at the date of the business combination. Costs related to the acquisition are recognised in the period they arise.

Identifiable assets, liabilities and contingent liabilities of the business acquired in the balance sheet of the business acquired prepared according to the provisions of TFRS 3 are measured at fair value. Goodwill recognised as a result of business combinations is not amortised and instead is tested for impairment annually (as of December 31), or more frequently if circumstances indicate that it might be impaired. Impairment losses calculated on goodwill cannot be associated with the income statement even if the impairment ceases to exist in the following periods. Goodwill is associated with cash-generating units during the impairment test.

Legal mergers among the enterprises controlled by the Group are evaluated within the scope of TFRS 3. Therefore, the goodwill in transactions like this cannot be recognised.

b) The Fund

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

c) Deferred Tax

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

d) Fair value of derivatives and other financial instruments

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2019 are as follows:

Kordsa Inc., residing in the USA and a 100% subsidiary of the Group, completed the acquisition of 95.86% of Axiom Materials Acquisition LLC on 23 July 2019, which provides advanced composite materials for next generation transportation vehicles as well as 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 position of Axiom as a strong company offering high-quality composite production in the market and the fact that this company will add value to the Group's growth targets in the composite sector; forms the basis for the goodwill amount. Under the assumption that the acquisitions of Axiom, if purchased on January 1, 2019, consolidated revenue would have been impacted by TRY 36,243,057 (full amount) positively; consolidated profit would have been impacted by TRY 36.243.057 (full amount) negatively.

In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets ("Purchase price allocation") are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements.

The purchase fee, recognised assets and liabilities on the date of acquisition:

	Axiom Materials (Full TRY)
Intangible assets purchased	408,124,800
Other assets purchased	130,595,623
Liability purchased	(31,045,799)
Total identified net assets	507,674,624
Cash purchase fee	1,010,827,634
Cash and cash-like values acquired	11,881,892
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 Full) of the amount constituting the base of the agreement, and was reflected separately under equity attributable to the parent.

The business combinations between the period 1 January and 31 December 2018 are as follows:

Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of two different unlimited companies that named as "Fabric Development, Inc." and "Textile Products, Inc.", which provide advanced composite materials to commercial aviation industry and fully owned by Piyush A.Shah and Abantika P.Shah as of 13 July 2018. The total purchase price of FDI shares, amounting to USD 40,587,000 (Full), was paid in cash, and the total purchase price of TPI shares, amounting to USD 49,271,000 (Full) was paid in cash. In parallel with the acquisition, the capital of Kordsa Inc. has increased amounting to USD 65 million (Full).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 3 - BUSINESS COMBINATIONS (Continued)

The business combinations between the period 1 January and 31 December 2018 are as follows (continued):

On 1 October 2018, Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of a company named "Advanced Honeycomb Technologies Corporation" which provides advanced composite materials to the commercial aviation industry and owned by Richard Greven, Monnie Greven, Walsh Family Trust of 1981 ve Richard A. Greven, Jr. for total USD 3,180,872 (Full).

In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets ("Purchase price allocation") are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements.

Purchase price, assets and liabilities recorded at acquisition date:

	FDI	TPI	AHT	Total
Identifiable assets and liabilities purchased (Full TRY)	Fair Value	Fair Value	Fair Value	Fair Value
Cash and cash equivalent	6,373,688	7,402,016	-	13,775,704
Trade receivables	16,870,387	31,771,430	1,299,873	49,941,690
Inventories	28,972,634	34,584,778	1,809,040	65,366,452
Prepaid expenses	383,197	407,450	-	790,647
Other current assets	1,949,941	-	706,844	2,656,785
Property, plant and equipments	6,781,139	6,553,161	1,042,295	14,376,595
Other long-term assets	48,506	48,506	101,833	198,845
Trade payables	(3,739,813)	(23,952,263)	-	(27,692,076)
Deferred income	-	(1,532,790)	-	(1,532,790)
Other current liabilities	(2,711,590)	(904,889)	(1,587,403)	(5,203,882)
Other intangibles assets	94,101,640	122,235,120	7,787,260	224,124,020
Total identifiable net assets	149,029,729	176,612,519	11,159,742	336,801,990

Cost of acquisition (Full TRY 488,238,894) is fully paid. As a result of the acquisition transaction, the amount of TRY 115,525,559 (Full TRY) of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recorded as goodwill in the balance sheet. The position of Axiom as a strong company offering high-quality composite production in the market and the fact that this company will add value to the Group's growth targets in the composite sector; forms the basis for the goodwill amount.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 3 - BUSINESS COMBINATIONS (Continued)

The business combinations between the period 1 January and 31 December 2018 are as follows (continued):

Goodwill movement relating this combination as of 31 December 2018 is as follows;

(Full TRY)	31 December 2018
Acquisition during the year	336,462,914
<i>FDI</i>	140,851,275
<i>TPI</i>	183,250,699
<i>AHT</i>	12,360,940
Transfers to tangible and intangible assets	(220,937,355)
<i>FDI</i>	(93,380,930)
<i>TPI</i>	(121,298,940)
<i>AHT</i>	(6,257,485)
Goodwill (Note 16)	115,525,559

NOTE 4 - SEGMENT REPORTING

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

a) External Revenues (Consolidated):

	1 January - 31 December 2019	1 January - 31 December 2018
Finance/Banking	41,083,678	38,027,550
Industry	6,132,270	5,768,365
Retail	10,512,353	8,665,651
Cement	1,726,092	1,703,150
Other	412,273	123,171
Total (*)	59,866,666	54,287,887

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

b) Segment Assets (Consolidated):

	31 December 2019	31 December 2018
Finance/Banking	384,499,463	352,285,657
Industry	7,223,360	6,859,211
Retail	5,335,597	3,526,148
Cement	3,573,333	3,269,258
Other	2,991,852	3,694,905
Segment assets	403,623,605	369,635,179
Assets classified as held for sale	673,547	278,604
Investments accounted through equity method (Note 13)	7,335,503	6,756,459
Unallocated assets	(638,417)	(623,106)
Less: intersegment eliminations	(4,646,359)	(4,360,865)
Total assets as per consolidated financial statements	406,347,879	371,686,271

c) Segment Liabilities (Consolidated):

	31 December 2019	31 December 2018
Finance/Banking	332,159,983	310,344,568
Industry	4,412,665	4,117,957
Retail	5,828,136	3,514,724
Cement	2,358,618	2,051,464
Other	351,883	213,635
Segment liabilities	345,111,285	320,242,348
Assets classified as held for sale	3,117	4,274
Unallocated Liabilities	(614,007)	(597,547)
Less: intersegment eliminations	(4,629,959)	(4,358,600)
Total liabilities as per consolidated financial statements	339,870,436	315,290,475

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment:

i) Banking:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	21,358,331	21,358,331	23,184,134	23,184,134
Financial investments	90,363,657	90,363,657	56,787,860	56,787,860
Derivative financial instruments	16,517,763	16,517,763	22,605,903	22,605,903
Reserve deposits with the Central Bank of Republic of Turkey	26,541,745	26,541,745	26,433,745	26,433,745
Receivables from finance sector operations	219,209,537	219,209,537	213,936,744	213,936,744
Property, plant and equipment	2,010,687	2,010,687	1,521,567	1,521,567
Right of use assets	625,584	625,584	-	-
Intangible assets	953,188	953,188	646,192	646,192
Other receivables and other assets	7,585,038	7,585,038	7,433,896	7,433,896
Total segment assets	385,165,530	385,165,530	352,550,041	352,550,041
Financial liabilities	54,529,896	54,529,896	61,571,596	61,571,596
Payables from finance sector operations	255,155,638	255,155,638	223,310,872	223,310,872
Derivative financial instruments	8,945,703	8,945,703	12,825,003	12,825,003
Other payables and other liabilities	13,528,746	13,528,746	12,637,097	12,637,097
Total segment liabilities	332,159,983	332,159,983	310,344,568	310,344,568

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

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

As of 31 December 2019, the cash flows from operating activities of the Bank is TRY15,356,988. (31 December 2018: TRY(4,136,205).

As of 31 December 2019, the cash flows from investing activities of the Bank is TRY(22,163,365) (31 December 2018: TRY6,755,629).

As of 31 December 2019, the cash flows from financing activities of the Bank is TRY3,820,442 (31 December 2018: TRY(1,483,420)).

Accumulated non-controlling interests of Akbank as of 31 December 2019 is TRY31,405,787(31 December 2018: TRY25,006,743).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

ii) Insurance:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	2,925,064	-	1,687,939	-
Financial investments	2,639,316	-	2,318,944	-
Receivables from finance sector operations	1,003,875	-	820,924	-
Investments accounted through equity method (Note 13)	-	608,612	-	490,529
Property, plant and equipment	50,599	-	54,008	-
Right of use assets	61,862	-	-	-
Intangible assets	119,104	-	105,201	-
Other receivables and other assets	3,584,901	-	2,741,080	-
Total segment assets	10,384,721	608,612	7,728,096	490,529
Payables from finance sector operations	8,220,517	-	6,000,266	-
Other payables and other liabilities	589,182	-	460,419	-
Total segment liabilities	8,809,699	-	6,460,685	-

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

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

Insurance segment consists of Aksigorta and Avivasa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

iii) Energy:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	1,445,263	-	1,650,093	-
Financial investments	122,545	-	836	-
Trade receivables	3,622,499	-	4,197,534	-
Inventories	291,798	-	297,056	-
Investments accounted through equity method (Note 13)	-	5,763,312	-	5,116,565
Property, plant and equipment	10,129,083	-	10,199,559	-
Right of use assets	215,695	-	-	-
Intangible assets	5,279,489	-	5,483,176	-
Other receivables and other assets	15,865,366	-	14,920,870	-
Total segment assets	36,971,738	5,763,312	36,749,124	5,116,565
Financial liabilities	15,674,359	-	16,930,099	-
Trade payables	3,078,322	-	2,822,560	-
Other payables and other liabilities	5,327,626	-	5,503,553	-
Total segment liabilities	24,080,307	-	25,256,212	-

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

iv) Industry:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	1,522,232	729,637	510,289	226,141
Financial investments	102,283	586	107	107
Trade receivables	1,637,792	969,211	2,326,967	1,567,056
Inventories	1,865,732	1,231,051	2,189,688	1,618,064
Investments accounted through equity method	200,670	592,049	342,609	744,416
Property, plant and equipment	4,065,751	2,220,492	3,911,684	2,139,571
Right of use assets	98,500	83,802	-	-
Intangible assets	878,506	797,889	557,990	491,972
Other receivables and other assets	2,653,596	1,198,041	2,198,966	830,520
Total segment assets	13,025,062	7,822,758	12,038,300	7,617,847
Financial liabilities	6,291,380	3,114,110	5,145,695	2,483,597
Trade payables	1,643,553	620,287	1,613,272	846,597
Other payables and other liabilities	1,158,872	681,385	1,245,963	792,037
Total segment liabilities	9,093,805	4,415,782	8,004,930	4,122,231

(*) 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.

For 2018, the industry portion includes results for Kordsa, Temsa, Yünsa, Brisa, Philsa and Philip Morissa. Because Temsa and Yünsa were sold in 2019, there is no effect on the balance sheet.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

v) Retail:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	544,168	544,168	514,619	514,619
Trade receivables	130,564	130,356	121,818	121,015
Inventories	1,648,050	1,648,050	1,131,851	1,131,851
Investment property	29,222	29,222	8,930	8,930
Property, plant and equipment	697,516	697,516	722,996	722,996
Right of use assets	1,116,579	1,116,579	-	-
Intangible assets	82,865	82,865	89,576	89,576
Other receivables and other assets	1,025,798	1,086,841	875,522	937,161
Total segment assets	5,274,762	5,335,597	3,465,312	3,526,148
Financial liabilities	2,525,031	2,525,031	875,502	875,502
Trade payables	2,921,264	2,921,264	2,194,155	2,193,350
Other payables and other liabilities	381,841	381,841	445,067	445,872
Total segment liabilities	5,828,136	5,828,136	3,514,724	3,514,724

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

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

Retail segment consists of Teknosa and Carrefoursa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

vi) Cement:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	419,392	267,351	492,848	217,427
Financial investments	185,224	64	184,662	64
Trade receivables	830,052	460,976	864,981	421,740
Inventories	365,985	184,774	435,195	190,255
Investments accounted through equity method (Notes 13)	-	371,530	-	404,949
Property, plant and equipment	2,952,999	2,129,718	2,867,206	2,027,479
Right of use assets	123,313	41,664	-	-
Intangible assets	60,539	18,035	63,521	18,210
Other receivables and other assets	686,256	470,882	583,567	394,083
Total segment assets	5,623,760	3,944,994	5,491,980	3,674,207
Financial liabilities	2,177,285	1,700,831	2,045,633	1,480,472
Trade payables	701,774	346,018	635,486	296,068
Other payables and other liabilities	461,966	311,769	441,045	274,924
Total segment liabilities	3,341,025	2,358,618	3,122,164	2,051,464

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

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

Cement segment consists of Akçansa and Çimsa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

vii) Other:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	2,312,456	2,312,456	3,191,791	3,191,791
Financial investments	12,964,462	25,104	11,939,453	14,207
Trade receivables	97,234	96,260	47,530	45,747
Inventories	60,794	60,794	4,675	4,675
Property, plant and equipment	254,943	218,879	232,546	196,482
Right of use assets	17,834	17,834	-	-
Intangible assets	21,218	21,218	13,745	13,745
Other receivables and other assets	224,267	239,307	227,772	228,258
Total segment assets	15,953,208	2,991,852	15,657,512	3,694,905
Financial liabilities	31,509	31,509	252	252
Trade payables	136,725	135,365	56,099	54,241
Other payables and other liabilities	194,809	185,009	172,426	159,142
Total segment liabilities	363,043	351,883	228,777	213,635

