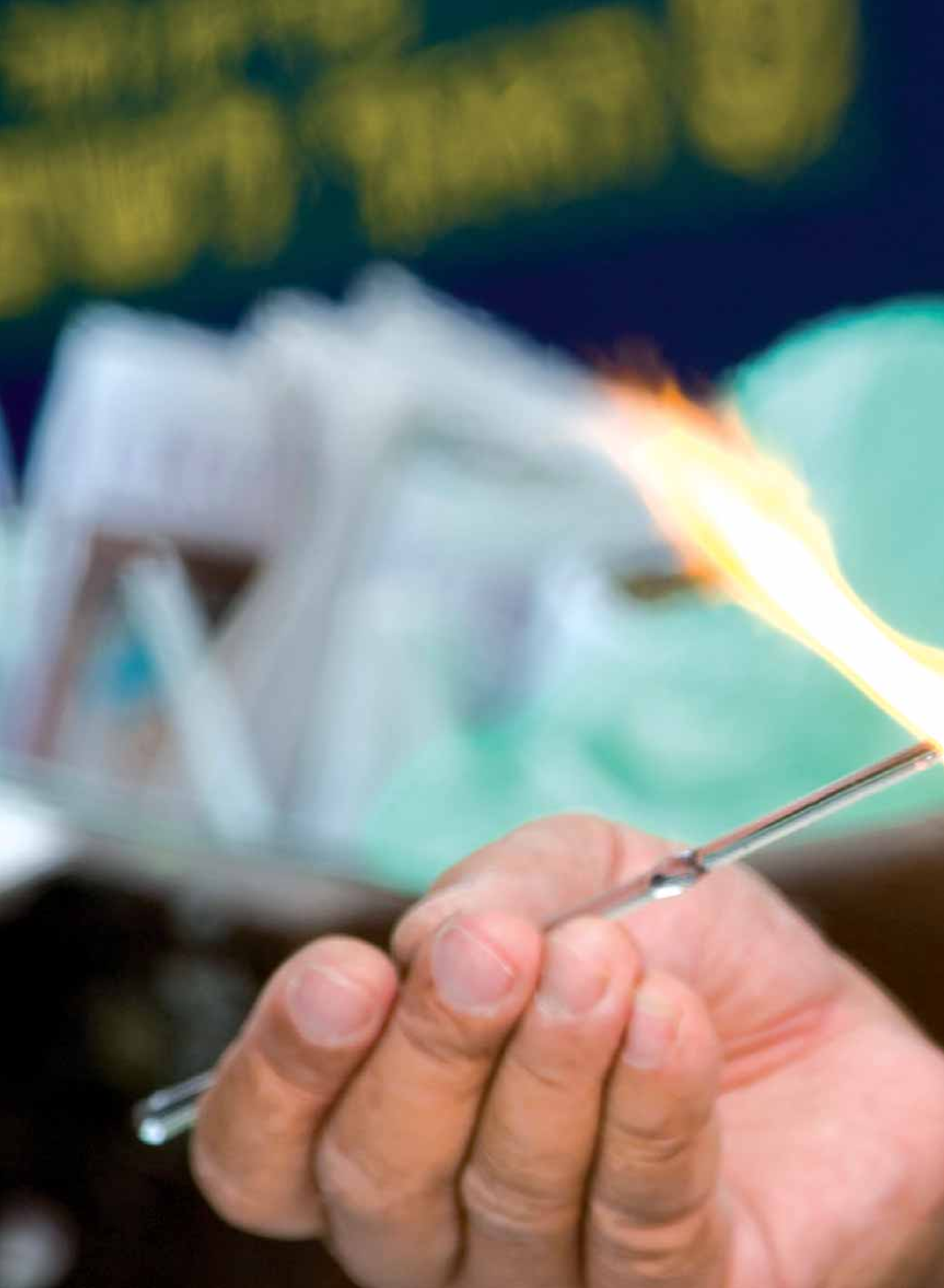
Hacı Ömer Sabancı Holding A.Ş.
2008 Annual Report



SABANCI OF TURKEY

Value creator...


Responsible...

SABANCI OF TURKEY


Participative...

SABANCI OF TURKEY

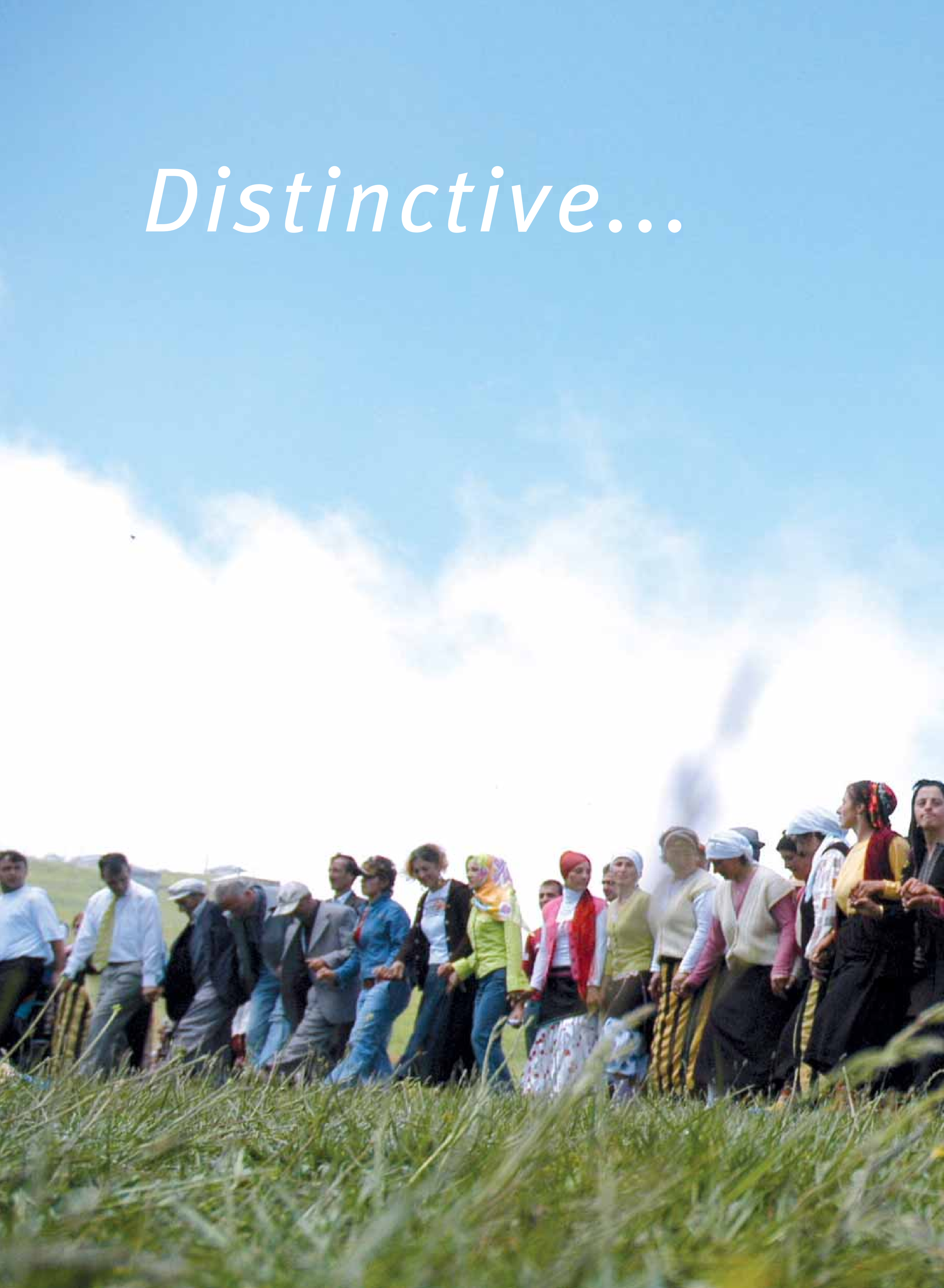
Innovative...

SABANCI OF TURKEY

Transparent...

SABANCI OF TURKEY

Distinctive...

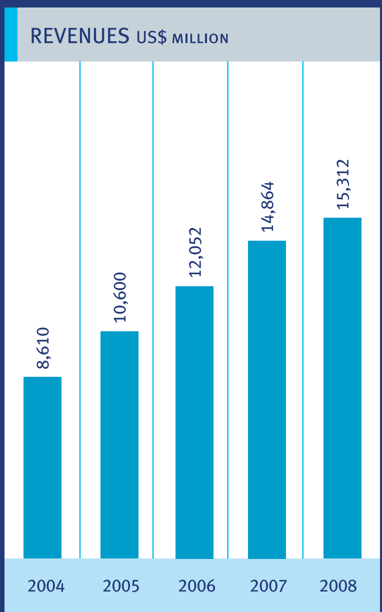


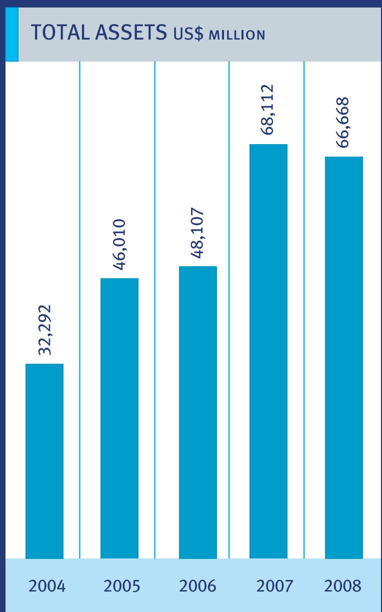
SABANCI OF TURKEY

Consolidated Financial Highlights*

US$ MILLION				
YEARS	REVENUES	TOTAL ASSETS	NET INCOME	SHAREHOLDERS' EQUITY
2004	8,610	32,292	540	4,612
2005	10,600	46,010	514	5,067
2006	12,052	48,107	351	4,876
2007	14,864	68,112	745	7,341
2008	15,312	66,668	919	6,319

(*) In accordance with the Financial Reporting Standards issued by the Capital Markets Board.





Contents

The Sabancı Group in Brief

Sabancı Holding is the parent company of the Sabancı Group, Turkey's leading industrial and financial conglomerate.

The Sabancı Group is composed of 69 companies, many of which are recognized as market leaders in their respective sectors. Sabancı Holding's main business units include financial services, automotive, tire and tire reinforcement materials, retail, cement and energy. Listed on the Istanbul Stock Exchange (ISE), Sabancı Holding has controlling interests in 11 companies also listed on the ISE.

Sabancı Group companies currently operate in 18 countries and market their products in various regions in Europe, the Middle East, Asia, North Africa and North and South America. Having extensive knowledge and experience in Turkey, Sabancı Holding has led a drastic growth in its core businesses. Its respectability, trademark image and strong joint ventures, further extended its operations into the global market. Sabancı Holding's multinational business partners include such prominent companies as Aviva, Bridgestone, Carrefour, Citigroup, Dia, Heidelberg Cement, Hilton International, International Paper, Mitsubishi Motor Co., Philip Morris, Toyota and Verbund.

In addition to coordination of finance, strategy and business development and human resources functions, Sabancı Holding determines the Group's vision and strategies, thus creating shareholder value through synergies across Group companies.

In 2008, consolidated revenue of Sabancı Holding was US$ 15.3 billion with an EBITDA of US$ 2.1 billion.

The Sabancı Family is collectively Sabancı Holding's major shareholder with 63% of the share capital. Sabancı Holding shares are traded on the Istanbul Stock Exchange with a free float of 37% (Including 15.89% registered to ISE in February 2009 by other Sabancı family members). Depository receipts are quoted on SEAQ International and Portal.

Letter from the Chairman and the Chief Executive Officer

Güler Sabancı
Chairman and Managing Director

Ahmet Cemal Dördüncü
CEO and Board Member

With our strong management team, our successful business track record for more than half of a century, our strong financial structure and the Sabancı brand and reputation that now extends beyond Turkey, we will continue to create value for our shareholders.

Dear Shareholders,

2008 was a year, when global economic downturn got worse, mainly led by weakened international financial system. In Turkey, we started to feel the economic slowdown significantly starting from the fourth quarter of 2008, resulting in 6.2% decline in GDP in the final quarter of the year.

Sub-prime mortgage crisis, first detected in mid-2007, turned into a global financial system meltdown in the third quarter of 2008. The governments and central banks all around the world injected significant capital into the system to stabilize markets and to restore economic confidence. Nevertheless, the sharp contraction in loan availability, the dramatic financial losses experienced throughout the world and rapidly deteriorating consumer and investor confidence turned the financial crisis into a broader economic turmoil including the real sector. As a result, economies faced major decline in consumer spending accompanied by massive job losses.

As the export markets were adversely affected and global liquidity inflows started to decline, the Turkish economy started to stagnate with loss of consumer confidence, declining production and thus, increasing unemployment rates. Consequently, rate of Turkish GDP growth, strong over recent years, started to show a downward trend rapidly. As was the case in many developing countries, the sharp increase in risk aversion resulted in a significant depreciation in the Turkish Lira in the last quarter of 2008. With decreasing commodity and energy prices, the Consumer Price Index fell to 10.1% by year-end, from its peak at 12.1% in 2008. With declining inflation and severe downturn in growth, the Central Bank initiated radical reduction in overnight rates in November 2008. The overnight borrowing rates were reduced to 15% by year-end from mid-year high levels of 16.75%, and with further reductions, dropping to 9.75% by mid-April 2009.

As Sabancı Holding, despite the adverse economic conditions of last quarter, we are pleased to report the following results for the full-year 2008:

- Consolidated revenues of US$ 15.3 billion,
- Consolidated EBITDA of US$ 2.1 billion, and
- Consolidated net income of US$ 919 million.

In 2008, we continued to invest in high-growth core businesses as energy and retail and the total investments of the Group was US$ 820 million. The following strategic and financial transactions were recorded:

- In June 2008, Sabancı Holding and Verbund 50/50 joint venture won the operating right of Başkent Electricity Distribution Co. from Privatization Administration for US$ 1,225 million. The acquisition process was completed by Enerjisa Distribution Co. in January 2009.

- In October 2008, Enerjisa Generation Co. started construction of Bandırma natural gas power plant with 920 MW capacity and Kavşakbendi and Hacınınoğlu hydroelectric power plants with 180 MW and 142 MW capacities, respectively. Enerjisa plans to start investments for seven more hydroelectric plants in 2009.

- In June 2008, Enerjisa Generation Co. signed a financing package of EUR 1 billion with IFC, Akbank, institutions coordinated by West LG AG and the European Central Bank for its existing natural gas and hydroelectric power plant projects with a total potential capacity of 1,920 MW.

- In January 2008, Carrefoursa sold a real estate in Merter, Istanbul for EUR 265 million. By the end of 2008, Carrefoursa reached 22 hypermarkets and 128 supermarkets with a total selling space of 327,000 square meters. Our electronic retail subsidiary Teknosa reached 12% market share with more than 200 stores and 69,000 square meters selling space at the end of 2008.

- In April 2008, Temsa Global's bus and midibus plant in Egypt with 1,000 vehicles/year capacity, began production. Adapazarı plant, built for truck business, also started production in 2008.

In line with our strategy to focus on our core businesses and exit non-core, we executed the following transactions:

- In January 2008, we finalized the sale of our 51.23% equity stake in Pilsa, our plastic pipes subsidiary, for US$ 41.4 million.

- In March 2008, we sold our 99.65% equity stake in Gıdasa, our food subsidiary, for an enterprise value of US$ 174 million.

- In July 2008, we finalized the sale of our 50% equity stake in Beksa, our joint-venture in the steel cord business, to our partner Bekaert for EUR 39.4 million.

- In October 2008, we sold our 50.12% equity stake in Bossa, our cotton textile business, to Akkardan for US$ 76.4 million.

By focusing on higher growth areas that will further strengthen our leadership position, the Sabancı Group will stay in the forefront of Turkey's business community in the coming years.

Corporate governance practices were also among the main items in our agenda throughout 2008; pilot studies of strategy formulations that plan for a multi-scenario future were completed. The results were incorporated into our medium/long term plans. The infrastructure of the standard "Lean 6 Sigma" was implemented throughout the Sabancı Group. The infrastructure studies of the Risk Reporting System that will be applied in 2009, were also completed.

As we enter an uncertain year characterized by global recession, we anticipate a new global business pattern with more restrictive regulations, more volatile markets; an environment where sustainability will be more important for companies. We believe that, with our strong management team, our successful business track record for more than half of a century, our strong financial structure and the Sabancı brand and reputation that now extends beyond Turkey, we will continue to create value for our shareholders. We are confident that our initiatives to attain higher growth within a well-balanced business portfolio can be achieved. By focusing on higher growth areas that will further strengthen our leadership position, the Sabancı Group will stay in the forefront of Turkey's business community in the coming years.

We are grateful to our managerial staff, business partners, customers and shareholders for their faith in our vision.

Best regards,

Ahmet C. Dördüncü
CEO and
Board Member

Güler Sabancı
Chairman and
Managing Director

Board of Directors

(Elected for the period 18.05.2007-15.05.2010)

Güler Sabancı
Chairman and Managing Director

Erol Sabancı
Vice Chairman

Sevil Sabancı Sabancı
Board Member

Serra Sabancı
Board Member

Hasan Güleşçi
Board Member

Nafiz Can Paker
Board Member

Ahmet Cemal Dördüncü
Board Member and CEO

1 Güler Sabancı
Chairman and Managing Director

Güler Sabancı was born in Adana and graduated from the Business Administration Department of Bosphorus University. She worked in various executive positions in the Tire and Tire Reinforcement Materials Group. She currently serves as the Chairperson and Managing Director of Sabancı Holding and also the President of the Board of Trustees of Sabancı University, Sabancı Foundation and the Board of Sakıp Sabancı Museum.

2 Erol Sabancı
Vice Chairman

Erol Sabancı was born in Kayseri in 1938 and graduated from Manchester College of Commerce in the UK. In addition to his position as the Vice Chairman of the Sabancı Holding, he is also the Honorary Chairman and Consultant to the Board and a Board member of Akbank where he has been serving since 1967. He is married and has two children.

3 Sevil Sabancı Sabancı
Board Member

Sevil Sabancı was born in 1973 in Istanbul and graduated from the Business Administration Department of Marmara University. She worked in different managerial positions within the Group and served as a member of the Board from 1997 to 2001. Sabancı, in addition to her Sabancı Holding Board membership, is a member of the Board of Trustees of Sabancı University and the Board of Sakıp Sabancı Museum.

4 Serra Sabancı
Board Member

Serra Sabancı was born in 1975 in Adana and graduated from the University of Portsmouth. She also graduated from the Department of Economics, Istanbul Bilgi University with honors. She started her career at Temsa. After becoming a Board member of Sabancı Holding, she participated in the Institute of Directors (IOD) seminars and courses on board membership, mergers and acquisitions in London. In addition to her Sabancı Holding Board membership, she is a member of the Board of the Sabancı Foundation and various Sabancı Group companies.

5 Hasan Güleşçi
Board Member

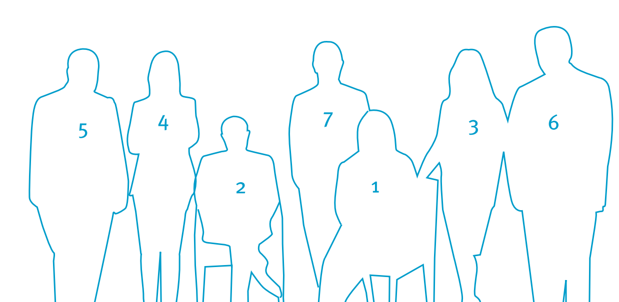
Hasan Güleşçi was born in Adana in 1937 and graduated from Manchester University as a textile engineer. He worked in various executive positions within the Group; consequently he became the CEO of Sabancı Holding and retired in 2000. In addition to being a Board member of Sabancı Holding, Güleşçi is also consultant to various companies, a member of the Board of consultants to the American Hospital, a member of SEV, Health and Education Foundation and the Istanbul Philately Association.

6 Nafiz Can Paker
Board Member

Nafiz Can Paker was born in 1942 in Istanbul and earned both an MA and a PhD in Mechanical Engineering from Berlin Technical University. He also received an MBA from Columbia University. He is currently serving as the President of Türk Henkel, TESEV and is a member of the TÜSİAD Honorary Council, Sabancı University Board of Trustees, Robert College Board of Trustees and the Board member of Dedeman Holding.

7 Ahmet Cemal Dördüncü
Board Member and CEO

Ahmet Cemal Dördüncü was born in 1953 in Istanbul and graduated from the Faculty of Business Administration from Çukurova University. In 1981, following his post-graduate studies at Mannheim University, he began his career in Germany. He joined Kordsa in 1987 and filled several executive positions until being appointed the Vice President of Business Development and Strategic Planning. Since 2005, he has been the CEO and a Board member of Sabancı Holding.



Executive Committees, Strategic Business Unit Presidents and Corporate Management

Executive Committees

Finance Committee
Erol Sabancı, *President*
Faruk Bilen
Mevlüt Aydemir
Nedim Bozfakıoğlu

Audit Committee
Nafiz Can Paker, *President*
Serra Sabancı

Human Resources Committee
Güler Sabancı, *President*
Mehmet Göçmen
Haluk Dinçer
Turgut Uzer

Strategic Business Unit Presidents

Faruk Bilen, *Chief Financial Officer*
Hakan Akbaş, *Strategy and Business Development*
Mehmet Göçmen, *Human Resources*
Akın Kozanoğlu, *Financial Services*
Engin Tunçay, *Cement*
Haluk Dinçer, *Retail*
Selahattin Hakman, *Energy*
Turgut Uzer, *Tire, Tire Reinforcement Materials and Automotive*

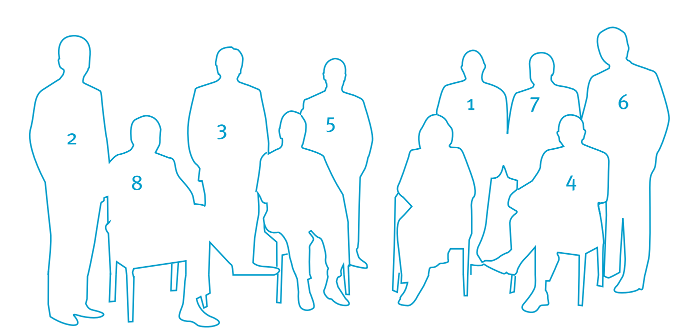
Corporate Management

A. Uğur Karatop, *Secretary General*
Mevlüt Aydemir, *Head of Financing and Tax Management*
Nedim Bozfakıoğlu, *Head of Budgeting, Accounting and Consolidation*
Fuat Öksüz, *Head of Internal Audit*

Ateş Eremekdar, *Director, Sabancı Center Management*
Barbaros İneci, *Chief Economist*
Cezmi Kurtuluş, *Director, Budgeting, Accounting and Consolidation*
Ergun Hepvar, *Chief Information Officer*
Fikret Cömert, *Director, Institutional Investor Relations*
Kürşat Darbaz, *Director, Corporate Affairs*
Levent Demirağ, *Director, Structure and Tax Management*
Mehmet Bingöl, *Director, Tax Management*
Merve Ergün, *Director, Human Resources*
Metin Reyna, *Chief Legal Officer*
Murat Güvercinci, *Director, Industrial Relations*
Payam Yüce Işık, *Director, Human Resources*
Reha Demiröz, *Director, Budgeting, Accounting and Consolidation*
R. Murat Yılmaz, *Director, Management Platforms*
Suat Özyaprak, *Director, Corporate Communications*
Tamer Saka, *Chief Risk Officer*
Volkan Kara, *Director, Strategic Planning*

Strategic Business Unit Presidents

1 Faruk Bilen, *Chief Financial Officer*
2 Hakan Akbaş, *Strategy and Business Development*
3 Mehmet Göçmen, *Human Resources*
4 Akın Kozanoğlu, *Financial Services*
5 Engin Tunçay, *Cement*
6 Haluk Dinçer, *Retail*
7 Selahattin Hakman, *Energy*
8 Turgut Uzer, *Tire, Tire Reinforcement Materials and Automotive*



Vision

Creating sustainable advantage through differentiation

Mission Statement

Managing a competitive strategic portfolio with sustainable growth potential to create value for all of our stakeholders

Management Approach

Responsibility and Transparency

Upholding our core values of modesty, respect and proximity to people, being socially responsible and managing according to the principles of corporate governance

Innovation

Creating long-lasting advantages such as brand, technology, design, network and IP

Participation

Generating a management approach that promotes participation and collective thinking in the decision-making process

Strategic Approach

Managing the present with excellence and shaping our future to ensure long term advantages

Sabancı Holding Management Platforms

SA15+ Strategic Planning

SA15+ was involved in the participatory planning to provide a strategic roadmap for the Sabancı Group for the next decade and beyond that will ensure sustainable and profitable growth.

The SA15+ effort was initiated under the leadership of Güler Sabancı, Chairperson of Sabancı Holding. The effort proceeded with broad-based involvement from over 600 local and international staff members.

The outcome of the process led to integrated corporate strategy and planning discipline with a ten-year strategy plan (X+10), a three-year business plan (X+3) and an annual budget. This process has been improved year after year and established a foundation for more efficient, result oriented, medium and long-term strategic planning across all Group subsidiaries.

Future Forums

Future Forums is an initiative that aims to develop a culture that places "market" and "customer" at the heart of everything. It leverages the mindset that enables thinking beyond traditional industry and market boundaries so that sustainable growth throughout the Sabancı Group is attained. Future Forums is carried out in cooperation with Sabancı University and aims to:

- develop an approach for tracking sectoral trends and dynamics and identifying the effects of these on the market today and in the future,
- develop and disseminate the market and customer focus mindset and related processes,
- improve the effectiveness of strategic and marketing planning processes,
- strengthen the approach of identifying niche market needs; detect and give meaning to such market signals,
- create a learning environment that fosters the communication of market and customer information.

SABE (Sabancı Business Excellence)

Sabancı Business Excellence (SABE) is a continuous improvement approach to process change, linked to business strategy to drive better business results.

The purpose of SABE is to ensure that business excellence becomes a cultural foundation of sustainable competitive advantage and profitable growth.

We strive to continuously identify areas for improvement while developing and deploying the best practice implementations through methods and tools such as 6 Sigma. We encourage active participation, enhanced cross-SBU peer-communication, dynamic collaboration, knowledge-sharing and learning.

Growth and Value Creation Through Innovation

In line with its vision to "create sustainable advantage through differentiation," the Sabancı Group intends to differentiate itself in the marketplace, thus gaining sustainable advantages in a global environment, to maintain growth and profitability. Accordingly, the Sabancı Group has taken the initiative to promote innovation in all of its businesses. We want innovation to be part of our organization culture and management approach.

SAPOINT (Sabancı Platform of Information Technology)

Sabancı management regards information as a critical asset in achieving a leading edge in the marketplace. SAPOINT aims to better coordinate the group-wide strategies and develop strategies, policies and standards to ensure that information technologies are utilized to support business priorities of the group companies.

SAPOINT has developed a three-year strategic plan to address key areas of development for Information Technology Management such as: Information Security, Standards and Efficiency and Strategic Information Management and Sharing.

Human Resources and Organizational Transformation

In order to achieve its long-term goals and strategies, managing leadership and organizational transformation has been identified by the Human Resources as a critical priority for the Sabancı Group. The leadership and organizational transformation model defines our approach to developing and implementing critical human resources systems and processes, assessing the personnel profile, instituting cultural and organizational structures which support these systems and processes and finally, planning the necessary improvements to assure that the organizational goals are achieved.

This transformation process is supported through annual organizational and human resource review processes. Therein, future human resources and organizational needs are analyzed and priorities and goals for the coming year are identified.

Investor Relations and Dividend Policy

Investor Relations

Sabancı Holding has an open, dynamic line of communication with its shareholders. We take great pride in this. We believe that the best way to increase Sabancı Holding's value for its current shareholders, while creating an attractive investment opportunity for potential investors, is to execute our strategic agenda successfully and convey results in a timely and transparent manner. This is a fundamental principle embodied in Sabancı Holding's corporate structure, by having two independent members serve on the Board of Directors.

The investor relations agenda is managed by the Institutional Investor Relations Department within the Finance Division. This department handles the daily information flow to the investment community. In 2008, our investor relations team responded to numerous investor and equity research analyst requests via phone, e-mail and postal mail as well as proactively and regularly contacting a comprehensive list of financial institutions with news updates. Throughout the year, our investor relations activities included more than 100 investor and equity research analyst presentations at our corporate headquarters in Istanbul, as well as over 100 one-on-one and group meetings in major international financial centers, such as London, New York, Zurich, Geneva, Frankfurt, Stockholm, Paris and Vienna. Consequently, we have witnessed an increase in coverage by both the local and the international research communities.

We are confident that through such open dialogue with current and potential shareholders, we will continue to convey the benefits of investing in Sabancı Holding.

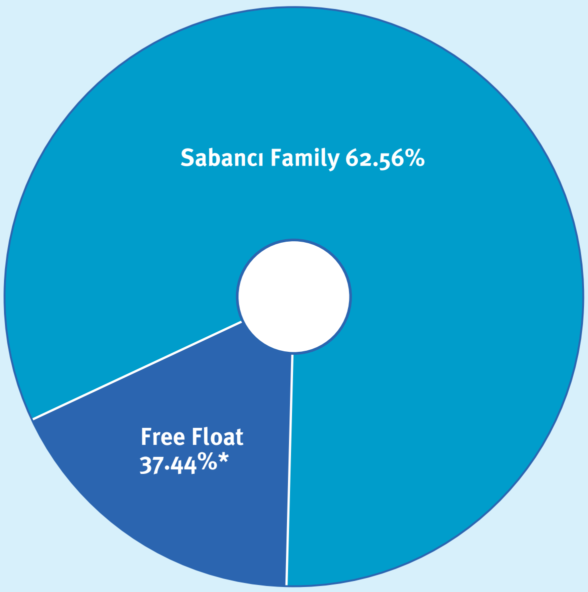
We encourage all potential investors to contact us at investor.relations@sabanci.com for any questions or requests for information.

Dividend Policy

Sabancı Holding's current dividend policy, in accordance with Capital Markets Board principles, is to pay out a minimum of 20% of the distributable profit on an annual basis.

In line with this policy, in May 2009, TL 135 million will be paid as cash dividend and TL 100 million bonus shares will be issued from year 2008 profits. Depending on pending projects and the availability of funds, the Board of Sabancı Holding reserves the right to reevaluate its dividend policy on a year-to-year basis.

