

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2007
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**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 2007 and the consolidated statement of income, consolidated statement of changes in shareholders' 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 issued 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 2007, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued 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 outside 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 New Turkish Lira ("YTL"), 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 2007 for the consolidated balance sheet and the official USD average CBRT bid rate of the year 2007 for the consolidated statement of income statement 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, measurement principles and disclosure requirements for retirement benefits and presentation of basic financial statements and the notes to them. 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

Istanbul, 11 April 2008

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	UNAUDITED 2007 USD (*)	2007	2006
ASSETS				
Current assets		41.889.520	48.788.724	45.080.012
Cash and cash equivalents	4	2.365.944	2.755.615	4.855.781
Marketable securities (net)	5	4.155.978	4.840.468	6.635.388
Financial assets (net)				
- Available for sale	16.a	8.316.880	9.686.670	7.370.306
- Held-to-maturity	16.b	-	-	8.152
Derivative financial instruments	44	69.788	81.282	91.005
Reserve deposits with the Central Bank of the Republic of Turkey	3.3	1.431.501	1.667.269	2.692.777
Loans and advances to customers (net)	45	21.855.838	25.455.494	20.081.532
Trade receivables (net)	7	1.222.651	1.424.022	1.409.384
Lease receivables (net)	8	273.442	318.478	209.060
Due from related parties (net)	9	10.046	11.700	21.616
Other receivables (net)	10	566.522	659.828	377.423
Biological assets (net)	11	-	-	-
Inventories (net)	12	1.028.224	1.197.573	1.262.648
Non-current assets held for sale	35	501.458	584.048	-
Receivables from construction contracts work in progress (net)	13	-	-	-
Deferred income tax assets	14	-	-	-
Other current assets	15	91.248	106.277	64.940
Non-current assets		26.222.595	30.541.456	22.136.438
Loans and advances to customers (net)	45	11.599.814	13.510.303	9.303.174
Trade receivables (net)	7	20.294	23.637	30.147
Lease receivables (net)	8	285.638	332.682	278.153
Due from related parties (net)	9	-	-	-
Other receivables (net)	10	39.339	45.818	37.859
Financial assets (net)				
- Available for sale	16.a	10.038.707	11.692.082	7.296.683
- Held-to-maturity	16.b	-	-	-
- Investments	16.c	154.022	179.390	181.814
Goodwill/negative goodwill (net)	17	313.817	365.503	281.452
Investment properties (net)	18	204.648	238.353	277.438
Property, plant and equipment (net)	19	3.155.703	3.675.447	4.039.211
Intangible assets (net)	20	281.200	327.514	267.164
Deferred income tax assets	14	129.413	150.727	143.343
Other non-current assets	15	-	-	-
Total Assets		68.112.115	79.330.180	67.216.450

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2007, and therefore do not form part of these consolidated financial statements (Note 2.4).

These consolidated financial statements have been approved by the Board of Directors on 11 April 2008 and signed on its behalf by Ahmet Dördüncü and Nedim Bozfakioğlu.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	UNAUDITED 2007 USD (*)	2007	2006
LIABILITIES				
Current liabilities		49.813.815	58.018.151	47.739.897
Short-term borrowings (net)	6	3.763.164	4.382.957	3.757.903
Current portion of long-term borrowings (net)	6	1.504.465	1.752.250	693.027
Banking customer deposits	46	40.477.007	47.143.570	40.152.004
Derivative financial instruments	44	90.659	105.591	74.341
Lease payables (net)	8	2.320	2.702	4.022
Other financial liabilities (net)	10	-	-	-
Insurance technical reserves	3.22	259.988	302.808	223.325
Trade payables (net)	7	824.198	959.943	977.413
Due to related parties (net)	9	9.479	11.040	8.199
Advances received	21	12.083	14.073	19.107
Liabilities associated with non-current assets held for sale	35	305.711	356.062	-
Construction contracts progress billings (net)	13	-	-	-
Provisions	23	165.583	192.855	122.456
Current liabilities	15	184.278	214.629	217.020
Deferred income tax liabilities	14	-	-	-
Other current liabilities (net)	10	2.214.880	2.579.671	1.491.080
Non-current liabilities		4.526.016	5.271.449	7.625.168
Long-term borrowings (net)	6	3.531.836	4.113.529	6.766.744
Banking customer deposits	46	279.814	325.899	377.115
Lease payables (net)	8	3.676	4.281	2.983
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	3.336	3.885	1.444
Due to related parties (net)	9	-	-	-
Advances received	21	-	-	-
Insurance technical reserves	3.22	230.287	268.215	59.802
Provisions	23	127.038	147.961	150.298
Deferred income tax liabilities	14	180.344	210.047	210.162
Government grants	30	-	-	-
Other payables (net)	10	169.685	197.632	56.620
MINORITY INTERESTS	24	6.431.601	7.490.885	4.997.041
- Sabancı Family members		1.984.284	2.311.095	2.094.194
- Others		4.447.317	5.179.790	2.902.847
SHAREHOLDERS' EQUITY		7.340.683	8.549.695	6.854.344
Share capital	25	1.545.462	1.800.000	1.800.000
Treasury shares	25	-	-	-
Capital reserves	26	3.409.001	3.970.464	3.861.820
Share premium		18.606	21.670	21.670
Share cancellation gains		-	-	-
Revaluation fund		6.199	7.220	10.496
Fair value reserve of financial assets		49.500	57.653	(54.267)
Inflation adjustment to shareholders' equity		3.334.696	3.883.921	3.883.921
Profit reserves	27	595.922	592.368	329.042
Legal reserves		97.705	113.797	92.463
Statutory reserves		-	-	-
Extraordinary reserves		595.749	693.869	478.007
Special reserves		-	-	-
Investment and property sales income to be added to the share capital		-	-	-
Currency translation reserve		(97.532)	(215.298)	(241.428)
Net income for the period		745.071	969.487	494.049
Retained earnings	28	1.045.227	1.217.376	369.433
Total liabilities and shareholders' equity		68.112.115	79.330.180	67.216.450

Commitments and contingent assets and liabilities 31

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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 2007 AND 2006

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

	Notes	UNAUDITED 2007 USD (*)	2007	2006
OPERATING REVENUE	36	14.863.624	19.340.547	16.947.973
Sales (net)	36	14.863.624	19.340.547	16.947.973
Cost of Sales (-)		(10.573.188)	(13.757.832)	(11.980.859)
GROSS PROFIT		4.290.436	5.582.715	4.967.114
Operating expenses (-)	37	(2.315.520)	(3.012.954)	(2.775.183)
OPERATING PROFIT		1.974.916	2.569.761	2.191.931
Other income	38	553.618	720.368	445.355
Other expenses (-)	38	(89.657)	(116.662)	(234.653)
Financial expenses (-)	39	(466.539)	(607.061)	(421.450)
Income from associates	16	103.814	135.083	111.751
INCOME BEFORE MONETARY LOSS, MINORITY INTEREST AND TAX		2.076.152	2.701.489	2.092.934
Monetary gain/(loss)	40	-	-	-
PROFIT/LOSS OF MINORITY INTEREST	24	(1.043.594)	(1.357.924)	(992.292)
- Sabancı Family members		(237.124)	(308.545)	(397.209)
- Other		(806.470)	(1.049.379)	(595.083)
INCOME BEFORE TAX		1.032.558	1.343.565	1.100.642
Taxation on income	41	(287.487)	(374.078)	(606.593)
NET INCOME FOR THE PERIOD		745.071	969.487	494.049
Earnings per share				
- thousands of ordinary shares (YTL)	42	4,01	5,22	2,66

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

	Share Capital	Share premium in excess of par value	Revaluation reserve	Fair value reserve of financial assets	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation reserve	Net income for the period	Retained earnings	Total
Balances at 1 January 2006	1.800.000	21.670	12.455	92.213	3.883.921	76.136	567.538	(361.560)	689.765	17.021	6.799.159
Transfers	-	-	-	-	-	16.327	179.794	-	(689.765)	493.644	-
Effect of change in the effective rate of subsidiaries (Note 3.27)	-	-	-	-	-	-	-	-	-	5.864	5.864
Purchase of usufruct shares (Note 42)	-	-	-	-	-	-	(269.325)	-	-	-	(269.325)
Dividends paid	-	-	-	-	-	-	-	-	-	(149.055)	(149.055)
Transfer from revaluation reserve	-	-	(1.959)	-	-	-	-	-	-	1.959	-
Available for sale investments net fair value losses, net of tax	-	-	-	(146.480)	-	-	-	-	-	-	(146.480)
Currency translation differences	-	-	-	-	-	-	-	120.132	-	-	120.132
Net income for the period	-	-	-	-	-	-	-	-	494.049	-	494.049
Balances at 31 December 2006	1.800.000	21.670	10.496	(54.267)	3.883.921	92.463	478.007	(241.428)	494.049	369.433	6.854.344
Balances at 1 January 2007	1.800.000	21.670	10.496	(54.267)	3.883.921	92.463	478.007	(241.428)	494.049	369.433	6.854.344
Transfers	-	-	-	-	-	21.334	215.862	-	(494.049)	256.853	-
Effect of change in the effective rate of subsidiaries (Note 3.27)	-	-	-	-	-	-	-	-	-	798.302	798.302
Purchase of usufruct shares (Note 42)	-	-	-	-	-	-	-	-	-	(21.089)	(21.089)
Dividends paid	-	-	-	-	-	-	-	-	-	(189.399)	(189.399)
Transfer from revaluation reserve	-	-	(3.276)	-	-	-	-	-	-	3.276	-
Available for sale investments net fair value gains, net of tax	-	-	-	111.920	-	-	-	-	-	-	111.920
Currency translation differences	-	-	-	-	-	-	-	26.130	-	-	26.130
Net income for the period	-	-	-	-	-	-	-	-	969.487	-	969.487
Balances at 31 December 2007	1.800.000	21.670	7.220	57.653	3.883.921	113.797	693.869	(215.298)	969.487	1.217.376	8.549.695

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

HACI ÖMER SABANCI HOLDİNG A.Ş

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

	Notes	UNAUDITED 2007 USD (*)	2007	2006
Income before taxation and minority interests		2.076.152	2.701.489	2.092.934
Adjustments to reconcile income before taxation and minority interest to net cash provided by operating activities:				
Depreciation and amortisation		333.711	434.225	475.033
Provision for loan losses		720.751	937.841	519.121
Impairment of non-current assets held for sale		15.609	20.311	-
Re-measurement of derivatives at fair value		31.489	40.973	(74.816)
Change in employment termination benefits reserve	23	25.089	32.646	52.917
Goodwill impairment	17	3.759	4.891	10.691
Goodwill charge to the income statement		-	-	13.040
Negative goodwill income	38	-	-	(3.464)
Impairment charge on property, plant and equipment and intangible assets	38	36.479	47.466	135.281
Impairment charge on investment property	38	3.121	4.061	6.303
Currency translation adjustment		45.553	59.274	82.920
Insurance technical reserves		(79.079)	(102.898)	(63.632)
Income from associates		(103.814)	(135.083)	(111.751)
(Gain)/loss on sale of subsidiaries	16	(162.550)	(211.510)	44.867
Other		42.842	55.746	42.451
Net cash provided by operating activities before changes in operating assets and liabilities		2.989.112	3.889.432	3.221.895
Changes in operating assets and liabilities:				
Increase in trade receivables		(93.701)	(121.924)	(271.265)
Decrease/(increase) in due from related parties		1.164	1.514	(1.770)
Increase in inventory		(17.277)	(22.481)	(297.741)
Increase in other receivables and other current assets		(37.545)	(48.854)	(383.523)
Increase in lease receivables		(122.636)	(159.574)	(227.768)
Increase in non-current assets held for sale		(175.212)	(227.986)	-
Increase/(decrease) in trade payables		33.790	43.967	236.996
Increase/(decrease) in due to related parties		12.050	15.679	(390)
Increase in insurance technical reserve		150.488	195.815	108.157
Increase in other liabilities and advances received		696.039	905.686	303.468
Changes in assets and liabilities in banking segment:				
Decrease/(increase) in marketable securities		1.379.434	1.794.920	(76.061)
Increase in loan and advances		(8.084.024)	(10.518.932)	(8.006.775)
Increase in customer deposits		5.333.807	6.940.350	3.601.466
Decrease in reserve with the Central Bank of the Republic of Turkey		788.125	1.025.508	1.234.674
		(135.498)	(176.312)	(3.780.532)
Income taxes paid		(186.340)	(242.465)	(584.198)
Employment termination benefits paid	23	(23.574)	(30.674)	(48.666)
Net cash provided by / (used in) by operating activities		2.643.700	3.439.981	(1.191.501)
Cash flows from investing activities:				
Capital expenditures		(744.898)	(969.261)	(817.240)
(Purchase)/sale of available-for-sale and held-to-maturity securities (non-banking segments)		(4.779.454)	(6.219.026)	1.537.516
Cash used in business combinations	32	(173.593)	(225.879)	(71.484)
Establishment of subsidiary		8.771	11.413	-
Change due to change in scope of consolidation		45.208	58.825	-
Proceeds from sale of subsidiary		214.338	278.897	643.219
Proceeds from sale of property, plant and equipment		90.466	117.714	197.107
Dividends received		107.089	139.344	40.411
Net cash used in / (provided by) investing activities		(5.232.073)	(6.807.973)	1.529.529
Cash flows from financing activities:				
(Decrease)/increase in short term funds borrowed, bank borrowings and debt securities in issue		(327.258)	(425.828)	1.474.463
Decrease in finance lease payables		(17)	(22)	(6.624)
Dividends paid		(145.557)	(189.399)	(149.055)
Purchase of usufruct shares	42	(16.207)	(21.089)	(269.325)
Dividends paid to outside interests	24	(377.558)	(491.278)	(390.922)
Increase in share capital of outside interests		99.380	129.313	5.485
Increase in share premium of outside interests		827.641	1.076.926	9.346
Effect of change in the effective rate of subsidiaries		913.928	1.189.203	(410.915)
Net cash provided by financing activities		974.352	1.267.826	262.453
Net (decrease)/increase in cash and cash equivalents		(1.614.021)	(2.100.166)	600.481
Currency translation adjustment		(189.161)	-	-
Cash and cash equivalents at the beginning of the period	4	4.169.126	4.855.781	4.255.300
Cash and cash equivalents at the end of the period	4	2.365.944	2.755.615	4.855.781