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

	1 January - 31 December 2019			1 January - 31 December 2018		
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated
Total revenue	60,172,961	(306,295)	59,866,666	54,514,390	(226,503)	54,287,887
Cost of sales and interest, premiums, commissions and other expenses	(42,386,464)	362,519	(42,023,945)	(38,360,383)	790,847	(37,569,536)
General administration expenses	(7,761,522)	89,072	(7,672,450)	(6,768,867)	73,061	(6,695,806)
Sales, marketing and distribution expenses	(2,200,952)	10,082	(2,190,870)	(1,980,321)	626	(1,979,695)
Research and development expenses	(19,486)	-	(19,486)	(15,085)	(1)	(15,086)
Other operating income/(expense) - net	10,010	1,432	11,442	83,921	(5,721)	78,200
Interest in income of joint ventures	1,466,691	-	1,466,691	808,461	(1)	808,460
Operating profit	9,281,238	156,810	9,438,048	8,282,116	632,308	8,914,424
Income/(expense) from investing activities - net	440,046	(341,087)	98,959	1,529,681	(796,990)	732,691
Operating profit before financial expense	9,721,284	(184,277)	9,537,007	9,811,797	(164,682)	9,647,115
Financial income/(expense) net	(1,182,796)	190,131	(992,665)	(916,472)	167,619	(748,853)
Income before tax	8,538,488	5,854	8,544,342	8,895,325	2,937	8,898,262
Tax	(1,579,221)	(1)	(1,579,222)	(1,655,834)	-	(1,655,834)
Profit/(loss) after tax from discontinued operations	(152)	-	(152)	23	-	23
Income for the period	6,959,115	5,853	6,964,968	7,239,514	2,937	7,242,451
Net income attributable to equity holders of the parent			3,779,736			3,830,335

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

f) The items of statement of profit or loss:

i) Banking:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Interest, commission and other income	41,277,797	41,277,797	38,166,302	38,166,302
Interest, commission and other expenses	(27,493,622)	(27,493,622)	(25,492,000)	(25,492,000)
General administration expenses	(6,930,435)	(6,930,435)	(5,937,871)	(5,937,871)
Other operating income/(expense) - net	181,136	181,136	258,294	258,294
Operating profit	7,034,876	7,034,876	6,994,725	6,994,725
Income/(expense) from investing activities - net	32,954	32,954	6,567	6,567
Profit before tax	7,067,830	7,067,830	7,001,292	7,001,292
Tax	(1,583,508)	(1,583,508)	(1,433,550)	(1,433,550)
Net income	5,484,322	5,484,322	5,567,742	5,567,742
Net income attributable to equity holders of the parent		2,234,855		2,268,860
EBITDA	7,548,604		7,337,881	

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

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

Net income of non-controlling interests of Akbank as of 31 December 2019 is TRY3,249,461 (31 December 2018: TRY3,298,882).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

ii) Insurance:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Gross premiums	3,152,586	-	2,352,613	-
Gross written premiums	5,461,314	-	3,982,708	-
Unearned premiums reserves	(2,308,728)	-	(1,630,095)	-
Premiums, commission and other expenses	(2,807,563)	-	(2,199,591)	-
General administration expenses	(603,422)	-	(495,301)	-
Other operating income/(expense) - net	911,135	-	844,967	-
Interest in income of joint ventures (Note 17)	-	210,964	-	156,955
Operating profit	652,736	210,964	502,688	156,955
Income/(expense) from investing activities - net	126,842	-	69,045	-
Operating profit before financial expense	779,578	210,964	571,733	156,955
Financial income/(expense) - net	(58,894)	-	(37,250)	-
Profit before tax	720,684	210,964	534,483	156,955
Tax	(162,316)	-	(120,781)	-
Net income	558,368	210,964	413,702	156,955
Net income attributable to equity holders of the parent		210,964		156,955
EBITDA	696,592		510,116	

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

iii) Energy:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	26,012,514	-	23,647,119	-
Cost of sales	(18,760,424)	-	(16,783,387)	-
General administration expenses	(2,277,481)	-	(1,938,006)	-
Other operating income/(expense) - net	39,381	-	(1,152,397)	-
Interest in income of joint ventures (Note 13)	-	999,499	-	318,574
Operating profit/(loss)	5,013,990	999,499	3,773,329	318,574
Income / (expense) from investment activities -net	1,865	-	194	-
Operating profit/(loss) before financial expense	5,015,855	999,499	3,773,523	318,574
Financial income/(expense) - net	(2,342,691)	-	(2,805,712)	-
Profit/(loss) before tax	2,673,164	999,499	967,811	318,574
Tax	(467,443)	-	(181,124)	-
Net income/(loss)	2,205,721	999,499	786,687	318,574
Net income/(loss) attributable to equity holders of the parent		999,499		318,574
EBITDA	5,773,285		4,724,332	

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

iv) Industry:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	9,690,933	6,132,584	8,767,466	5,768,690
Cost of sales	(7,686,630)	(4,967,890)	(6,913,838)	(4,679,447)
General administration expenses	(407,020)	(292,925)	(522,258)	(369,594)
Marketing expenses	(616,595)	(314,343)	(586,010)	(315,973)
Research and development expenses	(14,412)	(13,040)	(12,273)	(11,234)
Other operating income/(expense) - net	105,517	144,598	215,023	128,691
Interest in income of joint ventures (Note 13)	176,606	226,350	222,906	264,679
Operating profit	1,248,399	915,334	1,171,016	785,812
Income/(expense) from investing activities - net	15,382	17,324	903	952
Operating profit before financial expense	1,263,781	932,658	1,171,919	786,764
Financial income/(expense) - net	(549,088)	(284,649)	(716,780)	(381,547)
Profit before tax	714,693	648,009	455,139	405,217
Tax	(73,835)	(71,437)	(715)	(2,390)
Profit after tax from discontinued operations	(152)	(152)	23	23
Net income	640,706	576,420	454,447	402,850
Net income attributable to equity holders of the parent		448,314		361,200
EBITDA	1,588,602		1,296,666	

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

v) Retail:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	10,522,668	10,518,308	8,680,380	8,677,090
Cost of sales	(8,069,966)	(8,065,732)	(6,733,071)	(6,726,077)
General administration expenses	(219,448)	(219,363)	(217,482)	(217,124)
Marketing expenses	(1,851,491)	(1,851,491)	(1,639,662)	(1,639,662)
Other operating income/(expense) - net	(368,620)	(368,620)	(358,922)	(358,922)
Operating profit/(loss)	13,143	13,102	(268,757)	(264,695)
Income/(expense) from investing activities - net	(2,755)	(2,755)	566,265	566,265
Operating profit/(loss) before financial expense	10,388	10,347	297,508	301,570
Financial income/(expense) - net	(619,323)	(619,323)	(323,406)	(323,406)
Profit/(loss) before tax	(608,935)	(608,976)	(25,898)	(21,836)
Tax	117,220	117,220	(50,212)	(50,212)
Net income/(loss)	(491,715)	(491,756)	(76,110)	(72,048)
Net income/(loss) attributable to equity holders of the parent		(263,230)		(44,767)
EBITDA	811,606		58,569	

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

vi) Cement:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	3,552,301	1,726,196	3,418,750	1,703,180
Cost of sales	(2,995,986)	(1,422,876)	(2,645,410)	(1,295,375)
General administration expenses	(239,746)	(153,739)	(186,098)	(110,198)
Research and development expenses	(6,446)	(6,446)	(3,851)	(3,851)
Marketing expenses	(38,604)	(15,275)	(40,024)	(18,398)
Other operating income/(expense) - net	40,881	35,981	36,662	38,440
Interest in income of joint ventures	-	29,878	-	68,252
Operating profit	312,400	193,719	580,029	382,050
Income/(expense) from investing activities - net	117,843	47,210	63,370	33,771
Operating profit before financial expense	430,243	240,929	643,399	415,821
Financial income/(expense) - net	(403,311)	(271,433)	(291,407)	(211,263)
Profit before tax	26,932	(30,504)	351,992	204,558
Tax	4,392	16,737	(64,007)	(22,014)
Net income	31,324	(13,767)	287,985	182,544
Net income attributable to equity holders of the parent		20,996		134,920
EBITDA	512,247		724,066	

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

vii) Other:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	1,130,049	518,076	1,417,271	199,129
Cost of sales	(438,464)	(436,344)	(167,878)	(167,484)
General administration expenses	(178,021)	(165,060)	(140,822)	(134,080)
Marketing expenses	(20,117)	(19,843)	(6,288)	(6,288)
Other operating income/(expense) - net	24,842	16,915	25,219	17,416
Operating profit	518,289	(86,256)	1,127,502	(91,307)
Income/(expense) from investing activities - net	352,481	345,313	929,294	922,126
Operating profit before financial expense	870,770	259,057	2,056,796	830,819
Financial income/(expense) - net	(7,391)	(7,391)	(256)	(256)
Profit before tax	863,379	251,666	2,056,540	830,563
Tax	(58,233)	(58,233)	(147,669)	(147,669)
Net income	805,146	193,433	1,908,871	682,894
Net income attributable to equity holders of the parent		128,338		634,592
EBITDA	552,808		1,153,409	

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

One-off income expenses are one-time income or expenses that the Group does not expect to encounter in routine operations. The net income attributable to equity holders of the parent with adjusted segments is as follows:

	31 December 2019	31 December 2018
Banking	2,226,524	2,268,860
Insurance	214,843	156,957
Industry	447,848	380,860
Cement	3,938	120,649
Energy	991,944	576,014
Retail	(275,674)	(183,637)
Other	150,015	511,660
Total	3,759,438	3,831,363

	31 December 2019	31 December 2018
Adjusted net income for reported operating segments (Equity holders of the Parent)	3,759,438	3,831,363
One off income/(expenses) related to Carrefoursa	12,444	138,870
One off income/(expenses) related to Enerjisa	7,555	(257,440)
One off income/(expenses) related to Holding	(47,594)	122,932
One off income/(expenses) related to Exsa	25,914	-
One off income/(expenses) related to Cement	17,058	14,272
Other	4,921	(19,662)
Net income (Equity holders of the Parent)	3,779,736	3,830,335

One off income/(expenses) details	31 December 2019	31 December 2018
Profit on sale of fixed assets	27,234	254,561
Impairment of goodwill	-	(301,602)
Loss on sale of subsidiary	(21,680)	-
Other	14,744	46,013
Total	20,298	(1,028)

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)**h) Combined EBITDA Detail**

31 December 2019	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational foreign Exchange differences/ interest	EBITDA
Banking	7,067,830	513,727	32,954	-	-	7,548,604
Industry	714,693	424,142	15,382	(549,088)	83,939	1,588,602
Cement	26,932	240,811	117,843	(403,311)	40,964	512,247
Retail	(608,935)	474,001	(2,755)	(619,323)	(324,464)	811,606
Energy	2,673,164	839,151	1,865	(2,524,204)	261,369	5,773,285
Insurance	720,684	55,139	126,842	(58,894)	11,283	696,592
Other	863,379	37,792	352,481	(7,391)	3,273	552,808
31 December 2018	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational foreign exchange differences/ interest	EBITDA
Banking	7,001,292	343,156	6,567	-	-	7,337,881
Industry	455,139	336,019	903	(716,780)	210,371	1,296,666
Cement	351,992	194,603	63,370	(291,407)	50,566	724,066
Retail	(25,898)	173,239	566,265	(323,406)	(154,087)	58,569
Energy	967,811	697,314	194	(2,805,712)	(253,693)	4,724,332
Insurance	534,483	34,671	69,045	(43,544)	33,537	510,116
Other	2,056,540	29,431	929,294	(256)	3,524	1,153,409

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

1 January - 31 December 2019

	<u>Finance</u>							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortization	513,727	-	234,654	143,419	-	474,001	37,632	1,403,433
Capital expenditures	1,225,714	-	200,199	201,191	-	201,129	72,596	1,900,829

1 January - 31 December 2018

	<u>Finance</u>							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortization	343,156	-	177,711	110,439	-	173,239	29,839	834,384
Capital expenditures	1,063,720	-	600,342	260,714	-	157,725	49,341	2,131,842

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 4 - SEGMENT REPORTING (Continued)

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

1 January - 31 December 2019

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortization	513,727	55,139	424,142	240,811	839,151	474,001	37,792	2,584,763
Capital expenditures	1,225,714	63,878	481,766	282,301	1,937,026	201,129	72,597	4,264,411

1 January - 31 December 2018

	Finance							
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	Total
Depreciation and amortization	343,156	34,671	336,019	194,603	697,314	173,239	29,431	1,808,433
Capital expenditures	1,063,720	72,589	839,672	361,604	1,909,163	157,725	49,341	4,453,814

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 5 - CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Cash		
- Banking	3,352,184	3,680,078
- Other companies	28,240	30,941
Bank - time deposit	4,558,212	6,408,625
Bank - demand deposit	14,115,717	12,704,682
Receivables from repo transactions	66,120	539,374
Other cash and cash equivalents	326,730	293,967
Total	22,447,203	23,657,667

Effective interest rates of USD, EUR and TRY denominated time deposits are 1.41% (31 December 2018: 2.35%), 0.03% (31 December 2018: 0.22%) and 10.70% (31 December 2018: 23.83%), respectively.