Shareholder Structure



* Including 15.89% registered to ISE in February 2009 by other Sabancı Family members.

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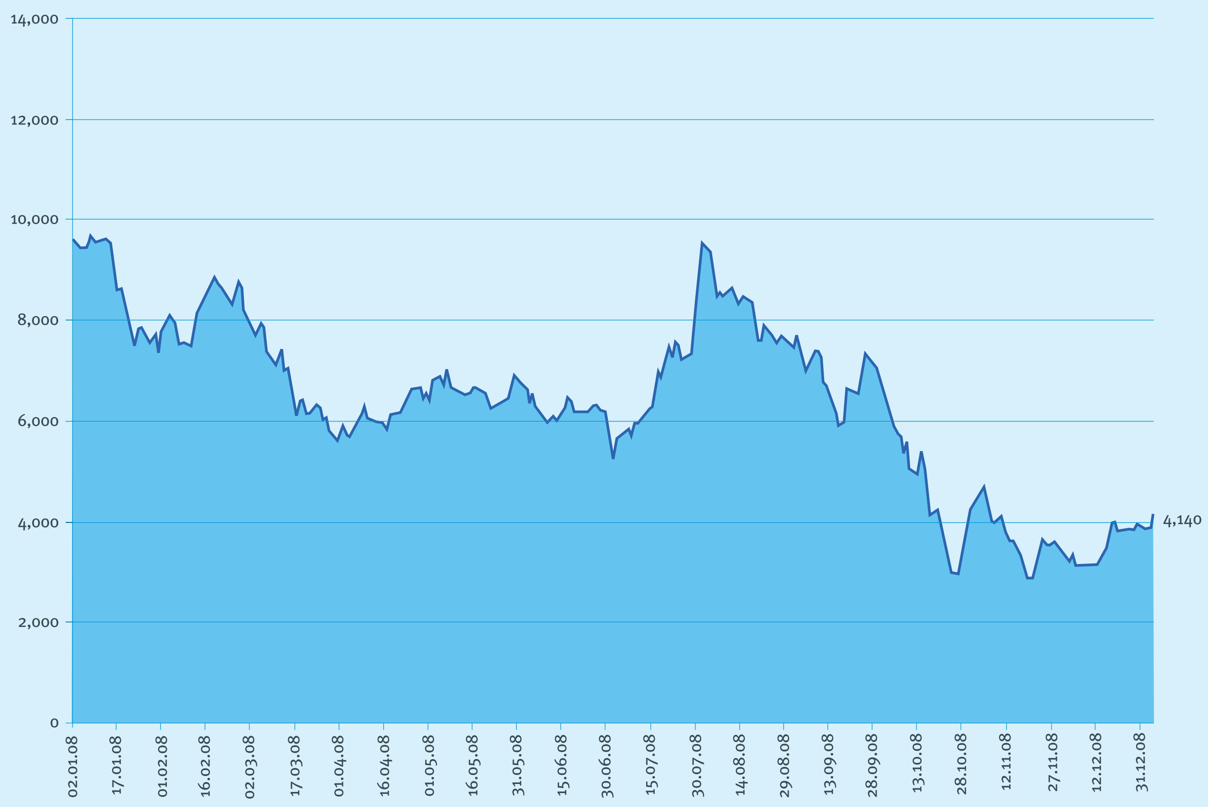
Sabancı Holding Share Price Performance
Jan. 2, 2008 - Dec. 31, 2008
(Market Value in US$ million)



Risk Management

Introduction

Knowing that each risk carries new opportunities, we believe that “sustainable development” can only be achieved by specifying and thus defining, measuring and managing risk effectively. Providing maximum value to our shareholders, which is the driving concept behind our mission, is possible through effective risk management in all of our operations. Accordingly, as one of the pioneer groups in Turkey, Sabancı Group has built a strong risk management infrastructure and has put into practice a well-defined risk management system.

Risk Management in Non-financial Companies

The Sabancı Group has made great progress in its Enterprise Risk Management Transformation process on which it recently embarked. All Group companies identify and prioritize their risk and determine detailed actions for critical risk through the support and methodology utilized by the Holding Risk Management Department. Our Group companies continually improve and implement effective risk management at senior management levels. The success of our Group companies in these risk management activities represents a crucial step in our performance measurement system.

As we all know, 2008 was a difficult year for business where huge volatilities resulted in an ongoing economic crisis. All countries -especially developed ones- and sectors are affected by this crisis on many different levels. As a result of our success in risk management, Sabancı Group faced only negligible negative effects during this crisis, first experienced in Turkey in the last quarter of 2008 and continued into 2009.

The Sabancı Risk and Insurance Management (SARIM) platform, formed in coordination with the Holding Risk Management Department, exchanges information about Group companies’ risk agendas and develops common action plans. This platform will continue to offer Group-wide risk management and synergy-based solutions.

Sabancı Group’s “risk tracking and reporting system” was restructured at the end of 2008 parallel to the recent developments and will be in practice with the new structure in 2009.

Overall, the Sabancı Group, with strong capital structure and effective management, is prepared for any challenge that may occur in 2009. Sabancı Group will overcome all difficulties, by closely analyzing events taking place around the world and in Turkey, taking the necessary actions and forming the right infrastructure to manage every evolving risk. Our 2009 business plans are drawn up especially to enable management of our risk effectively without compromising our growth strategies.

Providing maximum value to our shareholders, which is the driving concept behind our mission, is possible through effective risk management in all of our operations. Accordingly, as one of the pioneer groups in Turkey, Sabancı Group has built a strong risk management infrastructure and has put into practice a well-defined risk management system.

Risk Management in Financial Companies

The global financial crisis that began in the US housing sector in 2007 initially caused payment problems and liquidity risk. This crisis triggered unexpected bankruptcies especially in the US and brought about a financial "trust" problem globally in early 2008. Our financial institutions monitored these developments carefully and managed their risk through strong risk management measurement and calculation systems. Akbank, our largest financial institution, maintained risk and return balance on the optimal level with the help of successful predictions and timely strategic decisions. Moreover, the Bank managed possible adverse affects of the crisis with prudent risk management. Adherence to the institutional risk management culture and the efficient and effective application of risk management measurement techniques assisted our Bank manage possible risks appropriately. The Akbank Risk Management team has been following and applying changes and developments in line with best practice risk management processes. At Akbank, risk management evolves and improves continuously.

The basics of Akbank Risk Management philosophy are:

- Detect, manage and monitor market, credit, operational, asset liability risk and other financial risk at an early stage in a proactive manner and to appropriately allocate capital among business units,
- Manage risk in a forward-looking manner, determine and analyze risk from the beginning with the help of steering risk strategies, models and parameters,
- Establish a risk management system as an independent structure, separate from, but coordinated with, business units,
- Consider the risk management system as part of the Bank's organization and integrate it into the system,
- Report all financial risk,
- Provide the highest value to shareholders, clients and employees,
- Be open to learning and change in order to cope with new market conditions and
- Be financially sound and reliable, to establish long-term business relationships with our shareholders and clients with the help of our long-term commitment to deliver the best possible service and product.

Human Resources

Sabancı Holding's strategy in human resources is to gain acclaim by setting world class management standards in this field and to be a preeminent employer of choice.

To realize this goal, Sabancı Holding tailors a management team that is highly selective in recruitment and promotion, can create and instill a compelling vision, hold all employees accountable for achieving high standards of performance and encouraging and nurturing employees to achieve their full potential while rewarding those with outstanding performance.

Sabancı Holding aims to attract open-minded, ethical, entrepreneurial, strategic-minded, innovative, energetic, achievement-oriented, collaborative and participative individuals.

Human Resources Polices and Principles

The human resources management approach employed in Sabancı Group companies responds to the specific business requirements in each industry as well as the design and implementation of practices, which support strategic objectives.

Sabancı Human Resources Policies and Principles represent the basic principles of the Sabancı Group's human resources management applications and priorities, while also enabling the flexibility required for the special conditions and needs of such a wide range of businesses of varying structures within different sectors.

Attracting and Recruiting the Best Talent

Our goal is to:

- Be the employer of choice for top talent.
- Recruit talented individuals who possess the required qualifications and who will help support the Group going forward and who adhere to the Sabancı values.
- Meet the future workforce needs of the Group through a global and proactive perspective in recruitment.

Investing in Our People

Our main responsibilities are to:

- Invest in and create an environment with opportunities for the continuous development of our employees and help them realize their potential.
- Continuously track employee performance and support open communication by creating a culture where managers are accountable for employee development.
- Develop and nurture employees to create a high performance global talent pool of future leaders.

Sabancı Holding's strategy in human resources is to gain acclaim by setting world class management standards in this field and to be a preeminent employer of choice.

Building Organizational Capability

It is our priority to:

- Continuously assess and review organizational capability, people, systems and processes, and to restructure, if necessary, in line with the requirements to support success of the Group.
- Identify and assess high-potential employees and develop their careers based on the future needs of the Group.
- Enhance mobility in the Group through assignments, transfers and rotation for employee and organizational development.

Reward and Recognition

We intend to:

- Offer a competitive reward package to attract top talent and enhance the commitment of existing employees.
- Encourage employee accountability and reward and recognize outstanding contributions, success and high performance in employees.
- Provide a level of compensation to employees commensurate with their responsibilities and the value they add to the organization.

Increasing Employee Motivation and Commitment

Our objective is to:

- Promote the development and expansion of a participatory, open, transparent culture which values diversity and creativity.
- Proactively seek and consider employee feedback and expectations while continuously developing approaches that strengthen commitment, motivation and improve retention.
- Create a safe and healthy business environment where ethical values are embraced and a work/life balance is maintained.

Principal Subsidiaries and Participation Stakes

The following table shows Sabancı Holding's direct ownership interest in and indirect control over each of the Sabancı Group companies as of March 31, 2009.

Name of Company	Paid-in Capital as of March 31, 2009 (000' YTL)	Direct Ownership (%)	Indirect Control (%)	Total Direct Ownership and Indirect Control (%)
Financial Services				
Akbank[1]	3,000,000	32.28	8.57	40.85
Aksigorta[1]	306,000	61.98	-	61.98
Avivasa[2]	35,779	-	49.83	49.83
Tire, Tire Reinforcement Materials and Automotive				
Kordsa Global[1]	194,529	91.11	-	91.11
Brisa[1]	7,442	43.63	-	43.63
Temsa Global	210,000	48.71	-	48.71
Toyotasa	3,326	64.99	0.01	65.00
Retail				
Carrefoursa[1]	113,422	38.78	-	38.78
Diasa	112,000	40.00	-	40.00
Teknosa	110,000	69.17	-	69.17
Cement				
Akçansa[1]	191,447	39.72	-	39.72
Çimsa[1]	135,084	49.43	8.98	58.41

Name of Company	Paid-in Capital as of March 31, 2009 (000' YTL)	Direct Ownership (%)	Indirect Control (%)	Total Direct Ownership and Indirect Control (%)
Energy				
Enerjisa Power Generation	905,000	49.99	0.01	50.00
Enerjisa Electricity Wholesale	5,000	49.99	0.01	50.00
Enerjisa Electricity Distribution	1,015,000	49.00	2.00	51.00
Other				
Advansa BV	EUR 22,374	92.82	7.18	100.00
Sasa [1,3]	216,300	-	51.00	51.00
Exsa A.Ş.	117,000	12.82	32.88	45.70
Exsa U.K.	GBP 15,000,000	98.70	1.30	100.00
Yünsa[1]	29,160	57.88	1.49	59.37
Philsa	3,000	25.00	-	25.00
Philip Morrissa	700	24.75	-	24.75
Olmuksa[1]	32,603	43.73	-	43.73
Dönkasan	150	20.00	30.00	50.00
Bimsa	400	79.98	20.02	100.00
Tursa	95,000	96.85	2.66	99.51
AEO	38,000	70.29	-	70.29

1. Shares are traded on the İstanbul Stock Exchange
2. Direct ownership by Aksigorta
3. Direct ownership by Advansa

Financial Services

AKBANK

As of the end of 2008, in addition to being Turkey's most valuable bank, Akbank managed to maintain its lead in the Turkish banking sector through a strong balance sheet, transparent corporate governance practices and successful international relations.

In addition to its core banking activities, Akbank offers a wide array of retail, commercial, corporate, private banking and international trade finance services. Non-banking financial services together with capital market and investment services are provided by the Bank's subsidiaries. With state-of-the-art IT systems and a staff of experienced bankers, Akbank focuses on providing top quality services to a wide range of retail and corporate customers.

Akbank operates from its Istanbul Head Office and 20 regional directorates throughout Turkey, underpinned by a strong and extensive domestic distribution network of over 867 branches and a workforce of 15,000 employees. Apart from its traditional delivery channels such as its branches, Akbank also provides services through its "Credit Express" consumer loan only branches and "Big Red House" mortgage loan only branches. In addition, the Bank also offers services through its Retail and Corporate Internet Branches, the Telephone Banking Center, a total of 2,318 ATM machines and 250,615 POS terminals as well as brand new high-tech channels such as mobile telephones and web-based platforms. Free Banking Areas have also been set up inside branch offices where customers have access to both Internet and Telephone Banking services.

Akbank's overseas operations are performed by Akbank NV in the Netherlands and Akbank AG in Germany as well as a branch in Malta.

2008 has allowed Akbank to successfully implement its strategies to uphold to its claims as Turkey's most valuable, stable and innovative bank. To better understand and effectively respond to its customers' needs, in September, Akbank, in collaboration with Boyner Holding, introduced "Fish", the first of its kind in the sector and a unique credit card which offers an array of different services and products. In 2008, in addition to Boyner, Akbank also signed a partnership with the retail giant Carrefoursa. Akbank has introduced innovative products and services such as the Wings Business Card, Citi Axess, ATMCredit and Multimedia POS.

The strategic partnership with Citigroup continues to contribute to the development of Akbank's banking activities, the improvement of its available products and the development of new products.

Buttressed by relatively high equity levels, a strong deposit franchise and low-cost funding opportunities, Akbank continues to boast the most profitable banking operations among Turkey's privately owned banks. At the end of 2008, Akbank's net profit reached TL 1,782 billion (approximately US$ 1,171 billion) while its net assets were TL 93,093 billion (approximately US$ 61,173 billion). The Bank's Capital Adequacy Ratio is 17.0%, one of the highest among the sector.

Akbank continued to raise funds from foreign markets at favorable terms in 2008, with the total of such resources rising to US$ 7,945 billion, securing the highest syndication loan among Turkish banks.

With its effective risk management practices and exceptional performance, Akbank has the highest credit ratings in the Turkish banking sector. In 2007, the international ratings firm Moody's assigned a Baseline Credit Assessment of Baa1 to Akbank, the highest rating that can be assigned to a Turkish bank. In 2008, Akbank once more received the highest ratings by Fitch Ratings and Moody's.

A subsidiary of Akbank, Ak Securities was established in 1996 to provide corporate loan facilities, investment banking services, brokerage services in capital markets, investment advisory services as well as for stocks, bills and bonds, Akbank and Amex mutual funds, Turkish Derivatives Exchanges and repo transactions.

Established in June 2000 as a 99.9%-owned subsidiary of Akbank, Ak Asset Management provides the management services for 38 portfolios along with asset management services to large individual and corporate investors in accordance with their own expectations and risk profiles. In 2008, Ak Asset Management strengthened its position as a pioneer in the investment management sector through the innovative investment products they introduced to their customers.

AKLease, a full subsidiary of Akbank, provides financial consulting services to its customers. Thanks to its sector-specific structuring and expert staff in every sector, AKLease produces low-cost and long-term solutions that meet the needs and expectations of its customers.

29% of Akbank's shares are listed on the Istanbul Stock Exchange. The Bank's Level 1 ADRs are traded on the OTC in the United States. Akbank's market capitalization stood at US$ 9,423 million on December 31, 2008, identifying it as the most valuable bank on the Istanbul Stock Exchange.

AKSİGORTA

Established in 1960, Aksigorta ranks as one of Turkey's leading non-life insurance companies in terms of premium generation, shareholders' equity and financial strength.

Based in Istanbul, Aksigorta offers its clients fire, marine, motor third party liability, accident, personal accident, credit, legal protection, engineering, agriculture and health insurance coverage. It operates from ten regional offices, four of which are located in Istanbul with one each in Izmir, Adana, Ankara, Trabzon, Bursa and Antalya (in the Mediterranean region). Aksigorta also works out of three additional representative offices throughout Turkey.

In the interests of providing a better quality service to corporate and individual customers, the Company's insurance products are marketed and distributed through a wide network made up of 1,434 agents, 25 brokers and 834 Akbank branches. These channels are supported by the "Aksigorta Service Center" and website, which provides various services ranging from claims follow-up to other insurance services on a 24/7 basis.

In order to provide excellent service to its clients, Aksigorta has transferred the claims process management system to an electronic environment as part of its Operational Efficiency Project. Through this system, the whole claims process, including claim notification, swift investigation of the claim, approval and finally payment, are all managed in an electronic environment.

In line with Aksigorta's customer-centric service philosophy, the Aksigorta Service Center continues to provide uninterrupted services, starting from the initial offering through to focusing on every detail in the process of claim management. In addition, Aksigorta strives to simplify the claims process for its customers, to inform them in a timely manner and to speak to the customers via Happy Calls, in a bid to improve their satisfaction.

With its customer-focused service philosophy, Aksigorta has increased service quality and customer satisfaction, continuing to offer services for auto, household, business and health products. Aksigorta provides the highest quality service in the shortest time span beginning as soon as it receives claim notification through its contracted auto repair services and contracted health associations. These assistance services play an integral part in the insurance business for Aksigorta and its clients.

In order to provide excellent service to its clients, Aksigorta has transferred the claims process management system to an electronic environment as part of its Operational Efficiency Project. Through this system, the whole claims process, including claim notification, swift investigation of the claim, approval and finally payment, are all managed in an electronic environment.

Until the beginning of 1996, Aksigorta operated in both life and non-life insurance segments. The Company then transferred its life insurance operations to the Sabancı Group's life insurance subsidiary, Akhayat. Within this new structure; Akhayat was converted to a pension fund company and renamed Ak Emeklilik A.Ş. In 2007, Ak Emeklilik and Aviva completed a successful merger and a new company, Avivasa, was formed. Aksigorta holds a 49.7% stake in this company.

Based on ISO 9001: 1994 Standards, Aksigorta established its Quality Control System, which was certified in 1998. This certificate was renewed in 2001 in accordance with the ISO 900: 2000 Standard and in 2007, Aksigorta extended the validity of the certificate until 2010.

Within the framework of the "Investing in the Future Project", initiated in 1995, the Fire and Earthquake Simulation Center, YADEM, started operations the following year. In November 2006, Aksigorta moved YADEM with all usage rights to Şişli Bilim Merkezi (Şisli City Hall Science Center) in belief of more people would benefit from YADEM in that location. Moreover, every year in April, an art competition with the theme "Fire, Earthquake and Insurance" has been held among elementary school students in a selected city. Aksigorta aims to encourage young generations to take an active part in art while increasing their awareness of fire, earthquake and insurance. This year, the 16th annual art competition will take place.

Aksigorta was named the "Most Trustworthy Insurance Company in Terms of Quality" and was awarded the Consumer 2008 Quality Prize in the annual competition held by the Tüketici Dergisi (a free advertisement magazine) for the third consecutive time. Furthermore, according to a survey carried out by A.C. Nielsen in 2007, Aksigorta was named the best known non-life insurance company in Turkey.

Aksigorta shares are listed on the Istanbul Stock Exchange with a free float of 38%.

AVIVASA

After completion of legal procedures following the merge of Ak Emeklilik and Aviva Hayat ve Emeklilik, announced to the public on June 8, 2007, Avivasa Emeklilik ve Hayat, began operating as one of Turkey's leading individual pension and life insurance companies.

The Company's paid-in capital is roughly TL 36 million and the number of employees is 1,882 of which 1,252 are sales staff working as Financial Advisors.

Avivasa Emeklilik ve Hayat serves over 1.5 million clients in individual pension and life insurances sector via Bank Direct Sales, Direct Sales, Sales from Bank, Agencies, Corporate Projects and Telemarketing distribution channels.

The Bank Direct Sales channel is the distribution channel that primarily aims at reaching clients from banks such as Akbank and Citibank and introduces them to individual pension and life insurance products. In Direct Sales distribution channel, non-bank clients at various socioeconomic levels receive services via financial advisors. In Sales from the Bank distribution channel, individual pension products and other banking products are presented to clients via the customer representatives of the Bank branches within the scope of bank insurance. The aim is to expand the current operation via Agencies and Corporate Projects. Bedises, expansion to different client segments by using simpler products is aimed by means of Telemarketing, the recently formed distribution channel.

Avivasa funds are managed by AKPortföy, which is another Sabancı Group subsidiary, again a leading company in portfolio management sector.

According to the Pension Monitoring Centre's data of December 31, 2008, Avivasa Emeklilik ve Hayat is the leader in the sector with its individual pension fund size of TL 1,440 million and market share of 22.60%.

Moreover, according to the Association of the Insurance and Reinsurance Companies of Turkey's data of 2008, Avivasa Emeklilik ve Hayat is the third company in the sector with total life insurance premium output of TL 137 million and market share of 8.70%.

Tire, Tire Reinforcement Materials and Automotive

KORDSA GLOBAL

Kordsa Global is the world's largest supplier of nylon and polyester industrial yarn, cord fabric and single-end-cord; primarily serving the tire and mechanical rubber goods markets.

Kordsa's success story started with the tire cord fabric plant investment in Izmit, Turkey in 1973.

Over the past 36 years, the Company has evolved into a global leader through strategic acquisitions and joint ventures with strong business partners. The Company is a global leader with 10 operations spread over five continents in nine countries and with a workforce of approximately 4,500 employees.

In 2008, the Company's net sales reached US$ 882 million.

With headquarters in Istanbul, Kordsa Global operates in four regions:
Europe, Middle East and Africa
Turkey, Germany, Egypt
North America
Laurel Hill/SC, USA, Chattanooga/TN, USA
South America
Brazil, Argentina
Asia Pacific
China, Indonesia, Thailand

In 2008, Kordsa Global worked towards its vision "to be its customers' solution partner" by utilizing three approaches:
• Operating Excellence: driving competitive local cost and global supply chain.
• Balanced Global Approach: allocating resources to optimize value creation and cost efficiency opportunities.
• Solution Partner Initiatives: focusing on providing technology know-how and customized services to its customers by way of innovative methodology.

The Company accelerated its efforts to become its customers' "solution partner" by investing in R&D and single-end cord.

The Global Technology Center which was enlarged in 2008, with US$ 5 million investment, enables the Company to offer innovative solutions and products. Additionally, to increase the production capacities of single-end cord to meet the demand of global customers, the Company invested in its plants in Germany, Brazil and Turkey.

In 2009, Kordsa Global will continue investing in its strategic initiatives, while fine-tuning its efforts to emerge from the economic crisis even stronger.

The Company's priorities will be:
• Offering its customers more flexible and cost-effective new products and service solutions in order to meet the priorities of this challenging period,
• Continue with smart/strategic investments, while actively monitoring market developments,
• Keeping a tight focus on risk and cash management at all sites.

Kordsa Global's shares are listed on the Istanbul Stock Exchange with a free float of 8.9%.

BRISA

This company was established in 1974 and initiated mass production in 1978 under the name of Lassa. The Company changed its name to Brisa after the establishment of a 50/50 joint venture between the Sabancı Group and the Bridgestone Corporation in 1988.

Brisa was the first winner of the National Quality Award in Turkey in 1993. Likewise, Brisa's dedication to business excellence was rewarded with the prestigious European Quality Award in 1996, honoring Brisa as the first Turkish company and the first tire company in Europe to receive this award.

Brisa produces more than 500 different types of tires under the Lassa and Bridgestone brand names with a range of designs, types and sizes to accommodate many different vehicles from passenger cars to earthmoving equipment. Its integrated tire production facilities are located in an enclosed area of 350,000 square meters. The total capacity of the production unit reached ten million tires in 2008.

A network of approximately 600 sales points, including 450 exclusive dealers, market tires throughout Turkey. Brisa tires are mounted as original equipment on Renault, Toyota, Ford, Fiat, Honda, Hyundai, Mercedes Benz, BMC, Temsa, Mitsubishi and MAN vehicles. Maintaining its position as a leader in the domestic market, Brisa expanded its presence in international markets with the Lassa brand entering new markets and building brand equity. Brisa products are marketed and sold in 55 countries, mainly in Europe.

Brisa's state-of-the-art R&D Center works in coordination with Bridgestone's Technical Centers in Tokyo and Rome, integrating Bridgestone technology and playing a vital role in reinforcing its competitive edge in world markets.

Brisa's net sales revenue exceeded US$ 597 million in 2008. Its shares are listed on the Istanbul Stock Exchange with a free float of 10.3%.

TEMSA GLOBAL

Temsa Global, which started its coach production activities at the Adana production facilities in 1987, has strengthened its production activities by inaugurating two new plants in Cairo (Egypt) and Adapazarı (Turkey) during 2008. Temsa Global continues midibus and light truck production with the objective of first becoming a regional power, then realizing its vision "to be a world-class global brand". This would fulfill its mission which states "As a commercial vehicle producer, together, we create innovative solutions for the customers".

At the Adana Production Facilities, established in an area of 555,000 square meters, Diamond and Safir intercity coaches and the smaller size Powerbus, as well as Metropol midi coaches and Prestij midibuses are produced for the Turkish market. Diamond, Safari, Tourmalin, Opalin and midi coaches are produced for the European market, employing flexible production and original design techniques, using different types of engines and power train components. These products are being exported to 44 countries.

Temsa Global, with new products, new businesses and new locations, is moving forward on its path toward becoming a "global brand" aiming to transfer its knowledge and experience in design, production and marketing to North African, Middle Eastern and Gulf State countries. The plant in Egypt started production in April 2008 to meet the increasing bus and midibus demand in these regions.

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Temsa Global's Adana and Egypt production facilities together have a total annual production capacity of 1,500 coaches and 2,500 midicoaches, totaling 4,000 units annually.

Temsa Global carries out research and development activities through Temsa R&D Company established in TÜBİTAK MAM Technology Free Zone with the objective of developing the most innovative buses and midibuses with the highest technology tailored for the needs of its customers. Within Temsa R&D Company, research and development activities are focused on alternative fuels and materials, quality, safety and comfort.

Temsa Global's Temsa Avenue city bus and Prestij City midibus, developed in 2008, are designed for use in the public city transportation segment and are manufactured at the Adana production facilities. Temsa Avenue, developed to meet European city transport standards, is 12-meters long and has an environmentally friendly engine. The 26-passenger Prestij City midibus provides advantages for the customers in city transportation with its low fuel consumption and high maneuverability.

Temsa Global manages its European operations under the name of 'Temsa Europe' based in Mechelen, Belgium. In addition to the management center in Belgium, Temsa Global has subsidiaries providing after-sales services in Austria and Germany, as well.

Currently, European countries constitute 80% of Temsa Global's exports; 75% of its bus and coach production are exported. Temsa Global has ten representative offices in different countries and strong international marketing, sales, spare parts and services network in 44 countries.

In addition to production activities under its own brand, Temsa Global has also been maintaining the distributorship of Mitsubishi products, since 1984. As per its distributorship agreement with Mitsubishi, the Company executes sales, service and spare parts operations for Mitsubishi passenger cars, panel vans and pick-up light commercial vehicles. Holding the leading position in the Turkish market with Mitsubishi Fuso Canter and Mitsubishi L200 pick-up models, Temsa Global has also added the panel van Maxus, which received 13 awards in Europe within three years, to its product range. The Company continues bodywork and trailer production along with Mitsubishi Fuso Canter light truck production whose sales have gained a 57% market share in Turkey. Trucks produced at the Adapazarı plant are intended for export to countries on the Silk Road and surrounding regions.

Temsa Global has been supplying construction equipment and forklifts to various sectors and rendering after-sales services for the past 26 years as a distributor of Komatsu construction equipment. The Company has also been granted distributorship of Komatsu products for additional countries such as Georgia, Azerbaijan and Cyprus. In addition, buckets, whose production resumed in 2008, generated great interest in the construction equipment sector with their high quality and functionality. In just one year, 54 different types of buckets were produced in line with the customer requirements. The Company aspires to become a regional player in the construction equipment sector with the Komatsu brand, paralleling what it has done in the bus and midi bus sector.

In 2008, Temsa Global launched the Galeri Plus service, which facilitates purchasing, selling and bartering secondhand products regardless of brand, for commercial vehicle and construction equipment owners. Galeri Plus plans to be established at ten different locations in 2009.

In 2008, total investments increased by US$ 33 million. This growth created direct employment opportunities for 430 people, which raised the total number of employees to 2,555. In 2008, Temsa Global's total net sales reached US$ 870 million and its bus exports was US$ 202 million. Additionally, re-exports totaling US$ 49 million was achieved for Komatsu construction equipment products.

TOYOTASA

As a spin-off of the earlier joint venture founded in 1990, Toyotasa, Toyota Sabancı Marketing and Sales Inc., was established in October 2000 as a new joint venture between Sabancı Holding (65%), Toyota Motor Corporation (25%) and Mitsui& Co. (10%). The Company is the authorized distributor for Toyota branded automotive products in Turkey and carries out marketing, sales and after-sales services of locally produced and imported models such as Corolla, Auris, Yaris,Verso, Avensis, Camry, RAV4, Landcruiser, Landcruiser Prado, Hilux and Hiace as well as their spare parts and accessories.

Toyota vehicles are marketed, distributed and serviced by exclusive dealerships operating as Toyota Plazas throughout the country. These facilities have been founded on the principles of superior quality, advanced technology and complete customer satisfaction. They provide a full range of world-class sales and after-sales services for Toyota customers and aim to enhance the ownership experience.

In 2008, Toyotasa achieved a sales volume of US$ 546 million and ranked fifth with an 8.1% share in the passenger vehicles market thanks to its active sales and marketing policies. Toyotasa aims to enhance its performance in the medium term to gain a higher ranking in the automotive market.

Toyotasa leads the industry in overall customer satisfaction, which is the main focus of the Company's vision.

As a responsible corporate citizen, Toyotasa undertakes corporate social responsibility activities in three main areas; environment, traffic safety and technical education.