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official average YTL exchange rate announced by CBRT for the year 2007, and therefore do not form part of these consolidated financial statements (Note 2.4).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish Lira (“YTL”) unless otherwise indicated. Currencies other than YTL 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 25). The address of the registered office is as follows:

Sabancı Center, 4. Levent, Istanbul, Turkey.

Subsidiaries

The business nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, for the purposes of these consolidated financial statements, their respective business segments at 31 December 2007 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
Bossa Ticaret ve Sanayi İşletmeleri A.Ş. (“Bossa”)	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 Sanayi ve Ticaret A.Ş. (“Temsa”)	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
Gıdasa Sabancı Gıda Sanayi ve Ticaret A.Ş. (“Gıdasa”)	Food and beverage	Food
Teknosa İç ve Dış Ticaret A.Ş. (“Teknosa”)	Trade	Retailing
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. (“Exsa”)	Trade	Other
Exsa UK Ltd. (“Exsa UK”)	Trade	Other
Universal Trading (Jersey) Ltd. (“Universal”)	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 Sistemleri A.Ş. (“Bimsa”)	Trade of data processing systems	Other
Pilsa Plastik Sanayi ve Ticaret A.Ş. (“Pilsa”)	Plastics	Other

For the purposes of segment information, Holding’s stand-alone financial statements have been included within the “Other” business segment (Note 33).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 December 2007 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
Beksa Çelik Kord Sanayi ve Ticaret A.Ş. (“Beksa”)	Tire and tire reinforcement	Tire and tire reinforcement	Bekaert
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	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 sold a portion of its investment in Ak Emeklilik A.Ş. to Aviva International Holdings Limited on 31 October 2007. At 31 December 2006, the Group had effective interest rate of 99,41% in Ak Emeklilik A.Ş. and after the sale of 10,31% shares, the merger of Aviva International Holdings Limited and Ak Emeklilik A.Ş., Avivasa, became a joint venture with a shareholding structure of 50%-50% by each venturers. Effective from 31 October 2007, Avivasa is included in the scope of consolidation as a joint venture.

(**) The Group sold a portion of its investment in Enerjisa to Elektrizitätswirtschafts-Aktiengesellschaft (“Verbund”) on 31 May 2007. At 31 December 2006, the Group had effective interest rate of 94,44% in Enerjisa and after the partial sale of shares to Verbund, Enerjisa became a joint venture with a shareholding structure of 49,99%-49,99% by each venturers. Effective from 31 May 2007, Enerjisa is included in the scope of consolidation as a joint venture.

All the Joint Ventures are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by the CMB (“CMB Financial Reporting Standards”). The CMB issued a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets” (the “Communiqué”). In the aforementioned Communiqué, it has been stated that applying the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform to the CMB Financial Reporting Standards. However, the Communiqué is effective for financial statements covering the first interim period after 10 January 2005. The CMB also issued the Communiqué No: XI-27 “Changes in the Accounting Standards in the Capital Markets” stating that applying International Financial Reporting Standards is in line with the requirements stated in the Communiqué.

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.

These consolidated financial statements and the related notes have been presented in accordance with the formats required by the CMB.

Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements (“Statutory Financial Statements”) in YTL 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 (Note 3.17) 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.

2.2 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. 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

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

- 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 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	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	48,70	51,29	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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

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

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 2006:

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	45,74	23,55	69,29	40,05
Ak Emeklilik	99,41	-	99,41	61,61
Aksigorta	61,98	-	61,98	61,98
Bossa	50,12	23,14	73,26	50,12
Bimsa	95,11	-	95,11	90,10
Çimsa	50,80	2,06	52,86	49,82
Enerjisa	94,44	-	94,44	90,79
Exsa	45,70	54,30	100,00	27,71
Exsa UK	100,00	-	100,00	99,06
Gıdasa	99,68	-	99,68	99,67
Pilsa	51,23	48,77	100,00	51,23
Kordsa Global	91,11	-	91,11	91,11
Sabancı Bank Ltd. (“Sabank”) (*)	100,00	-	100,00	58,50
Sapeksa	52,84	44,87	97,71	34,84
Sabancı Telekom	100,00	-	100,00	100,00
Teknosa	51,92	48,08	100,00	51,91
Temsa	48,70	51,29	99,99	47,65
Toyotasa Pazarlama	65,00	-	65,00	65,00
Tursa	99,52	-	99,52	98,46
Universal	100,00	-	100,00	92,77
Yünsa	59,37	14,74	74,11	54,13

(*) Sabancı, a joint venture of the Group, is liquidated in 2007 and was excluded from the scope of consolidation (Note 35).

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 2007 and result of operations for the year ended 31 December 2007 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 16.a).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

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

- 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 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

(*) The Group sold their portion on its investment in Ak Emeklilik A.Ş. to Aviva International Holdings Limited on 31 October 2007. At 31 December 2006, the Group had interest rate of 99,41% in Ak Emeklilik A.Ş. and after the sale of 10,31% shares, the merger of Aviva International Holdings Limited and Ak Emeklilik A.Ş., Avivasa, became a joint venture with a shareholding structure of 50%-50% by each venturers. Effective from 31 October 2007, Avivasa is included in the scope of consolidation as a joint venture.

(**) Enerjisa, which is owned by Group with an ownership percentage of 94,44% at 31 December 2006, was partly sold to Verbund on 31 May 2007. With a shareholding structure of 49,99%-49,99%, the company is consolidated as a Joint-Venture of Sabancı Holding effective from 31 May 2007.

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 2006:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39,72	36,88
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
Olmuksa	43,73	43,73
Oysa Çimento (*)	41,09	20,47

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

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

- (*) The group acquired 41,09% of Oysa Çimento belonging to Oyak Grup on 30 April 2007. Effective from this date, the company is consolidated as a Subsidiary. As of 31 October 2007, Oysa Çimento is merged with Çimsa, another subsidiary of Group, by transferring all of its assets and liabilities.

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

- 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 16.c and Note 2.e).

Associates whose financial position at 31 December 2007 and result of operations for the year ended 31 December 2007 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 16.a).

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2007 and 2006:

Associates	Proportion of effective interest by the Holding %
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (“Philsa”)	24,75
Philip Morris Sabancı Pazarlama Satış A.Ş. (“Philip Morrissa”)	25,00

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 16.a and 16.c).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

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

- 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, Vaksa Hacı Ömer Sabancı Vakfi (the “Vaksa”), 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 outside interests and are not included in the Holding’s net assets and profits attributable to shareholders of the Holding.

2.3 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.

2.4 US Dolar 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 YTL, 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 2007 of YTL1,1647 = USD1 and YTL 1,3012 = USD1, 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.

2.5 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, measurement principles and disclosure requirements for retirement benefits and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies other than Group accounting which is described in Note 2, followed in the preparation of the accompanying consolidated financial statements are summarised below:

3.1 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 (Note 4).

3.2 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.

3.3 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% (2006: 6%) and 11% (2006: 11%), respectively. Interest income is recognised quarterly using the interest rates determined by the Central Bank. The above mentioned interest rates at 31 December 2007 are 11,81% for YTL, 1,95% for USD and 1,80% for Euro.

3.4 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 7).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 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 are disclosed in Note 9.

3.6 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 12). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

3.7 Financial Assets

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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2007. 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 18). 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.

3.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 19). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
Land improvements	4-50
Buildings	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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Intangible assets

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

3.12 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. The sale of assets held for sale is expected to be occur within the following 12 months from the balance sheet date.

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.

3.13 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 25).

3.14 Research 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.

3.15 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.16 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.

3.17 Deferred income taxes

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 14 and 41).

3.18 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 financial statements.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of 31 December 2007, 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..

Employment termination benefits

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 23.b).

3.19 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.

3.20 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 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.

3.22 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Leasing transactions

3.23.1 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.

3.23.2 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.

3.24 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 33.e).

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 33.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.

3.25 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 42 earnings per share are calculated in accordance with IAS 33 “Earnings Per Share”.

3.26 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Group companies

The results of Group undertakings using a measurement currency other than New Turkish lira are first translated into New 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.

3.27 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 32).

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.

3.28 Use of estimates

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.

3.29 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.30 Financial Instruments and Financial Risk Management

3.30.1 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.

3.30.1.1 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 through obtaining positions within the approved limits (Note 29). 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group is exposed to foreign exchange risk arising primarily from the Euro, US dollar and UK pound.

The foreign exchange risk of Group companies other than that of the banking segment is as follows (please refer to 3.30.1.5 for the foreign exchange risk of the Banking segment).

At 31 December 2007, if the Euro had strengthened/weakened by 10% against the YTL with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 2.678 (2006: YTL 19.142) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of Euro assets and liabilities.

At 31 December 2007, if the US dollar had strengthened/weakened by 10% against the YTL with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 5.408 (2006: YTL 47.587 lower/higher) higher/lower, mainly as a result of foreign exchange losses/gains on the translation of US dollar assets and liabilities.

At 31 December 2007, if the GBP had strengthened/weakened by 10% against the YTL with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 4.593 (2006: YTL 3.570) higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP assets and liabilities.

3.30.1.2 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 2007 and 2006, the Group’s borrowings at variable rate are denominated in YTL, US dollar and Euro.

At 31 December 2007, for Group companies in non-banking business segment, if interest rates on YTL denominated borrowings had been 10% higher/lower with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 1.578 (2006: YTL 1.126) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. (please refer to 3.30.1.5 for banking segment.)

31 December 2007, for Group companies in non-banking business segment, if interest rates on US dollar denominated borrowings had been 10% higher/lower with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 1.137 (2006: YTL 2.001) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

31 December 2007, for Group companies in non-banking business segment, if interest rates on Euro denominated borrowings had been 10% lower/higher with all other variables held constant, income before monetary loss, minority interest and tax for the year would have been YTL 2.097 (2006: YTL 1.534) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.30.1.3 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.

3.30.1.4 Credit Risk

Credit risk 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.

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk to any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer base and their dispersion across many different industries.

The credit risk on all products of Akbank including placements to customers, commitments and letters of credit is managed by detailed loan policies and procedures.

Akbank rates all borrowers and third parties in order to assess the quality of loans provided. The credit risk analysis is based on the Basel II Advanced Risk Decisioning and Monitoring approach (Advanced IRB).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scoring systems calculate the risk of default for different types of customers and form different rating systems for corporate, consumer and credit card loans.