The maturity analysis as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Demand deposit	17,822,871	16,709,668
Up to 3 months	4,624,332	6,947,999
Total	22,447,203	23,657,667

As of 31 December 2019, total amount of the restriction on the Group's off- shore cash and cash equivalents, payment accounts related to floating interest rate bond issue, time and demand deposits in the banks is TRY3,916,739 (31 December 2018: TRY5,002,895).

NOTE 6 - FINANCIAL INVESTMENTS

a) Financial assets at fair value through profit and loss:

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

	31 December 2019	31 December 2018
Share certificates	232,765	150,685
Government bonds	182,344	10,113
Eurobonds	92,378	-
Other (*)	6,782,035	6,708,227
Total	7,289,522	6,869,025

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 6 - FINANCIAL INVESTMENTS (Continued)

a) Financial assets at fair value through profit and loss (continued):

(*) 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. This increased amount is displayed in the "Assets Held for Sale and Discontinued Operations" row of the financial statements. The value of the portion followed up as a loan was TRY6,723,419 as of 31 December 2019, and was classified under "Other Financial Assets" under "Financial Assets for Which the Fair Value Difference is Reflected to Profit/Loss" in the financial statements. The total fair value decrease recognised for the loan and turned into capital is TRY938,867, and the entire amount was classified under "Assets Held for Sale and Discontinued Operations". 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. 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 6 - FINANCIAL INVESTMENTS (Continued)

a) Financial assets at fair value through profit and loss (continued):

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

	31 December 2019	31 December 2018
TRY	% 11.17	% 13.22

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TRY10,049 (31 December 2018: TRY10,599).

The maturity analysis of financial assets at fair value through profit and loss as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
0 to 3 months	257,952	156,811
3 to 12 months	6,882,627	6,700,321
1 to 5 years	121,822	11,893
Over 5 years	27,121	-
Total	7,289,522	6,869,025

Period remaining to contractual repricing dates:

	31 December 2019	31 December 2018
On demand	257,952	156,811
Up to 3 months	22,714	11,893
3 to 12 months	6,860,314	6,700,321
1 to 5 years	121,421	-
Over 5 years	27,121	-
Total	7,289,522	6,869,025

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 6 - FINANCIAL INVESTMENTS (Continued)

b) Financial assets at fair value through other comprehensive income:

	31 December 2019	31 December 2018
Debt securities		
- Government bonds	35,534,282	23,928,005
- Eurobonds	16,168,796	12,574,559
- Investment funds	424,665	237,585
- Other bonds denominated in foreign currency	15,374,312	7,600,049
Sub-total	67,502,055	44,340,198
Equity securities		
- Listed	138	153
- Unlisted	22,253	19,502
Sub-total	22,391	19,655
Financial assets at fair value through other comprehensive income	67,524,446	44,359,853

Effective interest rates of USD, EUR, JPY and TRY denominated available-for-sale securities are 5.20% (31 December 2018: 4.55%), 2.70% (31 December 2018: 2.38%), 3.09% (31 December 2018: 3.09%) and 14.14% (31 December 2018: 20.97%), respectively. The Group's financial assets through other comprehensive income subject to funds provided from repo are TRY8,422,563 (31 December 2018: TRY12,114,655). Financial assets through other comprehensive income that are given as collateral because of the Group's financing activities are amounting to TRY17,108,499 (31 December 2018: TRY8,854,043).

There are bonds index-linked to consumer prices ("CPI") in the securities portfolio of Akbank for which the fair value difference is reflected to other comprehensive income and which are measured by amortized cost. These securities are valued and recognised using the effective interest method and are based on the index calculated using real coupon rates, the reference inflation index on the date of issuance and estimated inflation rates. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The bank sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary. The real inflation rate is used at the end of the year.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 6 - FINANCIAL INVESTMENTS (Continued)

b) Financial assets at fair value through other comprehensive income (continued) :

The maturity analysis in accordance with expiring date as at 31 December 2019 and 2018 is as follows:

	31 December 2019			31 December 2018		
	Other			Other		
	Banking	companies	Total	Banking	companies	Total
Up to 3 months	2,570,694	-	2,570,694	1,215,591	-	1,215,591
3 to 12 months	13,755,389	-	13,755,389	3,997,086	-	3,997,086
1 to 5 years	38,853,989	-	38,853,989	29,373,727	13,777	29,387,504
Over 5 years	11,919,710	-	11,919,710	9,522,087	-	9,522,087
On demand	424,664	-	424,664	237,585	-	237,585
Total	67,524,446	-	67,524,446	44,346,076	13,777	44,359,853

As of 31 December 2019 and 2018, according to the remaining period until the re-pricing date determined by the contract:

	31 December 2019			31 December 2018		
	Other			Other		
	Banking	companies	Total	Banking	companies	Total
Up to 3 months	11,244,537	-	11,244,537	8,558,547	-	8,558,547
3 to 12 months	20,937,235	-	20,937,235	13,645,080	-	13,645,080
1 to 5 years	25,225,086	-	25,225,086	15,273,796	13,777	15,287,573
Over 5 years	9,692,924	-	9,692,924	6,631,068	-	6,631,068
On demand	424,664	-	424,664	237,585	-	237,585
Total	67,524,446	-	67,524,446	44,346,076	13,777	44,359,853

c) Financial Assets at Amortised Cost:

The details of financial investments valued at their amortized cost are presented below:

	31 December 2019	31 December 2018
Government bonds	15,566,111	12,215,183
Total	15,566,111	12,215,183

Effective interest rates of USD, EUR and TRY denominated debt securities are 5.22% (31 December 2018: 4.89%), 3.46% (31 December 2018: 3.58%) and TRY is 14.74% (31 December 2018: 26.70%).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 6 - FINANCIAL INVESTMENTS (Continued)

c) Financial Assets at Amortised Cost (Continued):

The breakdown of financial assets at amortised cost is listed below:

	31 December 2019	31 December 2018
Opening balance, 1 January	12,215,183	18,883,153
Additions	5,397,163	1,654,189
Foreign exchange differences in monetary assets	414,623	1,683,148
Valuation effect	677,288	572,514
Disposals through sales and redemptions (*)	(3,214,759)	(10,713,907)
Allowance for impairment (**)	76,613	136,086
Closing balance	15,566,111	12,215,183

(*) The Bank has reviewed the marketable securities management model in accordance with IFRS 9, and has reclassified its securities to financial assets through other comprehensive income amounting to TRY4,927,185 because appropriate model is collecting cash flows or selling the financial asset which are previously classified and measured at amortized cost.

(**) Expected loss provision is included.

For financial investments valued at their amortized cost as of 31 December 2019 and 31 December 2018, the remaining period to the maturity dates stated in the contract on the basis of Banking and other sectors is as follows:

	31 December 2019			31 December 2018		
	Other			Other		
	Banking	companies	Total	Banking	companies	Total
3 to 12 months	4,170,428	-	4,170,428	3,470,091	81	3,470,172
1 to 5 years	10,735,539	586	10,736,125	7,640,711	-	7,640,711
Over 5 years	659,558	-	659,558	1,104,300	-	1,104,300
	15,565,525	586	15,566,111	12,215,102	81	12,215,183

Period remaining to contractual repricing dates for investment security, financial assets at amortised cost at 31 December 2019 and 2018 is as follows:

	31 December 2019			31 December 2018		
	Other			Other		
	Banking	companies	Total	Banking	companies	Total
Up to 3 months	3,989,518	-	3,989,518	3,922,712	-	3,922,712
3 to 12 months	6,008,502	-	6,008,502	4,220,072	81	4,220,153
1 to 5 years	4,907,947	586	4,908,533	2,968,018	-	2,968,018
Over 5 years	659,558	-	659,558	1,104,300	-	1,104,300
Toplam	15,565,525	586	15,566,111	12,215,102	81	12,215,183

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 7 - FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2019	31 December 2018
Short term	10,342,807	9,726,191
Short term portion of long term	15,005,313	20,815,668
Total short term	25,348,120	30,541,859
Long term funds borrowed, bank borrowings and dept securities		
Long term	32,736,661	35,222,289
Total	58,084,781	65,764,148

Maturity analysis as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Up to 3 months	9,312,146	8,447,806
3 to 12 months	16,035,974	22,094,053
Short term borrowings and short term portion of long term borrowings	25,348,120	30,541,859
1 to 5 years	20,888,158	21,892,607
Over 5 years	11,848,503	13,329,682
Long term borrowings	32,736,661	35,222,289
Total financial liabilities	58,084,781	65,764,148

As of 31 December 2019 and 2018, repayment plans of long-term financial debts are presented below:

	31 December 2019	31 December 2018
1 to 2 years	5,951,036	7,770,555
2 to 3 years	6,822,421	4,168,543
3 to 4 years	4,620,070	5,887,176
4 to 5 years	3,494,631	4,066,333
Over 5 years	11,848,503	13,329,682
Total	32,736,661	35,222,289

As of 31 December 2019 and 2018, the remaining period until the repricing date of the loans determined by the contract:

	31 December 2019	31 December 2018
Up to 3 months	38,080,668	38,453,236
3 to 12 months	3,998,513	10,334,947
1 to 5 years	7,728,695	9,449,170
Over 5 years	8,276,905	7,526,795
Total	58,084,781	65,764,148

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 7 - FINANCIAL LIABILITIES (Continued)

Short term funds borrowed, bank borrowings and debt securities (continued):

Financial liability movement as of 31 December 2019 is as follows;

	2019	2018
1 January	65,764,148	55,257,767
Additions	4,175,560	20,180,086
Payments	(12,252,903)	(10,276,282)
Interest accruals	303,677	431,302
Foreign exchange effects	84,406	161,274
Interest capitalization during the period	9,893	10,001
31 December	58,084,781	65,764,148

The transactions related with the funds and loans as of 31 December 2019 are as follows:

Akbank - Funds borrowed via syndicated credit

As of 31 December 2019, Akbank has three outstanding syndicated loan. EUR483 million and USD 604.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 26 March 2018. The current amount is USD250 million. The cost of 2 years maturity loan is Euribor + 210 bps. EUR303 million and USD 356 million with a maturity of 1 year was obtained through the loan agreement signed on 26 March 2019. The cost of maturity loan is Euribor + 240 and Libor +250. EUR373.5 million and USD402 million with maturities of 1 year were obtained through the loan agreement signed on 7 October 2019. The cost of loans are Euribor +210 and Euribor +225 bps.

Issued securities:

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2019		31 December 2018	
	USD	TRY	USD	TRY
2019	-	-	979,670	5,153,064
2020	1,044,191	6,181,611	1,071,920	5,638,299
2021	583,035	3,451,567	574,885	3,023,895
2022	1,005,694	5,953,708	946,571	4,978,963
2023	533,257	3,156,881	538,218	2,831,027
2024	516,762	3,059,231	493,616	2,596,420
2025	861,331	5,099,080	448,497	2,359,094
2026	79,035	467,887	57,488	302,387
2027	347,457	2,056,945	309,511	1,628,028
2028	241,635	1,430,479	221,586	1,165,542
Total	5,212,397	30,857,389	5,641,962	29,676,719

The balance amounting to USD5,212,397 consists of securitization deals and USD denominated securities issued by the Bank.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 7 - FINANCIAL LIABILITIES (Continued)

	31 December 2019		31 December 2018	
	EUR	TRY	EUR	TRY
2019	-	-	91,366	549,857
2020	45,883	304,649	23,104	139,044
2021	23,104	153,404	362	2,179
2022	362	2,404	348	2,094
2023	348	2,311	335	2,016
2024	335	2,224	321	1,932
2025	322	2,138	309	1,860
2026	309	2,052	297	1,787
2027	297	1,972	285	1,715
2028	286	1,899	274	1,649
2029	7,082	47,025	6,808	40,955
Total	78,328	520,078	123,809	745,088

The balance amounting to EUR78,328 consists of securitization deals and EUR denominated securities issued by the Group (31 December 2018: EUR123,809)

	31 December 2019		31 December 2018	
	RON	TRY	RON	TRY
2019	-	-	56,222	72,167
Total	-	-	56,222	72,167

As of 31 December 2018, the balance amounting to RON55.562 consists of securitization deals and RON denominated securities issued by the Group. (31 December 2019: None).

	31 December 2019		31 December 2018	
	HUF	TRY	HUF	TRY
2019	-	-	764,752	14,354
Total	-	-	764,752	14,354

In 2018, The balance amounting to HUF764.752 consists of securitization deals and HUF denominated securities issued by the Group. (31 December 2019: None).