Retail

FOOD RETAIL

Retail is one of the most important sectors of Turkish economy; it is estimated to be worth US$ 257 billion and provides over three million jobs. Food, the longest established segment in the retail sector, is becoming an increasingly attractive business in Turkey due to the gradual expansion of organized retail in the overall sector. Food expenditure reached US$ 127 billion in a market still dominated by open markets and traditional stores, which accounts for more than half the sector's sales. Nevertheless, as organized retailers start to gain a larger share of the market, currently estimated to be 20%, foreign investors are finding the sector progressively more attractive. Fuelled by factors such as rising income, urbanization and enhanced price sensitivity among consumers, the number of organized retail sales points has grown at an average annual rate of 15% since 2000. In 2008, organized retailers exhibited 13% growth in US dollar terms. During the same period, Sabancı-Carrefour joint ventures also reported 7% sales growth, maintaining market shares.

CARREFOURSA

Carrefoursa is a joint venture between Sabancı Holding and Carrefour, the top retailer in Europe and the second largest in the world, with 15,000 stores located in 30 countries. Carrefoursa celebrated its twelfth anniversary in 2008. Its mission is to provide Turkish consumers with a broad selection of high quality, reasonably priced food products presented in a welcoming and pleasant shopping environment and to ensure profitable growth for its shareholders.

With sales areas ranging from 3,000 to 15,000 square meters, flagship format hypermarkets carry a wide assortment of food and non-food products with up to 40,000 SKUs at the lowest prices all housed under one roof. Supermarkets, with between 1,000 and 2,000 square meters of retail space, offer an impressive assortment of fresh food, providing consumers with convenient shopping at the lowest prices.

Carrefoursa enjoyed a healthy rate of growth in 2008 thanks to market models refined in the previous two years. There was a performance review of the operational and organizational sides of the business with regard to excellence and the critical sale of an asset was finalized in line with the decision to concentrate on the Company's core business. All these factors contributed to a successful year for the Company.

Carrefoursa generated US$ 1.7 billion in sales revenue while its store network expanded to 22 hypermarkets and 125 supermarkets with total sales area of 313,000 square meters. Over 75 million consumers shopped at Carrefoursa stores throughout the year.

The Company took notable strategic steps in 2008 in terms of growth, customer satisfaction and the sale of non-core assets:

1) Growth: Balanced growth in store formats, due to an increasing number of supermarkets, netted a real growth of 43,000 square meters in 2008 and accounted for the fastest period of store openings in the Company's history. Launched in April 2007, Carrefoursa Express stores increased their presence in the market with 27 new openings in 2008. Carrefoursa consolidated its position in the market as the leading hypermarket chain by opening three new hypermarkets in Tekirdağ, Gaziantep and Istanbul.

2) Customer Satisfaction: Complementing its central tenet of providing the lowest priced products for the customer, in April 2008, Carrefoursa launched the Carrefoursa Plus loyalty card, which offers its holders special prices and promotions. With an active card user base of 2.5 million, the Company is able to formulate market and category management according to demand, as well as reward loyal customers.

3) Sale of non-core assets: The initial agreement for the sale of a 106,000 square meter plot of land located in Merter, one of the most densely populated areas in Istanbul, to the Apollo

Real Estate-Multi Turkmall joint venture for € 267 million was signed in December. The final deal was sealed in January 2008 and the full amount received in cash.

By strengthening the supermarket format and furthering the geographical scope of the hypermarket expansion, Carrefoursa achieved record growth in 2008, opening three hypermarkets and 27 supermarkets. Growth was further supported inorganically in 2008 by three tactical acquisitions.

The 2008 results are a testament to the Company's clout and determination to successfully implement its strategies, including new market formats; it has achieved its target to become the leading player in the sector. The proceeds from the Merter sale further strengthened the Company's financial structure, creating an advantage for the challenging period ahead, providing the capacity to evaluate and rapidly take action with its own resources on all projects offering a value creation potential.

Carrefoursa will accelerate its growth in 2009, unaffected by the current economic uncertainties thanks to its strong cash position. It will retain its leading position in hypermarket format in 2008 with new stores and increase its share in the supermarket segment with further openings. Carrefoursa intends to increase its retail space by over 20% in 2009 and recruit 2,500 new employees to raise its workforce to 10,000.

DIASA

The discount format for retail, which offers low prices through a low cost business model, is becoming ever more popular as consumers become more price conscious, both globally and in Turkey. To address the growing demand for discount stores, Diasa was established in 2000 as a joint venture between Sabancı Holding and Dia, Spain's leading discounter and a part of Carrefour Group. The successful global model of over 6,000 Dia stores was adapted to Turkey's local needs. Currently in a phase of rapid expansion, Diasa provides consumers convenience and quality at discount prices. The discount format is a powerful growth engine for the Group and Diasa has been the fastest growing food retail chain in Turkey with 27% annual growth over the last five years.

Diasa generated revenue of US$ 484 million in 2008, marking 15% growth over the previous year through a network of 613 stores and a combined retail space of 142,000 square meters. With its global expertise and own-brand products accounting for a significant 40% share of its sales, Diasa continued to lead the private label segment in Turkey.

Opening an average of two new stores per week, Diasa continues its expansion and operates into 22 cities mainly in the Marmara and Aegean regions. Set up in 2006, operations in the Aegean region have reached 150 stores in a bid to achieve rapidly improving economies of scale.

Diasa strives to improve its services and market model to match the expectations of the customer. In 2008, the Dia Market model was created to receive feedback from customers and aid market research. Offering a more attractive shopping environment, a larger number of fresh foods and an increased proportion of private label goods, the Dia Market model has led to a 35% increase in sales.

Unique among Turkish food retailers, Diasa franchise markets became the driving force behind the Company's growth in 2008 and raised their share in the overall market network from 20% to 30%. This particular business model is prevalent in Spain and other territories where Dia operates. In Turkey, it is set up under the Diasa banner and run by local entrepreneurs with purchasing, logistics and store management know-how support from Diasa. Taking its cue from the shift toward organized retail, this model provides local and independent players a chance to continue operating as part of a national chain. Boosting the Company's growth and profitability, as well as improving its awareness in the sector, "franchise markets" will continue their proliferation in 2009.

Diasa strives to improve its services and market model to match the expectations of the customer. In 2008, the Dia Market model was created to receive feedback from customers and aid market research. Offering a more attractive shopping environment, a larger number of fresh foods and an increased proportion of private label goods, the Dia Market model has led to a 35% increase in sales. In order to better cater to customer demand, existing stores are being transformed into the new model.

2008 saw the opening of 100 new stores, the development of the franchise infrastructure and the creation of the new market model. During a period that witnessed rapid erosion in consumer confidence, Diasa nevertheless managed double digit growth in comparable market sales and improved its profitability compared to last year, thanks to increased economies of scale and ongoing productivity efforts. Diasa will continue to grow at the same impressive pace in 2009 and further improve its profitability. The Company is ready for potential economic challenges in 2009 and is in a position to offer the lowest prices to meet the customer's most fundamental needs. The Company targets opening 110 new stores and realizing a 20% growth with regard to sales in 2009.

TEKNOSA

Teknosa was established in 2000 and is 100% owned by Sabancı. Teknosa, with the slogan of "Technology for everyone" boasts the sector's most extensive store network in Turkey, with operations in 61 cities and over 200 stores.

With more than 70,000 square meters of total retail space and a wide assortment of technology products, Teknosa has created a unique and pleasant shopping environment with outlets attracting five and a half million customer visits every month. With a workforce of over 3,000, Teknosa managed to augment its sales revenue by 13% to US$ 789 million in 2008 and increase its market share to 12% despite the fact that the sector contracted 13% in the same period.

In addition to its existing store model, Teknosa also reaches consumers through new formats. In Teknosa Outlet stores, repaired goods, which returned by the clients within the context of return policy of the Company, are offered to the customers with special discounts. The Teknosa Planet, opened in the Profilo Shopping Mall in January 2008, offers distinctive designs and differentiated concept demonstrating Teknosa's vision in technology retailing.

Teknosa continues to invest in the Teknosa Akademi with the aim of creating an infrastructure for career planning and a back-up program, transferring sector innovations and developing individual performances. The Teknosa Akademi recently moved to its 1,800 square meters new facility in Kartal, with 13 classrooms able to comfortably accommodate up to 350 trainees. To date, training has been offered to 7,500 people through the Teknosa Akademi.

Teknosa places the utmost importance on customer satisfaction and offers after-sales service through the Teknosa Asist program. The call center features Turkey's first voice recognition system, which provides instant access to any store's contact details without having to dial any digits. The Asist program provides customers with more rights than are outlined by law and further concessions with regard to return policies. Customers' demands are met 24/7 through the Teknosa Asist points set up in stores; the Teknosa Asist call center at 444 55 99 and the 5599 SMS information service.

Set up in Teknosa stores all across the country, Teknosa Asist points provide a safe and fun shopping environment by offering customer support during sales and in case of returns. Along with Teknosa Asist, the Teknosa webstore (www.teknosa.com) also offers 24/7 service to its customers. Teknosa Loyalty Card, introduced recently, is another one of the Company's customer relationship management enterprises. Teknosa Loyalty Card helps the Company with its customer database, which in turn provides a better understanding of the customers' demands and shopping patterns.

Teknosa enjoys the largest logistics center in its particular sector. The Company's entire logistics operation is run from the hub in Gebze, which has 60,000 square meters of open-air space and 30,000 square meters enclosed area. Connected online to all Teknosa stores, the hub's operations are run with IT support.

Teknosa was awarded the International Organization for Standardization's quality management standard ISO 9001:2000 Quality Management System Document in 2007, in recognition of all its activities. The Company celebrated another first in its sector when it received the ISO 27001 Information Security Management System (ISMS) standard.

Teknosa is involved in two major projects with regard corporate social responsibility. With the Technology for Women project, the Company offers free-of-charge computer classes to women in various cities throughout Turkey to boost computer literacy. To date, over 2,500 women have taken part in this initiative.

In addition to this project, Teknosa has also been working together with Istanbul University to bring a technological dimension to the Library of Rare Works. Called Technology for History, the project involves Teknosa providing technical assistance to the library in order to digitize nearly 100,000 works, thus protecting them from the destructive effects of time.

In 2007, Teknosa began supporting the Turkish National Football Team and Turkish football providing technological infrastructure for the team. With a deal signed in 2008 with the Turkish Basketball Federation, the Company has given its name to the Turkey Cup, as well as becoming the technology provider for the Turkish National Basketball Teams, able to meet all of the teams' demands relating to technology.

As well as the technology retail chain Teknosa Stores, the İklimsa chain, distributing air conditioning units and combi boilers, operates under the Teknosa umbrella. Positioned as the HVAC Center of Turkey, İklimsa provides sales and after-sales services for Mitsubishi Heavy Ind., Sharp, Sigma, Midea and Samui air conditioners and Beretta combi boilers. A total of 216 İklimsa Centers have been established in 48 cities since the concept was launched in May 2006.

Teknosa will maintain its target of stable growth next year and add new stores to its existing network across the country. In 2009, the Company will further accelerate all projects it launched in previous years, such as the development of new store concepts, in depth after-sales services and R&D developments.

Cement

AKÇANSA

Through the merger of Akçimento and Çanakkale Çimento in 1996, Akçansa became the leading cement producer in Turkey. Akçansa is currently a Sabancı Holding and Heidelberg Cement joint venture.

Operating in the Marmara, Aegean and Black Sea regions of Turkey, Akçansa has been producing cement at its Istanbul, Çanakkale and Ladik plants and ready-mixed concrete at 33 ready mixed concrete plants under the Betonsa brand. It operates out of the Ayazağa, Bursa and Saray aggregate quarries under the Agregasa brand. The Company operates four cement terminals located in Ambarlı, Aliağa, Yarımca and Yalova.

The year 2008 was successful for Akçansa in terms of profitability and efficiency with wider production and distribution network.

After the completion of the second Production Line at its Çanakkale plant, Akçansa became the major operator in the region. Annual clinker production at the Çanakkale plant increased by 100%, raising the Company's total clinker production capacity to 6.5 million tons and the total cement production capacity to nine million tons.

The new Ladik cement plant which was acquired in 2007 in the Black Sea region, achieved Akçansa's high standards in a very short period of integration, indicated higher production and sales volume compared to the previous year.

Akçansa meets more than 10% of Turkey's cement needs at global standards from environmentally friendly facilities. Emphasizing service quality, it utilizes state-of-the art technology to meet customer standards. Akçansa's total domestic cement and clinker sales rose by 22% to 6.5 million tons in 2008 and total revenue were US$ 622 million in 2008.

In parallel to the growing targets, new ready-mixed concrete and aggregate plants were added to the sales network. Continually extending its spectrum of special products in the field of ready-mixed concrete, Betonsa has managed to differentiate itself from the competition by finding innovative special solutions for its customers. Total ready-mixed concrete sales rose by 16% and reached 3.7 million cubic meters.

Akçansa cement plants continue to pioneer in the use of alternative fuels and raw materials in the Turkish cement sector at an ever-increasing pace.

Akçansa aims to achieve premium quality in production and service to fulfill the demand of both domestic and foreign customers and to compete on measures beyond price in a sector where it is hard to discern differences.

The Company's vision is to move beyond the boundaries and to achieve a sustainable growth. Its goal is to be Turkey's leading building materials company, playing a part in enriching the quality of life within society. Akçansa's shares are listed on the Istanbul Stock Exchange with a free float of 20.6%.

ÇİMSA

Çimsa is among the leaders of Turkish industry and an innovation leader in the cement and ready-mixed concrete sector. Established in 1975, Çimsa produces white cement and calcium aluminate cement in addition to conventional gray cement.

Çimsa continues its operations in line with its vision "to become Turkey's most valuable cement and ready-mixed concrete company". Its mission "to be the preferred business partner for international cement and concrete consumers".

Çimsa defines the baseline of its field of activity as providing the necessary basic construction material for the strong infra and super structure sites.

The Company converted the Grinding and Packaging Facility in Kayseri into a completely new clinker production plant with five-phase pre-heating technology utilizing minimum power consumption in 2005. Çimsa purchased the Eskişehir Cement Plant and Ankara Cement Grinding Facility from the Saving Deposit Insurance Fund with the highest bid of US$ 175.5 million. Following the purchase, Çimsa completed the modernization process of the existing clinker production line along with the installation of the second production line at the Eskişehir Cement Plant with a total expenditure of US$ 85 million in 2007. By merging with Oysa Cement, the Company acquired its Niğde Plant with a capacity of 400,000 tons/year and increased its annual clinker production capacity to 4.8 million tons in the same year.

Exporting to 47 countries, Çimsa is committed to be more active in international markets by expanding its terminals in abroad. Çimsa holds the EC and CE marks and Kitemark quality certificates required to release cement products in EU member countries.

The Company entered the ready-mixed concretes segment in 1988 and currently provides services in Adana, Mersin, Kayseri, Antalya, Osmaniye, Kahramanmaraş, Nevşehir, Eskişehir, Kütahya, Bursa, Konya, Karaman, Aksaray, Sakarya and Bilecik.

Çimsa strives for business excellence at the global level through its quality and environmental management and occupational health and safety systems. Furthermore, the Company took an important step toward protection of the environment by receiving the Alternative Fuel Usage Certificate.

As one of Turkey's most creditable companies in the cement industry, Çimsa continued the momentum of growth and business excellence it started on 2005. The annual turnover of Çimsa was US$ 472 million in 2008. The Company continues efforts to create and sustain value for its shareholders.

Çimsa shares are listed on the Istanbul Stock Exchange with a free float of 27.4%.

Energy

The Sabancı Group' s strategic plans for 2015 have identified the energy sector as a key growth area with a focus on electricity and downstream natural gas operations. Consequently, the Group intends to lead in the electricity market and has established an ambitious target to command a 10-15% market share of the electricity sector by the year 2015.

In May 2007, the Group signed a joint venture agreement with Verbund, one of the leading electricity companies in Europe. The agreement is based on an equal share and management principle. Verbund is Austria' s largest generator of electricity with a ğ 11.43 billion market value. Sabancı and Verbund will work together exclusively within all areas of the Turkish electricity sector, except for nuclear energy investments.

Planning to attain a total installed capacity of 5,000 MW by 2015, the Sabancı Energy Group has accelerated efforts to expand and diversify its generation portfolio under the scope of the Verbund partnership. In addition to the existing generation portfolio of 455 MW currently operated by Enerjisa Enerji Üretim A.Ş., construction work has started on new power stations with a capacity of 2,555 MW.

The Sabancı Group aims to become the market leader in the electricity sector in a vertically integrated structure. The Group is also working actively, seeking opportunities in the natural gas business.

Enerjisa Group companies' total consolidated sales for the year 2008 exceed US$ 500 million.

ENERJİSA POWER GENERATION

Enerjisa Power Generation was founded on April 4, 1996 to explore new business opportunities that could emerge in the energy sector and to operate as a reliable and competent supplier of energy to its customers.

In addition to the power plants in Kocaeli, Adana, Çanakkale and Mersin, with a combined capacity of 370 MW, Enerjisa has added hydroelectric power plants that are located in Antalya, Mersin and Kahramanmaraş regions with a combined capacity of 85 MW through acquisitions realized in 2007.

With the aim of diversifying the generation capacity to create strategic advantage, nine hydropower power plants with a capacity of around 1,000 MW, the 450 MW Tufanbeyli Thermal Power Plant and the 920 MW Bandırma Natural Gas Combined Cycle Power Plant are currently in planning and implementation stages. As part of its commitment to renewable energy, Enerjisa also has wind farm projects in the planning stage with a total capacity of 185 MW.

In a bid to ease the problem of Turkey's tightening supply-demand balance by putting into operation the urgently needed generation capacity, Enerjisa held the groundbreaking of the 920 MW Bandırma Natural Gas Combined Cycle Power Plant, the 180 MW Adana Kavşak Bendi Hydroelectric Power Plant and the 142 MW Kahramanmaraş Hacınınoğlu Regulator & Hydroelectric Power Plant.

Enerjisa power plants generate electricity for some of Turkey's leading industrial and commercial entities as well as Sabancı Group companies.

Enerjisa will continue to add value to its shareholders, customers, employees, suppliers and society by exploring every opportunity in the market. The Company aims to be a preferred supplier by virtue of its customer-centric approach in all operations. Enerjisa constantly develops its processes and systems in a bid to increase and sustain competitiveness.

ENERJİSA ELECTRICITY WHOLESALE

In addition to electricity generation, Enerjisa operates in the electricity wholesale market through Enerjisa Elektrik Enerjisi Toptan Satış A.Ş., established on January 12, 2004. Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. trades in electricity and/or capacity in accordance with the limits set by market regulations. In addition to wholesale trading of electricity, the Company sells electricity directly to eligible customers. Opportunities to import and export electricity are also realized under the wholesale license.

Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. has a customer-oriented approach in its sales and marketing activities. With the objective to be a supplier preferred by its customers, the Company offers qualified services to meet the customers' expectations at the highest level and improves its systems and processes as a result of customer feedback.

In addition to wholesale and trade activities, Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. provides consultation services to Enerjisa Power Generation on operations in the balancing market, power plant optimization and customer relationship management.

In addition, to secure the supply of natural gas and other fuels in a cost effective manner for the long-run, the Company provides consultation to the Sabancı Energy Group companies. It also serves as consultant for supply contracts of natural gas and other fuels for current and prospective power plants, fuel procurement strategies in the middle-term and in the long-term, establishment of fuel optimization systems and management of risks related to these systems.

ENERJİSA ELECTRICITY DISTRIBUTION

Sabancı Verbund Joint Venture won the privatization tender for the block sale of 100% of the shares of Başkent Elektrik Dağıtım A.Ş. offering the highest bid at US$ 1,225 billion on July 1, 2008. In line with the commitment of the Sabancı Energy Group to become a vertically integrated leader of the market, Enerjisa Elektrik Dağıtım A.Ş. was established on October 24, 2008. The transfer of shares of Başkent Elektrik Dağıtım A.Ş. to Enerjisa Elektrik Dağıtım A.Ş. is finalized on January 28, 2009.

Enerjisa Elektrik Dağıtım A.Ş. intends to be the leading service company of the Turkish electricity sector. In the distribution and retailing businesses, the Company aims to have customer portfolio of six million by 2015.

Other

TEXTILES

YÜNSA

Yünsa, Turkey's leading exported of worsted wool fabric, is the top worsted fabric producer in Europe known for its vision, high product quality, market position and flexibility in production.

While market players in the textile sector lost ground and market shares in both the East and West, Yünsa, with its customers in 33 countries around the world, was the least affected by negative market conditions due to its strong capital structure, customer-focused approach, management acumen and effective cash and performance management. In 2008, total sales were approximately US$ 132 million while total exports accounted for US$ 70 million in total sales.

The global crisis that dominated the last quarter of 2008 and will likely affect 2009, caused volume losses in textile sector. In an uncertain market environment where the customers would abstain from long-term plans, Yünsa still has opportunity to succeed as a preferred fabric vendor with its proximity to European countries and other markets, as well as its pace and ability to create new products.

In 2008, in line with its notion of corporate excellence, Yünsa continued with the application of EFQM Excellence Model; marking the ultimate dedication of Yünsa to expand excellence and quality to be widespread and well-applied in every process throughout its operations.

In 2008, Yünsa has joined TURQUALITY® project, a state-initiated program that supports companies in generating worldwide brands. The Company believes involvement in this project, which propels homegrown companies from the domestic market into the world stage with financial support to renew production, marketing and services processes, will further strengthen Yünsa's progress to become a global trademark.

While Yünsa has adopted ISO 9001 Quality Standards, the Hohenstein Institute in Germany has licensed the operation with the Eko-Tex 100, which certifies that Yünsa's products are not hazardous to health or the environment.

Yünsa's shares are listed in the Istanbul Stock Exchange with a free float of 27%.

ADVANSA BV

Following the sales of the PET, PTA and Preform businesses to the Spanish La Seda Group in 2006, Advansa maintained its position as Europe's leading integrated polyester manufacturer of polyester staple and yarn with a shifting focus on specially polymers and chemicals, at its facilities in Turkey and Germany.

SASA

Specialty polymers and chemicals is considered the major growth area by Sasa. This business previously initiated activity by supplying specialty resin for the film, automotive and yarn industries in a customer-centric approach. With the commissioning of the largest Batch polymerization unit in Europe at the beginning of the year, the Company now produces a wide range of products for different segments.

During the year, Sasa started marketing a new product: a plasticizer that contains no phthalate, a chemical restricted in the EU and in the USA; it is used in many products such as toys, cables etc.

The state-of-the-art R&D facilities in Adana, in addition to developing new products for Advansa, is also offering complete solutions for polymerization and downstream technologies including yarn and staple fiber production. Major strategic cooperation with well-known institutes, universities and companies is ongoing. Commercialization of products developed here will be accelerated.

Sasa is a 51% owned subsidiary of Advansa and is listed on the Istanbul Stock Exchange, with a free float of 49%.

PAPER AND PACKAGING MATERIALS

OLMUKSA

Olmuksa has been offering high quality corrugated packaging products and services to its customers since 1968. It commands an annual production capacity of 70,000 tons for paper and 270,000 tons for corrugated packaging.

Olmuksa has consistently operated at the highest standards with responsibility toward its shareholders, customers, suppliers, employees and the wider community since its establishment and has rapidly passed on the benefits of technological advancements to its customers.

The Company provides qualified services and products to its customers throughout Turkey and neighboring countries with a paper mill in Edirne, corrugated box production facilities in Gebze, Izmir, Adana, Bursa and sheet plants in Manisa and Antalya. International Paper, the world's largest manufacturer of paper and corrugated packaging, became a shareholder in Olmuksa in 1998. This resulted in a more diverse product line and improved levels of quality in production and customer services. Olmuksa has also succeeded in increasing its export volume.

A number of factors, including the attractive growth rates in the corrugated market sector, the positive impact of legislation being introduced in line with EU harmonization and Turkey's growing export volume, have paved the way for growth opportunities in the corrugated packaging segment.

Olmuksa aims to attain parallel growth to the corrugated market sector and the Turkish economy in 2009. Growth will be supported by modernization investments which will be realized in line with the increasing and shifting demand in the market.

The core factor behind the success of the Company throughout its 40 years history has been Olmuksa's focus on customer relationship management. With over 650 employees fully dedicated to its customers, Olmuksa will continue to offer innovative solutions to support its growth targets for 2009 and beyond.

The Company posted US$ 171 million in net sales in 2008. Olmuksa's shares are listed on the Istanbul Stock Exchange with a free float of 12.5%.

The Sabancı Group entered into the tourism sector many years ago with the Erciyas Hotel in Adana. The Group established a partnership with Hilton International in 1988 with the opening of Ankara Hiltonsa. This partnership was extended further with the opening of Hilton Parksa in 1990 and the opening of the Mersin Hiltonsa the same year, followed by the addition of the Adana Hiltonsa in 2001.

DÖNKASAN

Dönkasan is Turkey's leading state-of-the-art recycled paper collecting, sorting and baling facility. Its first plant was established in 1983 in Kartal, Istanbul followed by new facilities located in Adana and Büyükçekmece.

The Company boasts an annual processing capacity of more than 200,000 tons, of which the majority is devoted to supplying its shareholders, Olmuksa and Kartonsan, with waste fiber.

TOBACCO

PHILSA

Philsa, a 75/25 joint venture between Philip Morris and Sabancı Holding, was established in 1991 to manufacture Marlboro, Parliament, Virginia Slims, Muratti, Chesterfield, L&M, Lark, Bond Street and Lider brand cigarettes in Turkey.

Since its inauguration in late 1992, the factory in Izmir-Torbalı has strengthened its reputation as a world-class manufacturer in the tobacco industry, thanks to an outstanding workforce and its use of state-of-the-art technology. Total investment of this plant has reached more than US$ 536 million.

PHILIP MORRISSA

Philip Morrissa was established in mid-1994 as a 75/25 joint venture between Philip Morris and Sabancı Holding. The Company is active in the national distribution and sales of Philip Morris cigarette brands. Its distribution network serves 143,788 sales outlets in 81 provinces throughout the country.

It represents one of the largest sales networks in Turkey with 93 distributors, 492 vehicles and a sales force of 552 people. In 2008, Philip Morrissa captured 41.5% of the Turkish market while the total value of cigarettes sold reached YTL 6.9 billion (US$ 5.4 billion).

TOURISM

TURSA/AEO

Located in an area of natural and historic splendor, Turkey captivates visitors from all around the world. In 2008, a total of 26,336,677 tourists visited Turkey to partake of the warm Turkish hospitality, splendid food, brilliant beaches and stunning archeological sites.

The Sabancı Group entered into the tourism sector many years ago with the Erciyas Hotel in Adana. The Group established a partnership with Hilton International in 1988 with the opening of Ankara Hiltonsa. This partnership was extended further with the opening of Hilton Parksa in 1990 and the opening of the Mersin Hiltonsa the same year, followed by the addition of the Adana Hiltonsa in 2001. The Group now holds 100% of the shares of Tursa, holder of the Adana Hiltonsa, Mersin Hiltonsa and Hilton Parksa as well as a majority stake in Ankara Enternasyonal Otelcilik, owner of Ankara Hiltonsa. All Sabancı-Hilton facilities are managed by Hilton Hotels. Total accommodations have now reached 1,831 beds, with 630 beds at the Ankara Hiltonsa, 616 beds at the Adana Hiltonsa, 372 beds at the Mersin Hiltonsa and 213 beds at the Hilton Parksa.

INFORMATION TECHNOLOGIES

BİMSA

Founded in 1975, Bimsa has been one of Turkey's leading business and information consulting service providers for the past 32 years. The Company's goal is to create value for the business of its clients meeting the needs of medium and large-scale companies in various service areas, such as business consultancy, solution implementation, server management, technical support and hardware-software provision.

With its more than 130 experienced employees, Bimsa aims to provide business consultations for performance management services, business intelligence, SAP applications, services oriented architecture, Pratis electronic purchasing platforms and information security and services for information technology outsourcing area.

Social and Cultural Activities

Sabancı University's close ties to industry, Turkish NGOs, art centers and other prominent universities have helped foster an environment that nurtures collaboration and applied research of the highest quality, particularly in rapidly growing interdisciplinary technology-based areas.

SABANCI UNIVERSITY

Sabancı University, based in Istanbul, is a private university situated on a 135 hectare campus and state-of-the-art facilities. The university aspires to educate students who are competent, confident, team-oriented individuals, possessing a strong sense of responsibility and able to effect social change. This aspiration has been achieved by bringing student skills and creativity together. The theme of "Creating and Developing Together" has been carefully woven into the fabric of the University's interdisciplinary academic programs, research and development projects, exchange programs and strong IT infrastructure.

Sabancı University's close ties to industry, Turkish NGOs, art centers and other prominent universities have helped foster an environment that nurtures collaboration and applied research of the highest quality, particularly in rapidly growing interdisciplinary technology-based areas.

Life at Sabancı University is designed to improve students' analytical, critical and creative thinking skills. For example, Sabancı University students have established their own democratically run Student Council, which mediates and works to solve problems on the campus, contributing to the University's growth and development as an institution. There are currently 47 university clubs that advance the quality of social and cultural life on campus. Student residence halls, with a capacity for 2,400 students offer young men and women a chance to learn the art of living together in harmony.
A Performing Arts Center helps to enhance the artistic vibrancy of the local community. The Center's high quality facilities make it ideal for opera, symphonic music, concerts, theater, ballet and other forms of dance.

The University currently has a student body of 3,639 which is composed of 2,964 undergraduate students and 675 postgraduates; 40% of the undergraduate students have been awarded scholarships. This competitive student body benefits from an internationally educated and experienced academic staff.

At Sabancı University, academic activities operate within the framework of three faculties: Engineering and Natural Sciences (FENS), Arts and Social Sciences (FASS) and Management (FMAN). All faculties offer undergraduate, Masters and PhD programs.

FENS offers undergraduate degree courses in Computer Science and Engineering, Biological Sciences and Bioengineering, Materials Science and Engineering, Mechatronics, Electronics Engineering and Manufacturing Systems Engineering. Graduate programs are offered in Biological Sciences and Bioengineering, Electronics Engineering, Computer Science and Engineering, Mechatronics, Industrial Engineering, Information Technology, Leaders for Industry, Materials Science and Engineering, Physics and Mathematics.

FASS offers undergraduate programs in Cultural Studies, Economics, Management, Social and Political Sciences, Visual Arts and Visual Communication Design. It offers graduate programs in Economics, Cultural Studies, History, Political Science, Conflict Analysis and Resolution, European Studies and Visual Arts and Visual Communications Design.