The credit risk analysis on loans and advances by credit rating at 31 December 2007 is as follows:

2007	Corporate	Consumer	Credit Card	Total
Investment grade	25.654.604	8.137.838	3.651.369	37.443.811
Standard monitoring	953.145	626.211	236.255	1.815.611
Loans under follow-up	526.434	200.743	280.451	1.007.628
Total	27.134.183	8.964.792	4.168.075	40.267.050
General provision	(131.591)	(33.254)	(128.780)	(293.625)
Specific provision	(526.434)	(200.743)	(280.451)	(1.007.628)
Total allowances	(658.025)	(233.997)	(409.231)	(1.301.253)
Loans and advances, net	26.476.158	8.730.795	3.758.844	38.965.797

The credit risk analysis on loans and advances by credit rating at 31 December 2006 is as follows:

2006	Corporate	Consumer	Credit Card	Total
Investment grade	19.740.430	5.818.685	2.963.888	28.523.003
Standard monitoring	515.331	328.344	211.564	1.055.239
Loans under follow-up	242.475	91.756	259.340	593.571
Total	20.498.236	6.238.785	3.434.792	30.171.813
General provision	(130.780)	(41.083)	(21.673)	(193.536)
Specific provision	(242.475)	(91.756)	(259.340)	(593.571)
Total allowances	(373.255)	(132.839)	(281.013)	(787.107)
Loans and advances, net	20.124.981	6.105.946	3.153.779	29.384.706

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The maximum exposure of the banking segment to credit risk is as follows:

	2007	2006
Due from banks	1.572.712	2.296.140
Loans and advances	38.965.797	29.384.706
loans to individuals	12.489.639	9.259.725
- credit cards	3.758.844	3.153.779
- consumer loans	8.730.795	6.105.946
loans and advances to corporate customers	26.476.158	20.124.981
Lease receivables	651.160	487.213
Trading securities	4.813.851	6.608.460
Derivative financial instruments	81.282	76.721
Financial assets	21.005.426	14.519.587
Other assets	432.724	167.510
Total	67.522.952	53.540.337

Please refer to Note 7 for segments other than banking.

Moody’s rating analysis of trading securities and available for sale financial assets in the banking segment at 31 December 2007 and 2006 is as follows:

2007	Fair value through profit or loss	Available for sale financial assets	Total
Aaa	-	6.072	6.072
A1, A2, A3	-	46.344	46.344
Baa1, Baa2, Baa3	-	23.260	23.260
Ba3 (*)	4.813.851	20.929.750	25.743.601
Total	4.813.851	21.005.426	25.819.277

2006	Fair value through profit or loss	Available for sale financial assets	Total
Aaa	-	6.524	6.524
A1, A2, A3	-	33.103	33.103
Ba1	-	18.735	18.735
Ba3 (*)	6.608.460	14.461.225	21.069.685
Total	6.608.460	14.519.587	21.128.047

(*) Government bond and treasury bills of Turkish Treasury.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The geographical distribution of financial assets of the banking segment at 31 December 2007 and 2006 is as follows:

2007	Turkey	US	European Union	Non-European Union	Total
Due from other 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
Loans and advances to customers	12.489.639	-	-	-	12.489.639
- credit cards	3.758.844	-	-	-	3.758.844
- consumer loan	8.730.795	-	-	-	8.730.795
Loans and advances to corporate customers	25.602.597	11.441	405.239	456.881	26.476.158
Lease receivables	651.160	-	-	-	651.160
Trading securities	4.813.851	-	-	-	4.813.851
Derivative financial instruments	42.422	-	38.860	-	81.282
Financial assets	20.919.296	110	86.020	-	21.005.426
Other assets	380.514	-	52.210	-	432.724
Total	65.111.517	437.958	1.466.452	507.025	67.522.952

2006	Turkey	US	European Union	Non-European Union	Total
Due from other banks	125.785	230.590	1.934.257	5.508	2.296.140
Loans and advances	28.579.046	76.553	674.592	54.515	29.384.706
Loans and advances to customers	9.259.725	-	-	-	9.259.725
- credit cards	3.153.779	-	-	-	3.153.779
- consumer loan	6.105.946	-	-	-	6.105.946
Loans and advances to corporate customers	19.319.321	76.553	674.592	54.515	20.124.981
Lease receivables	487.213	-	-	-	487.213
Trading securities	6.608.460	-	-	-	6.608.460
Derivative financial instruments	13.174	127	62.646	774	76.721
Financial assets	14.461.225	-	58.362	-	14.519.587
Other assets	137.337	-	30.173	-	167.510
Total	50.412.240	307.270	2.760.030	60.797	53.540.337

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.30.1.5 Value at Risk

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. The Risk Management Committee sets risk limits for market risk and closely monitors the risk limits in the light of market conditions. The determined limits are subject to an approval mechanism and authority limitations which enhances the control effectiveness. The market risk is measured based on investment securities portfolio and an analysis of market risk that also includes the foreign exchange risk is reported to the Risk Management Committee of Akbank.

The table (*) below represents average market risk table at 31 December 2007 and 2006 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”.

	2007			2006		
	Average	High	Low	Average	High	Low
Interest rate risk	173.305	193.594	167.506	115.334	139.821	55.296
Foreign exchange risk	51.996	62.026	39.077	54.133	80.543	44.482
Equities risk	1.445	954	598	3.895	1.952	7.847
Total (**)	226.746	256.574	207.181	173.362	222.316	107.625
Total amount subject to market risk	2.834.325	3.207.175	2.589.763	2.167.025	2.778.950	1.345.313

(*) 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.

3.30.2 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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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net liability/invested capital ratios at 31 December 2007 and 2006 are as follows:

	2007	2006
Total liability	63.141.639	55.214.767
Cash and cash equivalents	(2.755.615)	(4.855.781)
Net liability	60.386.024	50.358.986
Equity	8.549.695	6.854.344
Invested capital	68.935.719	57.213.330
Net liability/invested capital ratio	88%	88%

3.30.3 Fair Value of Financial Assets and Liabilities

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, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Holding and its Subsidiaries and Joint Ventures could realise in a current market 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 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2007 and 2006 are as follows:

	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
Due from banks	2.667.900	2.667.900	2.296.140	2.296.140
Loans and advances to customers	38.965.797	39.368.261	29.384.706	30.267.413
Trading securities	4.813.851	4.813.851	6.608.460	6.608.460
Available for sale financial assets	21.005.426	21.005.426	14.519.587	14.519.587
Other financial assets	812.293	812.293	654.723	654.723
Total financial assets	68.265.267	68.667.731	53.463.616	54.346.323
Deposits from other banks	1.939.964	1.939.964	1.749.353	1.749.353
Repo agreements	5.885.513	5.885.513	5.238.228	5.238.228
Deposits	48.418.300	48.145.497	33.920.903	33.714.986
Funds borrowed	9.645.144	9.645.144	9.905.126	9.905.126
Total financial liabilities	65.888.921	65.616.118	50.813.610	50.607.693

NOTE 4 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2007 and 2006 is as follows:

	2007	2006
Cash in hand		
- banking	1.095.189	1.864.589
- other companies	6.621	10.877
Banks - time deposits	898.347	2.644.076
Banks - demand deposits	749.684	327.074
Due from reverse repo transactions	2.547	27
Other cash and cash equivalents	3.227	9.138
Total	2.755.615	4.855.781

Effective interest rates of USD, EUR and YTL denominated time deposits and money market placements are 4,13% p.a. (2006: 5,27% p.a.), 3,55% p.a. (2006: 3,37% p.a.) and 17,50% p.a. (2006: 18,39% p.a.), respectively.

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The analysis of maturities at 31 December 2007 and 2006 is as follows:

	2007	2006
Demand	1.854.721	2.211.678
Up to 3 months	900.894	2.641.294
3 to 12 months	-	32
1 to 5 years	-	2.777
Total	2.755.615	4.855.781

Akbank, a subsidiary of Holding, pledged its demand deposits amounting to YTL 156.172 (2006: YTL 100.088) as an off-shore cash reserve and payment accounts in connection with long-term securitised borrowings from foreign institutions in the amount of USD 2.586 million (2006: USD 2.811 million).

NOTE 5 - MARKETABLE SECURITIES

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

	2007	2006
Government bonds denominated in foreign currency	4.551.710	6.415.387
Eurobonds	210.288	108.973
Government bonds	42.375	33.008
Mutual funds	26.617	22.608
Share certificates	4.637	47.273
Treasury bills	3.591	7.647
Other	1.250	492
Total	4.840.468	6.635.388

Effective interest rates of USD, EUR and YTL denominated securities at fair value through profit and loss are 6,94% p.a. (2006: 6,93% p.a.), 6,43% p.a. (2006: 5,35% p.a.) and 17,43% p.a. (2006: 17,85% p.a.), respectively.

The analysis of maturities at 31 December 2007 and 2006 is as follows:

Period remaining to contractual maturity dates:

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NOTE 5 - MARKETABLE SECURITIES (Continued)

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	7.399	-	7.399	8.650	-	8.650
3 to 12 months	2.621.474	-	2.621.474	931.571	-	931.571
1 to 5 years	2.026.426	-	2.026.426	5.544.903	-	5.544.903
Over 5 years	152.664	-	152.664	75.571	-	75.571
No maturity	5.888	26.617	32.505	47.765	26.928	74.693
Total	4.813.851	26.617	4.840.468	6.608.460	26.928	6.635.388

Period remaining to contractual repricing dates:

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	1.886.952	-	1.886.952	2.204.855	-	2.204.855
3 to 12 months	2.628.457	-	2.628.457	4.156.458	-	4.156.458
1 to 5 years	139.932	-	139.932	123.811	-	123.811
Over 5 years	152.622	-	152.622	75.571	-	75.571
No maturity	5.888	26.617	32.505	47.765	26.928	74.693
Total	4.813.851	26.617	4.840.468	6.608.460	26.928	6.635.388

NOTE 6 - FUNDS BORROWED, BORROWINGS AND DEBT SECURITIES IN ISSUE

Short-term funds borrowed, bank borrowings and debt securities in issue:

	2007	2006
Short-term	4.382.957	3.757.903
Short-term portion of long term	1.752.250	693.027
Total short term	6.135.207	4.450.930

Long-term funds borrowed, bank borrowings and debt securities in issue:

	2007	2006
Long-term	4.113.529	6.766.744
Total	10.248.736	11.217.674

Effective interest rates of USD, EUR and YTL denominated funds borrowed borrowings and debt securities in issue are 5,79% p.a. (2006: 5,82% p.a.), 4,94% p.a. (2006: 4,11% p.a.) and 15,56% p.a. (2006: 15,65% p.a.), respectively.

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NOTE 6 - FUNDS BORROWED, BORROWINGS AND DEBT SECURITIES IN ISSUE (Continued)

The maturity schedule of short term borrowings at 31 December 2007 and 2006 is summarised below:

	2007	2006
Up to 3 months	1.771.610	1.236.933
3 to 12 months	4.363.597	3.213.997
1 to 5 year	3.047.458	5.173.734
Over 5 years	1.066.071	1.593.010
Total	10.248.736	11.217.674

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

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

The maturity schedule of long term borrowings at 31 December 2006 is summarised below:

Period	2006
2008	2.291.302
2009	1.613.404
2010	657.823
2011 and over	2.204.215
Total	6.766.744

The repricing schedule of borrowings at 31 December 2007 and 2006 is summarised below:

	2007	2006
Up to 3 months	8.236.307	8.963.008
3 to 12 months	1.584.701	1.729.505
1 to 5 years	421.695	503.297
Over 5 years	6.033	21.864
Total	10.248.736	11.217.674

Major borrowing transactions of Akbank at 31 December 2007 are as follows:

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NOTE 6 - FUNDS BORROWED, BORROWINGS AND DEBT SECURITIES IN ISSUE (Continued)

Funds borrowed:

a) Funds borrowed from West LB AG London Branch

At 31 December 2007, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 500 million and EUR 1 billion with an interest rate of Libor + 0,6% p.a. and Euribor + 0,25% p.a. provided by 11 and 32 international banks with West LB AG, London Branch acting as the agent, which mature on 22 December 2008 and 26 September 2008 respectively.

b) Funds borrowed from UFJ Bank Limited

At 31 December 2007, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 500 million with an interest rate of Libor + 0,55% p.a. provided by 10 international banks with UFJ Bank Limited acting as the agent, maturing on 29 June 2009.

c) Funds borrowed from Bank of New York

At 31 December 2007, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 550 million, with an interest rate of Libor + 0,43% p.a. provided by 16 international banks with Bank of New York acting as the agent, maturing on 18 December 2008.

d) 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 3.175 million between 2000 and 2007 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 2007, the outstanding principal amount of the securitisation deal amounts to USD 2.150 million after the repayment of USD 1.425 million between 2000 and 2007.