	31 December 2019		31 December 2018	
	JPY	TRY	JPY	TRY
2019	-	-	1,002,770	47,772
Total	-	-	1,002,770	47,772

In 2018, The balance amounting to JPY1.002.770 consists of securitization deals and JPY denominated securities issued by the Group. (31 December 2019: None)

In addition, as of 31 December 2019, the Group issued bonds with 1-3 months maturity of TRY1,840,532, 3-6 months maturity of TRY723,846, 1-5 years maturity of TRY678,966 and over 5 years maturity of TRY1,853,449. (31 December 2018: 1-3 months term TRY2,669,292, 3-6 months term TRY278,354, 1-5 years term TRY257,048 and over 5 years term TRY1,650,033).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 8 - LIABILITIES FROM LEASING TRANSACTIONS

The maturity and currency breakdown of the Group's liabilities regarding leasing transactions in accordance with TFRS 16 are as follows:

Liabilities from short-term lease transactions:

	Up to 3 months	3 to 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 from long-term lease transactions:

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	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 9 - TRADE RECEIVABLES AND PAYABLES

Short and long term trade receivables:

	31 December 2019	31 December 2018
Trade receivables	1,579,878	1,910,959
Notes and cheques	103,073	416,478
	1,682,951	2,327,437
Less: expected credit losses	(57,515)	(190,375)
Total	1,625,436	2,137,062

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2019 and 2018, the maturity analysis of the overdue and expected credit loss reserves within the trade receivables balance is as follows:

	31 December 2019	31 December 2018
Up to 3 months	-	3,869
3 to 6 months	-	1,059
6 to 9 months	-	2,348
Over 9 months	57,515	183,099
Total	57,515	190,375

	31 December 2019	31 December 2018
Short and long term trade payables:		
Trade payables	3,995,164	3,371,306
Expense accruals	494	1,443
Total	3,995,658	3,372,749

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Other short term receivables		
Receivables form credit card payments	47,441	35,689
Other receivables(*)	2,053,917	1,484,071
Total	2,101,358	1,519,760
Other long term receivables:		
Deposits and guarantees given	38,935	49,703
Other receivables(*)	2,986,182	3,004,847
Total	3,025,117	3,054,550

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

	31 December 2019	31 December 2018
Other short term payables		
Payables related to credit card transactions	4,287,406	4,003,963
Taxes and funds payable	563,572	566,985
Export deposits and transfer orders	31,963	95,021
Payment orders to correspondent banks	27,401	42,924
Financial lease payables	24,140	23,712
Other(*)	1,144,239	1,409,805
Total	6,078,721	6,142,410

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 10 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2019	31 December 2018
Other long term payables		
Financial lease payables	5,281	58,606
Other(*)	3,368,892	2,313,990
Total	3,374,173	2,372,596

(*) Other payables mainly include the collateral provided by Akbank for derivative transactions.

NOTE 11 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	551,780	526,711
Work in process	161,794	303,342
Finished goods and merchandises	2,244,043	1,960,169
Spare parts	75,230	90,939
Other	149,801	138,580
	3,182,648	3,019,741
Allowance for impairment on inventory (-)	(57,979)	(74,896)
Total	3,124,669	2,944,845

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

	2019	2018
1 January	(74,896)	(72,358)
Provisions	(16,938)	(33,376)
Provisions no longer required	33,855	30,838
31 December	(57,979)	(74,896)

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2019	31 December 2018
Short-term prepaid expenses:		
Prepaid expenses	856,685	845,205
Advance given for inventory purchases	20,225	16,357
Other	16,127	39,041
Total	893,037	900,603
Long-term prepaid expenses:		
Advance given for property, plant and equipment purchases	10,862	2,627
Prepaid expenses	10,857	18,364
Total	21,719	20,991

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 12 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

Short term deferred income:	31 December 2019	31 December 2018
Unearned commission income	124,918	235,687
Advances received	31,276	30,648
Deferred income	30,449	24,965
Other	335	568
Total	186,978	291,868

Long-term deferred income:	31 December 2019	31 December 2018
Unearned commission income	83,279	116,833
Total	83,279	116,833

NOTE 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2019	Share (%)	31 December 2018	Share (%)
Aksigorta	277,306	36.00	232,657	36.00
Avivasa	331,306	40.00	257,872	40.00
Brisa	391,379	43.63	401,808	43.63
Akçansa	371,530	39.72	404,949	39.72
Enerjisa Üretim Santralleri	3,033,693	50.00	2,596,999	50.00
Enerjisa Enerji	2,729,619	40.00	2,519,566	40.00
Philisa	111,882	25.00	188,256	25.00
Philip Morrissa	88,788	24.75	37,357	24.75
Temsa Mısır (*)	-	-	(8,104)	73.75
Temsa İş Makineleri (**)	-	-	125,099	51.00
Total	7,335,503		6,756,459	

(*) As of 30 May 2019, the partnership in Temsa Egypt ended with the sale of Temsa Transportation's shares.

(**) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

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

	1 January - 31 December 2019	1 January - 31 December 2018
Aksigorta	111,453	76,722
Avivasa	99,511	80,233
Brisa	49,744	41,772
Akçansa	29,878	68,252
Enerjisa Üretim Santralleri	586,051	19,495
Enerjisa Enerji	413,448	299,079
Philisa	(8,197)	146,119
Philip Morrissa	173,437	50,586
Temsa Mısır	-	231
Temsa İş Makineleri	11,366	25,971
Total	1,466,691	808,460

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

	31 December 2019		31 December 2018	
	Total assets	Total Liabilities	Total assets	Total liabilities
Aksigorta	7,333,423	6,563,128	5,464,195	4,817,924
Avivasa	3,051,298	2,246,571	2,263,901	1,642,760
Brisa	5,575,065	4,678,023	4,803,642	3,882,699
Akçansa	1,930,697	982,407	2,103,125	1,070,700
Enerjisa Üretim Santralleri	13,573,530	7,506,145	13,628,412	8,434,414
Enerjisa Enerji	23,398,208	16,574,161	23,120,713	16,821,798
Philisa	3,687,791	3,240,265	3,350,586	2,597,563
Philip Morrissa	1,355,134	996,395	1,267,960	1,117,021
Temsa Mısır	-	-	14,416	25,404
Temsa İş Makineleri (*)	-	-	567,374	262,701
Total	59,905,146	42,787,095	56,584,324	40,672,984

(*) As of 9 August 2019, 41% of Temsa İş Makinaları shares are sold and the rest of the shares are accounted as financial investment.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

Sales

	1 January - 31 December 2019	1 January - 31 December 2018
Aksigorta	4,473,560	3,417,338
Avivasa	987,754	565,371
Brisa	3,558,329	2,998,776
Akçansa	1,826,106	1,715,570
Enerjisa Üretim Santralleri	6,559,429	5,300,705
Enerjisa Enerji	19,453,085	18,346,413
Philisa (*)	28,489,226	25,241,521
Philip Morrissa	28,940,292	24,901,916
Temsa İş Makineleri	-	935,064

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

Net profit/(loss)

	1 January - 31 December 2019	1 January - 31 December 2018
Aksigorta	309,590	213,118
Avivasa	248,778	200,584
Brisa	114,013	95,741
Akçansa	74,970	179,757
Enerjisa Üretim Santralleri	1,172,101	38,990
Enerjisa Enerji	1,033,621	747,697
Philisa	(32,789)	584,476
Philip Morrissa	700,756	204,387
Temsa Mısır	-	313
Temsa İş Makineleri (*)	-	50,924

(*) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

The movement of the joint ventures is as follows;

	2019	2018
Opening balance, 1 January	6,756,459	6,439,214
Profit/(loss) share	1,466,691	808,460
Initial public offering effect (*)	-	(593,630)
Capital increase (**)	-	714,000
Company disposals (***)	(116,995)	-
Dividend income from joint ventures	(549,171)	(490,026)
Other comprehensive income/(expense) shares	(221,481)	(121,559)
Closing balance, 31 December	7,335,503	6,756,459

(*) As of February 8, 2018, a joint venture of the Group, Enerjisa Enerji A.Ş.'s initial public offering consisting of 20% of the Entity's shares is completed.

(**) The Group joined the cash capital increase of Enerjisa Üretim amounting to TRY1,428,000,000 (Full); paying its share of TRY714,000,000 (Full) on 7 March 2018.

(***) 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 14 - INVESTMENT PROPERTY

	1 January 2019	Additions	Disposals	Impairment (*)	Currency translation differences	Transfers	31 December 2019
Cost:							
Land	133,580	69	-	8,278	15,019	16,667	173,613
Buildings	3,962	12,876	-	-	-	1,628	18,466
Total	137,542	12,945	-	8,278	15,019	18,295	192,079
Accumulated depreciation							
Buildings	(612)	(432)	-	-	-	-	(1,044)
Net book value	136,930						191,035

	1 January 2018	Additions	Disposals	Impairment	Currency translation differences	Transfers	31 December 2018
Cost:							
Land	187,643	-	(74,684)	(1,234)	20,917	938	133,580
Buildings	124,220	7,543	(133,210)	(33)	5,442	-	3,962
Total	311,863	7,543	(207,894)	(1,267)	26,359	938	137,542
Accumulated depreciation							
Buildings	(29,357)	(1,547)	32,516	-	(2,224)	-	(612)
Net book value	282,506						136,930

(*) As of 31 December 2019 and 31 December 2018, an independent valuation company determined the fair value of investment properties of PT Indo Kordsa, a Kordsa company in the Asia Pacific region which is a subsidiary of the group. The independent appraisal company is experienced enough and has the required qualifications to determine the fair value of properties in the relevant regions. The fair values of the pieces of land owned were determined using the market comparison method, which reflects the available transaction fees for similar properties. The highest value and the best available value in use were used to determine the fair value of the land. No other valuation technique was used in the current period. As of 31 December 2019, the fair value of investment properties was TRY259 million (total) (31 December 2018: TRY216 million [total]).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 15 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2019 is as follows:

	1 January 2019	Currency translation differences	Additions	Disposals	Transfers (*)	Subsidiary Addition Effect (**)	Subsidiary Disposal Effect (***)	Impairment	31 December 2019
Cost:									
Land and land improvements	504.524	14.372	3.051	(12.866)	80.050	-	(29.844)	-	559.287
Buildings	2.923.521	70.201	85.607	(101.620)	565.453	17.841	(100.822)	(560)	3.459.621
Financial leasing buildings	20.512	-	-	-	(20.512)	-	-	-	-
Machinery and equipment	4.921.161	319.738	189.723	(49.478)	356.425	24.422	(279.336)	(3.442)	5.479.213
Motor vehicles	122.132	1.243	2.390	(10.775)	59	-	(20.779)	-	94.270
Furniture and fixtures	3.336.710	10.502	620.789	(471.290)	13.043	-	(50.694)	2.361	3.461.421
Total	11.828.560	416.056	901.560	(646.029)	994.518	42.263	(481.475)	(1.641)	13.053.812
Construction in progress	863.615	21.490	430.030	(10.650)	(1.054.186)	3.226	(7.084)	-	246.441
Total	12.692.175	437.546	1.331.590	(656.679)	(59.668)	45.489	(488.559)	(1.641)	13.300.253
Accumulated depreciation:									
Land and land improvements	(239.584)	(1.637)	(1.058)	1.636	-	-	9.607	-	(231.036)
Buildings	(1.039.002)	(29.254)	(68.220)	99.873	-	-	45.910	268	(990.425)
Financial leasing buildings	(7.732)	-	-	-	7.732	-	-	-	-
Machinery and equipment	(2.429.790)	(155.709)	(350.731)	35.997	-	(17.555)	232.247	1.828	(2.683.713)
Motor vehicles	(102.139)	131	(5.415)	9.617	-	-	5.588	-	(92.218)
Furniture and fixtures	(2.247.250)	(7.642)	(255.082)	463.478	-	-	39.248	264	(2.006.984)
Total	(6.065.497)	(194.111)	(680.506)	610.601	7.732	(17.555)	332.600	2.360	(6.004.376)
Net book value	6.626.678								7.295.877

(*) TRY39.156 of the transfers from construction in progress in the current period is recognized in intangible assets.

(**) It includes property, plant and equipment of Axiom which is acquired by Kordsa, a subsidiary of the Group, as of 23 July 2019.

(***) It includes amounts related to Temsa Ulaşım Araçları San. Tic. A.Ş. which is disposed in May 2019. and Yünsa Yunlú Sanayi ve Ticaret A.Ş. Includes balances.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in property, plant and equipment for the year ended 31 December 2018 is as follows:

	1 January 2018	Currency translation differences	Additions	Disposals (**)	Transfers (*)	Impairment	31 December 2018
Cost:							
Land and land improvements	549.569	9.764	4.828	(70.482)	5.299	-	498.978
Buildings	2.688.983	136.368	83.913	(91.933)	126.233	-	2.943.564
Machinery and equipment	3.906.821	528.733	61.456	(5.269)	427.541	-	4.919.282
Motor vehicles	111.243	2.280	19.793	(11.184)	-	-	122.132
Furniture and fixtures	3.143.030	20.096	512.996	(356.139)	12.897	-	3.332.880
Total	10.399.646	697.241	682.986	(535.007)	571.970	-	11.816.836
Construction in progress	644.620	31.545	852.022	(19.084)	(645.488)	-	863.615
Total	11.044.266	728.786	1.535.008	(554.091)	(73.518)	-	12.680.451
Accumulated depreciation:							
Land and land improvements	(235.214)	(5.378)	(8.161)	689	8.480	5.546	(234.038)
Buildings	(977.040)	(52.980)	(60.382)	43.680	(12)	469	(1.046.265)
Machinery and equipment	(1.990.166)	(242.789)	(201.076)	4.241	-	1.879	(2.427.911)
Motor vehicles	(95.743)	(1.470)	(9.611)	4.685	-	-	(102.139)
Furniture and fixtures	(2.216.358)	(14.608)	(290.221)	275.471	12	2.284	(2.243.420)
Total	(5.514.521)	(317.225)	(569.451)	328.766	8.480	10.178	(6.053.773)
Net book value	5.529.745						6.626.678

(*) Transfers from Construction in progress during the period amounting of TRY 65,038 was accounted as intangible assets.