Sabancı University marks its difference with its strong academic structure, lively social environment and diverse career opportunities after graduation. Graduates of Sabancı University take their places in the business world as highly efficient and creative individuals fully aware of their social responsibilities.

As a Turkish youth confident in the future, with the knowledge and expertise I earned from Sabancı University, I am spending my efforts on preparing the Turkish private sector to enter into European Union membership, in the heart of Europe, in Brussels.

Melih Özsöz
Sabancı University, Social and Political Sciences Undergraduate Degree, 2004
Permanent Representation of Economic Development Foundation in Brussels, Researcher-Brussels BELGIUM.

SSM now offers a multi-facetted museum environment with its rich collections, the temporary international exhibitions it hosts, conservation units and exemplary educational programs; as well as the concerts, conferences and seminars it organizes.

FMAN's degree-granting programs include a BA degree in Management, Masters of Business Administration courses, a Masters in Finance, the Executive Masters of Business Administration, an MSc degree course in Information Technologies in Management and a PhD in Management. Additionally, a variety of Executive Development Programs are provided, geared to the needs of business organizations.

The University also offers the Leaders for Industry Program, which provides a dual degree, an MSc in Engineering and MSc in Management. The Program is sponsored by several industrial partners.

The number of Sabancı University's alumni is 2,626. Approximately 56% of the University's alumni hold positions in national and multinational companies while another 30% pursue international graduate work on fellowships, particularly in the USA. A number of students have established start-up companies in areas such as Information Technology, Software Development and Advanced Materials.

SABANCI UNIVERSITY SAKIP SABANCI MUSEUM

Sabancı University Sakıp Sabancı Museum (SSM) is located in Emirgan, one of the oldest neighborhoods along the Bosphorus, in Istanbul.

The mansion that currently houses the main collection of the museum, was bought by Hacı Ömer Sabancı in 1950. It was known as "Atlı Köşk" (Horse Mansion) because of the equine statue by French sculptor Louis Doumas, made in 1864, that graces its front garden.

Following the death of Hacı Ömer Sabancı, the Atlı Köşk was used as the residence of Sakıp Sabancı and used to house his extensive collection of calligraphies and paintings. The mansion was bequeathed to the Sabancı University, along with the collections and its furniture in 1998, to be turned into a museum.

A modern gallery wing was added to the original structure, and the museum was opened to the public in 2002. The exhibition space was expanded in 2005 and upgraded to meet international museum standards.

SSM now offers a multi-facetted museum environment with its rich collections, the temporary international exhibitions it hosts, conservation units and exemplary educational programs; as well as the concerts, conferences and seminars it organizes.

The collections displayed at the Sabancı University Sakıp Sabancı Museum fall into three categories: Calligraphy; Painting; Archeological and Stone Works and Furniture and Decorative Arts.

The Calligraphy Collection offers a comprehensive overview of the 500 years of Ottoman calligraphy, with rare Korans, kıtas, albums, panels, hilyes, edicts, endowments deeds and menşurs.

The Painting Collection of the Sakıp Sabancı Museum is comprised of works dating between 1850 and 1950. The collection includes the most distinguished examples of Turkish painting, as well as works of foreign artists who lived in Istanbul during the last years of the Ottoman Empire.

While the Collection of Archeological and Stone Works, consisting of Roman, Byzantine and Ottoman pieces, is exhibited in the garden; the three ground floor rooms of the Atlı Köşk display the 18th and 19th century furniture and decorations used by the Sabancı Family while the mansion was their personal residence.

Exhibitions Held at SSM

The Sabancı University Sakıp Sabancı Museum has hosted many exhibitions since its inception.

Included in the list of important exhibitions are the shows: “From the Medici to the Savoias: Ottoman Splendor in Florentine Palaces”, “The Art of the Book from the East to West and Memories of the Ottoman World, Masterpieces from the Lisbon Calouste Gulbenkian Museum”, “Images of Turks in Europe in the 17th Century” and “Genghis Khan and His Heirs - The Great Mongol Empire”, as well as grand retrospectives of prominent masters such as Picasso and Rodin.

As an inclusive retrospective on Dali, the "Salvador Dali: A Surrealist in Istanbul" exhibition was comprised of 270 works, including oil paintings, drawings and graphics, as well as manuscripts, photographs and various documents.

Hosting inclusive exhibitions since 2002, SSM has continued its exciting, innovative exhibition programs.

As the first step of the 5-year cultural and scientific cultural agreement between the Sabancı University Sakıp Sabancı Museum and the Louvre Museum, the exhibition "Istanbul, Isfahan, Delhi: Three Capitals of Islamic Art Masterpieces from the Louvre Collection" was held February 19-June 1, 2008.

Sabancı University Sakıp Sabancı Museum, with sponsorship from Akbank and the cooperation of the Gala-Salvador Dali Foundation, hosted one of the most important artists of the 20th century, the representative of surrealism, Salvador Dali. As an inclusive retrospective on Dali, the "Salvador Dali: A Surrealist in Istanbul" exhibition was comprised of 270 works, including oil paintings, drawings and graphics, as well as manuscripts, photographs and various documents. The exhibition was the largest showing of works from the Gala-Salvador Dalí Foundation's collection ever held outside of the foundation. The show ran September 20, 2008 through February 1, 2009.

SSM's Exhibitions Abroad

In addition to hosting various exhibitions on its grounds, the Sabancı University Sakıp Sabancı Museum has been able to promote its collections by lending works of art to other venues outside the country.

The museum has loaned works to exhibitions such as "Mothers, Goddesses and Sultanas" (2004-2005) held in Brussels, "Turks: A Journey of a Thousand Years, 600-1600" (2006) held in London and "Istanbul: The City and the Sultan" (2006-2007) in Amsterdam. However, it has been the exhibitions made up entirely its own collections and hosted by prestigious museums around the world that have brought the Sakıp Sabancı Museum into the international arena.

The Lisbon Gulbenkian Museum exhibited 38 paintings in the exhibition, "Evocations, Passages, Atmospheres and Paintings from the Sakıp Sabancı Museum, Istanbul". These paintings highlighted the period from 1850 to 1950 in Turkish art, a relatively unknown to the Western world. This exhibition was also the first time a selection of the great masters of Turkish painting were exhibited in a European Museum (2007).

The Calligraphy Collection of the Sakıp Sabancı Museum was exhibited in Madrid's Real Academia de Bellas Artes de San Fernando. Co-sponsored by the Spanish Ministry of Culture and Sabancı Holding, the exhibition, “Letters in Gold: The Ottoman Art of Calligraphy from Sakıp Sabancı Museum”, featured 96 works, including manuscripts produced by numerous Ottoman calligraphers from the end of the 15th century until the early 20th century. The exhibit included Korans, prayer books, calligraphy albums and a few late-Ottoman paintings (2007-8).

The Calligraphy Collection of the Sakıp Sabancı Museum met once again with the Spanish public at Real Alcázar, in Seville, following the exhibition held in Madrid. The site is influenced by Islamic architecture, which offered a harmonic atmosphere for the exhibition, comprised of examples demonstrating the developments in the Ottoman art of calligraphy over a period of 500 years.

SSM Education Activities

The extensive educational programs that were initiated during the Picasso exhibition continued throughout the 2008 exhibitions.

In 2008, both during the course of exhibitions and throughout the year, special workshops were held for both children and adults.

Films and conferences were held in junction with the temporary exhibitions. Gallery talks and guided tours were organized in cooperation with Sabancı University students. As a community service, a special educational program, including a museum visit and workshop, was organized for women living in the suburbs of Istanbul.

The taxi drivers’ and neighbors’ days that were a part of previous exhibitions were also offered during the Louvre and Dali exhibitions.

Over the past 35 years, Sabancı Foundation has built over 120 institutions in 78 residential areas across Turkey such as schools, student dormitories, guesthouses, health facilities, sports facilities, cultural centers, social facilities and Sabancı University -one of its most significant investments.

SABANCI FOUNDATION

The Sabancı Family has made a considerable contribution to the development of the Turkish economy by initiating many industrial establishments which comprise Sabancı Holding. In addition to the contribution to economic life, Sabancı family members have been actively involved in philanthropic activities by building institutions established to enhance educational, cultural, social and health developments.

The Hacı Ömer Sabancı Foundation was established in 1974 with the aim of institutionalizing the Sabancı family philanthropic investments. This foundation was established with the support of family members, mainly Sadıka Sabancı -wife of Hacı Ömer Sabancı- who donated her entire personal wealth to the endowment. The income base of the Foundation, sustained mainly through donations from family members, Sabancı Group companies and revenue generated by its own assets, has led the Sabancı Foundation to become one of the largest foundations in Turkey.

Sabancı Foundation programs and investments are guided by its main mission; "To promote social development and social awareness among current and future generations by supporting initiatives that create a high impact and lasting change". The Foundation completed its strategy development work in 2008 and identified its new program areas as targeting Women, Youth and Persons with Disabilities. The newly formulated program builds strategy on these areas with specific focus on the development of these target groups. In addition to its existing investments to Institutions, Education, Scholarships, Awards, Arts and Culture, the Foundation is also is being enhanced with programs that focus directly on the three new targets.

Over the past 35 years, the Foundation has built over 120 institutions in 78 residential areas across Turkey such as schools, student dormitories, guesthouses, health facilities, sports facilities, cultural centers, social facilities and Sabancı University -one of its most significant investments. The Sabancı Foundation also supports its institutions not only with contributing toward the building's physical maintenance but also toward the development of managers to have them become more skilled.

Each year 1,200 students benefit from Sabancı Foundation scholarships. Since its establishment in 1974, more than 32,000 students have been assisted through this program. As part of its awards program, the Sabancı Foundation also recognizes exceptional performance in education, culture and art.

Sabancı Foundation

1	University
39	Educational institutions
17	Teacher centers
17	Student residences
14	Cultural centers
14	Social facilities
10	Healthcare centers
5	Sports facilities
4	Libraries
Total 121	Sabancı Foundation institutions

Sakıp Sabancı Education and Culture Center, Kandilli, Istanbul

Another important investment for the Foundation is Arts & Culture. The Sabancı Foundation supports two annual events -the Turkish Folk Dance Competition and the International Sabancı Adana Theater Festival. In 2006, the Foundation began supporting the Mehtap Ar Children's Theater, with the goal of making the art of drama more accessible to children. To date, more than 200,000 children living in remote areas of Istanbul and in Eastern and Southeastern Anatolia attended theater for the first time in their lives. Starting in 2008, the Ankara International Music Festival and the Metropolis Antique City excavation have been added to Sabancı Foundation's culture and art program.

In order to encourage and enable those who have the power to change the future and to make a difference in the lives of Turkish citizens, the Sabancı Foundation conducts activities through grant programs, partnerships and seminars. Activities being implemented within this context are summarized below:

Sabancı Foundation Seminars gather civil society, foundation, academia, private and public sector representatives with international experts to learn about new trends and hot topics with respect to the civil society sector. In 2008, the second Sabancı Foundation Seminar was organized under the theme of "Making Difference Through Grant Programs". The role and contribution of grant programs to change the life of people was discussed.

Together with national and international organizations, the Sabancı Foundation also contributes to the area of human development. As a major contributor of the United Nations Joint Program to Promote and Protect Human Rights of Women and Girls, the Sabancı Foundation launched the Sabancı Foundation Grant Program in 2007. Eleven projects that align with Joint Program goals were funded in six different cities across Turkey. In 2008, within the framework of the same grant program, 11 new projects were selected and were implemented. Within the context of this program, Sabancı University conducted gender seminars for 850 high school teachers through the Purple Certificate Program; 84 participants chosen to earn certificates began implementing various activities in their cities to increase awareness about gender and human rights issues.

In 2008, the Sabancı Foundation completed its extensive work on developing future program strategies. It was decided that the Foundation would focus on three main areas; women, youth and persons with disabilities. Considering the changing roles of foundations in general and the dynamics within the foundation sector in the national and the international arena, the Sabancı Foundation launched the first Social Development Grant Program at the end of 2008. Within this program, a total of one million Turkish liras will be allocated toward projects that target women, youth and the persons with disabilities with a specific focus on the following areas: social justice, participation, employment, advocacy and research.

At the end of 2008, the project of Multidimensional Empowerment of Women in Urban Area developed by AÇEV (Mother Child Education Foundation) was included in Sabancı Foundation Grant Programs. This Project aims provide literacy training to women, young girls and women with disabilities and instruct them about their rights and the issues of disability.

Sabancı Teacher Center, Anadoluhisarı, Istanbul

Corporate Social Responsibility Policy and Principles

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

Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach. We expect all of our establishments that constitute the Sabancı Group to manage the economic, social and environmental impact of their actions with responsibility and to place priority on the development of society. We do not regard the scope of our social responsibility limited to just our business operations or their impact. We determine our level of social responsibility and its priority on what is good for society and the environment as a whole. We pursue a pioneering role with regard to actions that protect democracy, human rights as well as the environment. As the Sabancı Group, the SA-Ethics program prepared and put into practice in accordance with the principles of Corporate Social Responsibility constitute a guide to our business operations.

The basic principles that govern our social responsibility practices are;

1- As the Sabancı Group, we fulfill our social and environmental responsibilities toward society in all places that we operate, in close collaboration with our shareholders, employees, public, non-governmental organizations and other stakeholders.

2- We regard our human resources as the most significant component in creating sustainable growth. We ensure that all employees take advantage of their personal rights as members of the Group, fully and accurately. We treat our employees with honesty and fairness; we are committed to creating a non-discriminatory, safe and healthy work environment. We undertake efforts to enable the personal development of all employees while pursuing a balance between their private and professional lives.

   Any discrimination within the organization based on race, religion, gender, age, political opinion, language, physical challenge or similar reasons are not tolerated.

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

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

   As the Sabancı Group, we believe that all employees deserve to work in a healthy and secure work environment consistent with human dignity. Our employees are our most valuable assets and we strive to provide employee safety and security as our primary goal.

3- We manage the environmental impact of our activities with a sense of responsibility. All of our companies are required to identify and apply the necessary improvements and development activities that minimize or eliminate negative environmental impact. We require our companies, beyond their legal requirements, to apply the best environmental solutions to all they do and to support any initiative that will develop and deploy environment-friendly technology and enhance environmental awareness.

4- As the Sabancı Group, we struggle toward the improvement of society pursuant to our sense of corporate social responsibility. We encourage our employees to take part in social and societal volunteering.

5- We develop and implement approaches to ensure that all of our partners and particularly our suppliers act in accordance with social responsibility standards of the Group.

6- We show sensitivity to the traditions and culture of Turkey and other countries in which we operate. We comply with all legal regulations currently in effect.

7- We encourage our Group companies to comply with international standards and assure that their operations are certified.

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

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

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

Ahmet C. Dördüncü
CEO and Board Member

Güler Sabancı
Chairman and Managing Director

Hacı Ömer Sabancı Holding A.Ş.
Consolidated Financial Statements
at 31 December 2008

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve
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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hacı Ömer Sabancı Holding A.Ş.

1. We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated statement of income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards endorsed by the Capital Markets Board ("CMB"). This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Hacı Ömer Sabancı Holding A.Ş. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards endorsed by the CMB (Note 2).

Emphasis of matter

5. The consolidated financial statements include the accounts of Hacı Ömer Sabancı Holding (the "Holding"), the parent company, its Subsidiaries and Joint Ventures. In these consolidated financial statements, subsidiaries are companies in which the Holding exercises a dominant influence and power to govern the financial and operating policies through the exercise of voting power relating to shares held by the Holding and its Subsidiaries together with voting power which the Holding effectively exercises relating to shares held by Sabancı family members. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. In effect the Sabancı family members allow the Holding to exercise voting power in respect of their shares held in these companies. In these consolidated financial statements the shares held by Sabancı family members in the consolidated subsidiaries are treated as minority interests.

Additional paragraph for US Dollar ("USD") translation

6. As explained in Note 2 to the consolidated financial statements, USD amounts presented in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements, USD amounts do not form part of these consolidated financial statements and have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2008 for the consolidated balance sheet and the official USD average CBRT bid rate of the year 2008 for the consolidated statement of income and consolidated statement of cash flows. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of income and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of IAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency.

Additional paragraph for convenience translation into English

7. The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January-31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Burak Özpoyraz, SMMM
Partner

İstanbul, 3 April 2009

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

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

	Notes	UNAUDITED 2008 USD (*)	2008	Restated 2007
ASSETS				
Current Assets		**36,989,683**	**55,939,498**	**48,780,416**
Cash and Cash Equivalents	5	5,068,478	7,665,059	2,901,156
Financial Assets				
- Marketable Securities	6.a	116,080	175,548	4,833,069
- Available for Sale	6.b	1,274,629	1,927,622	9,548,528
- Held to Maturity	6.c	3,327,460	5,032,118	-
Derivative Financial Instruments	26	54,928	83,068	81,282
Reserve Deposits with the Central Bank of the Republic of Turkey	2.4	4,143,273	6,265,872	1,667,269
Trade Receivables	8, 31	697,599	1,054,979	1,140,924
Receivables from Finance Sector				
Operations	27	20,552,646	31,081,766	26,062,442
Other Receivables	9	302,774	457,885	571,433
Inventories	10	973,578	1,472,342	1,197,573
Other Current Assets	18	440,886	666,752	194,672
		36,952,331	**55,883,011**	**48,198,348**
Non-current Assets Held for Sale	20	37,352	56,487	582,068
Non-current Assets		**29,677,925**	**44,881,926**	**30,608,224**
Trade Receivables	8, 31	16,409	24,816	23,637
Receivables from Finance Sector Operations	27	11,934,573	18,048,654	13,842,985
Other Receivables	9	53,703	81,214	45,818
Financial Assets				
- Available For Sale	6.b	3,843,821	5,813,011	11,692,082
- Held to Maturity	6.c	10,260,258	15,516,588	-
Investments Accounted Through Equity Method	11	194,779	294,564	179,390
Investment Property	12	236,761	358,054	394,251
Property, Plant and Equipment	13	2,476,538	3,745,268	3,587,373
Intangible Assets	14	237,014	358,437	364,549
Goodwill	15	220,601	333,615	327,412
Deferred Income Tax Assets	25	203,468	307,705	150,727
Total Assets		**66,667,608**	**100,821,424**	**79,388,640**

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official TL exchange rate announced by CBRT at 31 December 2008, and therefore do not form part of these consolidated financial statements (Note 2.1.7).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

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

	Notes	UNAUDITED 2008 USD (*)	2008	Restated 2007
LIABILITIES				
Short Term Liabilities		**51,231,321**	**77,477,127**	**58,018,151**
Borrowings	7	4,861,573	7,352,157	4,382,957
Current Portion of Long-term Borrowings	7	1,121,103	1,695,444	1,752,250
Trade Payables	8, 31	664,672	1,005,183	938,384
Other Payables	9	1,344,227	2,032,874	2,596,446
Payables From Finance Sector Operations	28	42,834,082	64,777,982	47,478,977
Derivative Financial Instruments	26	207,832	314,305	105,591
Income Taxes Payable	25	55,439	83,840	192,855
Other Short Term Liabilities	18	142,393	215,342	214,629
		51,231,321	**77,477,127**	**57,662,089**
Liabilities Associated with Non-current Assets Held for Sale	20	-	-	356,062
Long Term Liabilities		**3,971,117**	**6,005,520**	**5,296,648**
Borrowings	7	3,049,677	4,612,026	4,113,529
Trade Payables	8, 31	2,791	4,221	3,885
Other Payables	9	111,204	168,175	201,913
Payables from Finance Sector Operations	28	560,537	847,700	604,768
Provision for Employment Termination Benefits	17	90,717	137,191	147,961
Deferred Income Tax Liabilities	25	156,191	236,207	224,592
EQUITY		**11,465,170**	**17,338,777**	**16,073,841**
Shareholders' Equity		**6,319,494**	**9,556,971**	**8,550,833**
Share Capital	**19**	**1,190,240**	**1,800,000**	**1,800,000**
Capital Reserves		**2,218,203**	**3,354,589**	**3,516,539**
Share Issue Premium		14,329	21,670	21,670
Value Increase Funds		(62,053)	(93,842)	68,108
Adjustment to Capital		2,265,927	3,426,761	3,426,761
Restricted Reserves	19	170,480	257,817	215,478
Translation Reserve		(183,194)	(75,359)	(215,298)
Net Income for the Period		**919,292**	**1,188,559**	**969,487**
Retained Earnings	**19**	**2,004,473**	**3,031,365**	**2,264,627**
Minority Interests		**5,145,676**	**7,781,806**	**7,523,008**
- Sabancı Family Members		1,676,252	2,534,996	2,311,987
- Others		3,469,424	5,246,810	5,211,021
TOTAL EQUITY AND LIABILITIES		**66,667,608**	**100,821,424**	**79,388,640**
Contingent assets and liabilities	16			

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official TL exchange rate announced by CBRT at 31 December 2008, and therefore do not form part of these consolidated financial statements (Note 2.1.7).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Notes	UNAUDITED 2008 USD (*)	2008	Restated 2007
CONTINUING OPERATIONS				
Sales (net)	21	5,829,201	7,536,619	7,522,733
Interest, premium, commission and other income	21	9,482,604	12,260,130	10,859,705
Total		**15,311,805**	**19,796,749**	**18,382,438**
Cost of sales (-)	4	(4,772,294)	(6,170,134)	(6,153,912)
Interest, premium, commission and other expenses (-)	4	(6,322,788)	(8,174,781)	(6,829,252)
Total		**(11,095,082)**	**(14,344,915)**	**(12,983,164)**
Gross profit from non-financial operations		1,056,907	1,366,485	1,368,821
Gross profit from financial operations		3,159,816	4,085,349	4,030,453
GROSS PROFIT		**4,216,723**	**5,451,834**	**5,399,274**
Marketing, Selling and Distribution Expenses (-)	22	(429,996)	(555,945)	(524,050)
General and Administrative Expenses (-)	22	(2,218,290)	(2,868,044)	(2,308,730)
Research and Development Expenses (-)	22	(15,000)	(19,393)	(17,933)
Other Operating Income	23	291,145	376,424	242,805
Other Operating Expenses	23	(29,674)	(38,366)	(96,351)
OPERATING PROFIT		**1,814,908**	**2,346,510**	**2,695,015**
Shares of Income of Investments Accounted Through Equity Method	11	145,136	187,647	135,083
Financial Income	24	365,964	473,157	423,210
Financial Expenses (-)	24	(419,196)	(541,982)	(577,660)
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS		**1,906,812**	**2,465,332**	**2,675,648**
Tax income/expense from continuing operations				
Current Tax Expense	25	(213,236)	(275,695)	(357,135)
Deferred Income Tax Benefit	25	79,489	102,772	12,918
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,773,065**	**2,292,409**	**2,331,431**
DISCONTINUED OPERATIONS				
Net income/(loss) after tax from discontinued operations		27,276	35,265	(4,020)
NET INCOME FOR THE PERIOD		**1,800,341**	**2,327,674**	**2,327,411**
ALLOCATION OF NET INCOME		**1,800,341**	**2,327,674**	**2,327,411**
- Minority interest		**881,049**	**1,139,115**	**1,357,924**
- Sabancı Family members		233,727	302,187	308,545
- Others		647,322	836,928	1,049,379
- Equity Holders of the Parent		**919,292**	**1,188,559**	**969,487**
Earnings per share-thousands of ordinary shares (TL)	30	4.95	6.41	5.22

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official average TL exchange rate announced by CBRT for the year 2008, and therefore do not form part of these consolidated financial statements (Note 2.1.7).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Share Capital	Share premium	Value increase funds	Adjustment to Capital	Restricted reserves	Translation reserve	Net income for the period	Retained earnings	Shareholders' equity	Minority interests	Total
Previously reported	**1,800,000**	**21,670**	**(43,771)**	**3,426,761**	**189,248**	**(241,428)**	**494,049**	**1,207,815**	**6,854,344**	**4,997,041**	**11,851,385**
Mathematical correction (Note 2.1.5)	-	-	-	-	-	-	-	(2,097)	(2,097)	(6,001)	(8,098)
Balances at 1 January 2007	**1,800,000**	**21,670**	**(43,771)**	**3,426,761**	**189,248**	**(241,428)**	**494,049**	**1,205,718**	**6,852,247**	**4,991,040**	**11,843,287**
Increase in share premium	-	-	-	-	-	-	-	-	-	1,076,926	1,076,926
Capital increase	-	-	-	-	-	-	-	-	-	129,313	129,313
Transfers	-	-	-	-	26,230	-	(494,049)	467,819	-	-	-
Effect of change in the effective rate of subsidiaries (Note 2.4.27)	-	-	-	-	-	-	-	798,302	798,302	390,901	1,189,203
Establishment of subsidiary	-	-	-	-	-	-	-	-	-	10,222	10,222
Business combinations	-	-	-	-	-	-	-	-	-	33,068	33,068
Effect of change in the scope of consolidation	-	-	3,235	-	-	-	-	-	3,235	38,919	42,154
Liquidation of subsidiary	-	-	-	-	-	-	-	-	-	(118,194)	(118,194)
Purchase of usufruct shares (Note 31)	-	-	-	-	-	-	-	(21,089)	(21,089)		(21,089)
Dividends paid	-	-	-	-	-	-	-	(189,399)	(189,399)	(491,278)	(680,677)
Non-cash capital increase adjustment	-	-	-	-	-	-	-	-	-	(12,345)	(12,345)
Transfer from revaluation reserve	-	-	(3,276)	-	-	-	-	3,276	-	-	-
Unrealized market value gains on available for sale financial assets (Note 6)	-	-	117,945	-	-	-	-	-	117,945	206,155	324,100
Gains on available for sale financial assets transferred to the income statement (Note 6)	-	-	(6,025)	-	-	-	-	-	(6,025)	(10,347)	(16,372)
Currency translation differences	-	-	-	-	-	26,130	-	-	26,130	(79,296)	(53,166)
Net income for the period	-	-	-	-	-	-	969,487	-	969,487	1,357,924	2,327,411
Balances at 31 December 2007	**1,800,000**	**21,670**	**68,108**	**3,426,761**	**215,478**	**(215,298)**	**969,487**	**2,264,627**	**8,550,833**	**7,523,008**	**16,073,841**
Balances at 1 January 2008	**1,800,000**	**21,670**	**68,108**	**3,426,761**	**215,478**	**(215,298)**	**969,487**	**2,264,627**	**8,550,833**	**7,523,008**	**16,073,841**
Capital increase	-	-	-	-	-	-	-	-	-	89,733	89,733
Transfers	-	-	-	-	42,339	-	(969,487)	927,148	-	-	-
Effect of change in the effective rate of subsidiaries (Note 2.4.27)	-	-	-	-	-	-	-	21,352	21,352	(13,088)	8,264
Sale of subsidiary									-	(188,327)	(188,327)
Purchase of usufruct shares (Note 31)	-	-	-	-	-	-	-	(3,096)	(3,096)	-	(3,096)
Dividends paid	-	-	-	-	-	-	-	(190,421)	(190,421)	(553,203)	(743,624)
Transfer from revaluation reserve (Note 2.4.13)	-	-	(11,755)	-	-	-	-	11,755	-	-	-
Unrealized market value losses on available for sale financial assets (Note 6)	-	-	(86,287)	-	-	-	-	-	(86,287)	(155,176)	(241,463)
Gains on available for sale financial assets transferred to the income statement (Note 6)	-	-	(16,142)	-	-	-	-	-	(16,142)	(27,733)	(43,875)
Net gains and losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets (Note 6)	-	-	5,690	-	-	-	-	-	5,690	9,775	15,465
Cash flow hedges, net of tax (Note 2.4.8)	-	-	(53,456)	-	-	-	-	-	(53,456)	(91,844)	(145,300)
Currency translation differences	-	-	-	-	-	139,939	-	-	139,939	49,546	189,485
Net income for the period	-	-	-	-	-	-	1,188,559	-	1,188,559	1,139,115	2,327,674
Balances at 31 December 2008	**1,800,000**	**21,670**	**(93,842)**	**3,426,761**	**257,817**	**(75,359)**	**1,188,559**	**3,031,365**	**9,556,971**	**7,781,806**	**17,338,777**

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Notes	UNAUDITED USD (*) 2008	2008	2007
Net income before tax from continuing operations		1,906,812	2,465,332	2,675,648
Net income/(loss) before tax from discontinued operations		32,915	42,556	(2,393)
Adjustments to reconcile income before taxation to net cash provided by operating activities:				
Depreciation and amortisation		325,883	421,336	434,225
Provision for loan losses		1,110,163	1,435,338	937,841
Re-measurement of derivative instruments at fair value		160,049	206,928	40,973
Provision for employment termination benefits		34,118	44,111	32,646
Impairment of non-current assets held for sale		-	-	20,311
Impairment charge on goodwill		-	-	4,891
Impairment charge on property, plant and equipment, intangible assets and investment property		15,555	20,111	51,527
Currency translation adjustment		(456,524)	100,866	59,274
Insurance technical reserves		(123,905)	(160,198)	(108,370)
Income from associates		(145,136)	(187,647)	(135,083)
Loss/(gain) on sale of subsidiaries and joint ventures		7,238	9,358	(211,510)
Gain on sale of property, plant and equipment, intangible assets and investment properties		(111,812)	(144,562)	(15,245)
Other		(15,702)	(20,301)	56,992
Net cash provided by operating activities before changes in operating assets and liabilities		**2,739,654**	**4,233,228**	**3,841,727**
Changes in trade receivables		65,562	84,766	(120,410)
Changes in inventories		(212,520)	(274,769)	(22,481)
Changes in other receivables and other current assets		(363,879)	(470,462)	(48,854)
Changes in trade payables		51,926	67,135	59,646
Changes in other liabilities and other payables		(461,438)	(596,597)	905,686
Net cash used in operating activities of non-current assets held for sale		(73,367)	(94,857)	(199,752)
Changes in assets and liabilities in banking segment:				
Changes in marketable securities		3,602,362	4,657,521	1,940,461
Changes in receivables from financial operations		(8,245,238)	(10,660,331)	(10,678,506)
Changes in payables from financial operations		13,691,725	17,702,135	7,136,143
Changes in reserve with the Central Bank of the Republic of Turkey		(3,556,792)	(4,598,603)	1,025,508
Income taxes paid		(238,017)	(307,734)	(242,465)
Employment termination benefits paid	17	(36,653)	(47,389)	(30,674)
Net cash provided by operating activities		**6,963,325**	**9,694,043**	**3,566,029**
Cash flows from investing activities:				
Capital expenditures	3	(552,244)	(714,000)	(969,261)
Investment in available-for-sale and held-to-maturity securities		(5,798,246)	(7,496,596)	(6,219,026)
Cash used in business combinations		(17,648)	(22,817)	(225,879)
Establishment of subsidiary		-	-	11,413
Changes in scope of consolidation		-	-	58,825
Proceeds from sale of subsidiary and joint venture		189,163	244,570	278,897
Proceeds from sale of property, plant and equipment, intangible assets and non-current assets held for sale		179,208	231,699	117,714
Dividends received		59,830	77,355	139,344
Net cash provided by investing activities of non-current assets held for sale		16,965	21,934	12,016
Net cash used in investing activities		**(5,922,972)**	**(7,657,855)**	**(6,795,957)**
Cash flows from financing activities:				
Increase in borrowings		2,638,155	3,410,891	(425,828)
Dividends paid		(147,281)	(190,421)	(189,399)
Purchase of usufruct shares		(2,395)	(3,096)	(21,089)
Dividends paid to minority interests		(427,875)	(553,203)	(491,278)
Increase in share capital of minority interests		69,404	89,733	129,313
Increase in share issue premium of minority interests		-	-	1,076,926
Effect of change in the effective rate of subsidiaries		6,392	8,264	1,189,203
Net cash used in financing activities of non-current assets held for sale		(26,648)	(34,453)	7,455
Net cash provided by financing activities		**2,109,752**	**2,727,715**	**1,275,303**
Net increase/(decrease) in cash and cash equivalents		3,150,105	4,763,903	(1,954,625)
Cash and cash equivalents at the beginning of the period		1,918,373	2,901,156	4,855,781
Cash and cash equivalents at the end of the period		**5,068,478**	**7,665,059**	**2,901,156**

(*) USD amounts presented above are translated from TL for convenience purposes only, at the official average TL exchange rate announced by CBRT for the year 2008, and therefore do not form part of these consolidated financial statements (Note 2.1.7).