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 2007 the outstanding principal amount of the securitisation deal amount to USD 426 million after the repayment USD 48 million during the year 2007 and USD 26 million during the year 2006.

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NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:	2007	2006
Trade receivables	1.345.966	1.248.703
Notes and cheques receivable	146.059	226.721
Sub-total	1.492.025	1.475.424
Less: doubtful receivables provision	(44.366)	(35.893)
Total	1.447.659	1.439.531

As of 31 December 2007, trade receivables of YTL 146.687 were past due but not impaired (2006: YTL 169.253). The aging analysis of these trade receivables is as follows:

	2007	2006
Up to 3 months	117.817	139.709
3 to 6 months	20.971	11.009
6 to 9 months	3.947	6.551
Over 9 months	3.952	11.984
Total (*)	146.687	169.253

(*) Amount of YTL 74.222 of past due trade receivables, is related to insurance business segment (2006: YTL 88.678).

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

	2007	2006
Up to 3 months	15.508	13.786
3 to 6 months	2.724	1.153
6 to 9 months	2.311	348
Over 9 months	23.823	20.606
Total	44.36635.893	

Short-term and long-term trade payables:	2007	2006
Trade payables	963.656	974.194
Notes payable	172	4.663
Total	963.828	978.857

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NOTE 8 - LEASE RECEIVABLES AND LEASE PAYABLES

Long-term and the short-term lease receivables of Ak Finansal Kiralama A.Ş. as a subsidiary of Akbank at 31 December 2007 and 2006 are summarised below.

Financial lease receivables:	2007	2006
Gross investment in finance leases	779.730	584.163
Less: unearned finance income	(118.585)	(90.409)
Total investment in finance leases	661.145	493.754
Less: provision for impairment	(9.985)	(6.541)
Net investment in finance leases	651.160	487.213

Lease receivables represent the principal lease balances for lease agreements. The maturity schedule as of 31 December 2007 and 2006 of lease receivables is summarised below:

	2007	2006
2007	-	209.060
2008	318.478	159.425
2009	168.277	81.734
2010	102.739	31.289
2011	36.999	5.705
2012	13.033	-
2013 and over	11.634	-
Total	651.160	487.213

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.

Lease payables at 31 December 2007 and 2006 are summarised below:

Lease payables:	2007	2006
Current	2.702	4.022
Non-current	4.281	2.983
Total	6.983	7.005

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NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

Due from related parties:	2007	2006
Brisa	3.143	4.162
Akçansa	540	1.869
Olmuksa	341	230
Carrefoursa	187	3.153
Beksa	87	718
Diasa	49	778
Others	7.353	10.706
Total	11.700	21.616
Due to related parties:	2007	2006
Brisa	5.076	4.968
Enerjisa	4.542	-
Olmuksa	187	1.640
Others	1.235	1.591
Total	11.040	8.199
Executive management personnel compensation:	2007	2006
Executive management personnel compensation	62.436	61.074

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other receivables:	2007	2006
Receivables on cheques in clearance	331.920	42.662
Deductible Value Added Tax (“VAT”)	80.960	76.463
Receivables from sale of chemical business segment	22.546	67.432
Job and salary advances given	7.435	6.334
Receivables from credit cards payments	6.742	5.682
Others	256.043	216.709
Total	705.646	415.282

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES (Continued)

Other payables:	2007	2006
Payables related to credit card transactions	811.776	674.807
Income taxes payable to be offset (*)	416.418	-
Payables on cheques in clearance	411.050	42.100
Other taxes and funds	171.938	162.440
Unearned commission income	148.269	106.211
Bonus liability to credit card customers	114.762	105.886
Payables due to acquisition of subsidiaries	35.614	-
Import deposits and transfer orders	32.144	123.199
Blocked deposits	26.056	20.602
Due to personnel	25.454	17.962
Payment orders to correspondent banks	20.171	24.365
Saving deposits insurance	18.035	8.202
Others	545.616	261.926
Total	2.777.303	1.547.700

(*) As discussed in Note 34, the lawsuit that Akbank filed against the Ministry of Finance continued as of 31 December 2007. Partial offsetting of the tax receivable in the amount of YTL 754.303 became definite with the notification of the decision given by Boğaziçi Corporate Tax Office on 22 May 2007 concerning the offsetting of an amount of YTL 270.001 against various tax debts. On the other hand, the discussion between Akbank and the Ministry of Finance continues concerning the remaining portion of tax receivables in the amount of YTL 484.302. Since the lawsuit was continued in 2007, a portion of the tax liabilities accrued in the temporary tax periods of 2007 have not been paid by Akbank.

NOTE 11 - BIOLOGICAL ASSETS

None (2006: None).

NOTE 12 - INVENTORIES

	2007	2006
Raw materials and supplies	394.186	427.015
Semi-finished goods	131.519	139.905
Finished goods and merchandise	565.157	594.837
Spare parts	106.711	100.891
Total	1.197.573	1.262.648

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (2006: None).

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

NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

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% (2006: 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.

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 2007 and 2006 using the enacted tax rates, is as follows:

	<u>2007</u>		<u>2006</u>	
	Cumulative temporary difference	Deferred tax assets/ (liabilities)	Cumulative temporary difference	Deferred tax assets / (liabilities)
Deferred income tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	(39.188)	8.332	(61.671)	12.542
- Inventories	(37.018)	7.530	(28.991)	6.257
Provision for loan losses	(293.625)	58.725	(196.781)	39.937
Provision for employment termination benefits	(122.753)	25.965	(125.544)	26.762
Expense accruals	(76.305)	15.261	(51.747)	10.349
Provision for law suits	(41.398)	8.309	(29.081)	5.897
Carry forward tax losses	(37.121)	8.158	(87.810)	18.175
Insurance technical reserve	(5.652)	1.130	(6.724)	1.345
Investment allowances exemption	-	-	(75.562)	7.707
Other	(84.945)	17.317	(68.196)	14.372
Deferred income tax assets		150.727		143.343
Deferred income tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	664.164	(153.779)	592.842	(146.261)
- Inventories	2.639	(528)	2.258	(452)
Reversal of country risk provision	99.360	(39.744)	107.298	(42.919)
Valuation difference on investment securities	14.396	(2.875)	5.693	(1.139)
Deferred financing charges	5.289	(1.058)	13.626	(2.725)
Other	57.980	(12.063)	82.971	(16.666)
Deferred income tax liabilities		(210.047)		(210.162)
Deferred income tax assets/(liabilities), net		(59.320)		(66.819)

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NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

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:	2007	2006
To be recovered after one year	65.498	82.469
To be recovered within one year	85.229	60.874
Total	150.727	143.343

Deferred income tax liabilities:	2007	2006
To be recovered after more than one year	159.814	160.584
To be recovered within one year	50.233	49.578
Total	210.047	210.162

At 31 December 2007 the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of YTL 285.199 (2006: YTL 215.221) 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 is presented below:

2009	28.777
2010	88.371
2011	98.073
2012	69.978
Total	285.199

The movements in deferred income tax assets for the years ended at 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January-as previously reported	(66.819)	84.206
Effect of business combination	-	10.200
Balances at 1 January-as restated	(66.819)	94.406
Business combinations	(16.442)	(17.322)
Effect of change in scope of consolidation	20.777	(1.309)
Establishment of subsidiary	572	-
Fair value increase of financial assets	819	-
Effect of currency translation	3.834	(8.793)
Transfer to non-current assets held for sale	4.628	-
Charged to income statement	(6.689)	(133.801)
Balances at 31 December	(59.320)	(66.819)

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NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND OTHER CURRENT/NON - CURRENT LIABILITIES

Other Current/Non-Current Assets:	2007	2006
Prepaid expenses	92.322	51.409
Income accrual	13.955	13.531
Total	106.277	64.940
Other Current/Non-Current Liabilities:		
Expense accruals	214.629	217.020

NOTE 16 - FINANCIAL ASSETS

a) Securities available-for-sale:	2007	2006
Debt securities		
- Government bonds	16.915.166	11.055.781
- Government bonds denominated in foreign currency	2.482.240	2.740.723
- Eurobonds	1.755.339	720.522
- Treasury bills	91.145	46.813
- Mutual Funds	-	8.764
- Other bonds denominated in foreign currency	86.020	51.838
Sub-total	21.329.910	14.624.441
Equity securities		
- Listed	19.395	15.804
- Unlisted	29.447	26.744
Sub-total	48.842	42.548
Total securities available for sale	21.378.752	14.666.989

Effective interest rates of USD, EUR and YTL denominated available-for-sale debt securities are 5,66% p.a. (2006: 7,28% p.a.), 6,26% p.a. (2006: 4,54% p.a.) and 18,81% p.a. (2006: 18,20% p.a.) respectively.

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NOTE 16 - FINANCIAL ASSETS (Continued)

The maturity analysis at 31 December 2007 and 2006 is as follows:

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

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6.552.938	2.508	6.555.446	5.700.494	4.590	5.705.084
3 to 12 months	8.773.362	123.019	8.896.381	5.336.096	72.188	5.408.284
1 to 5 years	4.334.279	149.331	4.483.610	3.149.918	40.471	3.190.389
Over 5 years	1.315.221	79.252	1.394.473	309.154	8.671	317.825
No maturity	29.626	19.216	48.842	23.925	21.482	45.407
Total	21.005.426	373.326	21.378.752	14.519.587	147.402	14.666.989

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

	2007			2006		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	135.634	2.508	138.142	2.061.223	4.590	2.065.813
3 to 12 months	9.425.509	123.019	9.548.528	5.232.305	72.188	5.304.493
Current	9.561.143	125.527	9.686.670	7.293.528	76.778	7.370.306
1 to 5 years	7.201.002	149.331	7.350.333	6.892.980	40.471	6.933.451
Over 5 years	4.213.655	79.252	4.292.907	309.154	8.671	317.825
No maturity	29.626	19.216	48.842	23.925	21.482	45.407
Non-current	11.444.283	247.799	11.692.082	7.226.059	70.624	7.296.683
Total	21.005.426	373.326	21.378.752	14.519.587	147.402	14.666.989

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NOTE 16 - FINANCIAL ASSETS (Continued)

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	Vessel transportation
Ak Portföy Yönetimi A.Ş. (*)	99,99	3.592	Portfolio management
Others		17.497	-
Total		29.447	

(*) The Group owns 65% and 99,99% of the shares of Ak Yatırım Ortaklığı A.Ş. and Ak Portföy Yönetimi A.Ş., respectively (2006: 47% and 99,99%). 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 2007 and 2006.

The breakdown of available-for-sale equity securities at 31 December 2006 is as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş.	47	14.765	Investment management
Others		1.039	-
Total		15.804	

Unlisted	Share (%)	Carrying amount	Business
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	5,53	8.358	Vessel transportation
Ak Portföy Yönetimi A.Ş.	99,99	3.592	Portfolio management
Others		14.794	-
Total		26.744	

b) Securities held-to-maturity:	2007	2006
Debt securities		
- Treasury bills	-	8.152

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NOTE 16 - FINANCIAL ASSETS (Continued)

c) Investment in associates:

	2007	Share (%)	2006	Share (%)
Philsa	152.804	25,00	153.901	25,00
Philip Morrissa	26.586	24,75	27.913	24,75
Total	179.390		181.814	

Income from associates is as follows:

	2007	2006
Philsa	108.983	90.095
Philip Morrissa	26.100	21.656
Total	135.083	111.751

The summary financial information of Associates is as follows:

	2007		2006	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	1.402.815	791.598	1.085.496	469.892
Philip Morrissa	390.378	282.959	328.813	216.035
Total	1.793.193	1.074.557	1.414.309	685.927

Sales revenue	2007	2006
Philsa (*)	5.739.553	5.286.736
Philip Morrissa	6.051.047	5.685.822

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

Net income	2007	2006
Philsa	435.932	353.722
Philip Morrissa	105.454	87.918
Total	541.386	441.640

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NOTE 17 - GOODWILL/NEGATIVE GOODWILL (NET)

The movements in goodwill during the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January-as previously reported	281.452	290.968
Adjustment to goodwill provisionally accounted	-	6.150
1 January-adjusted	281.452	297.118
Additions (Note 32)	86.233	8.479
Effect of change in scope of consolidation	-	(3.350)
Charged to income statement	-	(13.040)
Impairment	(4.891)	(10.691)
Currency translation difference	2.709	2.936
31 December	365.503	281.452

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NOTE 18 - INVESTMENT PROPERTY (NET)