(**) As a result of the sale of two real estate properties in the period by the retailing group, the assets with net book values of TRY 64,503 and TRY 40,093 respectively were disposed from the property, plant and equipment; and an income of TRY 569,337 was accounted under investment income.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 16 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2019 and 2018 are as follows

	1 January 2019	Currency translation differences	Additions	Impairment	Disposals	Transfers	Subsidiary purchase effect (**)	Company disposals (***)	31 December 2019
Cost (*)	2,530,399	54,273	556,294	(666)	(437,333)	20,861	426,664	(275,713)	2,874,779
Accumulated amortization (-)	(1,270,738)	(16,156)	(284,453)	316	430,446	-	-	138,966	(1,001,619)
Net book value	1,259,661								1,873,160

	1 January 2018	Currency translation differences	Additions	Impairment	Disposals	Transfers	31 December 2018
Cost (*)	1,827,717	39,638	604,155	113	(5,324)	64,100	2,530,399
Accumulated amortization (-)	(1,010,619)	3,149	(266,402)	(104)	3,238	-	(1,270,738)
Net book value	817,098						1,259,661

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

(**) It includes property, plant and equipment of Axiom which is acquired by Kordsa, a subsidiary of the Group, as of 23 July 2019.

(***) Include Temsa Ulaşım Araçları San. Tic. A.Ş. and Yünsa Yunlu Sanayi ve Ticaret A.Ş. the balances sold in 2019.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 17 - RIGHT OF USE ASSETS

	1 January 2019	Subsidiary purchase effect (*)	Transfers (**)	Additions	Disposals	Other	31 December 2019
Cost							
Real estates	1,893,886	58,489	20,512	256,306	(77,616)	36,239	2,187,816
Fixtures	407	-	-	162	-	26	595
Motor vehicles	27,624	166	-	11,328	(635)	275	38,758
Other	11,973	-	-	4,136	-	412	16,521
Total	1,933,890	58,655	20,512	271,932	(78,251)	36,952	2,243,690
Accumulated depreciation:							
Real estates	-	-	(7,732)	(390,336)	63,593	(4,144)	(338,619)
Fixtures	-	-	-	(178)	-	(8)	(186)
Motor vehicles	-	-	-	(16,093)	-	(111)	(16,204)
Other	-	-	-	(3,099)	-	(119)	(3,218)
Total	-	-	(7,732)	(409,706)	63,593	(4,382)	(358,227)
Net book value	1,933,890	58,655	12,780	(137,774)	(14,658)	32,570	1,885,463

(*) It includes property, plant and equipment of Axiom which is acquired by Kordsa, a subsidiary of the Group, as of 23 July 2019.

(**) During the period, TRY12,781 of property, plant and equipment has been transferred to Right to Use Assets.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 18 - GOODWILL

The movements in goodwill for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	849,215	873,097
Additions (*) (Note 3)	40,898	115,526
Acquisitions (**)	503,153	-
Currency translation differences	82,071	10,792
Impairment provision	-	(150,200)
31 December	1,475,337	849,215

(*) Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of two different unlimited companies that named as "Fabric Development, Inc." and "Textile Products, Inc." in 2018, which provide advanced composite materials to commercial aviation industry and fully owned by Piyush A.Shah and Abantika P.Shah. In parallel with the acquisition, the capital of Kordsa Inc. has increased amounting to USD65 million. In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets ("Purchase price allocation") are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements. In accordance with IFRS 3, the measurement period is defined as a maximum of one year from the date of purchase and additional assets and liabilities may be recognized if new information is obtained after the completion of the report. As a result of the acquisition transaction, the amount of TRY286.471 of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recorded as goodwill in the balance sheet. 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 correction for intangible assets accounted after purchase. The effect of this adjustment and the effect of the correction of temporary differences in tax bases are recognized as goodwill amounting to TRY 40.897.916 (Full USD7.209.603).

(**) Kordsa, one of the Group's subsidiaries has acquired "Axiom" and fair value of acquired identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost amounting to TRY 503,153,010 (full TRY) booked as goodwill.

The cash producing unit value was tested using the cash flow's +1%/-1% capital cost sensitivity weighted average (31 December 2018: +1%/-1%). The impairment sensitivity test found that the cash producing unit value is not impaired.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other short term provisions		
Provision for liabilities	452,605	611,896
<i>Credit bonus provision</i>	58,926	53,120
<i>Provisions for litigation</i>	88,207	173,323
<i>Uncompensated and not encashed non-cash loans</i>	297,102	378,740
<i>Onerous contracts</i>	-	5,246
<i>Other short-term provisions</i>	8,370	1,467
Other debt provisions	25,770	66,959
Total	478,375	678,855
Other long term provisions		
Provision for liabilities	121,994	4,260
<i>Provisions for litigation</i>	35,218	-
<i>Other long-term provisions</i>	86,776	4,260
Total	121,994	4,260
Commitments - banking segment		
Letters of guarantee given	30,717,394	34,426,832
Letters of credit	4,398,221	6,255,037
Foreign currency acceptance	50,678	2,740,066
Other guarantees given	6,541,435	7,884,108
Total	41,707,728	51,306,043
Commitments - other companies		
Letters of guarantee given	1,317,516	812,587
Other guarantees given	1,016,434	413,072
Mortgages, guarantees and pledges for tangible assets	12,056	11,480
Total	2,346,006	1,237,139

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Repurchase commitments	10,095,553	14,434,653

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Transactions for held for trading

	31 December 2019	31 December 2018
Foreign currency purchases	7,573,795	11,135,973
Foreign currency sales	7,228,044	10,525,900
Total	14,801,839	21,661,873

	31 December 2019	31 December 2018
Currency swap purchases	118,346,112	141,036,291
Currency swap sales	120,827,669	139,431,917
Interest swap purchases	76,289,552	68,273,548
Interest swap sales	76,289,552	68,273,548
Total	391,752,885	417,015,304

	31 December 2019	31 December 2018
Spot purchases	2,934,998	7,628,722
Spot sales	2,934,711	7,347,903
Total	5,869,709	14,976,625

	31 December 2019	31 December 2018
Currency, interest and securities options purchases	15,793,725	37,759,363
Currency, interest and securities options sales	15,958,797	37,740,163
Total	31,752,522	75,499,526

	31 December 2019	31 December 2018
Future purchase transactions	85,946	-
Future sales transactions	85,005	-
Total	170,951	-

	31 December 2019	31 December 2018
Other purchase transactions	14,417,136	16,286,966
Other sales transactions	7,763,410	8,749,610
Total	22,180,546	25,036,576

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Types of derivative transactions held for hedges:

	31 December 2019	31 December 2018
Interest swap purchases	16,424,864	15,800,831
Interest swap sales	16,424,864	15,800,831
Total	32,849,728	31,601,662

	31 December 2019	31 December 2018
Money swap purchases	18,824,262	17,128,717
Money swap sales	12,985,025	13,443,865
Total	31,809,287	30,572,582

	31 December 2019	31 December 2018
Foreign currency purchases	155,171	-
Total	155,171	-

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

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2018 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	5,334,189	29,092,643	34,426,832
Letters of credits	2,387,037	3,868,000	6,255,037
Acceptance credits	2,457,752	282,314	2,740,066
Other guarantees	3,682,399	4,201,709	7,884,108
Total	13,861,377	37,444,666	51,306,043

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Construction	8,130,380	7,911,886
Wholesale	7,653,743	9,162,663
Financial institutions	4,194,793	7,182,375
Other manufacturing	3,538,816	4,884,605
Small-scale retailers	3,129,987	5,252,181
Electricity, gas and water	2,628,360	2,458,803
Steel and mining	2,301,980	3,218,621
Textile	1,533,427	1,446,126
Food and beverage	1,207,821	1,398,630
Chemicals	1,114,426	1,558,845
Transportation	1,019,990	700,841
Automotive	986,218	1,185,086
Electronics	326,898	298,176
Tourism	322,063	337,699
Agriculture and forestry	274,728	180,924
Telecommunications	255,455	207,104
Other	3,088,643	3,921,478
Total	41,707,728	51,306,043

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 20 - COMMITMENTS

Collaterals, pledges and mortgages ("CRM") given by the 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	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 20 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("TRI") given by the 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	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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 20 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("TRI") given by the Subsidiaries at 31 December 2018 is as follows:

	31 December 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1.221.533	318.497	107.680	55.593	-
B, Collaterals given on behalf of fully consolidated companies	1.489.327	360.398	10.056	177.684	4.944
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	51.306.043	21.761.622	3.087.613	2.122.216	508.077
D, Total amount of other Collaterals					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	54.016.903	22.440.517	3.205.349	2.355.493	513.021
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of	-	-	-	-	-
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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 20 - COMMITMENTS (Continued)

As of 31 December 2018, the collateral / pledge / mortgage ("TRI") position of the Joint Ventures is as follows;

	31 December 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A. Total amount of the Collaterals given for its own legal entity	1.165.180	1.118.379	7.269	1.419	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	2.850	2.850	-	-	-
D. Total amount of other Collaterals	-	-	-	-	-
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	1.168.030	1.121.229	7.269	1.419	-
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages	-	-	-	-	-
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges	-	-	-	-	-
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 21 - EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2019	31 December 2018
Due to personnel	55,340	73,302
Social security premiums payable	7,090	20,369
Total	62,430	93,671

Short term provisions for employee benefits:

	31 December 2019	31 December 2018
Unused vacation pay provision	159,152	142,222
Bonus provision	37,771	23,526
Other	225,140	161,603
Total	422,063	327,351

Long term provisions for employee benefits:

	31 December 2019	31 December 2018
Unused vacation pay provision	5,439	3,638
Provision for employment termination benefits	504,049	416,591
Other	38,332	27,816
Total	547,820	448,045

Provision for retirement pay liability:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2019, the amount payable consists of one month's salary limited to a maximum of TRY6,379.86 (31 December 2018: TRY5,434.42) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. However the discount rate used in the calculation of the provisions differs for each subsidiary and associate, the average discount rate is 3.90% - 5.40% at the respective balance sheet date (31 December 2018: 4.30% - 5.80%). Severance pay ceiling is revised semi-annually. TRY6,730.15 severance pay ceiling, which is effective on 1 January 2020, has been considered in the provision for employment termination benefits calculations of the Group.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 21 - EMPLOYEE BENEFITS (Continued)

Provision for retirement pay liability (continued):

Movements in the provision for employment termination benefits for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	416,591	385,500
Charge for the period	139,163	135,916
Payments	(102,433)	(107,311)
Interest cost	3,576	10,972
Foreign currency translation adjustments	49	3,348
Company disposals	(57,749)	-
Actuarial (loss)/gain	104,852	(11,834)
31 December	504,049	416,591

NOTE 22 - OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other Current Assets		
Cheques in clearance	702,265	1,212,261
Deductible, deferred and other VAT	133,747	530,602
Other current assets	116,852	108,082
Total	952,864	1,850,945

	31 December 2019	31 December 2018
Other Non-Current Assets		
Long term tax claims and other legal receivables	29,861	13,920
Deductible, deferred and other VAT	1,583	3,902
Other non-current assets	94,782	119,691
Total	126,226	137,513

	31 December 2019	31 December 2018
Other Short Term Liabilities		
Cheques in clearance	1,410,474	2,468,350
Saving deposits insurance	93,838	52,010
Other short term liabilities	350,249	244,534
Total	1,854,561	2,764,894

Other Long Term Liabilities		
Other Long Term Liabilities	40,182	94,901
Total	40,182	94,901

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 23 - EQUITY

The Holding's authorised and issued capital consists of 204,040,393,100 (31 December 2018: 204,040,393,100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2019 and 2018 is as follows:

Shareholders:	Share (%)	31 December 2019	Share (%)	31 December 2018
Sakıp Sabancı Holding A.Ş.	14.07	287,100	14.07	287,100
Serra Sabancı	7.21	147,160	7.21	147,160
Suzan Sabancı Dinçer	6.94	141,567	6.94	141,567
Çiğdem Sabancı Bilen	6.94	141,567	6.94	141,567
Other	64.84	1,323,010	64.84	1,323,010
Share capital	100.00	2,040,404	100.00	2,040,404
Treasury shares (-)		(190,470)		(190,470)
Share premium		22,237		22,237

According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)'s Board of Director decision on 22 December 2015, company has started to make share buyback at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1.17% as of 31 December 2019. These shares are shown in consolidated equity as capital adjustments due to treasury shares.

Restricted Reserves

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

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

The details of restricted reserves mentioned above are as follows:

	31 December 2019	31 December 2018
Legal reserves	829,399	705,591
Subsidiary sales profit	344,487	344,487
Total	1,173,886	1,050,078

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 23 - EQUITY (Continued)

Dividend Distribution

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

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

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

	Revaluation fund	Cash flow hedge fund	Net investment hedge fund	Currency translation differences
Balance as of 1 January 2018	(252,746)	(121,522)	(228,186)	724,660
Increases/(decreases) during the period	(1,127,006)	(43,804)	(200,933)	658,116
Gains transferred to income statement	(149,035)	6,311	-	-
Net gains & losses included in the income statement due to transfer of financial assets through other comprehensive income into financial assets at amortized cost	38,628	-	-	-
Tax effect	272,231	8,248	44,205	-
Balance as of 31 December 2018	(1,217,928)	(150,767)	(384,914)	1,382,776

	Revaluation fund	Cash flow hedge fund	Net investment hedge fund	Currency translation differences
Balance as of 1 January 2019	(1,217,928)	(150,767)	(384,914)	1,382,776
Increases/(decreases) during the period	1,495,759	(932,150)	(81,044)	305,898
Gains transferred to income statement	300,933	144,495	-	-
Net gains & losses included in the income statement due to transfer of financial assets through other comprehensive income into financial assets at amortized cost	(162,888)	-	-	-
Tax effect	(359,437)	173,260	17,830	-
Balance as of 31 December 2019	56,439	(765,162)	(448,128)	1,688,674

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 24 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Information on assets held for sale:

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period profit amounting to Total TRY152.057 as of 31 December 2019 (31 December 2018: TRY22.778 Total loss). For the year ended 31 December 2019 and 31 December 2018, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements. The amount recognised under "Assets Held For Sale" is Total TRY7.347.731 as of 31 December 2019 (31 December 2018: Total TRY14.220.459). The remaining Total TRY131.850 is the land owned by Çimsa as available for sale, which is a subsidiary of the Group (31 December 2018: None). The amount recognised under "Liabilities Held For Sale" is Total TRY3.116.610 as of 31 December 2019 (31 December 2018: Total TRY4.273.745).