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

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

NOTE 1-ORGANISATION AND NATURE OF OPERATIONS

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 and is owned by the members of the Sabancı family (Note 19). The number of employees in 2008 is 51.120 (2007: 52.530). The 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 the Istanbul Stock Exchange ("ISE") since 1997. As of 31 December 2008, the Group has 21.55% shares registered to Capital Market Board ("CMB"), also the principal shareholders and their respective shareholding rates in the Holding are as follows: (Note 19):

	%
Sabancı family members	61.40
Public quotation (*)	21.55
Sakıp Sabancı Holding A.Ş.	14.81
Sabancı University	1.62
Hacı Ömer Sabancı Foundation	0.62
	100.00

(*) On 10 February 2009, some Sabancı family members registered their shares with 15.89% percentage to ISE and the public quotation percentage has increased to 37.44%.

Subsidiaries

The business nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments at 31 December 2008 are as follows:

Subsidiaries	Nature of business	Business segment
Akbank T.A.Ş. ("Akbank")	Banking	Finance
Aksigorta A.Ş. ("Aksigorta")	Insurance	Finance
Advansa B.V. ("Advansa")	Textile	Textile
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	Textile	Textile
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("Kordsa Global")	Tire and tire reinforcement	Tire and tire reinforcement
Temsa Global A.Ş. ("Temsa Global")	Automotive	Automotive
Toyotasa Toyota-Sabancı Pazarlama ve Satış A.Ş. ("Toyotasa Pazarlama")	Automotive	Automotive
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	Cement and clinker	Cement
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	Trade	Retailing
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	Trade	Other
Exsa UK Ltd. ("Exsa UK")	Trade	Other
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	Tourism	Other
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	Tourism	Other
Sapeksa Mensucat ve Toprak Mahsulleri Sanayi ve Ticaret A.Ş. ("Sapeksa")	Agriculture	Other
Sabancı Telekomünikasyon Hizmetleri A.Ş. ("Sabancı Telekom") (*)	Telecommunication	Other
Bimsa Uluslararası İş, Bilgi ve Yönetim Trade of data and Sistemleri A.Ş. ("Bimsa")	Trade of data and Processing Systems	Other

(*) Sabancı Telekom has been liquidated after balance sheet date (Note 33).

For the purposes of segment information, Holding's stand-alone financial statements have been included within the "Other" business segment (Note 4).

All the Subsidiaries are registered in Turkey except for Exsa UK, Advansa (collectively referred to as the "Foreign Subsidiaries"). Exsa UK is registered in the United Kingdom, Advansa is registered in the Netherlands.

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 December 2008 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Joint Ventures	Nature of business	Segment	Venturer
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	Pension	Finance	Aviva
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	Tire and tire reinforcement	Tire and tire reinforcement	Bridgestone
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	Cement and clinker	Cement	Heidelberg
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	Trade of consumer goods	Retailing	Carrefour
Diasa Dia Sabancı Süpermarketleri Ticaret A.Ş. ("Diasa")	Trade of consumer goods	Retailing	Dia S.A.
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	Energy production and sales	Energy	Verbund
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. ("ETS") (*)	Energy sales	Energy	Verbund
Enerjisa Elektrik Dağıtım A.Ş. (**)	Energy sales	Energy	Verbund
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş. ("Olmuksa")	Corrugated containers	Other	International Paper
Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş. ("Dönkasan")	Paper	Other	International Paper and Kartonsan

(*) The Group purchased the shares of Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. from Enerjisa Enerji Üretim A.Ş in accordance with the authorization of Energy Market Regulation Agency. Enerjisa Enerji Üretim A.Ş. had 49.99% interest in Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. Effective from 31 March 2008, ETS is included in the scope of consolidation as a joint venture of the Group.

(**) The Group has purchased 49.99% shares of Enerjisa Elektrik Dağıtım A.Ş., which was established in 2008. Effective from 21 October 2008, Enerjisa Elektrik Dağıtım A.Ş. is included in the scope of consolidation as a joint venture of the Group

All the Joint Ventures are registered in Turkey.

These consolidated financial statements have been approved by the Board of Directors on 3 April 2009 and signed on its behalf by Budgeting Accounting and Consolidation Head Nedim Bozfakıoğlu and Budgeting Accounting and Consolidation Director Cezmi Kurtuluş. The consolidated financial statements are subject to the approval of shareholders in the General Assembly and the shareholders posses the right to ask for amendment of these consolidated financial statements at the General Assembly after issuance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

NOTE 2-BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial Reporting Standards

The Capital Markets Board of Turkey ("CMB") regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Holding did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its financial statements for the accounting periods starting 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which is based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required by the CMB on 17 April 2008 and 9 January 2009 including the compulsory disclosures. Accordingly, required reclassifications have been made in the comparative consolidated financial statements (Note 2.1.5).

Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements ("Statutory Financial Statements") in TL 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 CMB Financial Reporting Standards.

2.1.2 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 (a) 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, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

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 2008:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100.00	-	100.00	99.93
AEO	70.29	-	70.29	70.29
Akbank	40.85	16.32	57.17	36.80
Aksigorta	61.98	-	61.98	61.98
Bimsa	95.11	-	95.11	89.86
Çimsa	53.00	1.42	54.42	53.00
Exsa	45.70	54.30	100.00	30.25
Exsa UK	100.00	-	100.00	99.09
Kordsa Global	91.11	-	91.11	91.11
Sapeksa	52.84	44.87	97.71	37.00
Sabancı Telekom	100.00	-	100.00	100.00
Teknosa	69.17	30.83	100.00	69.17
Temsa Global	48.70	51.29	99.99	47.66
Toyotasa Pazarlama	65.00	-	65.00	64.99
Tursa	99.52	-	99.52	98.46
Yünsa	59.37	11.50	70.87	58.80

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The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and effective interest of the Holding in these subsidiaries at 31 December 2007:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100.00	-	100.00	99.93
AEO	70.29	-	70.29	70.29
Akbank	40.85	14.91	55.76	36.79
Aksigorta	61.98	-	61.98	61.98
Bossa (*)	50.12	17.68	67.80	50.12
Bimsa	95.11	-	95.11	90.10
Çimsa	52.74	1.42	54.16	51.86
Exsa	45.70	54.30	100.00	29.87
Exsa UK	100.00	-	100.00	99.09
Gıdasa (**)	99.68	-	99.68	99.67
Pilsa Plastik Sanayi ve Ticaret A.Ş. ("Pilsa") (***)	51.23	48.77	100.00	51.23
Kordsa Global	91.11	-	91.11	91.11
Sapeksa	52.84	44.87	97.71	36.91
Sabancı Telekom	100.00	-	100.00	100.00
Teknosa	51.92	48.08	100.00	51.93
Temsa Global	48.71	51.28	99.99	47.66
Toyotasa Pazarlama	65.00	-	65.00	64.99
Tursa	99.52		99.52	98.46
Universal (****)	100.00	-	100.00	92.99
Yünsa	59.37	13.66	73.03	58.80

(*) Group signed a share sales agreement with Akkardan Sanayi ve Ticaret A.Ş on 5 August 2008 to sell its 50.12% share in Bossa that existed as of 31 December 2007. Sale transaction was completed on 22 September 2008. Effective from this date, Bossa was excluded from the scope of consolidation.

(**) Group signed a share sales agreement with Marmara Gıda Sanayi ve Ticaret A.Ş on 14 August 2007 to sell its 99.68% share in Gıdasa that existed as of 31 December 2007. Sale transaction was completed on 3 March 2008. Effective from this date, Gıdasa was excluded from the scope of consolidation.

(***) Group signed a share sales agreement with Wavin B.V registered in Netherlands on 21 November 2007 to sell its 51.23% share in Pilsa Plastik Sanayi A.Ş. that existed as of 31 December 2007. Sale transaction was completed on 10 January 2008. Effective from this date, Pilsa was excluded from the scope of consolidation.

(****) Universal, a subsidiary of the Group registered in United Kingdom with an interest rate of 100% as of 31 December 2007 is liquidated in 2008. Liquidation process has been finalised as of 16 October 2008 and effective from this date Universal was excluded from the scope of consolidation.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Holding and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Holding in its Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

Financial statements of subsidiaries, whose financial position at 31 December 2008 and result of operations for the year ended 31 December 2008 are insignificant to the overall consolidated financial statements, are not consolidated on the grounds of materiality. Such subsidiaries are classified as available for sale equity securities in these consolidated financial statements (Note 6.b).

c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the 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 2008:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39.72	39.72
Avivasa	49.83	49.83
Brisa	43.63	43.63
Carrefoursa	38.78	38.78
Diasa	40.00	40.00
Dönkasan	33.13	33.12
Enerjisa	50.00	50.00
ETS	50.00	50.00
Enerjisa Elektrik Dağıtım A.Ş.	50.00	50.00
Olmuksa	43.73	43.73

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 2007:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39.72	36.88
Avivasa	49.83	49.83
Beksa (*)	49.99	49.99
Brisa	43.63	43.63
Carrefoursa	38.78	38.78
Diasa	40.00	40.00
Dönkasan	33.13	33.12
Enerjisa	50.00	50.00
Olmuksa	43.73	43.73

(*) Group sold all its 49.99% share in Beksa as of 31 December 2007 to Bekaert Iberica Holding S.L. Sale transaction was completed on 24 July 2008. Effective from this date, Beksa was excluded from the scope of consolidation.

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

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d) Investments in Associates are accounted for by the equity method of accounting. These are entities over which the Holding generally has between 20% and 50% of voting rights, or over which the Holding has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Holding and its Associates are eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an Associate reaches zero, unless the Holding has incurred obligations or guaranteed obligations in respect of the Associates. Such Associates are accounted at fair value if the fair value can be determined objectively; otherwise, they are accounted at cost (Note 11 and Note 2.e).

Associates whose financial position at 31 December 2008 and result of operations for the year ended 31 December 2008 are insignificant to the overall consolidated financial statements are not accounted for by the equity method of accounting. Such Associates are classified as available for sale equity securities (Note 6.b).

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2008 and 2007:

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.

e) Other investments in which the Holding and its Subsidiaries, have interest below 20%, or over which the Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 6.b).

f) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

The portion of the profit or loss and net assets of Subsidiaries attributable to equity interests that are not owned, directly or indirectly through the Subsidiaries, by the parents, is presented as minority interest. Certain Sabancı family members, Sabancı Vakfı, a charitable foundation established by Sabancı family members and Akbank Tekaüt Sandığı, a retirement foundation for Akbank employees, have interests in the share capital of certain Subsidiaries and Associates. In these consolidated financial statements their interests are treated as minority interest and are not included in the Holding's net assets and profits attributable to shareholders of the Holding.

2.1.3 Amendments in International Financial Reporting Standards

(a) The following standards are published in 2008 but are not relevant to the Group's operations:

IFRIC 11, "IFRS 2-Group and treasury share transactions"
IFRIC 12, "Service concession arrangements"
IFRIC 14, "IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction"

(b) Standards and amendments early adopted by the Group:

IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009) has been early adopted by the Group. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

(c) Standards, amendments and interpretations to existing standards that are not yet effective in 2008, are relevant to the Group's operations and have not been early adopted by the Group:

IAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009.

- IAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Group will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 32 (Amendment), "Financial instruments: Presentation", and IAS 1 (Amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1(Amendment) from 1 January 2009.

- IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

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- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship.

When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's income statement.

- IFRS 8, "Operating segments", was early adopted in 2008. IFRS 8 replaces IAS 14,"Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply the IFRS 8 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated financial statements.

- IFRIC 13, “Customer loyalty programme” (effective from1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

(d) Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and are not relevant to the Group’s operations:

- IFRS 1 (Amendment) “First time adoption of IFRS”, and IAS 27 “Consolidated and separate financial statements” (effective from 1 January 2009). The amended Standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

- IAS 16 (Amendment), “Property, plant and equipment” (and consequential amendment to IAS 7, “Statement of cash flows”) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the Group’s operations because none of the Group’s companies ordinary activities comprise renting and subsequently selling assets.

- IAS 27 (Amendment), “Consolidated and separate financial statements” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements Project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, “Financial instruments: recognition and measurement”, is classified as held for sale under IFRS 5, ‘Non-current assets held-for-sale and discontinued operations’, IAS 39 would continue to be applied. The amendment will not have an impact on the Group’s operations because it is the Group’s policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- IAS 28 (Amendment), “Investments in associates” (and consequential amendments to IAS 32, “Financial Instruments: Presentation”, and IFRS 7, “Financial instruments: Disclosures”) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 ‘Financial instruments: recognition and measurement’, only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, ‘Financial Instruments: Presentation’ and IFRS 7 ‘Financial Instruments: Disclosures’. The amendment will not have an impact on the Group’s operations because it is the Group’s policy for an investment in an associate to be equity accounted in the Group’s consolidated accounts.

- IAS 29 (Amendment), “Financial reporting in hyperinflationary economies” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Group’s operations, as none of the Group’s subsidiaries or associates operate in hyperinflationary economies.

- IAS 31 (Amendment), “Interests in joint ventures” (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, ‘Financial instruments: Presentation’, and IFRS 7 ‘Financial instruments: Disclosures’. The amendment will not have an impact on the Group’s operations.

- IAS 38 (Amendment), “Intangible assets” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. The amendment deletes the wording that states that there is ‘rarely, if ever’ support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Group’s operations, as all intangible assets are amortised using the straight-line method.

- IAS 40 (Amendment), “Investment property” (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group’s operations, as there are no investment properties under construction are held by the Group.

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- IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the Group's operations as no agricultural activities are undertaken.

- IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance" (effective from 1 January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Group's operations as there are no loans received or other grants from the government.

- IFRIC 15, "Agreements for construction of real estates" (effective from 1 January 2009). The interpretation clarifies whether IAS 18, "Revenue", or IAS 11, "Construction contracts", should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18.

There are a number of minor amendments to which are part of the IASB's annual improvements project published in May 2008. These amendments as described above are unlikely to have an impact on the Group's operations.

- IAS 20 "Accounting for government grants and disclosure of government assistance",
- IAS 29 "Financial reporting in hyperinflationary economies",
- IAS 40 "Investment Property",
- IAS 41 "Agriculture Operations"

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 realise the asset and settle the liability simultaneously.

2.1.5 Comparatives and restatement of prior year financial statements

Comparative information is reclassified in order to conform to the presentation of current period consolidated financial statements.

As a result of the correction in the calculations of rediscount of Insurance Receivables and Technical Reserves of Aksigorta, a subsidiary of the Group, the Retained Earnings and Minority Interests as of 31 December 2006 is decreased by TL 11,236 and TL 6,893, respectively.

As a result of the correction in property plant and equipment of Kordsa Global, a subsidiary of the Group, due to the change in functional currency, the Retained Earnings and Minority Interests as of 31 December 2006 is increased by TL 9,139 and TL 892, respectively.

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous period. The Group presented the consolidated balance sheet as of 31 December 2008 comparatively with the consolidated balance sheet as of 31 December 2007 and presented the consolidated statement of income, statement of cash flows and statement of change in equity for the period 1 January-31 December 2008 comparatively with the period 1 January-31 December 2007.

The Group has performed reclassifications in the consolidated balance sheet as at 31 December 2007 in order to conform to presentation of financial statements as of 31 December 2008. Such reclassifications are explained as follow:

On the consolidated balance sheet as at 31 December 2007, government bonds denominated in foreign currency, government bonds and Eurobonds amounting to TL 145,541 classified under "Marketable Securities" are reclassified under "Cash and Cash Equivalents".

On the consolidated balance sheet as at 31 December 2007, loans given to customers amounting to TL 25,455,494 classified under "Loans and Advances to Customer" and financial lease receivables amounting to TL 318,478 classified under "Lease Receivables" are reclassified under "Receivables from Financial Operations"; receivables originated from insurance operations amounting to TL 288,470 classified under "Trade Receivables" and "Due from Related Parties" are reclassified under "Receivables from Financial Operations".

On the consolidated balance sheet as at 31 December 2007, loans given to customers amounting to TL 13,510,303 classified under non-current "Loans and Advances to Customer" and financial lease receivables amounting to TL 332,682 classified under non-current "Lease Receivables" are reclassified under "Receivables from Financial Operations".

On the consolidated balance sheet as at 31 December 2007, taxes payable amounting to TL 192,855 classified under "Provisions" is reclassified under "Income Taxes Payable".

On the consolidated balance sheet as at 31 December 2007, payables amounting to TL 2,702 classified under "Lease Payables" and advances amounting to TL 14,073 classified under "Advances Received" are reclassified under "Other Payables".

On the consolidated balance sheet as at 31 December 2007, payables originated from insurance operations amounting to TL 21,559 classified under "Trade Payables" and payables amounting to TL 11,040 classified under "Due to Related Parties" are reclassified under "Payables from Financial Operations".

On the consolidated balance sheet as at 31 December 2007, extraordinary reserves amounting to TL 693,869 and legal reserves amounting to TL 113,797 classified under "Profit Reserves" and; inflation adjustment related to legal reserves amounting to TL 457,160 classified under "Inflation Adjustment to Shareholders' Equity" are reclassified under "Retained Earnings". Moreover, at the consolidated balance sheet as of 31 December 2007, TL 196,900 classified under "Retained Earnings" is reclassified under "Restricted Reserves".

On the consolidated income statement for the year ended 31 December 2007, revenue related to discontinued operations amounting to TL 499,624 classified under "Sales Revenue" and cost related to discontinued operations amounting to TL 397,203 classified under "Cost of Sales", operating expenses amounting to TL 84,053 classified under "Operating Expenses" and foreign exchange loss and interest expense amounting to TL 10,589 classified under "Financial Expenses" are reclassified under "Discontinued Operations".

On the consolidated income statement for the year ended 31 December 2007, foreign exchange and interest income amounting to TL 144,434 and TL 46,236 classified under "Other Income" are reclassified under "Financial Income".

2.1.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January-31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.1.7 US Dollar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of income and consolidated statements of cash flows are translated from TL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 31 December 2008 of TL 1,5123 = USD 1 and TL 1,2929 = USD 1, respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of income and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of IAS 21 "The effects of Changes in Foreign Exchange Rates" when the financial statements are presented in a currency other than the functional currency. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of cash flows and the use of bid rate at the balance sheet date for the translation of the closing and opening cash balances is included as currency translation adjustment separate from cash flows from operating, financing and investing activities.

2.2 Changes in Accounting Policies

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. There has been no change in the accounting policies related to period 1January-31 December 2008.

2.3 Changes in Accounting Estimates and Errors

Significant changes at the accounting principles and significant accounting errors should de applied retrospectively and prior period financial statements should be restated. Changes in the accounting estimates should be accounted in financial statements prospectively; if the change is related to only one period it should be accounted at the current year that the change is performed, but if it is related to more than one period it should be accounted at both the current and future periods. There are no changes in accounting estimates during the period between 1 January- 31 December 2008.

2.4 Summary of Significant Accounting Policies

2.4.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial (Note 5).

2.4.2 Sale and repurchase agreements

In the banking segment, securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as trading, available-for-sale or held to maturity financial assets and measured in accordance with the policies used in measuring the relevant class. The counter party liability is included in customer deposits and the difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield method.

Securities purchased under agreements to resell ("reverse repos") are recorded as cash and cash equivalents. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the reverse repo agreement using the effective yield method.

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

Reserve deposits represent the minimum deposits maintained with the Central Bank of the Republic of Turkey (the "Central Bank"), as required by the Turkish Banking Law ("Banking Law"), calculated on the basis of customer deposits taken at the rates determined by the Central Bank. In accordance with the current legislation, the mandatory reserve deposit rates for New Turkish Lira and foreign currency deposits are 6% (2007: 6%) and 9% (2007: 11%), respectively. Interest income is recognised quarterly using the interest rates determined by the Central Bank.

2.4.4 Trade receivables and provision for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 8).

2.4.5 Related parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, Associates and Joint Ventures are considered and referred to as related parties. On consolidation, most of the related party activity is eliminated and the remainder of non-eliminated balances is disclosed in Note 31.

2.4.6 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventory are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 10). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.4.7 Financial Instruments

In accordance with IAS 39, in the banking segment the Group classifies its investments in debt and equity securities in the three following categories; assets held at fair value through profit or loss, held-to-maturity and, available-for-sale assets. Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity are classified as "held-to-maturity financial assets". Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or the client's servicing activity are classified as "available-for-sale financial assets". The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All investment securities are initially recognised at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value if the fair values can be reliably measured.

Investments in which the Holding has an interest below 20% that do not have a quoted market price in active markets, for which other methods of making a reasonable estimate of fair value are clearly inappropriate or unworkable and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred in the equity until the financial asset is sold, collected or otherwise disposed of. Unrealised gains and losses arising from changes in the fair value of available for sale debt securities are the differences between the fair value of such securities and their amortised cost at the balance sheet date. When available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement.

Held to maturity investments are carried at amortised cost using the effective yield method.

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

Interest received from financial assets at fair value through profit or loss is recognised in the income statement as part of interest income and dividend received is recognised in the income statement as part of dividend income. All purchases and sales of financial assets at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the trade date, which is the date that the banks commit to purchase or sell the assets.

2.4.8 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, discounted to 31 December 2008. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Certain derivative transactions, while providing effective economic hedges under the risk management position, do not qualify for hedge accounting under the specific rules under IAS 39 and are therefore treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

Gains and losses on forward foreign exchange contracts are calculated by valuing the contract with the spot exchange rate prevailing at the balance sheet date and comparing the amount arrived at with the original amount calculated on a straight line basis by using the spot rate prevailing at the beginning of the contracts. 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.

i) Cash flow hedge

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.

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.

Akbank is hedged against cash flow risk arising from TL and foreign currency floating rate borrowings through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under value increase funds within equity.

ii) Derivatives that do not qualify for hedge accounting

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

2.4.9 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 12). 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 IAS 16 “Property, Plant and Equipment”. At that date, the property becomes investment property and thus is transferred to investment property.

2.4.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 13). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	4-50
Buildings	18-50
Machinery and equipment	2-25
Motor vehicles	2-15
Furniture and fixtures	3-10

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.

Costs to property plant and equipment are included in the asset’s carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statements during the financial period in which they were incurred.

2.4.11 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 14). The amortisation of mining rights commences when the extraction begins.

2.4.12 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.

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 consolidated income statement.

2.4.13 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 share premiums, the payment dates are considered (Note 19).

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.

2.4.14 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.

2.4.15 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.

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

2.4.16 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.

2.4.17 Deferred Income Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 25).

2.4.18 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 26479 dated 31 March 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.

As of 31 December 2008, the pension fund has no technical or actuarial deficit which requires a provision, in accordance with the technical balance sheet report audited pursuant to the framework stated in the above first paragraph, and which was prepared in consideration of the draft law provisions mentioned above. Furthermore, Akbank management is of the opinion that the liability amount to arise during and after the transfer will be at a reasonable level that can be met by the Fund's assets and it will not cause any additional burden for Akbank.

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The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group's obligation related to other non-transferrable benefits has been calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TL 69,181 (2007: TL 68,529), the surplus of the Fund amounts to TL 212,099 as of 31 December 2008 (2007: TL 12,814).

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

	2008	2007
Present value of funded obligations	(576,660)	(693,564)
- Pension benefits transferrable to SSI	(541,150)	(601,307)
- Post-employment medical benefits transferrable to SSI	33,671	(23,728)
- Other non-transferrable benefits	(69,181)	(68,529)
Fair value of plan assets	788,759	706,378
Surplus	**212,099**	**12,814**

The principal actuarial assumptions used were as follows:

Discount rate	2008	2007
- Pension benefits transferrable to SSI	%9.80	%9.80
- Post-employment medical benefits transferrable to SSI	%9.80	%9.80
- Other non-transferrable benefits	%6.26	%5.71

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 17),

2.4.19 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.

2.4.20 Loans and advances to customers and provisions for loan impairment

Loans originated by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated and are carried at amortised cost using the effective yield method. Costs incurred due to obtaining guarantees for originated loans are not considered as transaction costs and are charged to the income statement. Loans originated by providing money directly to banks such as time or demand deposits are classified as due from banks.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision made during the period is charged against the profit for the period. Loans that cannot be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for loan losses for the period.

2.4.21 Government grants

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

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

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

2.4.22 Insurance technical reserves

Unearned premiums reserve

Unearned premiums are those proportions of the premiums written in a year that relate to the period of risk subsequent to the balance sheet date for all policies with more than one year of maturity.

Claim provisions

Claims are recorded in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The provision for claims outstanding is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. Full provision is made for outstanding claims, including claim settlements, reported at the end of the period according to the insurance expert's report, or according to the initial estimations of the insured and the expert.

Life assurance provision

The Subsidiaries dealing in life assurance are required to establish benefit reserves, which in the aggregate must be sufficient to provide for future guaranteed benefits as they become due. The life assurance provision is based on the level of premiums, as adjusted by commission, and administrative expenses and risk premiums that are computed on the basis of actuarial mortality assumptions, as approved by the Insurance Supervisory Office, which are applicable for Turkish insurance companies. The revenues obtained upon the investment activities in relation to the provisions held, are set aside as life assurance provision.

2.4.23 Leasing transactions

2.4.23.1 The Group as a lessee

Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in leasing payables.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. The interest element of the finance cost is charged to the income statement over the lease period.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.4.23.2 The Group as a lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

2.4.24 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.e).

Commission income and fees for various banking services are recorded as income at the time they affect the transactions to which they relate.

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.e).

Non-Life:

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

Other segments

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

2.4.25 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 30 earnings per share are calculated in accordance with IAS 33 “Earnings Per Share”.

2.4.26 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 New 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 New Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated income statement.

Foreign Group companies

The results of Group undertakings using a measurement currency other than New 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.

2.4.27 Business combinations

In accordance with IFRS 3 "Business Combinations" all business combinations are accounted for by applying the purchase method. If the acquisition cost is higher than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as goodwill. Prior to the acquisition, the fair value differences of the net assets are accounted as fair value reserve in equity. Goodwill recognised in a business combination is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs the impairment test of goodwill at year-ends.

If the acquisition cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as income in the related period (Note 3).

Partial share purchase-sale transactions with minority interests

The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority 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 minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are recorded in equity under retained earnings since there is no caption for these gains or losses in accordance with the CMB Financial Reporting Standards.

2.4.28 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.

2.4.29 Financial Instruments

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

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

For all other segments other than those of the banking segment the following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value.

Financial assets

The fair 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 uncollectibility are carried at amortised cost using the effective yield method, and hence are considered 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 variable 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 stated at their fair values and accordingly their carrying amounts 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.

The carrying value and fair value of financial assets and liabilities in the banking segment at 31 December 2008 and 2007 are as follows:

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Due from banks	6,867,802	6,867,802	2,667,900	2,667,900
Loans and advances to customers	47,921,582	46,904,667	38,965,797	39,368,261
Trading and available for sale financial assets	28,014,015	28,017,050	25,676,244	25,676,244
Total financial assets	**82,803,399**	**81,789,519**	**67,309,941**	**67,712,405**
Other deposits	64,833,026	65,979,605	47,469,469	47,196,666
Funds borrowed and debt securities in issue	12,538,830	11,976,225	9,645,144	9,645,144
Total financial liabilities	**77,371,856**	**77,955,830**	**57,114,613**	**56,841,810**

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

2.5 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with CMB Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has incurred any impairment, in accordance with the accounting policy stated in Note 2.4. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. As of 31 December 2008, the Group did not determine any impairment in the amount of the goodwill as a result of the impairment tests (Note 15).

(b) Useful life of property, plant and equipment and intangible assets

In accordance with the accounting policy stated in Note 2.4.10, property, plant and equipment and intangible assets are stated at historical cost less depreciation and net of any impairment. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made.