The movements in investment property during the year ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Additions	Disposals	Change in the scope of consolidation	Impairment	31 December 2007
Cost:						
Land	85.981	50	(3.404)	-	(4.061)	78.566
Buildings	223.467	-	(34.264)	-	-	189.203
Total	309.448	50	(37.668)	-	(4.061)	267.769
Accumulated depreciation:						
Buildings	32.010	4.382	(6.976)	-	-	29.416
Net book value	277.438					238.353
	1 January 2006	Additions	Disposals	Change in the scope of consolidation	Impairment	31 December 2006
Cost:						
Land	88.266	-	-	(1.228)	(1.057)	85.981
Buildings	229.628	-	-	(915)	(5.246)	223.467
Total	317.894	-	-	(2.143)	(6.303)	309.448
Accumulated depreciation:						
Buildings	26.929	5.194	-	(113)	-	32.010
Net book value	290.965					277.438

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET)

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

	1 January 2007	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Transfer to non-current assets held for sale	Establishment of a subsidiary	Business combination	Impairment	31 December 2007
Cost:										
Land and land improvements	366.428	(8.519)	35.448	(7.243)	(39.054)	(81.007)	-	70.241	-	336.294
Buildings	2.114.149	(20.650)	157.825	(13.577)	(13.506)	(104.412)	-	14.365	(2.907)	2.131.287
Machinery and equipment	4.075.536	(58.929)	284.652	(99.461)	(300.627)	(346.411)	1.286	130.335	(42.664)	3.643.717
Motor vehicles	145.429	(1.119)	19.575	(31.319)	2.959	(8.076)	167	3.559	(32)	131.143
Furniture and fixtures	1.455.129	(1.152)	168.144	(110.549)	3.109	(37.209)	350	1.141	(305)	1.478.658
	8.156.671	(90.369)	665.644	(262.149)	(347.119)	(577.115)	1.803	219.641	(45.908)	7.721.099
Construction in progress	220.824	(3.162)	6.775	(4.881)	(4.388)	(29.014)	-	396	-	186.550
Total	8.377.495	(93.531)	672.419	(267.030)	(351.507)	(606.129)	1.803	220.037	(45.908)	7.907.649
Accumulated depreciation:										
Land and land improvements	80.058	(1.912)	10.244	(513)	(4.925)	(4.224)	-	2.873	-	81.601
Buildings	716.286	(5.471)	49.498	(5.176)	386	(26.987)	20	5.185	-	733.741
Machinery and equipment	2.367.624	(11.049)	196.713	(61.875)	(69.099)	(215.744)	449	36.164	-	2.243.183
Motor vehicles	106.021	(819)	12.233	(23.871)	2.918	(6.329)	59	3.270	-	93.482
Furniture and fixtures	1.068.295	(196)	139.100	(104.922)	2.732	(25.901)	261	826	-	1.080.195
Total	4.338.284	(19.447)	407.788	(196.357)	(67.988)	(279.185)	789	48.318	-	4.232.202
Net book value	4.039.211									3.675.447

At 31 December 2007 there are mortgages amounting to YTL 99.673 on buildings held as security for bank borrowings and for legal requirements (2006: USD 32.000 and YTL 89.647).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET) (Continued)

The movements in property, plant and equipment during the year ended 31 December 2006 are as follows:

	1 January 2006	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Impairment	Disposal of subsidiary	Business combinations	31 December 2006
Cost:									
Land and land improvements	317.292	14.451	10.892	(3.990)	(3.770)	-	(13.499)	45.052	366.428
Buildings	2.012.984	4.627	112.597	(37.089)	(2.930)	(1.736)	(13.257)	38.953	2.114.149
Machinery and equipment	4.789.203	68.705	292.595	(357.270)	2.897	(130.367)	(751.920)	161.693	4.075.536
Motor vehicles	136.140	2.097	17.814	(14.777)	14	-	(19)	4.160	145.429
Furniture and fixtures	1.357.827	28.161	166.588	(87.838)	(7.675)	(150)	(3.546)	1.762	1.455.129
	8.613.446	118.041	600.486	(500.964)	(11.464)	(132.253)	(782.241)	251.620	8.156.671
Construction in progress	181.395	8.171	46.348	(501)	(3.322)	-	(11.976)	709	220.824
Total	8.794.841	126.212	646.834	(501.465)	(14.786)	(132.253)	(794.217)	252.329	8.377.495
Accumulated depreciation:									
Land and land improvement	64.485	630	6.508	(184)	33	-	-	8.586	80.058
Buildings	669.397	5.423	47.847	(14.265)	(899)	-	(5.993)	14.776	716.286
Machinery and equipment	2.719.257	18.088	238.903	(269.138)	2.372	-	(429.076)	87.218	2.367.624
Motor vehicles	103.938	1.631	10.566	(12.328)	9	-	-	2.205	106.021
Furniture and fixtures	1.008.320	12.824	134.501	(81.158)	(5.242)	-	(1.885)	935	1.068.295
Total	4.565.397	38.596	438.325	(377.073)	(3.727)	-	(436.954)	113.720	4.338.284
Net book value	4.229.444								4.039.211

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NOTE 20 - INTANGIBLE ASSETS

The movements in intangible assets during the year ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Transfer to non-current assets held for sale	Establishment of a subsidiary	Business combination	Impairment	31 December 2007
Cost	395.939	(12.537)	296.792	(48.452)	(202.656)	(13.298)	308	7.855	(1.558)	422.393
Accumulated depreciation	128.775	(6.563)	22.055	(47.348)	3.836	(6.276)	131	269	-	94.879
Net book value	267.164									327.514

	1 January 2006	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Transfer to non-current assets held for sale	Establishment of a subsidiary	Business combination	Impairment	31 December 2006
Cost	299.047	10.312	170.406	(84.873)	(188)	-	-	4.263	(3.028)	395.939
Accumulated depreciation	99.782	2.006	31.514	(4.415)	(200)	-	-	88	-	128.775
Net book value	199.265									267.164

At 31 December 2007, the cost of intangible assets includes hydro-electric plant licenses of YTL 141.834, and mining rights of YTL 90.908 (coal mine and stone quarry mine).

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NOTE 21 - ADVANCES RECEIVED

	2007	2006
Advances received from customers	14.073	19.107

NOTE 22 - RETIREMENT PLANS

As disclosed in Note 3 to the consolidated financial statements, Akbank T.A.Ş. Tekaüt Sandığı Vakfi (the “Fund”) is a separate legal entity and a foundation recognised by an official decree, founded on the basis of Social Insurance Law No: 506, temporary article No: 20, providing all qualified Akbank employees with pension and post retirement benefits. According to the temporary article numbered 38 of the Turkish Insurance Law, and the “Decree on Actuaries”, the Fund is subject to the inspection of a listed actuary. There is no technical or actual deficit in the financial statements of the Fund necessitating the accounting of a provision.

NOTE 23 - PROVISIONS

a) Income taxes payable

	2007	2006
Corporation and income taxes currently payable	693.925	379.892
Less: prepaid taxes	(501.070)	(257.436)
Total taxes payable	192.855	122.456

(*) Please refer to Note 10 “Other liabilities” for the other taxes payable balances.

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 01 January 2006. The corporation tax rate of the fiscal year 2007 is 20% (2006: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company 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.

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NOTE 23 - PROVISIONS (Continued)

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the provisions of the aforementioned Law provisions, in order to apply inflation adjustment, the cumulative inflation rate (TURKSTAT WPI) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2007, 2006 and 2005.

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).

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NOTE 23 - PROVISIONS (Continued)

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 investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30 March 2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005.

- a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No.193, with Law No.4842.
- b) In the scope of the abolished 19th article of Income Tax Law No.193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economical and technical integrity.

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 abovementioned 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.

b) 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 who retires after completing 25 years of service (20 years for women) and 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 2007, the amount payable consists of one month’s salary limited to a maximum of YTL 2,09 (2006: YTL 1,86) for each year of service.

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NOTE 23 - PROVISIONS (Continued)

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 reserve for employment termination benefits for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January	150.298	142.373
Business combinations	918	3.734
Change in the scope of consolidation	606	(60)
Establishment of subsidiary	139	-
Transfer to non-current assets held for sale	(5.972)	-
Payments during the period	(30.674)	(48.666)
Charge for the period	32.646	52.917
Balances at 31 December	147.961	150.298

NOTE 24 - MINORITY INTEREST

The movement of minority interests for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Balances at 1 January - as restated	4.997.041	4.856.918
Increase in share premium	1.076.926	9.346
Capital increase	129.313	5.485
Effect of change in the effective rate of subsidiaries	390.901	(416.779)
Establishment of subsidiary	10.222	-
Change in the scope of consolidation	795	-
Partial disposition of subsidiary	-	32.702
Business combination	33.068	99.570
Liquidation of subsidiary	(118.194)	-
Currency translation differences	(79.296)	48.704
Dividends paid	(491.278)	(390.922)
Non-cash capital increase correction	(12.345)	(18.583)
Available for sale investments net fair value change, net of tax	195.808	(221.692)
Net income for the period	1.357.924	992.292
Balances at 31 December	7.490.885	4.997.041

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NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Holding’s authorised and issued capital consists of 180.000.000.000 (2006: 180.000.000.000) shares of YKr1 each.

The Holding’s authorised and paid-in share capital and shareholding structure at 31 December 2007 and 2006 is as follows:

Shareholders:	Share (%)	2007	Share (%)	2006
Sabancı family members	61,31	1.103.566	58,36	1.050.566
Public quotation	22,26	400.714	25,21	453.714
Sakıp Sabancı Holding A.Ş.	14,81	266.578	14,81	266.578
Sabancı University	1,62	29.142	1,62	29.142
Share capital	100,00	1.800.000	100,00	1.800.000
Share premium		21.670		21.670

NOTE 26 - CAPITAL RESERVES

The restated amounts and the shareholders’ equity restatement differences of equity accounts are as follows:

2007	Historical amount	Restated amount	Restatement difference
Share capital	1.800.000	5.226.761	3.426.761
Share premium	21.670	300.122	278.452
Legal reserves	113.797	196.900	83.103
Extraordinary reserves	693.869	789.474	95.605
Total	2.629.336	6.513.257	3.883.921
2006	Historical amount	Restated amount	Restatement difference
Share capital	1.800.000	5.226.761	3.426.761
Share premium	21.670	300.122	278.452
Legal reserves	92.463	175.566	83.103
Extraordinary reserves	478.007	573.612	95.605
Total	2.392.140	6.276.061	3.883.921

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NOTE 27/28 - PROFIT RESERVES AND RETAINED EARNINGS

Retained earnings, as per the statutory financial statements other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

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 New 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 Vakfa 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 of Capital Markets Board on 8 January 2008 no 4/138 the minimum dividend distribution ratio for the publicly listed joint stock companies shall be applied as 20% (2006: 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 with serial XI and no 25, as a result of the first financial statement adjustment made according to the inflation such equity capital items as capital, issue premium, legal reserves, statutory reserves, special reserves and extraordinary reserves are included in the balance sheet with their book values. The adjusted values of these items are jointly included in the account "equity capital inflation adjustment differences" under the group of equity capital.

The restatement difference of shareholders' equity can only be netted off against prior years' losses and used as an internal source in capital increases where extraordinary reserves can be netted off against prior years' losses, or used in the distribution of bonus shares and distribution of dividends to shareholders.