Information on other assets held for sale:

	Current period 31 December 2019	Previous period 31 December 2018
Cost	666,140	264,463
Accumulated depreciation (-)	73	79
Net book value	666,067	264,384

	Current period 31 December 2019	Previous period 31 December 2018
Beginning, net book value	264,384	133,515
Acquired (*)	1,575,616	180,171
Disposed of (-), net	235,066	49,220
Impairment (-)	938,867	82
Closing, net book value	666,067	264,384

(*) Akbank, one of the subsidiaries of the Group, has participated in the newly established LYY Telekomünikasyon A.Ş. at a rate of 35.56% and classified the share of TRY18 under the assets held for sale in the previous period. In the current period, the share of LYY Telekomünikasyon A.Ş. in the capital increased from TRY18 to TRY1.416.090. This amount is shown in the "Acquired" line in the table above.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 25 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	16,642,186	14,785,979
Foreign sales	2,760,345	2,156,318
Less: Discounts	(619,543)	(681,960)
Total	18,782,988	16,260,337

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of raw materials and merchandises	(12,015,299)	(10,370,697)
Change in finished good work in process inventory and merchandises	(439,341)	(23,091)
Depreciation and amortization expenses	(336,031)	(273,841)
Personnel expenses	(668,524)	(518,870)
Other	(1,415,486)	(1,670,798)
Total	(14,874,681)	(12,857,297)

NOTE 26 - EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(8,236)	(9,300)
Consultancy expenses	(9,578)	(3,990)
Depreciation and amortization expenses	(862)	(765)
Repair and maintenance expenses	(194)	(959)
Other	(616)	(72)
Total	(19,486)	(15,086)

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 26 - EXPENSES BY NATURE (Continued)

Marketing expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	(894,805)	(719,275)
Depreciation and amortization expenses	(421,707)	(129,584)
Rent expenses	(149,641)	(478,492)
Energy expenses	(147,807)	(113,854)
Transportation, logistic and distribution expenses	(136,679)	(130,115)
Advertisement expenses	(112,881)	(72,235)
Consultancy expenses	(52,995)	(42,929)
Outsourced services	(48,537)	(36,781)
Maintenance and repair expenses	(44,731)	(46,637)
Insurance expenses	(5,565)	(8,171)
Communication expenses	(1,870)	(3,276)
Material expenses	(1,363)	(3,736)
Other	(172,289)	(194,610)
Total	(2,190,870)	(1,979,695)

General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(3,123,937)	(2,570,013)
Credit card and banking service expenses	(835,319)	(726,023)
Depreciation and amortization expenses	(644,963)	(433,210)
Repair and maintenance expenses	(623,686)	(535,697)
Consultancy expenses	(319,505)	(239,725)
Insurance expenses	(316,761)	(231,087)
Taxes, duties and charges	(239,094)	(217,329)
Communication expenses	(191,025)	(180,498)
Advertisement expenses	(150,655)	(128,118)
Energy expenses	(88,589)	(59,534)
Material expenses	(47,058)	(52,040)
Outsourced services	(1,432)	(1,264)
Other	(1,090,426)	(1,321,268)
Total	(7,672,450)	(6,695,806)

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign currency gains resulting from operations	660,325	1,390,732
Due date income from trade receivables	90,449	97,565
Other income	317,722	377,636
Total	1,068,496	1,865,933

The details of other expenses from operating activities for the years ended 31 December 2019 and 2018 are as follows

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign currency losses resulting from operations	(466,432)	(1,128,327)
Due date expense from trade receivables	(367,739)	(234,153)
Goodwill impairment provision expenses	-	(150,200)
Provision expense	(21,305)	(22,698)
Other expenses	(201,578)	(252,355)
Total	(1,057,054)	(1,787,733)

NOTE 28 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities

The details of other income from investing activities for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Fixed asset sales profit	74,432	598,483
Gain on sale of associates	76,524	126,411
Dividend income	10,123	6,593
Interest income on time deposits	4,171	2,366
Time deposit exchange difference income	3,564	-
Other	6,689	5,501
Total	175,503	739,354

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 28 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)

Income from investing activities (continued)

The details of other expenses from investing activities for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Loss on sale of fixed assets	(9,003)	(6,663)
Loss on sale of subsidiary	(66,494)	-
Time deposit exchange difference expense	(1,047)	-
Total	(76,544)	(6,663)

NOTE 29 - FINANCE INCOME/EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Financial income		
Foreign currency gains	56,340	221,567
Interest income	12,092	5,142
Total	68,432	226,709
Financial expenses		
Foreign currency losses	(158,600)	(376,587)
Interest expense	(737,236)	(324,206)
Other financial expenses	(165,261)	(274,769)
Total	(1,061,097)	(975,562)

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 30 - TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Corporate and income taxes payable	1,690,444	448,621
Less: prepaid taxes	(1,339,282)	(402,392)
Total taxes payable	351,162	46,229

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 2019 is 22% (2018: 22%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc. and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences that will be realised in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realised after 2021 and onwards.

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:

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 30 - TAX ASSETS AND LIABILITIES (Continued)

Affiliation Privilege

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

Emission premiums exemption

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

Exemption for participation into foreign subsidiaries

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

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. As of 1 January 2018, the exemption for real estate has been revised to 50%. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

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

Investment incentives

The corporate tax rate in Turkey is 22%. However, there is a reduced corporate tax application for investments related to incentive certificate. The two factors that are important in calculating the discounted corporate tax in the Investment Incentive System are the contribution rate to investment and the rate of tax reduction. The amount of contribution of the investments to be met by Government through the tax is defined as the amount of contribution to the investment and dividing this amount by the total amount invested is defined as the rate of contribution to the investment. These rates are determined by the President according to the sectors and regions. Regulations on Reduced Corporate Tax are included in the Decree No: 2012/3305 of the Council of Ministers and 1 Serial Number of Corporate Tax.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 30 - TAX ASSETS AND LIABILITIES (Continued)

Tax amounts related to comprehensive income items in the consolidated statement of other comprehensive profit or loss for the period ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019			31 December 2018		
	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Fair value gains/(losses) from financial assets through other comprehensive income	3.988.937	(877.566)	3.111.371	(2.503.516)	550.774	(1.952.742)
Cash flow hedges, after tax	(1.551.392)	341.306	(1.210.086)	(378.805)	83.337	(295.468)
Financial assets related to the hedging of net investment in a foreign operation, after tax	(198.879)	43.753	(155.126)	(493.088)	108.479	(384.609)
Currency translation differences	706.580	-	706.580	1.510.690	-	1.510.690
Actuarial (losses) / gains	(108.110)	23.784	(84.326)	3.098	(682)	2.416
Other Comprehensive Income	2.837.136	(468.723)	2.368.413	(1.861.622)	741.909	(1.119.713)
				31 December 2019		31 December 2018
Profit before tax included in the consolidated financial statements				8,544,341		8,898,262
Expected tax charge according to parent company's tax rate 22% (2018: 22%)				(1,879,755)		(1,957,618)
Tax rate differences of subsidiaries				3,055		4,607
Expected tax charge of the Group				(1,876,700)		(1,953,011)
Revenue that is exempt from taxation				51,307		28,892
Non-deductible expenses				(56,514)		(16,252)
Utilizing carryforward tax losses that are not subject to deferred tax				1,606		(37,551)
Impact of profits from investments valued by equity method				322,672		177,861
The effect of timing differences will not be subject to tax				-		91
Investment incentives impact				16,385		35,154
Real estate sales profit exemption				-		22,981
Other				(37,978)		86,001
Current year tax charge of the Group				(1,579,222)		(1,655,834)

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 30 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax

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

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

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

For the period ended 31 December 2019, tax on the income generated for the three-month periods are paid at the rate of 22% (2018: 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.

At 31 December 2019, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY1,174,440 which can be offset against future taxable profits for a period of five years (31 December 2018: TRY840,246). As of 31 December 2019 and 31 December 2018 carry forward tax losses and the latest annual periods are as follows:

	31 December 2019	31 December 2018
2020	-	24,796
2021	361,220	465,178
2022	439,217	344,549
2023	344,107	5,723
2024	29,896	-
Total	1,174,440	840,246

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 30 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax (continued)

Deferred tax assets/(liabilities) for the years ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Deferred tax assets	353,154	372,640
Deferred tax liabilities	(737,000)	(185,504)
Net Deferred Tax Assets	(383,846)	187,136

The movements in deferred income tax assets/(liabilities) for the six-month periods ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	187,136	403,319
Charged to equity	(685,472)	149,563
Change in foreign currency translation differences	(110,184)	(35,408)
Company disposals	(130,356)	-
Charged to statement of profit or loss	376,509	(298,659)
Other	(21,479)	(31,679)
31 December	(383,846)	187,136

NOTE 31 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2019	Fair Value	
Derivative instruments held for trading:	Assets	Liabilities
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
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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 31 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2018 Derivative instruments held for trading:	Fair value	
	Assets	Liabilities
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	12,772,069	11,181,788
Forward currency purchases and sales transactions	1,084,169	450,783
Currency purchases and sales options	521,910	609,422
Other purchases and sales transactions	3,249,356	867
Total derivative instruments held for trading	17,627,504	12,242,860
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	5,058,434	688,610
Currency purchases and sales transactions	2,678	-
Total derivative instruments held for hedging	5,061,112	688,610
Total derivative instruments	22,688,616	12,931,470

Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa hedge against cash flow risk through the use of interest rate swaps against the cash flow risk arising from its financial debts.

NOTE 32 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	31 December 2019	31 December 2018
Consumer loans and credit cards receivables	50,475,117	45,957,225
Project finance loans	50,398,684	48,446,550
Construction	20,827,726	21,226,158
Financial institutions	17,022,629	25,290,619
Small-scale enterprises	15,521,011	14,967,236
Mining	7,801,926	6,241,256
Other manufacturing industries	6,546,945	8,031,069
Food and beverage, wholesale and retail	6,482,757	5,149,361
Textile	6,212,710	6,004,275
Chemicals	3,818,271	4,608,734
Automotive	3,653,900	4,556,178
Telecommunication (*)	1,342,522	293,681
Other	34,854,517	17,894,126
Total loans and advances to customers	224,958,715	208,666,468
Leasing receivables	5,140,318	6,415,536
Provision for loan losses	(12,707,080)	(8,482,445)
Net loans and advances to customers	217,391,953	206,599,559

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 32 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (continued)

The above table includes the bank's live and non-performing total loans, and the loan risk reserve is separated as a result of the bank assessment considering all credit risk.

(*) The loans of the Company regarding Levent Yapientation Management A.Ş., which it has previously displayed in the telecommunications sector, are classified under other financial assets under the "Fair Value Differences of Profit or Loss" item. The same classification was reflected in the financials of 31 December 2018 in order to show the financial statements mutually consistent.

Current period	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease		Total	
31 December 2019	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss
Loans	174.937.877	9.980.877	32.871.448	1.362.081	17.149.390	962.411	5.140.318	401.711	230.099.033	12.707.080
Stage 1	137.566.735	486.248	27.841.519	59.540	14.579.181	57.358	4.082.393	46.066	184.069.828	649.212
Stage 2	25.146.239	3.188.196	3.427.255	100.130	1.540.707	67.061	484.459	63.171	30.598.660	3.418.558
Stage 3	12.224.903	6.306.433	1.602.674	1.202.411	1.029.502	837.992	573.466	292.474	15.430.545	8.639.310
Financial Asset	101.850.036	185.359	-	-	-	-	-	-	101.850.036	185.359
Other	12.222.751	53.097	-	-	-	-	-	-	12.222.751	53.097
Non cash loans	42.699.025	297.102	-	-	-	-	-	-	42.699.025	297.102
Stage 1&2	42.440.518	232.314	-	-	-	-	-	-	42.440.518	232.314
Stage 3	258.507	64.788	-	-	-	-	-	-	258.507	64.788
Total	331.709.689	10.516.435	32.871.448	1.362.081	17.149.390	962.411	5.140.318	401.711	386.870.845	13.242.638

Previous period	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease		Total	
31 December 2019	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss
Loans	162.812.541	5.576.750	30.310.656	1.476.363	15.543.270	928.150	6.415.537	501.182	215.082.004	8.482.445
Stage 1	133.601.128	391.823	25.569.867	179.790	13.096.826	105.190	5.022.227	61.129	177.290.048	737.932
Stage 2	23.328.009	2.257.273	3.572.225	336.290	1.659.792	148.050	792.903	122.000	29.352.929	2.863.613
Stage 3	5.883.404	2.927.654	1.168.564	960.283	786.652	674.910	600.407	318.053	8.439.027	4.880.900
Financial Asset	82.797.786	48.418	-	-	-	-	-	-	82.797.786	48.418
Other	14.475.064	59.733	-	-	-	-	-	-	14.475.064	59.733
Non cash loans	52.795.371	381.930	-	-	-	-	-	-	52.795.371	381.930
Stage 1&2	52.614.940	331.189	-	-	-	-	-	-	52.614.940	331.189
Stage 3	180.431	50.741	-	-	-	-	-	-	180.431	50.741
Total	312.880.762	6.066.831	30.310.656	1.476.363	15.543.270	928.150	6.415.537	501.182	365.150.225	8.972.526

Effective interest rates of loans and advances to customers in US Dollars, Euros, Yen and Turkish Lira are 6.88% annually (31 December 2018: 7.26%), 4.45% (31 December 2018: 4.28%), respectively. 7.19% (31 December 2018: 9.06%) and 15.47% (31 December 2018: 18.41%).