NOTE 3-BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2008 are as follows:

Çimsa acquired Bilecik Hazır Beton Tesisleri for a consideration of TL 22,817 on 31 July 2008. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Property, plant and equipment and intangible assets	18,081
Other current assets	442
Total net assets	18,523
Less: cost of acquisition	22,817
Goodwill	**4,294**

The business combinations between the period 1 January and 31 December 2007 are as follows:

Enerjisa acquired Ere Holding A.Ş. and its subsidiaries (Ere Elektrik and Ere HES) in consideration of TL 44,342 on 25 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Property plant and equipment, net	75,759
Finance lease receivables	4,373
Other current assets/non-current assets	1,779
Financial liabilities	(32,289)
Deferred income tax liabilities	(3,271)
Other liabilities	(1,707)
Minority interest	(302)
Total net assets	44,342
Less: cost of acquisition	44,342

Akçansa, a joint venture of the Holding, acquired Ladik cement plant from Türkerler İnşaat Turizm Ticaret ve Sanayi A.Ş. in consideration of TL 128,007 on 1 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Inventories	11,952
Property plant and equipment, net	66,086
Intangible assets, net	22,520
Other current assets/non-current assets	22
Provisions	(553)
Deferred income tax liabilities	(445)
Total net assets	99,582
Less: cost of acquisition	227,589
Goodwill	**128,007**
Goodwill attributable to the consolidated financial statements resulting from the acquisition completed by the joint venture	**47,209**

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The Holding acquired 41,09% of shares of Oysa Çimento in consideration of TL 45,294 on 31 December 2007. Oysa Çimento is consolidated as a subsidiary of the Holding effective from 30 April 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition have been initially determined by the Group during the preparation of 31 December 2007 consolidated balance sheet and as foreseen in the context of IFRS 3 the final fair values of identifiable assets, liabilities and contingent liabilities determined within the twelve month period following 31 December 2007 are as follows:

Trade receivable	8,605
Inventories	3,317
Other current assets/non-current assets	286
Property plant and equipment, net	93,422
Intangible assets, net	5,106
Deferred income tax assets	(12,215)
Borrowings	(1,187)
Trade payables	(2,654)
Other liabilities	(6,883)
Revaluation fund	(4,379)
Minority interest	(38,124)
Total net assets	45,294
Less: cost of acquisition	45,294

NOTE 4-SEGMENT REPORTING

a) External revenues:

	2008	2007
Finance	12,260,130	10,859,705
Retail	2,125,397	1,965,133
Automotive	1,797,077	1,911,787
Tire and tire reinforcements	1,460,764	1,488,434
Cement	928,804	822,492
Energy	248,587	143,733
Textile	673,736	753,244
Other	302,254	437,910
Total	**19,796,749**	**18,382,438**

b) Segment assets:	**2008**	**2007**
Tire and tire reinforcements	1,353,745	1,124,061
Automotive	1,303,613	762,455
Textile	748,996	1,175,351
Cement	1,336,703	1,196,379
Retail	793,369	817,134
Energy	720,391	550,632
Finance	93,833,365	72,887,608
Banking	92,491,103	71,777,679
Insurance	1,342,262	1,109,929
Other	446,549	685,328
Segment assets (*)	**100,536,731**	**79,198,948**
Non-current assets held for sale	56,487	582,068
Investment in associated companies	294,564	179,390
Unallocated assets	819,435	343,898
Less: intercompany eliminations and reclassifications	(885,793)	(915,664)
Total assets per consolidated financial statements	**100,821,424**	**79,388,640**

(*) Segment assets mainly comprise of operating assets.

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c) Segment liabilities:	**2008**	**2007**
Tire and tire reinforcements	253,338	218,941
Automotive	405,829	241,337
Textile	141,349	203,048
Cement	141,576	129,439
Retail	403,493	471,472
Energy	68,003	60,883
Finance	82,049,742	61,621,114
Banking	81,180,925	60,956,732
Insurance	868,817	664,382
Other	73,196	156,200
Segment liabilities (*)	**83,536,526**	**63,102,434**
Liabilities associated with the assets held for sale	-	356,062
Unallocated liabilities	1,449,182	1,054,842
Less: intercompany eliminations and reclassifications	(1,503,061)	(1,198,539)
Total liabilities per consolidated financial statements	**83,482,647**	**63,314,799**

(*) Segment liabilities comprise of operating liabilities and exclude items such as taxation, borrowings and other unallocated liabilities.

Segmental analysis for the period between 1 January-31 December 2008:

							Finance					
	Tire and tire reinforcements	Automotive	Textile	Cement	Retail	Energy	Banking	Insurance	Total finance	Other	Inter segment elimination	Total
External revenues	1,460,764	1,797,077	673,736	928,804	2,125,397	248,587	11,357,200	902,930	12,260,130	302,254	-	19,796,749
Inter segment revenues	6,057	409	1,394	182	4,214	86,567	55,435	1,103	56,538	14,410	(169,771)	-
Total revenues	**1,466,821**	**1,797,486**	**675,130**	**928,986**	**2,129,611**	**335,154**	**11,412,635**	**904,033**	**12,316,668**	**316,664**	**(169,771)**	**19,796,749**
External revenues	1,460,764	1,797,077	673,736	928,804	2,125,397	248,587	11,357,200	902,930	12,260,130	302,254	-	19,796,749
Inter segment revenues	6,057	409	1,394	182	4,214	86,567	55,435	1,103	56,538	14,410	(169,771)	-
Revenues	**1,466,821**	**1,797,486**	**675,130**	**928,986**	**2,129,611**	**335,154**	**11,412,635**	**904,033**	**12,316,668**	**316,664**	**(169,771)**	**19,796,749**
Cost of sales (*)	(1,196,380)	(1,562,394)	(613,265)	(692,993)	(1,662,501)	(278,667)	(7,443,175)	(942,650)	(8,385,825)	(267,822)	316,002	(14,343,845)
General and administrative expenses	(65,775)	(50,056)	(29,322)	(34,907)	(223,518)	(24,227)	(2,245,009)	(127,947)	(2,372,956)	(43,559)	34,278	(2,810,042)
Sales, marketing and distribution expenses	(74,737)	(163,143)	(68,034)	(10,910)	(220,280)	(523)	-	-	-	(20,278)	1,960	(555,945)
Research and development expenses	(10,205)	(1,635)	(7,553)	-	-	-	-	-	-	-	-	(19,393)
Inter segment adjustment	-	(515)	-	(99)	-	-	153,703	796	154,499	(454)	(154,501)	(1,070)
Operating result	**119,724**	**19,743**	**(43,044)**	**190,077**	**23,312**	**31,737**	**1,878,154**	**(165,768)**	**1,712,386**	**(15,449)**	**27,968**	**2,066,454**
Other unallocated operating expenses	-	-	-	-	-	-	-	-	-	-	-	(58,002)
Other income/(expense)-net	(1,956)	(5,543)	(18,587)	(9,103)	134,070	(2,053)	175,235	84,318	259,553	(18,323)	-	338,058
Segment result	**117,768**	**14,200**	**(61,631)**	**180,974**	**157,382**	**29,684**	**2,053,389**	**(81,450)**	**1,971,939**	**(33,772)**	**27,968**	**2,346,510**

(*) In the banking segment cost of sales includes interest expenses, fee and commission expenses, provision for loan losses and net foreign currency trading gains. In the insurance segment cost of sales includes premium ceded to reinsurance.

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Segmental analysis for the period between 1 January-31 December 2007:

							Finance					
	Tire and tire reinforcements	Automotive	Textile	Cement	Retail	Energy	Banking	Insurance	Total finance	Other	Inter segment elimination	Total
External revenues	1,488,434	1,911,787	753,244	822,492	1,965,133	143,733	10,003,561	856,144	10,859,705	437,910	-	18,382,438
Inter segment revenues	5,617	562	12,341	286	2,722	139,586	69,621	1,159	70,780	17,004	(248,898)	-
Total revenues	**1,494,051**	**1,912,349**	**765,585**	**822,778**	**1,967,855**	**283,319**	**10,073,182**	**857,303**	**10,930,485**	**454,914**	**(248,898)**	**18,382,438**
External revenues	1,488,434	1,911,787	753,244	822,492	1,965,133	143,733	10,003,561	856,144	10,859,705	437,910	-	18,382,438
Inter segment revenues	5,617	562	12,341	286	2,722	139,586	69,621	1,159	70,780	17,004	(248,898)	-
Revenues	**1,494,051**	**1,912,349**	**765,585**	**822,778**	**1,967,855**	**283,319**	**10,073,182**	**857,303**	**10,930,485**	**454,914**	**(248,898)**	**18,382,438**
Cost of sales (*)	(1,288,251)	(1,607,886)	(687,238)	(532,630)	(1,562,085)	(276,602)	(6,141,940)	(777,350)	(6,919,290)	(387,594)	276,482	(12,985,094)
General and administrative expenses	(68,251)	(31,000)	(24,761)	(35,675)	(202,890)	(12,495)	(1,763,754)	(96,098)	(1,859,852)	(44,395)	25,420	(2,253,899)
Sales, marketing and distribution expenses	(70,500)	(171,004)	(64,193)	(9,270)	(187,971)	-	-	-	-	(25,526)	4,414	(524,050)
Research and development expenses	(7,228)	(1,646)	(9,118)	(16)	-	-	-	-	-	-	75	(17,933)
Inter segment adjustment	-	(495)	-	(100)	-	-	16,949	2,309	19,258	2,525	(19,258)	1,930
Operating result	**59,821**	**100,318**	**(19,725)**	**245,087**	**14,909**	**(5,778)**	**2,184,437**	**(13,836)**	**2,170,601**	**(76)**	**38,235**	**2,603,392**
Other unallocated operating expenses												(54,831)
Other income/(expense)-net	9,461	(13,881)	(35,736)	(5,322)	(16,185)	(5,087)	(2,942)	143,068	140,126	73,078	-	146,454
Segment result	**69,282**	**86,437**	**(55,461)**	**239,765**	**(1,276)**	**(10,865)**	**2,181,495**	**129,232**	**2,310,727**	**73,002**	**38,235**	**2,695,015**

(*) In the banking segment cost of sales includes interest expenses, fee and commission expenses, provision for loan losses and net foreign currency trading gains. In the insurance segment cost of sales includes premium ceded to reinsurance.

e) Operating results:

i) Banking:

	2008	2007
Interest on loans	6,185,984	5,182,162
Interest on investment and trading securities	3,404,452	3,028,796
Commission income	1,406,387	1,301,145
Interest from other banks	335,942	336,114
Trading gain on securities	(120,210)	43,825
Other interest income	144,644	111,519
Total operating revenues	**11,357,200**	**10,003,561**
Less: commission income and trading gains on securities	(1,286,177)	(1,344,970)
Total interest income	**10,071,022**	**8,658,591**
Interest expense	(6,370,161)	(5,310,963)
Interest income-net	**3,700,862**	**3,347,628**
Operating costs		
Interest expense	(6,370,161)	(5,310,963)
Foreign exchange trading gain-net	260,091	96,620
Operating expense	(2,245,009)	(1,763,754)
Commission expense	(244,345)	(256,153)
Provision for loan losses	(879,622)	(584,874)
Total operating costs	**(9,479,046)**	**(7,819,124)**
Add: interest expense	6,370,161	5,310,963
Add: commission income and trading gain on securities	1,286,177	1,344,970
Other operating income/(expense)	175,235	(2,942)
Segment result	**2,053,389**	**2,181,495**

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ii) Insurance:

	2008	2007
Gross premiums written	902,930	856,144
Premiums ceded to reinsurers	(345,264)	(335,325)
Change in the provision for unearned premiums net of reinsurance	(60,275)	(59,605)
Earned premiums, net of reinsurance	**497,391**	**461,214**
Claims paid	(584,083)	(511,255)
Claims paid-reinsures' share	192,890	233,276
Provisions of life insurance	1,383	-
Change in the provision for claims	(66,759)	(46,029)
Claims incurred, net of reinsurance	**(456,569)**	**(324,008)**
Change in life mathematical reserve	(33,164)	2,736
Commission expense-net	(45,479)	(57,680)
Technical income	**(78,643)**	**(54,944)**
General and administrative expenses	(127,947)	(96,098)
Other operational income/(loss)	84,318	143,068
Segment result	**(81,450)**	**129,232**

iii) Non-financial segments:

	2008	2007
Net sales	7,536,619	7,522,733
Cost of sales	(6,170,134)	(6,153,912)
Gross profit	**1,366,485**	**1,368,821**
Operating expenses	(1,070,426)	(990,861)
Other operating income/(expense	78,505	6,328
Segment result	**374,564**	**384,288**

f) Interests in Joint Ventures:

Aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities and income and expense items related to Joint Ventures which are proportionally consolidated in the consolidated financial statements as expressed in Note 2, are as follows on a combined basis:

Balance Sheet	2008	2007
Current assets	1,218,799	645,219
Non-current assets	1,799,774	1,765,564
Total assets	**3,018,573**	**2,410,783**
Current liabilities	589,997	553,469
Non-current liabilities	727,453	520,811
Total liabilities	**1,317,450**	**1,074,280**
Minority interests	4,645	4,701
Shareholders’ equity	1,696,477	1,331,802
Total liabilities, minority interests and, shareholders’ equity	**3,018,572**	**2,410,783**

Income statement		
	2008	**2007**
Operating profit	250,401	116,263
Financial (expense)/income- net	(32,144)	24,054
Income before tax and minority interests	218,257	140,317
Taxation on income	(31,526)	(32,503)
Income before minority interests	186,731	107,814
Minority interests	(98)	(509)
Net income for the period from continuing operations	**186,633**	**107,305**

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g) Depreciation and amortisation charge, impairments and capital expenditures:

1 January-31 December 2008

	Finance										
	Banking	Insurance	Tire and tire reinforcements	Automotive	Textile	Cement	Energy	Retail	Other	Discontinued operations	Total
Depreciation and amortisation	113,120	5,978	69,174	20,421	35,921	78,746	23,846	35,802	23,415	14,913	421,336
Impairment of property, plant and equipment, intangible assets and investment property	-	-	-	-	13,659	-	-	6,452	-	-	20,111
Capital expenditure	**204,607**	**4,606**	**80,213**	**81,331**	**38,211**	**69,450**	**139,757**	**72,965**	**18,568**	**4,292**	**714,000**

1 January-31 December 2007

	Finance										
	Banking	Insurance	Tire and tire reinforcements	Automotive	Textile	Cement	Energy	Retail	Other	Discontinued operations	Total
Depreciation and amortisation	107,074	4,330	70,735	15,908	33,888	56,529	29,975	35,392	25,249	55,145	434,225
Impairment of goodwill	-	-	-	-	-	-	-	4,891	-	-	4,891
Impairment of property, plant and equipment, intangible assets and investment property	-	-	16,802	-	28,933	-	-	1,236	4,149	407	51,527
Impairment of subsidiary	-	-	-	-	-	-	-	-	-	20,311	20,311
Capital expenditure	**125,690**	**7,428**	**65,346**	**76,098**	**68,983**	**182,210**	**298,478**	**80,238**	**43,006**	**21,784**	**969,261**

NOTE 5-CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2008 and 2007 is as follows:

	2008	2007
Cash in hand		
- banking	610,540	1,095,189
- other companies	7,385	6,621
Banks-time deposits	4,788,924	898,347
Banks-demand deposits	1,892,902	749,684
Government bonds	358,734	-
Government bonds denominated in foreign currency	-	126,904
Eurobonds	-	15,045
Treasury bills	3,152	3,592
Due from reverse repurchase transactions	1,416	2,547
Other cash and cash equivalents	2,006	3,227
Total	**7,665,059**	**2,901,156**

Effective interest rates of USD, EUR and TL denominated time deposits are 0,15 % p.a. (2007: 4.13% p.a.), 1.84 % p.a. (2007: 3.55% p.a.) and 14,94 % p.a. (2007: 17.50 % p.a.), respectively.

The analysis of maturities at 31 December 2008 and 2007 is as follows:

	2008	2007
Demand	2,512,833	1,854,721
Up to 3 months	5,152,226	1,046,435
Total	**7,665,059**	**2,901,156**

NOTE 6-FINANCIAL ASSETS

a) Marketable securities:

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

	2008	2007
Government bonds	103,217	42,375
Eurobonds	30,743	207,409
Treasury bills	5,426	-
Share certificates	9,685	4,637
Government bonds denominated in foreign currency	11,406	4,550,781
Mutual funds	15,000	26,617
Other	71	1,250
Total	**175,548**	**4,833,069**

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Effective interest rates of USD, EUR and TL denominated securities at fair value through profit and loss are 7.57 % p.a. (2007: 6.94% p.a.), 6.58% p.a. (2007: 6.43% p.a.) and 17.88% p.a. (2007: 17.43% p.a.), respectively.

The analysis of maturities at 31 December 2008 and 2007 is as follows:

Period remaining to contractual maturity dates:

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	21,991	-	21,991	2,621,474	-	2,621,474
1 to 5 years	110,640	-	110,640	2,026,426	-	2,026,426
Over 5 years	18,161	-	18,161	152,664	-	152,664
No maturity	9,756	15,000	24,756	5,888	26,617	32,505
Total	**160,548**	**15,000**	**175,548**	**4,806,452**	**26,617**	**4,833,069**

Period remaining to contractual repricing dates:

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	11,325	-	11,325	1,879,553	-	1,879,553
3 to 12 months	23,251	-	23,251	2,628,457	-	2,628,457
1 to 5 years	98,134	-	98,134	139,932	-	139,932
Over 5 years	18,082	-	18,082	152,622	-	152,622
No maturity	9,756	15,000	24,756	5,888	26,617	32,505
Total	**160,548**	**15,000**	**175,548**	**4,806,452**	**26,617**	**4,833,069**

b) Securities available-for-sale:	2008	2007
Debt securities		
- Government bonds	4,966,879	16,915,166
- Government bonds denominated in foreign currency	153,721	2,356,264
- Eurobonds	1,671,269	1,743,173
- Treasury bills	437,542	91,145
- Investment funds	35,392	-
- Other bonds denominated in foreign currency	415,823	86,020
Sub-total	**7,680,626**	**21,191,768**
Equity securities		
- Listed	8,399	19,395
- Unlisted	51,608	29,447
Sub-total	**60,007**	**48,842**
Total securities available for sale	**7,740,633**	**21,240,610**

Effective interest rates of USD, EUR and TL denominated available-for-sale securities are 5.48% p.a. (2007: 5.66% p.a.), 6.64% p.a. (2007: 6.26% p.a.) and 19.53% p.a. (2007: 18.81% p.a.) respectively.

The movement of available-for-sale securities related to banking segment is as follows:

	2008	2007
Balance at 1 January	**20,869,792**	**14,519,587**
Additions	14,458,299	12,654,340
Change in fair value	(1,250,919)	775,130
Disposals and redemptions	(8,257,237)	(7,079,265)
Transfers	(18,515,174)	-
Total	**7,304,761**	**20,869,792**

Akbank reclassified its government bonds with fair values TL 138,859 and TL 36,670 into the category of financial assets available-for-sale which were classified under the category of financial assets held-for-trading before in accordance with amendments to IAS 39 and IFRS 7 dated October 2008 and effective from 1 July 2008 due to change in the intention to hold such securities. As of the balance sheet date, fair values of these reclassified government bonds are TL 141,394 and TL 35,379. Had these financial assets not been reclassified, an unrealized valuation gain before minority interest of TL 283 and an unrealized valuation loss before minority interest of TL 1,693 would have been recognised in the income statement.

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The maturity analysis at 31 December 2008 and 2007 is as follows:

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

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	2,576,875	-	2,576,875	6,417,304	-	6,417,304
3 to 12 months	1,870,097	243,937	2,114,034	8,773,362	123,019	8,896,381
1 to 5 years	1,709,334	59,679	1,769,013	4,334,279	149,331	4,483,610
Over 5 years	1,098,003	87,310	1,185,313	1,315,221	79,252	1,394,473
No maturity	50,452	44,946	95,398	29,626	19,216	48,842
Total	**7,304,761**	**435,872**	**7,740,633**	**20,869,792**	**370,818**	**21,240,610**

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

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	1,683,685	243,937	1,927,622	9,425,509	123,019	9,548,528
Current	**1,683,685**	**243,937**	**1,927,622**	**9,425,509**	**123,019**	**9,548,528**
1 to 5 years	3,603,123	59,678	3,662,801	7,201,002	149,331	7,350,333
Over 5 years	1,967,501	87,310	2,054,811	4,213,655	79,252	4,292,907
No maturity	50,452	44,947	95,399	29,626	19,216	48,842
Non-current	**5,621,076**	**191,935**	**5,813,011**	**11,444,283**	**247,799**	**11,692,082**
Total	**7,304,761**	**435,872**	**7,740,633**	**20,869,792**	**370,818**	**21,240,610**

The breakdown of available-for-sale equity securities at 31 December 2008 is as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş. (*)	65	8,327	Investment management
Others		72	
Total		**8,399**	

Unlisted	Share (%)	Carrying amount	Business
Merter BV	24.99	28,879	Real estate
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	5.53	9,002	Transportation
Other		13,727	
Total		**51,608**	

(*) The Group owns 65% of the shares of Ak Yatırım Ortaklığı A.Ş. (2007: %65). Due to the insignificance of the financial impact on the financial position and results of the Group, these companies were not consolidated and carried at cost less provision for diminution in value at 31 December 2008 and 2007 consolidated financial statements.

The breakdown of available-for-sale equity securities at 31 December 2007 is as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş.	65	19,302	Investment management
Others		93	-
Total		**19,395**	

Unlisted	Share (%)	Carrying amount	Business
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	5.53	8,358	Transportation
Ak Portföy Yönetimi A.Ş.	99.99	3,592	Portfolio management
Others		17,497	-
Total		**29,447**	

c) Held to maturity:

The breakdown of the held to maturity financial assets is listed below.

	2008	2007
Government bonds	13,939,245	-
Eurobonds	1,165,303	-
Government bonds denominated in foreign currency	5,444,158	-
Total	**20,548,706**	**-**

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Period remaining to contractual maturity dates for held to maturity financial assets as at 31 December 2008 is as follows:

	Banking	Other companies	Total
3 to 12 months	5,032,118	-	5,032,118
1 to 5 years	12,463,197	-	12,463,197
More than 5 years	3,053,391	-	3,053,391
Total	**20,548,706**	**-**	**20,548,706**

Period remaining to contractual repricing dates for held to maturity financial assets as at 31 December 2008 is as follows:

	Banking	Other companies	Total
Up to 3 months	5,425,632	-	5,425,632
3 to 12 months	6,590,550	-	6,590,550
1 to 5 years	7,367,220	-	7,367,220
Over 5 years	1,165,304	-	1,165,304
Total	**20,548,706**	**-**	**20,548,706**

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

	2008	2007
Balance at 1 January	**-**	**-**
Additions	21,168,413	-
Addition due to change in amortised cost	754,430	-
Redemptions and sales	(1,374,137)	-
Total	**20,548,706**	**-**

Akbank reclassified its government bonds with fair values TL 104,306, TL 1,455,403 and TL 897,040 into the category of held to maturity financial assets which were classified under the category of financial assets held-for-trading before in accordance with amendments to IAS 39 and IFRS 7 dated October 2008 and effective from 1 July 2008 due to change in the intention to hold such securities. As of the balance sheet date, fair values of these reclassified government bonds are TL 108,083, TL 1,389,649 and TL 859,991. Had these financial assets not been reclassified, an unrealized valuation gain before minority interest of TL 2,832 and an unrealized valuation loss before minority interest of TL 73,719 and TL 48,551 would have been recognised in the income statement.

Akbank, reclassified its government bonds with fair values TL 14,584,774, TL 3,408,261 and TL 679,381 into the category of financial assets held-to-maturity which were classified under the category of available for sale financial assets before.

NOTE 7-BORROWINGS

Short-term funds borrowed, bank borrowings and debt securities in issue	2008	2007
Short-term	7,352,157	4,382,957
Short-term portion of long term	1,695,444	1,752,250
Total short term	**9,047,601**	**6,135,207**
Long-term funds borrowed, bank borrowing and debt securities in issue		
Long-term	4,612,026	4,113,529
Total	**13,659,627**	**10,248,736**

Effective interest rates of USD, EUR and TL denominated funds borrowed and debt securities in issue are 3.61% p.a. (2007: 5.79% p.a.), 3.90% p.a. (2007: 4.94% p.a.) and 15.79% p.a. (2007: 15.56% p.a.).

The maturity schedule of short term borrowings at 31 December 2008 and 2007 is summarised below:

	2008	2007
Up to 3 months	2,408,593	1,771,610
3 to 12 months	6,639,008	4,363,597
1 to 5 year	3,184,011	3,047,458
Over 5 years	1,428,015	1,066,071
Total	**13,659,627**	**10,248,736**

The maturity schedule of long term borrowings at 31 December 2008 and 2007 is summarised below:

Period	2008
2010	787,337
2011	896,425
2012	768,998
2013	731,251
2014 and over	1,428,015
Total	**4,612,026**

Period	2007
2009	1,469,890
2010	529,039
2011	499,116
2012	549,413
2013 and over	1,066,071
Total	**4,113,529**

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The repricing schedule of borrowings at 31 December 2008 and 2007 is summarised below:

	2008	2007
Up to 3 months	10,393,151	8,236,307
3 to 12 months	2,702,205	1,584,701
1 to 5 years	555,632	421,695
Over 5 years	8,639	6,033
Total	**13,659,627**	**10,248,736**

Major borrowings and funds secured of Akbank at 31 December 2008 are as follows:

Funds borrowed:

a) Funds borrowed via West LB AG London Branch

At 31 December 2008, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 600 million and formed by USD 200 million and EUR 288 million with an interest rate of Libor + 2% p.a. and Euribor + 2% p.a. provided by 16 international banks with West LB AG, London Branch acting as the agent, which mature on 24 December 2009.

At 31 December 2008, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 1 billion and formed by EUR 500 million and EUR 500 million with an interest rate of Euribor + 0.75% p.a. provided by 53 international banks with West LB AG, London Branch acting as the agent, which mature on 21 August 2009 and 25 September 2009 respectively.

b) Funds borrowed via UFJ Bank Limited

At 31 December 2008, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 500 million with an interest rate of Euribor + 0.75% p.a. provided by 21 international banks with UFJ Bank Limited acting as the agent, maturing on 26 June 2009.

c) Debt securities in issue

In November 1999, Akbank finalised a structured finance deal of USD 400 million by securitising its foreign currency denominated present and future remittances (worker remittances, cash against goods, cash against documents, letters of credits, cheque remittances and other third party payment orders) for the issue of floating-rate notes amounting to USD 400 million. Akbank obtained further tranches related with the same deal in the amount of USD 3,569 million between 2000 and 2008 June through the additional issue of floating-rate notes. Interest rates on the tranches vary between Libor + 0.16% p.a. and Libor + 1.1% p.a. At 31 December 2008, the outstanding principal amount of the securitisation deal amounts to USD 2,235 million after the repayment of USD 1,733 million between 2000 and 2008.

In December 2005, the Group finalised another structured finance deals with a total amount of USD 500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). The interest rates varying between Libor + 0.16% and Libor +1.01%.

As of 31 December 2008 the outstanding principal amount of the securitisation deal amounts to USD 373 million after the repayment USD 53 million during the year 2008, USD 48 million during the year 2007 and USD 26 million during the year 2006.

NOTE 8-TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:	2008	2007
Trade receivables	881,083	1,034,504
Notes and cheques receivable	214,450	146,059
Due from related parties (*)	13,703	11,700
	1,109,236	**1,192,263**
Less: doubtful receivables provision	(29,441)	(27,702)
Total	**1,079,795**	**1,164,561**

As of 31 December 2008, trade receivables of TL 78,663 were past due but not impaired (2007: TL 72,465). The aging analysis of these trade receivables is as follows:

	2008	2007
Up to 1 month	32,648	19,772
1 to 3 months	23,149	39,544
3 to 12 months	15,644	13,149
1 to 5 years	7,222	-
Total (*)	**78,663**	**72,465**

(*) The above aging analysis of past due but not impaired receivables does not include receivables from insurance operations. As of 31 December 2008, receivables from insurance operations amounting to TL 66,923 were past due but not impaired (2007: TL 74,222).

As of 31 December 2008 and 2007 the aging analysis of overdue and impaired trade receivables is as follows:

	2008	2007
Up to 1 month	657	607
1 to 3 months	1,314	1,213
3 to 12 months	2,993	4,528
1 to 5 years	24,477	21,354
Total	**29,441**	**27,702**

Short-term and long-term trade payables:	2008	2007
Trade payables	1,004,108	931,057
Due to related parties (*)	5,044	11,040
Notes payable	252	172
Total	**1,009,404**	**942,269**

(*) Due from related parties and due to related parties are explained in Note 31 Related Party Disclosures.

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NOTE 9-OTHER RECEIVABLES AND PAYABLES

Other receivables:	2008	2007
Receivables on cheques in clearance	161,265	331,920
Fund management fee accrual	51,865	35,070
Receivables from credit card payments	12,760	6,742
Receivables from sale of chemical business segment	-	22,546
Others	313,209	220,973
Total	**539,099**	**617,251**

Other payables:	2008	2007
Payables related to credit card transactions	803,891	811,776
Unearned commission income	251,845	148,269
Other taxes and funds	243,950	171,938
Payables on cheques in clearance	167,424	411,050
Bonus liability to credit card customers	102,859	114,762
Export deposits and transfer orders	35,729	32,144
Advances received	35,231	14,073
Payables due to acquisition of subsidiaries	23,497	35,614
Saving deposits insurance	19,194	18,035
Due to personnel	14,326	25,454
Payment orders to correspondent banks	6,856	20,171
Lease payables	6,249	6,983
Others	489,998	988,090
Total	**2,201,049**	**2,798,359**

NOTE 10-INVENTORIES

	2008	2007
Raw materials and supplies	290,445	394,186
Semi-finished goods	163,282	131,519
Finished goods and merchandise	907,240	565,157
Spare parts	111,375	106,711
Total	**1,472,342**	**1,197,573**

NOTE 11-INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

	2008	Share (%)	2007	Share (%)
Philsa	246,972	25.00	152,804	25.00
Philip Morrissa	47,592	24.75	26,586	24.75
Total	**294,564**		**179,390**	

Income from associates is as follows:

	2008	2007
Philsa	151,618	108,983
Philip Morrissa	36,029	26,100
Total	**187,647**	**135,083**

The summary financial information of associates is as follows:

	2008		2007	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	1,751,269	763,384	1,402,815	791,598
Philip Morrissa	602,778	410,486	390,378	282,959
Total	**2,354,047**	**1,173,870**	**1,793,193**	**1,074,557**

	2008	2007
Sales revenue		
Philsa (*)	6,880,091	5,739,553
Philip Morrissa	6,994,956	6,051,047

(*) Philsa conducts its sales activities over Philip Morrissa.