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NOTE 27/28 - PROFIT RESERVES AND RETAINED EARNINGS (Continued)

In accordance with the above explanation, the composition of the Holding's shareholders' equity, which is considered as the basis for profit distribution is as follows:

	2007	2006
Capital	1.800.000	1.800.000
Share premium	21.670	21.670
Legal reserves	113.797	92.463
Extraordinary reserves	693.869	478.007
Shareholders' equity restatement difference	3.883.921	3.883.921
Net income	969.487	494.049
Retained earnings	1.217.376	369.433
Total shareholders' equity subject to dividend distribution	8.700.120	7.139.543
Translation reserve	(215.298)	(241.428)
Revaluation reserve	7.220	10.496
Fair value reserve	57.653	(54.267)
Shareholders' equity per consolidated financial statements	8.549.695	6.854.344

NOTE 29 - FOREIGN CURRENCY POSITION

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations at 31 December 2007 and 2006 terms of YTL are as follows:

	2007	2006
Assets	29.809.256	28.753.189
Liabilities	(29.779.885)	(29.276.764)
Net foreign currency balance sheet position	29.371	(523.575)

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	2007				Total
	USD	EUR	GBP	Other	
Cash and due from banks	1.006.782	2.015.462	45.106	54.129	3.121.479
Trading securities	3.958.760	803.238	-	-	4.761.998
Derivative financial instruments	28.891	17.991	-	-	46.882
Reserve deposits at Central Bank	-	1.545.654	-	-	1.545.654
Loans and advances to customers	9.513.804	5.292.396	26.165	42.568	14.874.933
Financial assets	2.936.421	1.387.177	-	-	4.323.598
Financial lease receivables	152.753	289.221	-	-	441.974
Trade receivables	190.310	287.179	54.196	38.716	570.401
Other receivables	19.580	71.415	3.026	28.316	122.337
Total foreign currency denominated assets	17.807.301	11.709.733	128.493	163.729	29.809.256
Funds borrowed, bank borrowings and debt securities in issue	6.215.537	4.187.420	11.844	52.928	10.467.729
Customer deposits	9.831.632	8.130.777	556.830	165.601	18.684.840
Derivative financial instruments	19.658	29.093	-	-	48.751
Trade payables	95.512	180.400	16.642	46.446	339.000
Other payables	99.963	97.595	7.052	34.955	239.565
Total foreign currency denominated liabilities	16.262.302	12.625.285	592.368	299.930	29.779.885
Net balance sheet position	1.544.999	(915.552)	(463.875)	(136.201)	29.371
	2006				Total
	USD	EUR	GBP	Other	
Cash and due from banks	2.235.597	2.167.084	340.457	46.317	4.789.455
Trading securities	5.657.980	866.379	-	-	6.524.359
Derivative financial instruments	31.766	25.177	7.145	-	64.088
Reserve deposits at Central Bank	-	1.521.198	-	-	1.521.198
Loans and advances to customers	6.659.251	4.343.793	60.943	15.581	11.079.568
Financial assets	2.908.774	608.899	-	-	3.517.673
Financial lease receivables	122.526	185.367	-	-	307.893
Trade receivables	196.771	373.379	117.851	63.198	751.199
Other receivables	35.408	114.833	22.801	24.714	197.756
Total foreign currency denominated assets	17.848.073	10.206.109	549.197	149.810	28.753.189
Funds borrowed, bank borrowings and debt securities in issue	8.855.577	2.292.960	43.488	54.591	11.246.616
Customer deposits	9.148.845	7.017.545	739.051	160.447	17.065.888
Derivative financial instruments	29.107	15.526	12.952	-	57.585
Trade payables	157.282	261.735	88.342	47.988	555.347
Other payables	208.901	86.463	20.987	34.977	351.328
Total foreign currency denominated liabilities	18.399.712	9.674.229	904.820	298.003	29.276.764
Net balance sheet position	(551.639)	531.880	(355.623)	(148.193)	(523.575)

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NOTE 30 - GOVERNMENT GRANTS

None (2006: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

Commitments - Banking segment	2007	2006
Letters of guarantee issued	3.415.879	2.724.924
Letters of credits	1.075.048	696.877
Foreign currency acceptance credits	46.857	39.872
Total	4.537.784	3.461.673

Commitments - Non-banking segments

Letters of guarantee issued	483.426	606.654
Other guarantees issued	308.405	109.768
Total	791.831	716.422

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 2007 and 2006 are as follows:

	2007	2006
Repurchase commitments	4.853.945	5.029.143
Resale commitments	3	135.101

Commitments to forward currency purchase/sale and swap transactions:

	2007	2006
Forward currency purchases		
YTL	67.201	48.977
EUR	50.176	62.113
JPY	49.278	33.576
USD	19.012	171.526
GBP	-	275.702
Total	185.667	591.894

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NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

	2007	2006
Forward currency sales		
EUR	91.729	129.477
YTL	64.442	171.457
USD	18.750	302.638
GBP	-	44.802
Other	267	452
Total	175.188	648.826
Currency swap purchases		
EUR	1.711.827	1.321.808
GBP	505.556	272.880
YTL	72.669	-
USD	72.440	1.462.974
CHF	27.810	34.981
Other	103.940	98.903
Total	2.494.242	3.191.546
Currency swap sales		
USD	1.605.084	1.867.542
EUR	759.084	1.291.726
YTL	75.165	1.000
JPY	23.008	-
GBP	21.062	20.268
Other	6.023	187
Total	2.489.426	3.180.723
Interest rate swap purchases		
YTL	1.965.000	1.050.000
USD	1.321.642	237.408
EUR	1.001.478	1.095.943
CHF	1.450	-
GBP	-	427.320
Total	4.289.570	2.810.671
Interest rate swap sales		
YTL	1.965.000	1.050.000
USD	1.321.717	237.408
EUR	1.001.394	1.095.943
CHF	1.457	-
GBP	-	427.320
Total	4.289.568	2.810.671

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NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

	2007	2006
Spot purchases	210.947	142.977
Spot sales	211.081	143.136
Money options purchases	388.882	162.718
Money options sales	392.841	162.579
	2007	2006
Futures purchases	27.577	37.951
Futures sales	26.104	36.062

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
Foreign currency acceptance credits	40.563	6.294	46.857
Total	1.147.389	3.390.395	4.537.784

NOTE 32 - BUSINESS COMBINATIONS

The business combinations between 1 January - 31 December 2007 are as follows:

Enerjisa acquired Ere Holding A.Ş. and its subsidiaries (Ere Elektrik ve Ere HES) in consideration of YTL 97.321 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	142.012
Finance lease receivables	4.373
Other current assets/non-current assets	1.779
Financial liabilities	(32.289)
Deferred income tax liabilities	(16.450)
Other liabilities	(1.802)
Minority interest	(302)
Total net assets	97.321
Less: cost of acquisition	97.321

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

Akçansa, a joint venture of the Holding, acquired Ladik cement plant from Türkerler İnşaat Turizm Ticaret ve Sanayi A.Ş. in consideration of YTL 225.769 on 1 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Inventories	10.129
Property plant and equipment, net	65.263
Intangible assets, net	20.456
Other current assets/non-current assets	22
Provisions	(553)
Deferred income tax liabilities	(84)
Total net assets	95.233
Less: cost of acquisition	225.769
Goodwill	130.536
Goodwill attributable to the consolidated financial statements resulting from the acquisition completed by the joint venture	48.142

The Holding acquired 41,09% of shares of Oysa Çimento in consideration of YTL 45.294 on 30 April 2007. Oysa Çimento is consolidated as a subsidiary of the Holding effective from 30 April 2007 and merged with Çimsa, another subsidiary of the Holding, on 31 October 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Trade receivable	8.605
Inventories	3.317
Other current assets/non-current assets	286
Property plant and equipment, net	5.638
Intangible assets, net	42
Deferred income tax assets	39
Financial liabilities	(1.187)
Trade payables	(2.654)
Other liabilities	(6.883)
Total net assets	7.203
Less: cost of acquisition	45.294
Goodwill	38.091

Business combination that occurred in the period between 1 January - 31 December 2007 have been initially accounted by the Group on a provisional basis as foreseen in the context of IFRS 3. The Group will complete the final purchase price allocation relating to these business combinations within the twelve month period following the acquisition dates.

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

The business combinations between 1 January - 31 December 2006 are as follows:

Enerjisa, a subsidiary of the Holding, acquired 99,97% of shares of Tufanbeyli Elektrik Üretim A.Ş. (“Tufanbeyli Elektrik”) from Park Holding A.Ş. in consideration of YTL 3.986 on 2 June 2006. Tufanbeyli has generated a net income of YTL 1.322 as of 31 December 2006 following this acquisition. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Property plant and equipment, net	711
Other assets	3.333
Other liabilities	(27)
Minority interest in net assets as of acquisition date	(31)
<hr/>	
Total net assets	3.986
Less: cost of acquisition	(3.986)

Kordsa Global acquired 99,5% of shares of Kordsa Qingdao Nylon Enterprise in consideration of YTL 12.082 on 29 December 2006. The excess of interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 3.465 and was credited to other operating income. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Trade receivables	4.218
Inventories	3.858
Property plant and equipment and intangible assets, net	10.675
Trade payables	(1.819)
Other liabilities	(1.306)
Minority interest	(80)
<hr/>	
Total net assets	15.546
Less: cost of acquisition	(12.082)

Excess recognised in statement of income **3.464**

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

Kordsa Global acquired 51,29% of shares of Branta Mulia Group in consideration of YTL 49.425 on 22 December 2006. The parent Branta Mulia, owns 70% of its subsidiary Branta Mulia Teijin and 64,19% of Thai Branta Mulia and prepares consolidated financial statements. The excess of interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 3.025 is recognized as goodwill in balance sheet (Note 17). The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Marketable securities	10.313
Trade receivables	34.707
Inventories	54.336
Property plant and equipment, net	125.833
Intangible assets, net	659
Other assets	7.031
Financial liabilities	(42.501)
Trade payables	(21.937)
Deferred income tax liabilities	(17.394)
Other liabilities	(5.917)
Minority interest	(98.730)
Total net assets	46.400
Less: cost of acquisition	(49.425)

Goodwill **3.025**

Teknosa acquired 51% of shares of S.C. Primex S.A that operates in retailing technology electronics hardware through its stores in Romania in consideration of YTL 6.182 on 11 December 2006. The excess of interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 5.454 is recognized as goodwill in balance sheet (Note 17). The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Trade receivables	10.516
Inventories	12.174
Property plant and equipment, net	1.432
Intangible assets, net	3.474
Deferred income tax asset	72
Financial liabilities	(10.012)
Trade payables	(16.201)
Other liabilities	(401)
Minority interest	(517)
Total net assets	537
Less: cost of acquisition	(5.991)

Goodwill **5.454**

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NOTE 33 - SEGMENT REPORTING

a) External revenues:

	2007	2006
Finance	10.859.705	8.761.165
Tire and tire reinforcements	1.545.296	1.332.243
Automotive	1.911.787	1.674.809
Textile (*)	1.082.019	425.172
Chemicals	-	1.469.255
Cement	822.492	692.694
Retail	1.965.133	1.646.063
Energy	143.733	160.854
Food and beverage	424.111	442.123
Other	586.271	343.595
Total	19.340.547	16.947.973

(*) Advansa was reported in the chemicals segment at 31 December 2006. Following the discontinuing of pet, pet reform and pta business in 2006, the results of Advansa have been reported in the textile business segment. The revenues of Advansa in the textile segment in the year ended 31 December 2007 was YTL 591.312.

b) Segment assets:

	2007	2006
Tire and tire reinforcements	1.182.049	1.368.672
Automotive	762.455	744.724
Textile (*)	1.175.351	515.786
Chemicals	-	866.315
Cement	1.141.622	854.001
Retail	908.018	840.764
Food and beverage	314.725	278.427
Energy	550.632	669.796
Finance	72.893.936	60.785.410
Banking	71.777.679	60.119.283
Insurance	1.116.257	666.127
Other	819.496	770.735
Segment assets (**)	79.748.284	67.694.630
Investment in associated companies	179.390	181.814
Other	179.390	181.814
Unallocated assets	318.170	418.228
Less: intercompany eliminations and reclassifications	(915.664)	(1.078.222)
Total assets per consolidated financial statements	79.330.180	67.216.450

(*) At 31 December 2007, YTL 636.937 of the segment assets relates to Advansa.

(**) Segment assets mainly comprise of operating assets.

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NOTE 33 - SEGMENT REPORTING (Continued)

c) Segment liabilities:	2007	2006
Tire and tire reinforcements	242.291	233.655
Automotive	241.337	244.411
Textile (*)	203.048	65.617
Chemicals	-	168.199
Cement	129.439	97.460
Retail	471.472	431.054
Food and beverage	311.819	129.609
Energy	60.883	37.474
Finance	61.610.460	53.162.580
Banking	60.956.732	52.814.277
Insurance	653.728	348.303
Other	202.770	254.495
Segment liabilities (**)	63.473.519	54.824.554
Unallocated liabilities	1.014.620	1.571.007
Less: intercompany eliminations and reclassifications	(1.198.539)	(1.030.496)
Total liabilities per consolidated financial statements	63.289.600	55.365.065

(*) At 31 December 2007, segment liabilities of YTL 116.841 relates to Advansa.

(**) Segment liabilities comprise of operating liabilities and exclude items such as taxation and certain corporate borrowings.