As of 31 December 2019, the movement table of credit risk provision of banking industry segment by asset classes is as follows:

	Commerical Loans	Consumer Loans & Credit Cards	Leasing receivables	Total
1 January 2019	5,576,750	2,404,514	501,182	8,482,446
Gross provisions	6,203,867	844,337	89,479	7,137,683
Collections	(561,958)	(464,870)	(45,998)	(1,072,826)
Written-off (*)	(1,237,782)	(459,489)	(142,952)	(1,840,223)
31 December 2019	9,980,877	2,324,492	401,711	12,707,080

(*) The Bank accounts for TRY 714 million (full TRY amount) of its non-performing loans portfolio, İstanbul Varlık Yönetim A.Ş. for a fee of TRY 32.9 million (full TRY amount). and to the future Varlık Yönetim A.Ş. TRY113.8 million of TRY714 million was written off from the asset in 2017 and before. Ak Finansal Kiralama A.Ş. sold TRY50.8 million (full TRY amount) of non-performing financial lease receivables to Met-Ay Varlık Yönetim A.Ş. for a price of TRY425 thousand (full TRY amount).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 32 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (continued)

As of 31 December 2018, the movement table of credit risk provision of banking industry segment by asset classes is as follows:

	Commerical Loans	Consumer Loans & Credit Cards	Leasing receivables	Total
1 January 2018	4,052,518	2,911,020	209,879	7,173,417
IFRS 9	845,575	(919,590)	49,480	(24,535)
Gross provisions	4,986,256	1,753,633	366,340	7,106,229
Collections	(709,473)	(440,373)	(5,794)	(1,155,640)
Written-off (*)	(3,598,126)	(900,176)	(118,723)	(4,617,025)
31 December 2018	5,576,750	2,404,514	501,182	8,482,446

(*) The Bank accounts for a portion of TRY774 million (full TRY amount) of its non-performing loans portfolio, Güven Varlık Yönetim A.Ş., Efes Varlık Yönetim A.Ş. for a fee of TRY36 million (full TRY amount). and Hayat Varlık Yönetim A.Ş. to 3 companies. The portion of the Bank's non-performing loans portfolio amounting to TRY446 million (full TRY amount), Arsan Varlık Yönetim A.Ş., İstanbul Varlık Yönetim A.Ş. for a total of TRY19.4 million (full TRY amount). and Sümer Varlık Yönetim A.Ş. to 3 companies.

The maturity analysis of loans and advances to customers as of 31 December 2019 and 31 December 2018 is presented below:

	31 December 2019	31 December 2018
Up to 3 months	75,181,405	61,110,257
3 to 12 years	40,330,281	41,483,652
Current	115,511,686	102,593,909
1 to 5 years	75,734,797	74,553,660
Over 5 years	21,005,152	23,036,454
Non current	96,739,949	97,590,114
Total	212,251,635	200,184,022

As of 31 December 2019 and 31 December 2018, the repricing dates of loans and advances given to customers in the contracts are as follows:

	31 December 2019	31 December 2018
Up to 3 months	97,452,545	86,877,733
3 to 12 months	43,842,267	45,661,631
1 to 5 years	65,290,494	60,537,709
Over 5 years	5,666,329	7,106,950
Total	212,251,635	200,184,022

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 33 - PAYABLES FROM FINANCE SECTOR OPERATIONS

Banking

	31 December 2019			31 December 2018		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	29,769,128	118,639,877	148,409,005	20,345,719	105,662,512	126,008,231
Commercial deposits	20,861,510	61,873,309	82,734,819	19,275,050	48,031,661	67,306,711
Bank deposits	1,555,546	5,220,007	6,775,553	1,487,220	6,564,165	8,051,385
Funds provided from						
Repo transactions	-	9,955,766	9,955,766	-	14,275,016	14,275,016
Other	1,410,044	3,106,320	4,516,364	1,321,784	2,671,123	3,992,907
Total	53,596,228	198,795,279	252,391,507	42,429,773	177,204,477	219,634,250

Effective interest rates of USD, EUR and TRY denominated customer deposits are 2.15% p.a. (31 December 2018: 3.51% p.a.), 0.05% p.a. (31 December 2018: 0.26% p.a.) and 9.43% p.a. (31 December 2018: 22.55% p.a.).

As of 31 December 2019 and 2018, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2019	31 December 2018
Demand	53,596,228	42,429,773
Up to 3 months	176,547,906	149,747,370
3 to 12 months	13,797,294	20,966,242
1 to 5 years	7,469,389	5,955,533
Over 5 years	980,690	535,332
Total	252,391,507	219,634,250

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 34 - EARNINGS PER SHARE

Earnings per share (parent company share) stated in the consolidated profit or loss statement is determined by dividing the net period profit by the weighted average number of shares issued within the relevant period.

	31 December 2019	31 December 2018
Earnings per share total TRY		
- ordinary share ('00)	1.85	1.88
Earnings per share from continuing operations total TRY		
- ordinary share ('00)	1.85	1.88
Number of treasury shares	(190,470,000)	(190,470,000)
Earnings per share excluding treasury shares (total TRY)		
- ordinary share ('00)	1.85	1.88
Earnings per share from continuing operations excluding treasury shares (total TRY)		
- ordinary share ('00)	1.85	1.88
Weighted average number of shares as of the reporting date (per share of Kr 1 nominal value)		
-ordinary share	204,040,393,100	204,040,393,100

NOTE 35 - RELATED PARTY DISCLOSURES

Key management personnel compensation:

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

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Short term benefits provided to senior executive	33,411	25,556
Benefits provided by termination	1,283	3,125
Other long term benefits	331	271
Total	35,025	28,952

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**36.1 Financial Instruments and Financial Risk Management****36.1.1 Financial risk management**

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

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

36.1.1.1 Foreign Exchange Risk

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

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

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

Foreign currency denominated assets and liabilities held by the Group before consolidation elimination at 31 December 2019 and 2018 terms of TRY are as follows:

	31 December 2019	31 December 2018
Assets	184,702,062	178,595,578
Liabilities	(214,694,810)	(201,601,365)
Net foreign currency balance sheet position	(29,992,748)	(23,005,787)
Net foreign currency position of off-balance sheet derivative financial instruments	34,764,951	26,926,316
Net foreign currency balance sheet and off-balance sheet position	4,772,203	3,920,529

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Instruments and Financial Risk Management (continued)

36.1.1.1 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	-	955,811
Receivables from financial operations	85,166,689	36,364,679	48,704,558	21	97,431
Reserve deposits at central banks	25,808,586	15,377,023	9,277,376	-	1,154,187
Trade receivables	674,130	303,192	330,038	2,391	38,509
Other 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 deposit	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 assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	34,764,951	31,083,116	(1,258,919)	2,012,918	2,927,836
Monetary items net assets/(liabilities) foreign currency position	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 (Bank and Philsa-Philip Morris excluded).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Instruments and Financial Risk Management (continued)

36.1.1.1 Foreign Exchange Risk (continued)

31 December 2018	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and cash equivalents	23,603,634	16,396,562	5,458,393	1,403,846	344,833
Financial investments	26,175,616	19,210,249	6,342,367	-	623,000
Receivables from financial operations	95,632,459	44,747,843	50,843,790	3,001	37,825
Reserve deposits at Central Bank	23,504,830	11,522,486	8,549,661	-	3,432,683
Trade receivables	932,242	216,542	638,387	23,246	54,067
Other assets	8,746,797	6,404,821	2,220,539	143	121,294
Total assets	178,595,578	98,498,503	74,053,137	1,430,236	4,613,702
Liabilities:					
Funds borrowed and debt securities					
in issue	57,923,109	45,858,329	11,873,391	-	191,389
Customer deposits	138,209,510	87,646,861	43,801,101	3,267,100	3,494,448
Trade payables	288,550	116,258	132,337	956	38,999
Other payables and provisions	5,180,196	2,123,396	2,973,325	2,230	81,245
Total Liabilities	201,601,365	135,744,844	58,780,154	3,270,286	3,806,081
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	26,926,316	38,527,197	(12,450,162)	1,852,690	(1,003,409)
Monetary items net assets/(liabilities) foreign currency	3,920,529	1,280,856	2,822,821	12,640	(195,788)

Net profit effect of the consolidated to the total net foreign currency position is TRY1,675,565 as of 31 December 2018 (Bank and Philsa-Philip Morris excluded).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Instruments and Financial Risk Management (continued)

36.1.1.1 Foreign Exchange Risk (continued)

Since the foreign currency position risk of the Bank is insignificant, exchange rate changes have no significant effect on the financial statements.

The table below summarizes the situations in which the net foreign exchange position in the Group's balance sheet will reach with changes in the exchange rates for the Group companies that are out of the banking industry division in the years ended 31 December 2019 and 2018:

31 December 2019	Profit/Loss	
	Appreciation of foreign currency	Appreciation of foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	306,608	(306,608)
USD hedge items (-)	-	-
USD net effect	306,608	(306,608)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	21,565	(21,565)
EUR hedge items (-)	-	-
EUR net effect	21,565	(21,565)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	1,045	(1,045)
GBP hedge items (-)	-	-
GBP net effect	1,045	(1,045)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(700)	700
Other hedges items(-)	-	-
Other currency net effect	(700)	700

31 December 2018	Profit/Loss	
	Appreciation of foreign currency	Appreciation of foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	287,692	(287,692)
USD hedge items (-)	-	-
USD net effect	287,692	(287,692)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	1,124	(1,124)
EUR hedge items (-)	-	-
EUR net effect	1,124	(1,124)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	3,826	(3,826)
GBP hedge items (-)	-	-
GBP net effect	3,826	(3,826)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(730)	730
Other hedges items(-)	-	-
Other currency net effect	(730)	730

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.2 Interest Rate Risk

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

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. During 2019 and 2018, the Group's borrowings at floating rates are denominated in TRY, USD, EUR and GBP.

As of 31 December 2019 and 2018, the interest position table of the Group's non-banking industrial segments is as follows:

	31 December 2019	31 December 2018
Fixed interest rate financial instruments		
Financial assets	566,479	122,991
Time deposits	566,479	122,991
Financial liabilities	3,559,543	3,278,377
Floating interest rate financial instruments		
Financial liabilities	619,496	399,176

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

At 31 December 2019, if the annual interest rate of variable interest loans in TRY were 10% higher/lower and all other variables remained constant; There is no current period loss before tax as a result of high interest expenses consisting of variable loans. (31 December 2018: 25.731 TL).

At 31 December 2019, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TRY(6.195) (31 December 2018: TRY(1.419)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2019, if the annual interest rate of variable interest loans in Euro unit was 1% higher/lower and all other variables remained constant; There is no current period loss before tax as a result of high interest expense, which consists of variable loans (31 December 2018: TRY(861)).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.3 Liquidity Risk

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

i) Banking industrial segment

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

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

As of 31 December 2019 and 2018 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

Liabilities	31 December 2019						
	Book value	Contractual cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Customer deposits	252.391.507	253.584.157	198.801.601	25.385.879	14.182.312	12.294.248	2.920.117
Funds borrowed and debt securities in issue	54.529.896	60.236.410	4.913.399	4.262.874	15.586.740	22.513.357	12.960.040
Interbank money market deposits	150.754	150.754	150.754	-	-	-	-
Total	307.072.157	313.971.321	203.865.754	29.648.753	29.769.052	34.807.605	15.880.157

Liabilities	31 December 2018						
	Book value	Contractual cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Customer deposits	219.634.250	221.979.763	160.696.918	25.266.132	21.293.569	12.072.952	2.650.192
Funds borrowed and debt securities in issue	61.571.596	69.670.416	1.597.187	5.832.101	20.954.835	32.060.105	9.226.188
Interbank money market deposits	66.047	66.047	50.730	15.317,00	-	-	-
Total	281.271.893	291.716.226	162.344.835	31.113.550	42.248.404	44.133.057	11.876.380

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.3 Liquidity Risk (continued)

ii) Other industrial segments

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

As of 31 December 2019 and 2018, the Group's analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2019						
Liabilities	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	4.179.039	4.798.940	1.618.542	914.386	2.266.012	-
Financial lease obligations	1.231.902	2.112.521	102.686	325.407	578.788	1.105.640
Trade payables	3.995.658	3.991.324	3.239.712	751.612	-	-
Other payables	129.079	121.511	86.160	15.826	19.525	-
Total	9.535.678	11.024.296	5.047.100	2.007.231	2.864.325	1.105.640

31 December 2018						
Liabilities	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	4.192.552	5.090.865	1.129.371	2.651.964	1.309.530	-
Financial lease obligations	85.957	144.978	10.057	20.808	33.576	80.537
Trade payables	3.372.749	3.398.346	3.024.194	374.152	-	-
Other payables	183.203	198.135	105.799	-	92.336	-
Total	7.834.461	8.832.324	4.269.421	3.046.924	1.435.442	80.537

36.1.1.4 Credit Risk

i) Banking industrial segment

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

Limits determined on the basis of products and customers are taken as a basis in credit transactions, and risk and limit information is constantly checked.