	2008	2007
Net income		
Philsa	606,469	435,932
Philip Morrissa	145,573	105,454
Total	**752,042**	**541,386**

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NOTE 12-INVESTMENT PROPERTY

The movements in investment property, for the years ended 31 December 2008 and 2007 are as follows:

	1 January 2008	Additions	Transfer to non-current assets held for sale	31 December 2008
Cost:				
Land	76,951	597	(23,674)	53,874
Buildings	430,775	4,028	(9,414)	425,389
Total	**507,726**	**4,625**	**(33,088)**	**479,263**
Accumulated depreciation:				
Buildings	113,475	8,924	(1,190)	121,209
Net book value	**394,251**			**358,054**

	1 January 2007	Additions	Disposals	Impairment	31 December 2007
Cost:					
Land	84,365	50	(3,403)	(4,061)	76,951
Building	464,882	157	(34,264)	-	430,775
Total	**549,247**	**207**	**(37,667)**	**(4,061)**	**507,726**
Accumulated depreciation:					
Building	111,062	9,389	(6,976)	-	113,475
Net book value	**438,185**				**394,251**

NOTE 13-PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment for the year ended 31 December 2008 are as follows:

	1 January 2008	Currency translation differences	Additions	Disposals	Changes in scope of consolidation	Disposal of subsidiary	Business combination	Impairment	31 December 2008
Cost:									
Land and land improvements	369,303	4,055	23,660	(4,341)	3,656	(11,711)	4,616	-	389,238
Buildings	1,917,606	21,147	95,704	(45,195)	6,657	(102,687)	1,695	(11,423)	1,883,504
Machinery and equipment	3,729,265	(35,166)	201,038	(62,441)	25,892	(592,984)	2,908	-	3,268,512
Motor vehicles	131,324	681	19,405	(19,437)	1,461	(2,677)	8,113	-	138,870
Furniture and fixtures	1,396,247	2,096	197,314	(32,045)	1,632	(13,907)	749	(2,236)	1,549,850
Total	**7,543,745**	**(7,187)**	**537,121**	**(163,459)**	**39,298**	**(723,966)**	**18,081**	**(13,659)**	**7,229,974**
Construction in progress	187,742	6,449	135,403	-	3,801	(2,924)	-	-	330,,471
Total	**7,731,487**	**(738)**	**672,524**	**(163,459)**	**43,099**	**(726,890)**	**18,081**	**(13,659)**	**7,560,445**
Accumulated depreciation									
Land and land improvements	81,268	823	8,695	(1,895)	1,630	(4,059)	-	-	86,462
Buildings	650,079	3,123	52,823	(35,452)	2,056	(51,092)	-	-	621,537
Machinery and equipment	2,292,173	(81,934)	168,962	(42,618)	19,124	(468,976)	-	-	1,886,731
Motor vehicles	93,644	340	18,849	(12,931)	881	(1,461)	-	-	99,322
Furniture and fixtures	1,026,950	1,143	126,807	(23,489)	1,043	(11,329)	-	-	1,121,125
Total	**4,144,114**	**(76,505)**	**376,136**	**(116,385)**	**24,734**	**(536,917)**	**-**	**-**	**3,815,177**
Net book value	**3,587,373**								**3,745,268**

At 31 December 2008 there are mortgages amounting to TL 45,096 on buildings held as security for bank borrowings and for legal requirements (2007: TL 99,673).

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The movements in property, plant and equipment for the year ended 31 December 2007 are as follows:

	1 January 2007	Currency translation differences	Additions	Disposals	Change in scope of consolidation	Transfer to non-current assets held for sale	Establishment of subsidiary	Business combination	Impairment	31 December 2007
Cost:										
Land and land improvements	367,861	(8,521)	35,448	(7,243)	(7,476)	(81,007)	-	70,241	-	369,303
Buildings	1,872,680	(20,650)	157,668	(13,575)	14,437	(104,412)	-	14,365	(2,907)	1,917,606
Machinery and equipment	4,132,821	(58,929)	284,652	(99,461)	(272,364)	(346,411)	1,286	130,335	(42,664)	3,729,265
Motor vehicles	145,610	(1,119)	19,575	(31,319)	2,959	(8,076)	167	3,559	(32)	131,324
Furniture and fixtures	1,388,972	(1,152)	151,891	(110,550)	3,109	(37,209)	350	1,141	(305)	1,396,247
Total	**7,907,944**	**(90,371)**	**649,234**	**(262,148)**	**(259,335)**	**(577,115)**	**1,803**	**219,641**	**(45,908)**	**7,543,745**
Construction in progress	222,017	(3,162)	6,775	(4,882)	(4,388)	(29,014)	-	396	-	187,742
Total	**8,129,961**	**(93,533)**	**656,009**	**(267,030)**	**(263,723)**	**(606,129)**	**1,803**	**220,037**	**(45,908)**	**7,731,487**
Accumulated depreciation:										
Land and land improvements	79,726	(1,912)	10,244	(514)	(4,925)	(4,224)	-	2,873	-	81,268
Buildings	637,632	(5,471)	44,491	(5,177)	386	(26,987)	20	5,185	-	650,079
Machinery and equipment	2,416,614	(11,049)	196,713	(61,875)	(69,099)	(215,744)	449	36,164	-	2,292,173
Motor vehicles	106,183	(819)	12,233	(23,871)	2,918	(6,329)	59	3,270	-	93,644
Furniture and fixtures	1,024,225	(196)	129,923	(104,920)	2,732	(25,901)	261	826	-	1,026,950
Total	**4,264,380**	**(19,447)**	**393,604**	**(196,357)**	**(67,988)**	**(279,185)**	**789**	**48,318**	**-**	**4,144,114**
Net book value	**3,865,581**									**3,587,373**

NOTE 14-INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2008 and 2007 are as follows:

	1 January 2008	Currency translation differences	Additions	Disposal	Change in scope of consolidation	Transfer to non-current assets held for sale	Disposal of subsidiary	Impairment	31 December 2008
Cost	513,624	13,997	36,851	(12,850)	1,310	(127)	(4,488)	(6,452)	541,865
Accumulated depreciation	(149,075)	(5,880)	(36,276)	4,685	(334)	1	3,451	-	(183,428)
Net book value	**364,549**								**358,437**

	1 January 2007	Currency translation differences	Additions	Disposals	Change in scope of consolidation	Transfer to non-current assets held for sale	Establishment of subsidiary	Business combination	Impairment	31 December 2007
Cost	465,853	(12,537)	313,045	(48,452)	(197,592)	(13,298)	308	7,855	(1,558)	513,624
Accumulated depreciation	(173,794)	6,563	(31,232)	47,348	(3,836)	6,276	(131)	(269)	-	(149,075)
Net book value	**292,059**									**364,549**

At 31 December 2008, the cost of intangible assets includes hydro-electric plant licenses of TL 141,834 (2007: TL 141,834) and mining rights of TL 97,554 (coal mine and stone quarry mine) (2007: TL 90,908).

NOTE 15-GOODWILL

The movements in goodwill for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
1 January	365,503	281,452
Adjustment to goodwill provisionally accounted	(38,091)	-
1 January restated	**327,412**	**281,452**
Additions (Note 3)	4,294	86,233
Change in scope of consolidation	1,909	-
Impairment	-	(4,891)
Currency translation differences	-	2,709
31 December	**333,615**	**365,503**

Impairment tests for goodwill

Goodwill is allocated to the Group’s cash-generating units (CGUs) identified according to operating segment. An operating segment-level summary of the goodwill allocation is presented below:

	2008
Cement	188,132
Retail	119,162
Tire and tire reinforcements	26,321
Total	**333,615**

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The recoverable amount of a Cash generating unit (CGU) is determined based on value-in-use calculations. These calculations use after tax cash flow projections based on financial budgets approved by management covering a ten and three year period for cement and retail operating segments, respectively. Cash flows beyond these periods are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the operating segment in which the CGU operates.

Assumptions used for value in use calculations are as follows:

	Cement	Retail
Gross margin (*)	%48	%23
EBITDA percentage	%41	%5
Growth rate (**)	%6	%2
Discount rate (***)	%19	%17

(*) Budgeted gross margin
(**) Weighted average growth rates used to extrapolate cash flows beyond the budget period
(***) After tax discount rate applied to the cash flow projections

Management determined gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after tax and reflect specific risks relating to the relevant operating segments.

NOTE 16-CONTINGENT ASSETS AND LIABILITIES

Commitments-Banking segment	2008	2007
Letters of guarantee issued	4,358,166	3,415,879
Letters of credits	1,658,597	1,075,048
Foreign currency acceptance credits	65,349	46,857
Total	**6,082,112**	**4,537,784**
Commitments-Non-banking segments		
Letters of guarantee issued	541,872	483,426
Other guarantees issued	352,285	308,405
Total	**894,157**	**791,831**

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 2008 and 2007 are as follows:

	2008	2007
Repurchase commitments	8,716,962	4,853,945
Resale commitments	-	3

Commitments to forward currency purchase/sale and swap transactions:

Derivatives held for trading

	2008	2007
Currency purchases		
EUR	135,029	50,176
TL	106,035	67,201
USD	102,696	19,012
GBP	1,641	-
JPY	-	49,278
Total	**345,401**	**185,667**
Currency sales		
TL	169,421	64,442
EUR	69,497	91,729
USD	92,853	18,750
Other	2,574	267
Total	**334,345**	**175,188**

	2008	2007
Money swap purchases		
EUR	2,292,266	1,711,827
GBP	733,837	505,556
USD	296,070	72,440
TL	62,388	72,669
CHF	32,964	27,810
Other	78,378	103,940
Total	**3,495,903**	**2,494,242**
Money swap sales		
USD	3,149,641	1,605,084
TL	115,633	75,165
EUR	229,975	759,084
JPY	7,326	23,008
GBP	-	21,062
Other	203	6,023
Total	**3,502,778**	**2,489,426**

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	2008	2007
Interest rate swap purchases		
EUR	1,046,140	1,001,478
USD	484,742	1,321,642
TL	-	1,965,000
CHF	-	1,450
Total	**1,530,882**	**4,289,570**
Interest rate swap sales		
EUR	1,045,823	1,001,394
USD	485,059	1,321,717
TL	-	1,965,000
CHF	-	1,457
Total	**1,530,882**	**4,289,568**

	2008	2007
Spot purchases	170,389	210,947
Spot sales	170,360	211,081
Money options purchases	520,613	388,882
Money options sales	520,894	392,841

	2008	2007
Futures purchases	18,037	27,577
Futures sales	17,559	26,104
Derivatives held for hedging:		
Interest swap purchases	4,302,679	-
Interest swap sales	4,302,679	-

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 December 2008 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	451,117	3,907,049	4,358,166
Letters of credits	1,049,942	608,655	1,658,597
Acceptance credits	51,495	13,854	65,349
Total	**1,552,554**	**4,529,558**	**6,082,112**

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 December 2007 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	399,820	3,016,059	3,415,879
Letters of credits	707,006	368,042	1,075,048
Acceptance credits	40,563	6,294	46,,857
Total	**1,147,389**	**3,390,395**	**4,537,784**

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2008 and 2007 are as follows:

	2008	2007
Financial institutions	1,300,637	807,306
Wholesale	789,193	563,212
Small-scale retailers	650,890	668,232
Chemicals	636,539	585,638
Construction	617,794	369,846
Steel and mining	585,085	366,202
Electricity, gas and water	234,610	37,210
Other manufacturing	208,411	102,438
Agriculture and forestry	179,831	119,827
Food and beverage	175,894	108,324
Electronics	170,364	209,615
Automotive	90,947	93,613
Transportation	83,405	73,794
Textile	62,169	52,052
Tourism	43,455	32,218
Telecommunications	6,453	25,928
Other	246,435	322,329
Total	**6,082,112**	**4,537,784**

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NOTE 17- PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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 (58 for women and 60 for men). 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 2008, the amount payable consists of one month's salary limited to a maximum of TL 2,2 (2007: TL 2,1) 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.

The reserve has been calculated by estimating the present value of the future probable obligation of the Holding arising from the retirement of the employees.

IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate

Movements in the provision for employment termination benefits for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
Balances at 1 January	147,961	150,298
Business acquisitions	-	606
Change in scope of consolidation	324	918
Establishment of subsidiary	-	139
Disposal of subsidiary	(7,816)	-
Transfer to non-current assets held for sale	-	(5,972)
Payments during the period	(47,389)	(30,674)
Charge for the period	45,531	32,646
Actuarial income	(1,420)	-
31 December	**137,191**	**147,961**

CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2008	2007
Discount rate (%)	6.26	5.71
Turnover rate to estimate the probability of retirement (%)	98	99

NOTE 18-OTHER CURRENT ASSETS AND SHORT TERM LIABILITIES

Other Current Assets:	2008	2007
Prepaid expenses and prepayments	339,061	92,322
Inventory advances given	165,635	-
Deductible Value Added Tax ("VAT")	128,273	80,960
Income accrual	20,465	13,955
Job and salary advances given	13,318	7,435
Total	**666,752**	**194,672**
Other Current Liabilities:		
Expense accruals	215,342	214,629

NOTE 19-EQUITY

The Holding's authorised and issued capital consists of 180,000,000,000 (2007: 180,000,000,000) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 December 2008 and 2007 is as follows:

Shareholders:	Share (%)	2008	Share (%)	2007
Sabancı family members (*)	61.40	1,105,217	61.31	1,103,566
Public quotation	21.55	387,835	21.64	389,486
Sakıp Sabancı Holding A.Ş.	14.81	266,578	14.81	266,578
Sabancı University	1.62	29,150	1.62	29,150
H.Ö. Sabancı Foundation	<1	11,220	<1	11,220
Share capital	**100.00**	**1,800,000**	**100.00**	**1,800,000**
Share premium	**21.670**			**21,670**

(*) On 10 February 2009, some Sabancı Family members registered their shares with 15.89% percentage to ISE and the public quotation percentage has increased to 37.44%.

Restricted Reserves

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

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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. The details of restricted reserves mentioned above are as follows:

	2008	2007
Legal reserves	218,898	196,900
Investments sales income	38,919	18,578
Total	**257,817**	**215,478**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Holding's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. However, this does not apply to Holding companies. Under the TCC, the legal reserves can only be used to offset loss and are not available for any other usage unless the loss exceeds 50% of paid-in share capital.

Dividend distribution is made by the Holding in Turkish Lira in accordance with its Articles after deducting taxes and setting aside the legal reserves as discussed above. In accordance with the Articles, dividends may also be paid to the Board of Directors of the Holding in amounts of up to 4% and to Sabancı Foundation in the amount of 3%, in each case, of the distributable profits remaining after deducting taxes, legal reserves and the first dividend.

Public companies distribute dividends according to CMB regulations as follows:

In accordance with the decision no 4/138 of CMB on 8 January 2008 and effective from 1 January 2008 the minimum dividend distribution ratio for the publicly listed joint stock companies shall be applied as 20% (2007: 20%). Accordingly, it has been made possible that based on the decisions taken in general assemblies of the companies the distribution can be made in cash, non-cash by issuance of free shares with respect to the transfer of profits to the capital or a combination of both as partially in cash and non-cash. For the cases when the initial dividend determined is less than 5% of issued/paid in capital, it is allowed to retain the dividends within the companies. However, for those companies which are going to distribute dividends over the profits generated from 2007 operations and which increased their share capitals without distributing dividends in the previous year and thus have a distinguish of shares as "new" and "old" shares, it is enforced to make the distribution of initial dividends in cash

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- "if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";

- "if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings";

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

In accordance with the above explanations for the Communiqué No:XI-29, the composition of the Holding's shareholders' equity, which is considered as the basis for profit distribution is as follows:

	2008	2007
Capital	1,800,000	1,800,000
Share premium	21,670	21,670
Restricted reserves	257,817	215,478
Adjustment to capital	3,426,761	3,426,761
Net income for the period	1,188,559	969,487
Retained earnings	3,031,365	2,264,627
Total shareholders' equity subject to dividend distribution	**9,726,172**	**8,698,023**
Translation reserve	(75,359)	(215,298)
Value increase funds	(93,842)	68,108
Shareholders' equity	**9,556,971**	**8,550,833**

NOTE 20-DISCONTINUED OPERATIONS

Carrefoursa, a joint venture of the Holding, classified Bayrampaşa Hypermarket and Mall and Maltepe Mall as non-current assets held for sale in the balance sheet as of 31 December 2008. Carrying amount of these assets in the consolidated balance sheet of the Group as of 31 December 2008 is TL 72,048 (2007: TL 112,421). The Group made provision, amounting to TL 15,561 (2007: TL 21,537) for the possible loss as a result of sales of Bayrampaşa Hypermarket and Mall and Maltepe Mall in the consolidated financial statements.

The Holding sold its 50.12% share in Bossa, a subsidiary of Group, on 22 October 2008 to Akkardan Sanayi ve Ticaret A.Ş.. Loss which occurred as a result of sale transaction, amounting to TL 29,699 is included in other expenses in the consolidated statement of income (Note 23).

The summary income statement of Bossa for the period 1 January-22 October 2008 is as follows.

Revenues	328,775
Expenses	(304,045)
Profit before taxation	**24,730**
Taxation	(3,803)
Net income for the period	**20,927**

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At 22 October 2008 the balances of assets and liabilities classified as non-current assets held for sale which were disposed from consolidated financial statements as a result of the sale transaction are as follows:

Assets	**363,030**
Cash and cash equivalents	38,683
Trade receivables	72,706
Inventories	56,927
Property, plant and equipment and intangible assets	191,010
Other current assets	1,596
Deferred income tax asset	2,108
Liabilities	**71,437**
Financial liabilities	31,759
Trade payables	13,426
Other liabilities	5,225
Provision for employment termination benefit	7,816
Deferred income tax liability	13,211
Minority interests	**145,447**
Net Assets	**146,146**

The Holding signed an agreement with Bekaert Iberica Holding S.L on 23 May 2008 to sell its 49.99% share in Beksa. Share transfer is completed on 24 July 2008 (Note 23)

The summary income statement of Beksa for the period 1 January-27 July 2008 is as follows

Revenues	38,402
Expenses	(34,706)
Profit before taxation	**3,696**
Taxation	(2,143)
Net income for the period	**1,553**

At 31 December 2007 the balances of assets and liabilities classified as non-current assets held for sale which were disposed as a result of sale transaction are as follows:

Assets	**68,019**
Cash and cash equivalents	4,793
Trade receivables	10,469
Inventories	10,718
Property, plant and equipment and intangible assets	40,231
Other assets	816
Deferred income tax asset	992
Liabilities	**23,351**
Financial liabilities	17,142
Trade payables	4,123
Other liabilities	2,034
Deferred income tax liability	52
Net Assets	**44,668**

The Holding signed an agreement with MGS Marmara Gıda Sanayi ve Ticaret A.Ş on 14 August 2007 to sell its 99.65% share in Gıdasa. In accordance with the agreement, sale transaction was completed after the grant of necessary permissions on 3 March 2008. Loss which occurred as a result of the sale transaction, amounting to TL 8,844 is included in the consolidated statements of income (Note 23).

The summary income statement of Gıdasa for the period 1 January-3 March 2008 is as follows:

Revenues	76,737
Expenses	(66,605)
Profit before taxation	**10,132**
Taxation	(1,718)
Net income for the period	**8,414**

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At 31 December 2007 the balances of assets and liabilities classified as non-current assets held for sale which were disposed as a result of sale transaction are as follows:

Assets	**288,671**
Cash and cash equivalents	1,597
Trade receivables (net)	59,343
Inventories (net)	56,012
Other current assets	23,911
Property, plant and equipment (net)	140,272
Intangible assets (net)	7,440
Financial assets	96
Liabilities	**286,141**
Financial liabilities	165,508
Trade payables (net)	69,315
Other liabilities	23,556
Provision for employment termination benefit	3,488
Provision for discontinued operations	20,227
Deferred income tax liability	4,047
Net assets	**2,530**

The Holding signed an agreement with Wavin B.V. located in Netherland on 21 November 2007 to sell its 51.23% share in Pilsa. Sale transaction was completed on 10 January 2008, in consideration of USD 41 million, collected in cash. Gain which occurred as a result of this transaction, amounting to TL 7,096 is included in the consolidated statements of income (Note 23).

At 31 December 2007, the balances of assets and liabilities classified as non-current assets held for sale at 31 December 2007 which were disposed from consolidated financial statements as a result of the sale transaction are as follows:

Assets	**134,494**
Cash and cash equivalents	36,562
Trade receivables (net)	43,493
Inventories (net)	20,785
Property, plant and equipment and intangible assets (net)	31,621
Deferred income tax asset	560
Other assets	1,473
Liabilities	**46,570**
Financial liabilities	14,318
Trade payables (net)	12,999
Other liabilities	13,296
Deferred income tax liability	5,957
Net assets	**87,924**
Minority interests	**42,880**

NOTE 21-REVENUE

	2008	**2007**
Finance	12,260,130	10,859,705
Non-finance	7,536,619	7,522,733
Total	**19,796,749**	**18,382,438**

NOTE 22-EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2008 and 2007 are as follows:

	2008	**2007**
Personnel costs	9,386	6,226
Depreciation and amortisation	1,299	432
Energy expenses	322	248
Repair and maintenance expenses	122	2,618
Insurance expenses	37	45
Communication expenses	31	48
Other	8,196	8,316
Total	**19,393**	**17,933**

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Marketing, selling and distribution expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
Personnel costs	115,659	91,207
Advertisement expenses	95,230	102,209
Rent expense	59,299	47,091
Transportation, logistics and distribution expenses	50,953	51,281
Depreciation and amortisation	20,618	14,679
Consultancy expenses	9,307	8,786
Energy expenses	7,502	4,621
Communication expenses	3,684	3,154
Insurance expenses	2,024	1,720
Outsourced services	2,225	2,020
Other	189,444	197,282
Total	**555,945**	**524,050**

General and administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
Personnel costs	1,135,503	878,861
Credit card and banking service expense	344,431	273,822
Depreciation and amortisation	158,749	151,928
Repair and maintenance expenses	130,606	87,919
Communication expenses	114,970	92,786
Taxes and duties	113,844	103,007
Consultancy expenses	100,247	57,109
Insurance expenses	77,191	55,556
Rent expenses	49,780	41,596
Energy expenses	34,159	25,906
Outsourced services	25,845	19,488
Transportation, logistics and distribution expenses	3,315	2,388
Other	579,404	518,364
Total	**2,868,044**	**2,308,730**

NOTE 23-OTHER OPERATING INCOME/EXPENSES AND GAINS/LOSSES

The details of other operating income/expenses and gain/losses at 31 December 2008 and 2007 are as follows:

31 December 2008

On 28 January 2008, Carrefoursa, a joint venture of the Holding, sold Merter Mall Project which was classified as non-current assets held for sale in the balance sheet as of 31 December 2007 to joint venture of MultiTurkmall GYO Yatırım İnşaat and Ticaret A.Ş. and Apollo Real Estate for a consideration of TL 464,3 million and as a result of this transaction, fixed asset sales income amounting to TL 318,7 million has been generated. Share of income of the Group is TL 123,578

Other income related to provisions reversed and recoveries from prior year's expense for the year ended 31 December 2008 is TL 131,727.

Group sold its all 50.12% share in Bossa on 22 October 2008 to Akkardan Sanayi ve Ticaret A.Ş. for a consideration of TL 116,447 and as a result of the sale transaction, loss amounting to TL 29,699 has been incurred.

Group sold its 49.99% share in Beksa to Bekaert Iberica Holding S.L on 24 July 2008 for a consideration of Euro 39.4 million and as a result of this transaction, gain amounting to TL 22,054 has been generated.

31 December 2007

Group has incurred share sales income amounting to TL 127,914 from the sales of Ak Emeklilik shares and TL 83,596 from the sales of Enerjisa sales for the year ended 31 December 2007.

Group has determined impairment on property, plant and equipment and intangible assets amounting to TL 47,466 for the year ended 31 December 2007 and included this amount as an impairment loss under other expenses.

Group has liquidated Sabank, its subsidiary in the year 2007 and has incurred loss amounting to TL 23,639 as a result of this liquidation. At 31 December 2008, Gıdasa, a subsidiary of Group, is classified under non-current assets held for sale and the difference between Gıdasa's carrying amount and the potential sale price at the same date is calculated as TL 20,311 and this amount is included as an impairment loss under other expenses.

NOTE 24-FINANCIAL INCOME/EXPENSES

	2008	2007
Financial income		
Foreign exchange income	350,383	355,678
Interest income	108,245	56,960
Other	14,529	10,572
Total	**473,157**	**423,210**
Financial expense		
Foreign exchange losses	394,922	450,914
Interest expense	131,430	84,404
Other financial expenses	15,630	42,342
Total	**541,982**	**577,660**

Financial expenses relate to segments other than banking.

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NOTE 25-TAX ASSETS AND LIABILITIES

	2008	2007
Corporate and income taxes payable	423,428	693,925
Less: prepaid taxes	(339,588)	(501,070)
Total taxes payable	**83,840**	**192,855**

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 corporation tax rate of the fiscal year 2008 is 20% (2007: 20%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations' dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations calculate corporate tax quarterly at the rate of 20% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, 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 can not 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:

Exemption for participation in subsidiaries

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.

Preferential right certificate sales and issued 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 centre 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 centre 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. 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 cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realised.

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

Exemption for investment allowance

The exemption for investment incentive allowance that has been applied for several years and latest calculated as 40% of corporate tax payers' capital expenditures exceeding a certain amount, has been abolished with Corporate Income Tax Law No.5479 dated 30 March 2006. On the other hand, according to the law and the temporary clause number 69 added to Income Tax Law, with the investment discount exception amounts as of 31 December 2005 that exists;

a) investment started after 1 January 2006, within the scope of investment incentive share certificates granted prior to 24 April 2003 in accordance with the appendices 1, 2, 3, 4, 5 and 6 of Income Tax Law numbered 193 prior to the change with the law numbered 4842 dated 9 April 2003,

b) investment allowances being granted before 1 January 2006, which presents an economic and technical integrity with the investments, in accordance with the Income Tax Law numbered 193 abolished article No.19 of Corporate Income Tax Law numbered 193,

can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid on 31 December 2005 (including the corporate tax rate in accordance with the related articles of Income Tax Law).

Accordingly, gains of the above nature which are in the profit/loss figures are taken into consideration, in the calculation of corporate tax.

Apart from the above mentioned exceptions in the determination of the corporate tax base, allowances cited in the articles 8, 9 and 10 of Corporate Tax Law and article 40 of Income Tax Law are taken into consideration.

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The reconciliation of the current year tax charge for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
Profit before tax	2,465,332	2,675,648
Expected tax charge according to parent company's tax rate %20 (2007: %20)	493,067	540,298
Tax rate differences of subsidiaries	11,230	2,900
Expected tax charge of the Group	**504,297**	**543,198**
Disallowable expenses	51,420	121,669
Other tax exempt income	(139,274)	(44,307)
Dividend income	(16,032)	(35,603)
Lump expense provision	3,008	-
Tax correction for previous periods	(224,709)	(270,001)
Investment sale exemptions	(30,054)	(511)
Other	24,267	29,772
Current year tax charge of the Group	**172,923**	**344,217**

Akbank has filed three lawsuits the total of which is TL 754,303 against the Ministry of Finance regarding the correction of corporate tax paid in 2001, 2002, and 2003 with reference to the provision "Legal and optional reserves and losses subject to decrease of capital, shall be offset against tax base in determination of income of the banks in the framework of principles specified in the paragraph 7 of article 14 of the repealed Corporate Tax Law 5422" in the financial statements dated 31 December 2001, in accordance with the temporary article 4, added by the Law No.4743 to the Banking Law No.4389, which was annulled on 1 November 2005.

As a result of the assessment of whole legal and administrative process Akbank board of Directors has agreed upon with the Ministry of Finance, in scope of the article 3 of the "Act on collection of some public receivables through settlement" published in the Official Gazette No.26800 dated 27 February 2008.

Accordingly, Akbank resigned from the lawsuits described in the first paragraph, as the result of the calculations, total amount of receivables of Akbank from the Ministry of Finance related to those lawsuits has been confirmed as TL 494,710. The remaining amount amounting to TL 224,709 after deducting the amount of TL 270,001 which was offset against other tax debts is offset against current income tax.

Deferred income taxes

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20%. For the group companies which are using investment allowances as a deduction from the corporate tax base, the rate is 30% until 31 December 2008 (2007: 20%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2008 and 2007 using the enacted tax rates, is as follows:

	2008		2007	
	Cumulative temporary difference	Deferred income tax assets/ (liabilities)	Cumulative temporary difference	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment and intangible assets	(43,806)	7,347	(39,188)	8,332
- Inventories	(44,875)	9,305	(37,018)	7,530
Provision for loan losses	(477,363)	95,473	(293,625)	58,725
Provision for employment termination benefits	(101,252)	21,224	(122,752)	25,965
Expense accruals	(111,768)	22,353	(76,305)	15,261
Provision for law suits	(23,459)	4,692	(41,398)	8,309
Carry forward tax losses	(88,421)	19,141	(37,121)	8,158
Other temporary differences (*)	(640,664)	128,170	(90,597)	18,447
Deferred income tax assets		**307,705**		**150,727**
Deferred income tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment and intangible assets	724,737	(155,533)	725,434	(167,177)
- Inventories	6,329	(1,266)	2,639	(527)
Reversal of country risk provision	141,453	(42,437)	99,360	(39,744)
Valuation difference on investment securities	-	-	14,396	(2,875)
Deferred financing charges	23,768	(4,754)	5,289	(1,058)
Other temporary differences	154,051	(32,217)	63,715	(13,211)
Deferred income tax liabilities		**(236,207)**		**(224,592)**
Deferred income tax assets/(liabilities), net		**71,498**		**(73,865)**

(*) Other temporary differences mostly include valuation difference on investment securities and other provisions.