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(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

d) Segmental analysis for the year ended 2007

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Energy	Finance		Total finance	Other	Inter segment elimination	Total
									Banking	Insurance				
External revenues	1.545.296	1.911.787	1.082.019	-	822.492	1.965.133	424.111	143.733	10.003.561	856.144	10.859.705	586.271	-	19.340.547
Inter segment revenues	5.617	562	12.341	-	286	2.722	7.621	139.586	69.621	1.159	70.780	17.004	(256.519)	-
Intra segment revenues	37.119	-	2.309	-	227	2.178	-	-	-	250	250	1.136.969	(1.179.052)	-
Combined revenues	1.588.032	1.912.349	1.096.669	-	823.005	1.970.033	431.732	283.319	10.073.182	857.553	10.930.735	1.740.244	(1.435.571)	19.340.547
External revenues	1.545.296	1.911.787	1.082.019	-	822.492	1.965.133	424.111	143.733	10.003.561	856.144	10.859.705	586.271	-	19.340.547
Inter segment revenues	5.617	562	12.341	-	286	2.722	7.621	139.586	69.621	1.159	70.780	17.004	(256.519)	-
Consolidated revenue	1.550.913	1.912.349	1.094.360	-	822.778	1.967.855	431.732	283.319	10.073.182	857.303	10.930.485	603.275	(256.519)	19.340.547
Cost of sales (*)	(1.341.464)	(1.607.886)	(942.742)	-	(532.630)	(1.562.085)	(355.646)	(276.602)	(6.141.940)	(777.350)	(6.919.290)	(505.517)	284.103	(13.759.759)
General administrative expenses	(69.333)	(31.000)	(51.649)	-	(35.675)	(202.890)	(13.735)	(12.495)	(1.763.754)	(96.098)	(1.859.852)	(51.566)	25.420	(2.302.775)
Sales, marketing and distribution expenses	(71.488)	(171.004)	(89.532)	-	(9.270)	(187.971)	(64.977)	-	-	-	-	(40.915)	4.413	(630.744)
Research and development expenses	(7.228)	(1.646)	(15.400)	-	(16)	-	(271)	-	-	-	-	(118)	75	(24.604)
Inter segment adjustment	-	(495)	-	-	(100)	-	(3)	-	16.949	2.309	19.258	2.525	(19.258)	1.927
Operating result	61.400	100.318	(4.963)	-	245.087	14.909	(2.900)	(5.778)	2.184.437	(13.836)	2.170.601	7.684	38.234	2.624.592
Other unallocated operating expenses														(54.831)
Net operating result														2.569.761
Other income/(expense) - net	5.804	(13.880)	(30.925)	-	(5.322)	(16.185)	(27.444)	(5.087)	(2.942)	143.068	140.126	79.475	-	126.562
Segment result	67.204	86.438	(35.888)	-	239.765	(1.276)	(30.344)	(10.865)	2.181.495	129.232	2.310.727	87.159	38.234	2.696.323

(*) In the banking segment cost of sales includes interest expenses, fee and commission expenses, provision for loan losses and other operating income. In the insurance segment cost of sales includes premium ceded to reinsurance.

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NOTE 33 - SEGMENT REPORTING (Continued)

Segmental analysis for the year ended 2006

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Energy	Finance		Total finance	Other	Inter segment elimination	Total
									Banking	Insurance				
External revenues	1.332.243	1.674.809	425.172	1.469.255	692.694	1.646.063	442.123	160.854	8.032.847	728.318	8.761.165	343.595	-	16.947.973
Inter segment revenues	5.561	2.450	272	21.618	58	5.527	9.645	155.612	52.978	1.215	54.193	18.627	(273.563)	-
Intra segment revenues	40.679	5	1.130	2	4.363	7.892	-	-	-	1.897	1.897	1.418.515	(1.474.483)	-
Combined revenues	1.378.483	1.677.264	426.574	1.490.875	697.115	1.659.482	451.768	316.466	8.085.825	731.430	8.817.255	1.780.737	(1.748.046)	16.947.973
External revenues	1.332.243	1.674.809	425.172	1.469.255	692.694	1.646.063	442.123	160.854	8.032.847	728.318	8.761.165	343.595	-	16.947.973
Inter segment revenues	5.561	2.450	272	21.618	58	5.527	9.645	155.612	52.978	1.215	54.193	18.627	(273.563)	-
Consolidated revenue	1.337.804	1.677.259	425.444	1.490.873	692.752	1.651.590	451.768	316.466	8.085.825	729.533	8.815.358	362.222	(273.563)	16.947.973
Cost of sales	(1.092.329)	(1.422.693)	(305.436)	(1.353.747)	(407.357)	(1.309.613)	(393.949)	(330.674)	(4.707.935)	(674.026)	(5.381.961)	(281.563)	295.498	(11.983.824)
General administrative expenses	(66.992)	(23.679)	(28.665)	(38.565)	(30.982)	(185.694)	(19.611)	(5.025)	(1.612.632)	(79.713)	(1.692.345)	(38.076)	17.383	(2.112.251)
Sales, marketing and distribution expenses	(63.781)	(136.025)	(33.500)	(106.815)	(7.624)	(128.930)	(77.044)	-	-	-	-	(40.738)	17.842	(576.615)
Research and development expenses	(5.877)	(8.393)	(10.160)	(9.011)	-	-	(408)	-	-	-	-	-	78	(33.771)
Inter segment adjustment	-	(463)	91	-	(2)	(72)	714	-	11.783	804	12.587	2.740	(12.630)	2.965
Operating result	108.825	86.006	47.774	(17.265)	246.787	27.281	(38.530)	(19.233)	1.777.041	(23.402)	1.753.639	4.585	44.608	2.244.477
Other unallocated operating expenses														(52.546)
Net operating result														2.191.931
Other income/(expense) - net	10.666	(7.612)	(4.970)	(177.281)	(20.667)	(14.342)	(7.293)	(9.833)	93.813	20.873	114.686	(32.699)	-	(149.345)
Segment result	119.491	78.394	42.804	(194.546)	226.120	12.939	(45.823)	(29.066)	1.870.854	(2.529)	1.868.325	(28.114)	44.608	2.042.586

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NOTE 33 - SEGMENT REPORTING (Continued)

e) Operating results

i) Banking

	2007	2006
Interest on loans	5.182.162	3.979.600
Interest on investment and trading securities	3.028.796	2.493.401
Fee and commission income	1.301.145	1.099.851
Interest from other banks	336.114	268.715
Net trading gain on securities	43.825	143.156
Other interest income	111.519	48.124
Total operating revenues	10.003.561	8.032.847
Less: fee and commission income and net trading gains on securities	(1.344.970)	(1.243.007)
Total interest income	8.658.591	6.789.840
Interest expense	(5.310.963)	(4.121.821)
Interest income - net	3.347.628	2.668.019
<u>Operating costs</u>		
Interest expense	(5.310.963)	(4.121.821)
Foreign exchange trading gain - net	96.620	(29.493)
Operating expense	(1.763.754)	(1.612.632)
Commission expense	(256.153)	(236.720)
Provision for loan losses	(584.874)	(255.140)
Total operating costs	(7.819.124)	(6.255.806)
Add: interest expense	5.310.963	4.121.821
Add: fee and commission income and net trading gain on securities	1.344.970	1.243.007
Operating result	2.184.437	1.777.041

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NOTE 33 - SEGMENT REPORTING (Continued)

ii) Insurance

	2007	2006
Gross premiums written	856.144	728.318
Outward reinsurance premiums	(335.325)	(321.530)
Change in the provision for unearned premiums, net of reinsurance	(59.605)	(47.684)
Earned premiums, net of reinsurance	461.214	359.104
Claims paid	(511.255)	(472.267)
Claims paid - reinsurers' share	233.276	227.932
Change in the provision for claims	(46.029)	(27.120)
Claims incurred, net of reinsurance	(324.008)	(271.455)
Change in life assurance provision	2.736	11.172
Commission expense - net	(57.680)	(42.510)
Technical income	82.262	56.311
General administrative expenses	(96.098)	(79.713)
Operating result	(13.836)	(23.402)

iii) Non-financial products

	2007	2006
Net sales	8.480.842	8.186.808
Cost of sales	(6.928.580)	(6.665.678)
Gross profit	1.552.262	1.521.130
Operating expenses	(1.153.102)	(1.082.838)
Operating profit	399.160	438.292

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(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 33 - SEGMENTAL REPORTING (Continued)

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 3, are as follows on a combined basis:

	2007	2006
Balance sheet		
Current assets	645.219	456.421
Non-current assets	1.765.564	951.423
Total assets	2.410.783	1.407.844
Current liabilities	553.469	422.396
Non-current liabilities	520.811	50.143
Total liabilities	1.074.280	472.539
Minority interests	4.701	4.435
Shareholders' equity	1.331.802	930.870
Total liabilities, minority interests and shareholders' equity	2.410.783	1.407.844
Income statement	2007	2006
Operating profit	114.185	124.871
Financial income/(expense)- net	23.232	6.235
Income before taxation on income and outside interests	137.417	131.106
Taxation on income	(31.673)	(57.412)
Income before outside interests	105.744	73.694
Outside interests	(509)	(292)
Net income for the period	105.235	73.402

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(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 33 - SEGMENTAL REPORTING (Continued)

g) Depreciation and amortisation charge and capital expenditures:

1 January - 31 December 2007

	Finance		Tire and tire enforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Energy	Retail	Other	Total
	Banking	Insurance										
Depreciation and amortisation	107.074	4.330	76.912	15.908	64.398	-	56.529	13.201	29.975	35.392	30.506	434.225
Goodwill impairment	-	-	-	-	-	-	-	-	-	4.891	-	4.891
Impairment of property, plant and equipment and intangible assets	-	-	16.802	-	28.933	-	-	407	-	1.236	88	47.466
Impairment of investment properties	-	-	-	-	-	-	-	-	-	-	4.061	4.061
Impairment of subsidiary	-	-	-	-	-	-	-	20.311	-	-	-	20.311
Capital expenditure	125.690	7.428	65.346	76.098	68.983	-	182.210	21.784	298.478	80.238	43.006	969.261

1 January - 31 December 2006

	Finance		Tire and tire enforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Energy	Retail	Other	Total
	Banking	Insurance										
Depreciation and amortisation	107.235	4.480	81.080	12.747	36.892	73.232	54.500	13.941	32.800	32.175	25.951	475.033
Negative goodwill income	-	-	(3.464)	-	-	-	-	-	-	-	-	(3.464)
Goodwill impairment	-	-	-	-	-	10.691	-	-	-	-	-	10.691
Impairment of property, plant and equipment and intangible assets	-	-	1.736	-	-	129.975	-	3.570	-	-	-	135.281
Impairment of investment properties	-	-	-	-	-	-	-	-	-	-	6.303	6.303
Capital expenditure	176.337	4.627	66.790	39.054	20.811	129.919	112.290	45.101	155.551	56.551	10.209	817.240

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NOTE 34 - SUBSEQUENT EVENTS

1. All legal procedures of the share purchase agreement signed between Holding and MGS Marmara Gıda Sanayi ve Ticaret. A.Ş on 14 August 2007 to sell the 99.65% share of Holding in Gıdasa has been completed on 3 March 2008. The details of this transaction and its effects on the consolidated financial statements are explained in Note 35.
2. Holding signed a share purchase agreement with Wavin B.V registered in Netherlands on 21 November 2007 to sell its 51,23% share in Pilsa Plastik Sanayi A.Ş. Sale transaction was completed on 10 January 2008 and the consideration of USD 41 million, was collected in cash. The details of this transaction and its effects on the consolidated financial statements are explained in Note 35.
3. Holding signed a letter of intent to sell its 49,99% share in Beksa Çelik Kord Sanayi ve Ticaret A.Ş to NV Bekaert SA on 18 February 2008. The transfer of the shares will be realized after the grant of necessary permissions. The details of this transaction and its effects on the consolidated financial statements are discussed in Note 35.
4. Holding contributed to the capital increase of Teknosa through the use of pre-emptive rights amounting to YTL 18.959 and the effective rate of interest of the Group in Teknosa increased to 69,17% from 51,91%.
5. On 28 January 2008, Carrefoursa has sold the under construction Merter Shopping Center Project to MultiTurkmall GYO Yatırım İnşaat ve Ticaret A.Ş. and Apollo Real Estate business venture in exchange for YTL 464,3 million and recognised a gain of property sale amounting to YTL 288,9 million (the Group’s share is YTL 112 million).
6. Akbank has filed lawsuits against the Turkish Ministry of Finance (“Ministry”) with a claim to correct the taxation errors on corporate tax amounting to YTL 754,3 million that was accrued and paid as the result of taxation errors in 2001, 2002 and 2003. The lawsuits that belongs to 2001 and 2002 amounting to YTL 686,4 million receivable has been redounded to Akbank’s advantage and with the decision of Boğaziçi Corporate Tax Office, the receivable of YTL 270 million from the lawsuits can be offset against various tax debts to Akbank, the amount became collectible, and its is recognized as income in Akbank’s financial statements, the negotiations about the remaining part of these receivables has continued by Turkish Ministry of Finance as of 31 December 2007.