There are risk control limits established against credit risk and market risks on positions held in terms of futures and options contracts and other similar contracts.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

In order to meet and control the credit risks that may arise from fluctuations in foreign exchange and interest rates, futures are also carried out when necessary.

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

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

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

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

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

With the help of scoring systems created for customers with different features, the probability of counterparty default is calculated and separate rating systems are created for corporate, commercial, SME, consumer and credit card.

Akbank calculates the probability of customers falling into default through the rating systems created for different types of customers. In the table below, concentration information of loans classified using rating systems is given.

	31 December 2019	31 December 2018
Above average	43.72%	37.55%
Average	41.21%	43.68%
Below average	11.11%	16.25%
Unrated	3.96%	2.52%

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

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

	31 December 2019	31 December 2018
Loans and advances to banks	44.547.892	49.617.879
Loans and advances	217.391.953	206.599.559
<i>Consumer loans and advances</i>	48.541.904	43.449.413
<i>Corporate loans and advances</i>	164.111.441	157.210.010
<i>Financial lease receivables</i>	4.738.608	5.940.136
Financial assets at fair value through profit and loss	7.264.839	6.869.025
Derivative financial assets at fair value through profit and loss	11.166.945	22.688.615
Derivative transactions held for hedges		
financial assets	5.350.817	-
Financial assets at fair value through other comprehensive		
income and financial assets measured at amortized cost	83.089.971	56.561.178
Other assets	4.511.154	5.130.107
Total	373.323.571	347.466.363

Marketable securities of the banking industrial segment as of 31 December 2019 and 2018. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2019	Financial assets through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
Aaa	170,485	2,319,297	334,259	2,824,041
Aa1, Aa2, Aa3	-	275,375	-	275,375
A1, A2, A3	-	272,190	-	272,190
Baa1, Baa2, Baa3	-	132,165	-	132,165
Ba1	-	-	-	-
Ba2	-	-	-	-
Ba3	-	-	-	-
B1, B2, B3	137,668	64,525,419	15,231,266	79,894,353
Total	308,153	67,524,446	15,565,525	83,398,124

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

31 December 2018	Financial assets through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	253,903	-	253,903
A1, A2, A3	-	239,278	-	239,278
Baa1, Baa2, Baa3	-	266,730	-	266,730
Ba1	-	840	-	840
Ba2	-	62,051	-	62,051
Ba3	22,006	37,193,092	9,754,326	46,969,424
B1, B2, B3	-	6,330,182	2,460,776	8,790,958
Total	22,006	44,346,076	12,215,102	56,583,184

The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2019 and 2018 are summarized as follows:

31 December 2019	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	27.579.823	4.634.554	11.893.974	439.541	44.547.892
Loans and advances	208.508.507	2.428	8.327.859	553.159	217.391.953
Consumer loans and advances	48.541.904	-	-	-	48.541.904
Corporate loans and advances	155.227.995	2.428	8.327.859	553.159	164.111.441
Financial lease receivables	4.738.608	-	-	-	4.738.608
Financial assets at fair value through profit and loss	7.264.839	-	-	-	7.264.839
Derivative financial assets at fair value through profit and loss	5.378.666	1.118	5.734.846	52.315	11.166.945
Derivative transactions held for hedges	-	-	5.350.817	-	5.350.817
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	79.750.267	2.319.297	816.138	204.269	83.089.971
Other assets	4.511.154	-	-	-	4.511.154
Total	332.993.256	6.957.397	32.123.634	1.249.284	373.323.571

31 December 2018	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	31.332.399	5.988.306	12.268.242	28.932	49.617.879
Loans and advances	197.530.819	39.047	8.368.831	660.862	206.599.559
Consumer loans and advances	43.449.413	-	-	-	43.449.413
Corporate loans and advances	148.141.270	39.047	8.368.831	660.862	157.210.010
Financial lease receivables	5.940.136	-	-	-	5.940.136
Financial assets at fair value through profit and loss	6.869.025	-	-	-	6.869.025
Derivative financial assets at fair value through profit and loss	8.631.718	2.964	14.030.923	23.010	22.688.615
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	55.757.809	-	803.369	-	56.561.178
Other assets	5.130.107	-	-	-	5.130.107
Total	305.251.877	6.030.317	35.471.365	712.804	347.466.364

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.4 Credit Risk (continued)

i) Banking industrial segment (continued)

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2019 and 2018 are summarized as follows:

	Financial institutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to banks	44.547.892	-	-	-	-	-	44.547.892
Loan and advances	16.122.386	3.079.818	27.207.406	66.702.318	55.738.121	48.541.904	217.391.953
Consumer loans and advances	-	-	-	-	-	48.541.904	48.541.904
Corporate loans and advances	16.025.627	3.079.516	26.847.140	64.955.284	53.203.874	-	164.111.441
Financial lease receivables	96.759	302	360.266	1.747.034	2.534.247	-	4.738.608
Financial assets at fair value through profit and loss	-	-	-	-	7.264.839	-	7.264.839
Derivative financial assets at fair value through profit and loss	33.030	274.722	-	-	401	-	308.153
Derivative instruments	5.534.108	-	-	-	5.593.211	39626	11.166.945
Derivative transactions held for hedges financial assets	5.042.449	-	-	-	215	-	5.042.664
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	15.363.217	66.302.961	-	1.362.555	61.238	-	83.089.971
Other assets	4.511.154	-	-	-	-	-	4.511.154
31 December 2019	91.154.236	69.657.501	27.207.406	68.064.873	68.658.025	48.581.530	373.323.571
31 December 2018	102.680.480	48.297.644	25.331.701	73.497.361	54.192.716	43.466.462	347.466.364

ii) Other industrial segments

Credit risk for the other than that of the banking segment arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's exposure to types of financial instruments of other industrial segments as of 31 December 2019 and 2018 is as follows.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.4 Credit Risk (continued)

31 December 2019	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.625.436	-	157.343	733.902	110.902
Collateralized or secured with guarantees part of maximum credit					
A. Restructured otherwise accepted as past due and impaired	1.493.247	-	157.343	733.902	110.902
B. Past due but not impaired net book value	132.189	-	-	-	-
C. Net book value of impaired assets		-	-	-	-
- Past due (Gross amount)	57.515	-	-	-	-
- Impairment	(57.515)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-

31 December 2018	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	2.137.062	-	156.649	430.097	82.712
Collateralized or secured with guarantees part of maximum credit					
A. Restructured otherwise accepted as past due and impaired	1.854.908	-	156.649	430.097	82.712
B. Past due but not impaired net book value	284.154	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Past due (Gross amount)	190.375	-	-	-	-
- Impairment	(190.375)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-

(*) Does not include tax and other legal receivables.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.5 Value at risk

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

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

As of 31 December 2019 and 2018, the fair value changes of Turkish Lira and foreign exchange after performing 500 and 200 basis points in the account balances subject to the calculation is as follows;

Currency	Applied Shock (+/- x basis points)	31 December 2019		31 December 2018	
		Gains /Losses	Gains /Shareholders Equity-Losses /Shareholders Equity	Gains /Losses	Gains /Shareholders Equity-Losses /Shareholders Equity
TRY	(400)	3,588,028	% 5.69	2,653,182	% 5.28
TRY	500	(4,027,453)	%(6.38)	(2,982,938)	%(5.94)
USD	(200)	922,614	%(1.46)	(199,575)	%(0.40)
USD	200	(882,350)	%(1.40)	200,621	% 0.40
EUR	(200)	(35,477)	%(0.06)	107,373	% 0.21
EUR	200	(828,729)	%(1.31)	(790,100)	%(1.57)
Total (for negative shocks)		4,475,165	% 7.09	2,560,980	% 5.10
Total (for positive shocks)		(5,738,532)	%(9.09)	(3,572,417)	%(7.11)

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

36.1.1.5 Value at risk (continued)

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

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

36.1.2 Capital risk management

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

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

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

The net liability/invested capital ratios at 31 December 2019 and 2018 are as follows:

Thousand TRY	31 December 2019	31 December 2018
Total financial liabilities	339,870,436	315,290,475
Cash and cash equivalents	22,447,203	23,657,667
Net liability	317,423,233	291,632,808
Equity	66,477,443	56,395,796
Invested capital(*)	383,900,676	348,028,604
Net liability/invested capital ratio	83%	84%

(*) The capital invested consists of equity and net debt total.

NOTE 37 - FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 37 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

Financial assets

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

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

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

Financial liabilities

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

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

Trade payables are valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

Derivative financial instruments

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

Fair values of the financial assets and liabilities of the Group's banking segment as of 31 December 2019 and 2018 are as follows:

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 37 - 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 31 December 2019 and 2018 are as follows:

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

(*) The fair value of the loan, which is considered as Level 3, has been determined based on the results of the study, which includes various valuation methods. Possible changes in the basic assumptions in the said valuation study may affect the carrying value of the loan.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 37 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

Banking (continued)

Current Year - 31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	10.113	-	-	10.113
- Marketable Securities Representing Capital Share	150.684	-	-	150.684
- Other Financial Assets	18.020	-	6.690.208	6.708.228
Financial Assets at Fair Value Through Other Comprehensive Income				
- Government Debt Securities	36.502.564	-	-	36.502.564
- Marketable Securities Representing Capital Share	-	-	-	-
- Other Financial Assets	6.637.479	1.219.810	-	7.857.289
Derivative Financial Assets				
Derivative Financial Assets at Fair Value Through Profit or Loss	-	1.989.608	-	1.989.608
- Fair Value Difference of Derivative Financial Assets, Reflected on Other Comprehensive Income	1.371	20.697.637	-	20.699.008
Borrowings	-	206.599.559	-	206.599.559
Financial Assets measured at amortized cost (Net)				
- Government Debt Securities	9.441.205	-	-	9.441.205
- Other Financial Assets	2.852.363	-	-	2.852.363
Total Assets	55.613.799	230.506.614	6.690.208	292.810.621
Derivative Financial Liabilities				
- Reflected on Other Comprehensive Income at Fair Value Difference	-	644.958	-	644.958
- Reflected on Other Comprehensive Income at Fair Value Through Profit or Loss	248	12.286.264	-	12.286.512
Financial Liabilities at Fair Value				
- Customer Deposit	-	159.253.841	-	159.253.841
- Interbank money market deposits, funds borrowed and debt securities in issue	-	60.380.409	-	60.380.409
Total Liabilities	248	232.565.472	-	232.565.720

(*) The fair value of the loan, which is considered as Level 3, has been determined based on the results of the study, which includes various valuation methods. Possible changes in the basic assumptions in the said valuation study may affect the carrying value of the loan.

The table below shows the movement table of Level 3 financial assets:

	31 December 2019	31 December 2018
Balance at the beginning of the period	6,690,208	-
Purchases	-	-
Redemption or sales	-	-
Valuation difference	759,654	-
Transfers	(726,443)	6,690,208
Balance at the end of the period	6,723,419	6,690,208

The shares classified in financial assets whose fair value is not traded in the organized markets and whose fair values cannot be determined reliably are reflected in the consolidated financial statements after deducting the provision related to the depreciation, if any, over the value loss. There was no transfer between the levels in the current year and the past year.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 37 - FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments and fair value

31 December 2019	Note	Financial Assets at Amortised Cost	Loans and receivables (cash and cash equivalents included)	Financial assets through other comprehensive income	Financial liabilities measured at amortized cost	Book value	Fair value
Financial Assets							
Cash and cash equivalents	5	-	22,447,203	-	-	22,447,203	22,447,203
Trade receivables	8	-	1,625,436	-	-	1,625,436	1,625,436
Other financial asset (*)	6,9	15,566,111	5,792,542	67,524,446	-	88,883,099	88,894,295
Receivables from financial operations	30	-	217,391,953	-	-	217,391,953	228,831,850
Financial Liabilities							
Financial payables	7	-	-	-	58,084,781	58,084,781	58,084,781
Trade payables	8	-	-	-	3,995,658	3,995,658	3,995,658
Other financial liabilities (**)	9	-	-	-	9,452,894	9,452,894	9,452,894
Payables from financial operations	31	-	-	-	252,391,507	252,391,507	252,169,296
31 December 2018							
Financial Assets							
Cash and cash equivalents	5	-	23,657,667	-	-	23,657,667	23,657,667
Trade receivables	8	-	2,137,062	-	-	2,137,062	2,137,062
Other financial asset (*)	6,9	12,215,183	4,838,694	44,359,853	-	61,413,730	61,056,630
Receivables from financial operations	30	-	206,599,559	-	-	206,599,559	196,887,883
Financial Liabilities							
Financial payables	7	-	-	-	65,764,148	65,764,148	65,764,148
Trade payables	8	-	-	-	3,372,749	3,372,749	3,372,749
Other financial liabilities (**)	9	-	-	-	8,515,006	8,515,006	8,515,006
Payables from financial operations	31	-	-	-	219,634,250	219,634,250	218,872,618

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 38 - EVENTS AFTER THE REPORTING PERIOD

The General Directorate of Insurance of the Ministry of Treasury and Finance imposed a total administrative fine of TRY94,703,256 (Full) on Akbank, a subsidiary of the group, for failure to comply with Article 32 of the Insurance Law and other related legislation provisions and required Akbank to cease insurance agency operations for 15 days, from 30 January 2020 to 13 February 2020. The fine was paid on 18 February 2020, as per Article 17/6 of Misdemeanor Law No. 5326, and Akbank benefited from a 25% advance payment discount.