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Implications of net presentation form for the consolidated balance sheet of the Group are reflected, in consequence of joint ventures and subsidiaries as an independent tax payers, presented their deferred income tax assets and liabilities as a net, however temporary differences, deferred income tax assets and liabilities shown in the table above are prepared on the basis of the gross value of items

Deferred income tax assets:	2008	2007
To be recovered after one year	116,989	65,499
To be recovered within one year	190,716	85,228
Total	**307,705**	**150,727**

Deferred income tax liabilities:	2008	2007
To be recovered after more than one year	179,840	160,961
To be recovered within one year	56,367	63,631
Total	**236,207**	**224,592**

At 31 December 2008 the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TL 191,020 which can be offset against future taxable profits for a period of five years. The amount of the carry forward tax losses and the last fiscal periods that they can be utilized as of 31 December 2008 is presented below:

2009	11,167
2010	69,750
2011	9,999
2012	46,545
2013	53,559
Total	**191,020**

The movements in deferred income tax liabilities for the years ended at 31 December 2008 and 2007 are as follows:

	2008	2007
Balances at 1 January	(73,865)	(81,364)
Allocated to derivative instruments for hedging purposes	32,694	-
Effect of change in scope of consolidation	(726)	20,777
Business combinations	-	(16,442)
Transfer to revaluation fund	-	819
Establishment of subsidiary	-	572
Effect of currency translation	(480)	8,462
Transfer to non-current assets held for sale	11,103	(19,607)
Charged to statement of income	102,772	12,918
Balances at 31 December	**71,498**	**(73,865)**

NOTE 26-DERIVATIVE FINANCIAL INSTRUMENTS

2008	**Fair Value**	
Derivatives held for trading:	**Asset**	**Liability**
Foreign exchange derivatives		
Currency and interest rate swaps purchases and sales	43,014	(81,656)
Forward currency purchases and sales	18,774	(11,849)
Currency and interest rate futures purchases and sales	8,717	(2,928)
Currency options purchases and sales	12,563	(9,804)
Total over-the-counter derivatives	**83,068**	**(106,237)**
Derivatives held for hedging:		
Interest rate swap purchases and sales	-	(208,068)
Total derivatives held for trading	**83,068**	**(314,305)**

2007	**Fair Value**	
Derivatives held for trading:	**Asset**	**Liability**
Foreign exchange derivatives		
Currency and interest rate swaps purchases and sales	46,128	(92,177)
Forward currency purchases and sales	10,498	(5,637)
Currency and interest rate futures purchases and sales	20,243	(2,996)
Currency options purchases and sales	4,413	(4,781)
Total over-the-counter derivatives	**81,282**	**(105,591)**
Derivatives held for hedging:		
Interest rate swap purchases and sales	-	-
Total derivatives held for trading	**81,282**	**(105,591)**

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NOTE 27-RECEIVABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

	2008	2007
Loans and advances to customers		
Consumer loans and credit cards receivables	14,596,985	12,549,666
Small-scale enterprises	3,874,023	3,350,936
Construction	3,543,472	2,053,527
Financial institutions	3,218,978	3,058,770
Other manufacturing industries	2,487,669	1,992,545
Chemicals	2,104,951	1,102,932
Mining	2,021,510	1,391,498
Food and beverage, wholesale and retail	1,528,982	1,358,464
Telecommunication	1,462,301	355,305
Project finance loans	1,123,847	2,434,204
Health care and social services	981,731	449,819
Agriculture and forestry	747,547	760,626
Tourism	723,841	196,671
Textile	713,567	573,772
Automotive	622,847	642,714
Electronics	616,085	581,826
Other	8,015,417	6,406,147
	48,383,753	**39,259,422**
Non-performing loans	1,138,867	1,007,628
Total loans and advances to customers	**49,522,620**	**40,267,050**
Allowance for loan losses	(1,601,038)	(1,301,253)
Net loans and advances to customers	**47,921,582**	**38,965,797**

Effective interest rates of USD, EUR and TL denominated loans and advances to customers are 4.81% p.a. (2007: 6.49% p.a.), 6.76% p.a. (2007: 5.90% p.a.) and 21.76% p.a. (2007: 21.13% p.a.), respectively.

The movement of loan loss provision of banking segment as of 31 December 2008 by class is as follows:

	Corporate	Commercial	Total
Balance at 1 January 2008	**691,209**	**610,044**	**1,301,253**
Gross provisions	883,356	551,982	1,435,338
Recoveries	(260,585)	(313,598)	(574,183)
Written-off	(285,346)	(276,054)	(561,400)
Currency translation differences	30	-	30
31 December 2008	**1,028,664**	**572,374**	**1,601,038**

The movement of loan loss provision of banking segment as of 31 December 2007 by class is as follows:

	Corporate	Commercial	Total
Balance at 1 January 2007	**357,092**	**430,015**	**787,107**
Gross provisions	471,827	466,014	937,841
Recoveries	(116,721)	(237,312)	(354,033)
Written-off	(20,610)	(48,673)	(69,283)
Currency translation differences	(379)	-	(379)
31 December 2007	**691,209**	**610,044**	**1,301,253**

The maturity schedule of loans and advances to customers at 31 December 2008 and 2007 are summarised below:

	2008	2007
Up to 3 months	17,034,658	15,226,822
3 to 12 months	13,383,088	10,228,672
Current	**30,417,746**	**25,455,494**
1 to 5 years	13,664,206	10,981,329
Over 5 years	3,839,630	2,528,974
Non current	**17,503,836**	**13,510,303**
Total	**47,921,582**	**38,965,797**

The repricing schedule of loans and advances to customers at 31 December 2008 and 2007 are summarised below:

	2008	2007
Up to 3 months	26,190,827	20,121,877
3 to 12 months	15,072,165	12,285,621
1 to 5 years	5,868,245	5,816,734
Over 5 years	790,345	741,565
Total	**47,921,582**	**38,965,797**

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Long-term and the short-term lease receivables of Ak Finansal Kiralama A.Ş. as a subsidiary of Akbank at 31 December 2008 and 2007 are summarised below.

Financial lease receivables:	2008	2007
Gross investment in finance leases	1,124,640	779,730
Less: unearned finance income	(178,914)	(118,585)
Total investment in finance leases	945,726	661,145
Less: provision for impairment	(34,911)	(9,985)
Net investment in finance leases	**910,815**	**651,160**

Lease receivables represent the principal lease balances for lease agreements. The maturity schedule as of 31 December 2008 and 2007 of lease receivables is summarised below:

	2008	2007
Up to 1 year	365,997	318,478
1 to 5 year	448,890	321,048
Over 5 years	95,928	11,634
Total	**910,815**	**651,160**

Application of discounted rate for financial leasing operations was abolished by the article 2, paragraph 1 of the written decree published by the Council of Ministers in the Official Gazette dated 30 December 2007 No.2007/13033, which requires "In financial leasing operations, Value Added Tax ("VAT") rate of goods subject to transaction is applied." Application of New VAT rates is effective for the financial leasing agreements which were issued after the date of publish of the decree of Council of Ministers in the Official Gazette.

b) Insurance

	2008	2007
Receivables from insurance operations (net)	298,023	288,470

NOTE 28-PAYABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

	2008			2007		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Savings deposits	4,610,084	32,811,307	37,421,391	3,307,696	26,768,405	30,076,101
Commercial deposits	3,136,227	10,261,805	13,398,032	2,778,315	5,615,589	8,393,904
Bank deposits	376,928	3,472,304	3,849,232	153,252	1,786,712	1,939,964
Funds deposited under repo transactions	-	8,593,372	8,593,372	-	4,780,933	4,780,933
Other	373,930	1,197,069	1,570,999	952,182	1,326,385	2,278,567
Total	**8,497,169**	**56,335,857**	**64,833,026**	**7,191,445**	**40,278,024**	**47,469,469**

Effective interest rates of USD, EUR and TL denominated customer deposits are 4.59% p.a. (2007: 3.86% p.a.), 4.52 % p.a. (2007: 3.40% p.a.) and 16.76% p.a. (2007: 14.97% p.a.), respectively.

As at 31 December 2008 and 2007, the contractual maturity date and contractual repricing schedules based on the remaining period of banking customer deposits are as follows:

	2008	**2007**
Demand	8,516,015	7,191,445
Up to 3 months	52,747,296	37,527,274
Between 3 and 12 months	3,012,102	2,179,855
Between 1 and 5 years	332,763	398,258
Over 5 years	224,850	172,637
Total	**64,833,026**	**47,469,469**

b) Insurance

	2008	**2007**
Payables from insurance operations (net)	65,281	32,599
Insurance technical reserves	727,375	581,677
Total	**792,656**	**614,276**

NOTE 29-MUTUAL FUNDS

At 31 December 2008, the Group manages 21 (2007: 18) mutual funds ("Funds") and 19 pension funds which were established under Capital Markets Board Regulations. At 31 December 2008, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of TL 4,815,568 (2007: TL 4,548,184). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates, provides other services and charges management fees ranging from 0.000275%-0.001375%. At 31 December 2008, management fees and commissions earned by the Group amounted to TL 165,503 (2007: TL 117,748).

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NOTE 30-EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class that have been outstanding during the year.

	2008	2007
Earnings per share in full TL-ordinary share ('000)	6,41	5,22
Weighted average number of shares with TL 0,01 face value each- ordinary shares	180,000,000,000	180,000,000,000

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus calculated before 1 January 2004. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year. When the number of ordinary shares outstanding increases as a result of bonus shares after the balance sheet date but before the issue of financial statements, the earnings per share calculation is based on the new number of shares. No bonus shares were issued during the period 1 January-31 December 2008.

The earnings attributable to each class of shares for each period are as follows:

	Sabancı Foundation share	Ordinary shares	Total
1 January-31 December 2008	35,657	1,152,902	1,188,559
1 January-31 December 2007	29,085	940,402	969,487

There were no differences between the basic and diluted earnings per share for any class of shares for any of these periods.

In the year ended 31 December 2008, Bossa purchased usufruct shares for TL 3,096.

In the year ended 31 December 2008, Pilsa and Kordsa purchased usufruct shares for TL 6,557 and TL 14,532, respectively.

NOTE 31-RELATED PARTY DISCLOSURES

Due from related parties included in trade receivables are as follows:

Due from related parties:	2008	2007
Brisa	2,961	3,143
Enerjisa	2,928	58
Carrefoursa	1,564	187
Avivasa	1,025	316
Akçansa	499	540
Diasa	271	49
Olmuksa	231	341
Other	4,224	7,066
Total	**13,703**	**11,700**

Due to related parties included in trade payables are as follows:

Due to related parties:	2008	2007
Enerjisa	2,059	4,542
Brisa	1,825	5,076
ETS	147	-
Olmuksa	109	187
Other	904	1,235
Total	**5,044**	**11,040**

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, unused vacation, premium bonuses and incentive premiums. Other long term benefits include private pension system payments. Benefits resulted from discharge include severance pay and unused vacation payments for executive management who is discharged as a result of transfer or retirement.

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
Short term benefits	17,620	17,245
Benefits resulted from discharge	143	899
Other long term benefits	226	210
Total	**17,989**	**18,354**

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NOTE 32-FINANCIAL RISK MANAGEMENT

32.1 Financial Instruments and Financial risk management

32.1.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

32.1.1.1 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 aims to lower foreign exchange risk arising from assets and liabilities by using swap and forward derivative instruments.

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

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

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations at 31 December 2008 and 2007 terms of TL are as follows:

	2008	2007
Assets	43,374,822	29,809,256
Liabilities	(43,288,253)	(29,779,885)
Net foreign currency balance sheet position	**86,569**	**29,371**
Net foreign currency position of off-balance sheet derivative financial instruments	62,121	(9,333)
Net foreign currency balance sheet and off-balance sheet position	**148,690**	**20,038**

2008

	Total TL	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	7,667,184	3,033,280	4,350,259	167,995	115,650
Financial assets	8,930,994	6,032,794	2,898,200	-	-
Receivables from financial operations	24,333,846	16,665,122	7,590,803	24,019	53,902
Reserve deposits at Central Bank	1,648,902	248,527	1,400,375	-	-
Trade receivables	665,812	221,279	392,131	14,168	38,234
Other current assets	128,084	38,648	32,297	12,661	44,478
Other non-monetary receivables and assets	-	-	-	-	-
Total Assets	**43,374,822**	**26,239,650**	**16,664,065**	**218,843**	**252,264**
Liabilities:					
Funds borrowed and debt securities in issue	13,546,202	7,309,092	6,148,923	14,253	73,934
Customer deposits	28,912,793	15,211,013	12,621,544	873,684	206,552
Trade payables	518,314	130,544	185,589	1,732	200,449
Other payables and provisions	310,944	164,279	107,546	5,602	33,517
Other non-monetary payables and liabilities	-	-	-	-	-
Total Liabilities	**43,288,253**	**22,814,928**	**19,063,602**	**895,271**	**514,452**
Net foreign currency position of off-balance sheet derivative financial instruments	**62,121**	**(2,887,549)**	**2,108,027**	**738,685**	**102,958**
Net foreign currency position	**148,690**	**537,173**	**(291,510)**	**62,257**	**(159,230)**
Net foreign currency monetary position	**148,690**	**537,173**	**(291,510)**	**62,257**	**(159,230)**
Total import	**1,408,364**				
Total export	**2,317,020**				

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2007

	Total TL	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	3,121,479	1,006,782	2,015,462	45,106	54,129
Financial assets	9,085,596	6,895,18	2,190,415	-	-
Receivables from financial operations	15,316,907	9,666,557	5,581,617	26,165	42,568
Financial instruments-Assets	46,882	28,891	17,991	-	-
Reserve deposits at Central Bank	1,545,654	-	1,545,654	-	-
Trade receivables	570,402	190,310	287,179	54,196	38,716
Other current assets	122,336	19,580	71,415	3,026	28,316
Other non-monetary receivables and assets	-	-	-	-	-
Total Assets	**29,809,256**	**17,807,301**	**11,709,733**	**128,493**	**163,729**
Liabilities:					
Funds borrowed and debt securities in issue	10,467,730	6,215,537	4,187,420	11,844	52,928
Customer deposits	18,684,840	9,831,632	8,130,777	556,830	165,601
Trade payables	339,001	95,512	180,400	16,642	46,446
Other payables and provisions	239,566	99,963	97,595	7,052	34,955
Financial instruments-liabilities	48,751	19,658	29,093	-	-
Other non-monetary payables and liabilities	-	-	-	-	-
Total Liabilities	**29,779,885**	**16,262,302**	**12,625,286**	**592,369**	**299,930**
Net foreign currency position of off-balance sheet derivative financial instruments	**(9,333)**	**(1,453,798)**	**789,723**	**492,446**	**162,296**
Net foreign currency position	**20,038**	**91,201**	**(125,829)**	**28,571**	**26,095**
Net foreign currency monetary position	**20,038**	**91,201**	**(125,829)**	**28,571**	**26,095**
Total import	**1,680,450**				
Total export	**2,550,097**				

Ratio of the total hedging of foreign currency exposure	2008	2007
USD	%115	%110
EUR	%87	%93
GBP	%24	%22

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 31 December 2008 and 2007 is summarized as follows: (please refer to 32.1.1.5 for the foreign exchange risk of the Banking segment)

2008	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	26,538	(26,538)	-	-
Hedged items	-	-	-	-
USD net effect	**26,538**	**26,538**	**-**	**-**
Change in EUR against TL by 10%				
EUR net assets/liabilities	(1,458)	1,458	-	-
Hedged items	-	-	-	-
EUR net effect	**(1,458)**	**1,458**	**-**	**-**
Change in GBP against TL by 10%				
GBP net assets/liabilities	4,522	(4,522)	-	-
Hedged items	-	-	-	-
GBP net effect	**4,522**	**(4,522)**	**-**	**-**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(19,020)	19,020	-	-
Hedged items	-	-	-	-
Other currency net effect	**(19,020)**	**19,020**	**-**	**-**
	10,582	**(10,582)**	**-**	**-**

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2007	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	5,408	(5,408)	-	-
Hedged items	-	-	-	-
USD net effect	**5,408**	**(5,408)**	**-**	**-**
Change in EUR against TL by 10%				
EUR net assets/liabilities	(2,678)	2,678	-	-
Hedged items	-	-	-	-
EUR net effect	**(2,678)**	**2,678**	**-**	**-**
Change in GBP against TL by 10%				
GBP net assets/liabilities	4,593	(4,593)	-	-
Hedged items	-	-	-	-
GBP net effect	**4,593**	**(4,593)**	**-**	**-**
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(2,983)	2,983	-	-
Hedged items	-	-	-	-
Other currency net effect	**(2,983)**	**2,983**	**-**	**-**
	4,340	**(4,340)**	**-**	**-**

32.1.1.2 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Borrowings issued at variable 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 2008 and 2007, the Group's borrowings at variable rate are denominated in TL, USD, EUR and GBP.

The interest rate risk of Group companies other than that of the banking segment for the years ended 31 December 2008 and 2007 is summarized below as follows:

	2008	2007
Fixed interest rate financial instruments		
Financial liabilities	543,360	327,268
Floating interest rate financial instruments		
Financial assets	307,690	12,756
Financial liabilities	584,420	283,307

Group composed various scenarios for borrowings issued at variable rates taking into account hedging position, alternative funding and renew state of positions. According to these scenarios:

At 31 December 2008, if the annual interest rate on TL denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL 2,399 (2007: TL 1,579) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2008, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL 1,969 (2007: TL 1,137) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2008, if the annual interest rate on EUR denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL 1,735 (2007: TL 2,097) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

32.1.1.3 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.

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.

Other industrial segments:

The table below depicts the cash outflows the Group companies other than that of the banking segment will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Group performs its liquidity risk management by considering expected non-discounted cash flows.

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As of 31 December 2008 and 2007 the contractual cash flows of the non-derivative financial liabilities of the Group companies other than that of the banking segment are as follows:

2008[(1)(2)]	Book value	Contractual cash flows	Up to 3 months	3- 12 months	1- 5 years	Over 5 years
Financial liabilities	1,120,797	1,149,014	413,992	315,188	286,185	133,649
Financial lease obligations	6,983	3,777	1,008	1,225	1,544	-
Trade payables	1,004,108	1,003,041	973,316	29,725	-	-
Other payables	120,507	116,143	72,770	34,400	8,731	242
	2,252,395	**2,271,975**	**1,461,086**	**380,538**	**296,460**	**133,891**

2007[(1)(2)]	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	603,592	619,501	236,095	136,520	244,319	2,567
Financial lease obligations	6,983	4,768	171	512	4,085	-
Trade payables	931,057	824,083	799,464	24,619	-	-
Other payables	120,037	112,137	63,983	23,698	24,456	-
	1,661,669	**1,560,489**	**1,099,713**	**185,349**	**272,860**	**2,567**

(1) Maturity analysis is performed for only financial assets. Legal obligations are not considered in the analysis.

(2) The aforementioned cash flows are contractual and non-discounted amounts. Since, discounted amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the book value.

The maturity analysis of the non derivative financial liabilities of Group companies other than that of the banking segment for the periods ended 31 December 2008 and 2007 is summarized below:

2008	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	100	104	8	96	-	-
Trade payables	146,184	146,162	143,305	2,857	-	-
Other liabilities	8,513	8,513	246	8,229	38	-
	154,797	**154,779**	**143,559**	**11,182**	**38**	**-**

2007	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	8,215	8,215	8,215	-	-	-
Trade payables	142,875	142,875	139,991	2,884	-	-
Other liabilities	12,315	12,315	-	5,278	7,037	-
	163,405	**163,405**	**148,206**	**8,162**	**7,037**	**-**

32.1.1.4 Credit Risk

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 credit risks of the financial instruments of Group companies other than that of the banking segment for the years ended 31 December 2008 and 2007 is summarized below as follows:

2008	Trade receivables	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D) (1)	**1,095,533**	**32,242**	**425,980**	**2,871**
Collateralized or secured with guarantees part of maximum credit risk	497,272	-	-	2,847
A. Neither past due nor impaired	983,591	23,578	353,316	2,871
B. Restructured Otherwise accepted as past due and impaired	42,687	-	-	-
C. Past due but not impaired	78,663	6,183	6,288	-
Guaranteed amount by commitment	7,278	-	-	-
D. Impaired assets net book value	804	-	-	-
- Past due (Gross amount)	30,245	7	-	-
- Impairment (Note 8)	(29,441)	(7)	-	
- Net value				
Collateralized or guaranteed part of net value	2,255	-	-	-

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2007	Trade receivables	Other receivables	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D) (1)	**1,194,738**	**30,343**	**77,276**	**305**
Collateralized or secured with guarantees part of maximum credit risk	159,686	-	-	305
A. Neither past due nor impaired	950,710	21,964	73,779	305
B. Restructured Otherwise accepted as past due and impaired	170,241	-	-	
C. Past due but not impaired	72,465	8,382	3,467	-
Guaranteed amount by commitment	5,663	-	-	-
D. Impaired assets net book value	1,322	-	-	-
- Past due (Gross amount)	29,024	7	-	-
- Impairment (Note 8)	(27,702)	(7)	-	
- Net value				
Collateralized or guaranteed part of net value	2,455	-	-	-

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

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 monitors this risk by reference to credit risk ratings and by limiting the aggregate risk to any individual counterparty, group of companies and industry. 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 determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements.

When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

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

Rescheduled or restructured loans are followed in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

Akbank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent 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.

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).

The default probabilities of counterparties are calculated by using scoring tools tailored to various categories of counterparty and are derived credit rating for corporate and commercial, SME, consumer and credit card loan portfolios.

Scoring systems calculate the risk of default for different types of customers and form different rating systems. The rating tool concentration by risk classes are as follows:

	2008	2007
Above average	%6.34	%31.66
Average	%43.62	%49.98
Below average	%17.61	%13.90
Unrated	%2.43	%4.46

The credit risks of the corporate loans, consumer loans and credit cards and financial lease receivables given by rating system for the period ended 31 December 2008 is summarized below as follows:

2008	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Standard loans	32,136,163	12,599,851	889,349	45,625,363
Close monitoring loans	1,797,393	1,850,346	17,416	3,665,155
Loans under follow up	702,639	436,228	38,961	1,177,828
Total	**34,636,195**	**14,886,425**	**945,726**	**50,468,346**
Provisions	(1,028,664)	(572,374)	(34,911)	(1,635,949)
	33,607,531	**14,314,051**	**910,815**	**48,832,397**

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The credit risks of the corporate loans, consumer loans and credit cards and financial lease receivables given by rating system for the period ended 31 December 2007 is summarized below as follows:

2007	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Standard loans	25,654,604	11,789,207	590,944	38,034,755
Close monitoring loans	953,145	862,466	56,586	1,872,197
Loans under follow up	526,434	481,194	13,615	1,021,243
Total	**27,134,183**	**13,132,867**	**661,145**	**40,928,195**
Provisions	(658,025)	(643,228)	(9,985)	(1,311,238)
	26,476,158	**12,489,639**	**651,160**	**39,616,957**

The aging analysis of the loans under close monitoring for the year ended 31 December 2008 are as follows:

2008	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Past due up to 1 month	1,340,597	1,287,556	5,800	2,633,953
Past due 1-2 months	288,456	403,017	3,774	695,247
Past due 2-3 months	168,340	159,773	2,327	330,440
Leasing payment receivables (uninvoiced)	-	-	5,515	5,515
	1,797,393	**1,850,346**	**17,416**	**3,665,155**

The aging analysis of the loans under close monitoring for the year ended 31 December 2007 are as follows:

2007	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Past due up to 1 month	689,030	433,745	1,367	1,124,142
Past due 1-2 months	167,522	316,105	3,318	486,945
Past due 2-3 months	96,593	112,616	1,112	210,321
Leasing payment receivables (uninvoiced)	-	-	50,789	50,789
	953,145	**862,466**	**56,586**	**1,872,197**

Maximum exposure to credit risk of banking industrial segment:

	2008	2007
Loans and advances to banks	5,449,849	1,572,712
Loans and advances	**47,921,582**	**38,965,797**
Consumer loans and advances	**14,314,051**	**12,489,639**
Corporate loans and advances	**33,607,531**	**26,476,158**
Financial lease receivables	910,815	651,160
Trading financial assets	160,548	4,806,452
Derivative financial instruments	80,221	81,282
Financial assets	27,853,467	20,869,792
Other assets	276,224	432,724
Total	**82,652,706**	**67,379,919**

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The Moody's rating analysis of trading securities, available for sale financial assets and held to maturity financial assets of the banking industrial segment for the years ended for 31 December 2008 and 2007 are as follows:

2008	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	7,583	-	7,583
A1, A2, A3	-	135,992	-	135,992
Baa1, Baa2, Baa3	-	57,119	-	57,119
Ba3 (*)	160,548	7,097,121	20,548,706	27,806,375
C	-	6,946	-	6,946
Total	**160,548**	**7,304,761**	**20,548,706**	**28,014,015**

2007	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	6,072	-	6,072
A1, A2, A3	-	46,344	-	46,344
Baa1, Baa2, Baa3	-	23,260	-	23,260
Ba3 (*)	4,806,452	20,794,116	-	25,600,568
Total	**4,806,452**	**20,869,792**	**-**	**25,676,244**

(*) Government bond and treasury bills of Turkish Treasury.

The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2008 and 2007 are summarized as follows:

2008	Turkey	USA	EU Countries	Non EU Countries	Total
Loans and advances to banks	553,568	1,057,846	3,825,268	13,167	5,449,849
Loans and advances	**46,782,628**	**2,502**	**768,491**	**367,961**	**47,921,582**
Consumer loans and advances	**14,314,051**	**-**	**-**	**-**	**14,314,051**
Corporate loans and advances	**32,468,577**	**2,502**	**768,491**	**367,961**	**33,607,531**
Financial lease receivables	910,815	-	-	-	910,815
Trading assets	160,548	-	-	-	160,548
Derivative financial instruments	36,130	1,180	28,582	14,329	80,221
Available for sale financial assets	27,402,142	110	451,215	-	27,853,467
Other assets	245,133	-	31,091	-	276,224
Total	**76,090,964**	**1,061,638**	**5,104,647**	**395,457**	**82,652,706**

2007	Turkey	USA	EU Countries	Non EU Countries	Total
Loans and advances to banks	212,038	426,407	884,123	50,144	1,572,712
Loans and advances	**38,092,236**	**11,441**	**405,239**	**456,881**	**38,965,797**
Consumer loans and advances	**12,489,639**	**-**	**-**	**-**	**12,489,639**
Corporate loans and advances	**25,602,597**	**11,441**	**405,239**	**456,881**	**26,476,158**
Financial lease receivables	651,160	-	-	-	651,160
Trading assets	4,806,452		-	-	4,806,452
Derivative financial instruments	42,422	-	38,860	-	81,282
Available for sale financial assets	20,783,662	110	86,020	-	20,869,792
Other assets	380,514	-	52,210	-	432,724
Total	**64,968,484**	**437,958**	**1,466,452**	**507,025**	**67,379,919**

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2008 and 2007 are summarized as follows:

	Financial institutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to banks	5,449,849	-	-	-	-	-	5,449,849
Loan and advances	**4,054,005**	**2,674,066**	**6,301,207**	**10,220,300**	**11,268,768**	**14,314,051**	**48,832,397**
Consumer loans	**-**	**-**	**-**	**-**	**-**	**14,314,051**	**14,314,051**
Corporate loans	**3,143,190**	**2,674,066**	**6,301,207**	**10,220,300**	**11,268,768**	**-**	**33,607,531**
Financial lease receivables	**910,815**	**-**	**-**	**-**	**-**	**-**	**910,815**
Trading assets	9,756	150,792	-	-	-	-	160,548
Derivative financial instruments	68,990	-	-	10,538	-	693	80,221
Available for sale financial assets	300,776	27,390,315	-	-	162,376	-	27,853,467
Other assets	213,130	-	-	-	-	63,094	276,224
31 December 2008	**10,096,506**	**30,215,173**	**6,301,207**	**10,230,838**	**11,431,144**	**14,377,838**	**82,652,706**
31 December 2007	**7,293,424**	**26,667,306**	**5,657,125**	**6,253,826**	**8,982,313**	**12,525,925**	**67,379,919**

32.1.1.5 Value at Risk

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of Akbank, include interest rate stress testing. The results of the stress tests are reviewed by the Assets and Liabilities Committee. As at 31 December 2008 and 2007, assuming that all other variables are constant, and TL and foreign currency interest rates vary in an interval of +1% and -1%, the profit before tax and other reserves excluding tax effect of the Group would change as the following:

	Impact on income		Impact on other reserves	
Change in interest rates	**2008**	**2007**	**2008**	**2007**
(+) %1	(135.000)	(108.004)	(49.111)	(175.996)
(-) %1	127.000	87.094	35.220	184.906

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

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

Reinforced with scenario analyses and stress testing, VaR analyses also take into consideration the impact of events and market fluctuations that are unexpected and highly improbable but engender great consequences. The outputs of the model are regularly checked by back-tests.

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.

The table (*) below represents average market risk table at 31 December 2008 and 2007 calculated in accordance with the “Standard Method for Market Risk Calculations” as set out in Section 3 of the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio”, published in the Official Gazette No.26333 dated 1 November 2006, “Calculation of Market Risk with the Standard Method”.

	31 December 2008			31 December 2007		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Interest rate risk	154,327	188,238	97,312	173,305	193,594	167,506
Foreign Exchange risk	29,610	19,730	34,010	51,996	62,026	39,077
Equities risk	787	686	1,211	1,445	954	598
Total (**)	**184,724**	**208,654**	**132,533**	**226,746**	**256,574**	**207,181**

(*) The table above has been prepared using Akbank’s consolidated financial statements prepared in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, related to the 5411 numbered Banking Law which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) issued by the “Turkish Accounting Standards Board” (“TASB”) and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all “Turkish Accounting Standards” or “TAS”) published by the Banking Regulation and Supervision Agency.

(**) Total balance represents the total capital to be employed for market risk.

32.1.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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The net liability/invested capital ratios at 31 December 2008 and 2007 are as follows:

	2008	2007
Total liability	83,025,409	62,749,391
Cash and cash equivalents	(7,665,059)	(2,901,156)
Net liability	75,360,350	59,848,235
Equity	17,338,777	16,073,841
Invested capital	92,699,127	75,922,076
Net liability/invested capital ratio	81%	79%

NOTE 33-EVENTS AFTER THE BALANCE SHEET DATE

1. Sabancı Telekom, a subsidiary of the Group, is liquidated during the year 2009. Liquidation process is completed as of 30 March 2009 and the capital share of the Group amounting to TL 7,746 is collected.

2. On 10 February 2009, some Sabancı family members registered their shares with 15.89% percentage to ISE and the public quotation percentage has increased to 37.44%.

3. Enerjisa Elektrik Dağıtım A.Ş., joint venture of Group, has given the highest bid of USD 1,225 million in the privatization tender of Privatization Agency of Republic of Turkey concerning Başkent Elektrik Dağıtım A.Ş. ("BEDAŞ") and subsequently acquired the shares of BEDAŞ with the share transfer agreement signed on 28 January 2009. 50% of total acquisition cost (USD 612,5 million) is paid in cash and the remaining part will be paid in two years. As prescribed in IFRS 3, the fair value determination of identifiable assets, liabilities and contingent liabilities acquired through this business combination is in progress as of the date of preparation of these consolidated financial statements.

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