As a result of the assessment of whole legal and administrative process Akbank board of Directors has agreed upon with the T.R. 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. According the settlement, in line with article 4 of the Banking Law No.4389, Akbank accepted that legal and other reserves, and 65% of the YTL 2,306 million related to the capital decrease are considered as prior period loss in determination of the income for 2001, the corporate tax base for the following periods is adjusted considering the loss amount calculated and disclaimed from all lawsuits relevant to the issue. The total amount of receivables of Akbank from Ministry of Finance related to those lawsuits is calculated as YTL 494,7 million. The remaining amount amounting to YTL 224,7 million after deducting the amount of YTL 270 million, which was accepted by the Ministry of Finance to be offset against various tax debts of Akbank, will be recorded as income in the financial statements of 2008.

NOTE 35 - DISCONTINUED OPERATIONS

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

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.

An impairment loss for YTL 20.311 is calculated as the excess of Gıdasa's carrying amount included in the consolidated financial statements at 31 December 2007 over the sales price of YTL 2,1 million. The impairment loss is included in other operating expenses in the consolidated financial statements (Note 38).

The summary income statement of Gıdasa for the year ended 31 December 2007 is as follows:

	2007
Revenues	431.732
Expenses	(474.889)
Loss before income taxes	(43.157)
Income taxes	(25.270)
Loss for the period	(68.427)

At 31 December 2007 the balances of assets and liabilities to be disposed as a result of sales agreement are as follows:

	2007
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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 35 - DISCONTINUED OPERATIONS (Continued)

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 41.000.000 and collection was received. There is no impairment loss which may occur as a result of this transaction.

The summary income statement of Pilsa for the year ended 31 December 2007 is as follows:

	2007
Revenues	148.361
Expenses	(129.427)
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Income before income taxes	18.934
Income taxes	(1.619)
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Loss for the period	17.315

At 31 December 2007 the balances of assets and liabilities to be disposed as a result of sale transaction are as follows:

	2007
Assets	134.494
Cash and cash equivalents	36.562
Trade receivables (net)	43.493
Inventories (net)	20.785
Property plant and equipment (net)	31.621
Deferred income tax asset	560
Other assets	1.473
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Liabilities	46.570
Financial liabilities	14.318
Trade payables (net)	12.999
Other liabilities	17.172
Deferred income tax liability	2.081
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Net assets	87.924

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

NOTE 35 - DISCONTINUED OPERATIONS (Continued)

The Holding signed a letter of intent with NV Bekaert SA on 18 February 2008 to sell its 49,99% share in Beksa. Sale transaction will be completed after the approve of the regulatory authorities. There is no impairment loss which may occur as a result of this transaction.

The summary income statement of Beksa for the year ended 31 December 2007 is as follows:

	2007
Revenues	56.862
Expenses	(59.762)
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Loss before income taxes	(2.900)
Income taxes	831
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Loss for the period	(2.069)

At 31 December 2007 the balances of assets and liabilities to be disposed as a result of sale transaction are as follows:

	2007
Assets	68.019
Cash and cash equivalents	4.793
Trade receivables (net)	10.469
Inventories (net)	10.718
Property, plant and equipment (net)	40.231
Other assets	816
Deferred income tax asset	992
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Liabilities	23.351
Financial liabilities	17.142
Trade payables (net)	4.123
Other liabilities	2.034
Deferred income tax liability	52
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Net assets	44.668

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2007

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NOTE 35 - DISCONTINUED OPERATIONS (Continued)

On 27 September 2007, after transfer of all assets and liabilities regarding banking activities of Sabank to London branch of Akbank NV, the Group finalised liquidation of Sabank. In addition to liquidation loss, amounting to YTL 23.639, currency translation reserve in the shareholders' equity of Sabank, amounting to YTL 99.144 recycled to the income statement

The summary of income statement and assets and liabilities of Sabank as of liquidation date is as follows;

2007

Revenues	14.702
Expenses	(14.905)
Loss before income taxes	(203)
Income taxes	(1.931)
Loss for the period	(2.134)

2007

Assets	299.033
Cash and cash equivalents	238.260
Loans and advances to customers	60.033
Other assets	740
Liabilities	54.609
Deposits	44.860
Other liabilities	9.749
Net assets	244.424

Carrefoursa, a joint venture of the Holding, classified Merter Mall Project, pieces of lands in Mersin, İzmit, Bursa and Ankara and Bayrampaşa Hypermarket and Mall as non-current assets to be held for sale in the balance sheet as of 31 December 2007. Carrying amount of these assets in the consolidated balance sheet of the Group as of 31 December 2007 is YTL 114.402. The Group made provision, amounting to YTL 21.538 for the possible loss as a result of sales of Bayrampaşa Hypermarket and Mall and other pieces in the financial statements.

NOTE 36 - OPERATING INCOME

	2007	2006
Finance	10.859.705	8.761.165
Non-finance	8.480.842	8.186.808
Total	19.340.547	16.947.973

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NOTE 37 - OPERATING EXPENSES

	2007	2006
General and administrative expenses	2.357.606	2.164.797
Marketing, selling and distribution expenses	630.744	576.615
Research and development expenses	24.604	33.771
Total	3.012.954	2.775.183

NOTE 38 - OTHER INCOME/EXPENSES AND GAINS/LOSSES

Other income:	2007	2006
Foreign exchange gains	384.089	276.494
Gain on sale of AkEmeklilik shares	127.914	-
Gain on sale of Enerjisa shares	83.596	-
Interest income	80.069	74.025
Fixed asset sales income-net	15.245	16.002
Insurance indemnity income	10.234	-
Negative goodwill income	-	3.464
Gain on sale of associate	-	52.975
Other	19.221	22.395
Total	720.368	445.355

Other expenses:	2007	2006
Impairment of property, plant and equipment and intangible assets	(47.466)	(135.281)
Liquidation of subsidiary	(23.639)	-
Impairment of subsidiary	(20.311)	-
Carrefoursa provision expense	(16.294)	-
Impairment losses on goodwill	(4.891)	-
Impairment losses on investment property	(4.061)	(6.303)
Loss on sale of subsidiary	-	44.867
Restructuring and other provision expenses	-	35.162
Goodwill write-off (Note 17)	-	13.040
Total	(116.662)	(234.653)

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NOTE 39 - FINANCIAL EXPENSES

	2007	2006
Foreign exchange losses	466.368	302.009
Interest expense	91.852	73.435
Other financial expenses	48.841	46.006
	607.061	421.450

Financial expenses relate to segments other than banking.

NOTE 40 - GAIN/LOSS ON NET MONETARY POSITION

Gain/loss on net monetary position is calculated as the difference between the assets and liabilities as a result of the restatement of the non-monetary assets and liabilities and income statement for the changes in the general purchasing power. However, since inflation adjustment is not made for the periods beginning on or after 1 January 2006, there is no gain/loss on net monetary position for the year ended 31 December 2007 (2006: None).

NOTE 41 - TAXES ON INCOME

Total taxes payable for the year ended 31 December 2007 and 2006 were reconciled to current year tax charge as follows:

	2007	2006
Corporation and income taxes currently payable	693.925	379.892
Changes in consolidation scope	1.952	-
Tax charge to equity relating to financial assets fair value reserve	(58.699)	93.295
Translation gain	212	(395)
Current year tax charge	637.390	472.792
Tax adjustment to previous years	(270.001)	-
Deferred taxation	6.689	133.801
Taxation on income	374.078	606.593

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NOTE 41 - TAXES ON INCOME (Continued)

The reconciliation of the current year tax charge is as follows:

	2007	2006
Statutory income before taxation	3.702.872	2.941.454
Disallowable expenses	608.344	180.383
Dividend income	(631.005)	(578.342)
Investment sales income	(9.562)	(45.110)
Investment allowances	(33.967)	(18.192)
Carry forward tax losses	(6.473)	(18.214)
Other exempt income	(221.535)	(681.771)
Corporation tax base	3.408.674	1.780.208
Withholding tax base	33.967	18.192
Effective tax charge 20,02% (2006: 21,2%)	688.417	377.394
Withholding tax charge over investment allowance including fund 16,2% (2006: 13,7%)	5.508	2.498
Tax charge to equity relating to financial assets fair value reserve	(58.699)	93.295
Changes in consolidation scope	1.952	-
Effective tax charge including fund	637.178	473.187
Foreign currency translation difference	212	(395)
Current income tax	637.390	472.792

NOTE 42 - EARNINGS PER SHARE

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

	2007	2006
Earnings per share in full YTL		
- ordinary share ('000)	5,22	2,66
Weighted average number of shares with YTL 1,000 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 2007.

NOTE 42 - EARNINGS PER SHARE (Continued)

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

	Vaksa share	Ordinary shares	Total
1 January-31 December 2007	29.085	940.402	969.487
1 January-31 December 2006	14.821	479.228	494.049

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

(*) During the year ended 31 December 2006 the Holding purchased the 189 usufruct shares that were issued in accordance with the 13th article of the Article of Association of Sabancı Holding which entitles its holders to a 3% dividend from the distributable net income without any voting rights for YTL 1.425 each.

(**) During the year ended 31 December 2007, Pilsa and Kordsa purchased usufruct shares for YTL 6.557 and YTL 14.532, respectively.

NOTE 43 - STATEMENTS OF CASH FLOW

The statement of cash flow is disclosed together with the consolidated financial statements.

NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

2007	Fair values	
	Assets	Liabilities
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	35.154	13.414
Currency swaps	25.625	18.445
Total over-the-counter derivatives	60.779	31.859
Interest rate derivatives		
Interest rate swaps	20.503	73.732
Total derivatives held for trading	81.282	105.591

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NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

2006	Fair values	
	Assets	Liabilities
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	38.378	31.953
Currency swaps	30.466	27.689
Total over-the-counter derivatives	68.844	59.642
Interest rate derivatives		
Interest rate swaps	22.161	14.699
Total derivatives held for trading	91.005	74.341

NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers	2007	2006
Consumer loans and credit cards receivables	12.549.666	9.276.592
Small-scale enterprises	3.350.936	2.626.856
Financial institutions	3.058.770	2.357.662
Project finance loans	2.434.204	1.081.944
Construction	2.053.527	873.159
Other manufacturing industries	1.992.545	1.762.062
Mining	1.391.498	1.036.464
Food and beverage, wholesale and retail	1.358.464	874.714
Chemicals	1.102.932	913.029
Agriculture and forestry	760.626	519.469
Automotive	642.714	469.038
Electronics	581.826	223.954
Textile	573.772	666.419
Health care and social services	449.819	600.554
Telecommunication	355.305	475.458
Tourism	196.671	335.144
Other	6.406.147	5.485.724
Sub-total	39.259.422	29.578.242
Non-performing loans	1.007.628	593.571
Total loans and advances to customers	40.267.050	30.171.813
Allowance for loan losses	(1.301.253)	(787.107)
Net loans and advances to customers	38.965.797	29.384.706

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NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Effective interest rates of USD, EUR and YTL denominated loans and advances to customers are 6,49% p.a. (2006: 7,10% p.a.), 5,90% p.a. (2006: 5,06% p.a.) and 21,13% p.a. (2006: 22,23% p.a.), respectively.

The movements in loan loss provision as of 31 December 2007 are as follows:

	Corporate	Commercial	Credit Card	Total
Balance at 1 January	357.092	106.796	323.219	787.107
Gross provisions	471.827	198.317	267.697	937.841
Recoveries	(116.721)	(63.993)	(173.319)	(354.033)
Written-off	(20.610)	(7.174)	(41.499)	(69.283)
Foreign exchange gains/(losses)	(379)	-	-	(379)
31 December 2007	691.209	233.946	376.098	1.301.253

The movements in loan loss provision as of 31 December 2006 are as follows:

	Corporate	Commercial	Credit Card	Total
Balance at 1 January	184.231	105.591	247.247	537.069
Gross provisions	246.197	45.515	227.409	519.121
Recoveries	(69.552)	(42.342)	(109.603)	(221.497)
Written-off	(5.092)	(1.968)	(41.834)	(48.894)
Foreign exchange gains/(losses)	1.308	-	-	1.308
31 December 2006	357.092	106.796	323.219	787.107

The maturity schedule of loans and advances to customers at 31 December 2007 and 2006 are summarised below:

	2007	2006
Up to 3 months	15.226.822	12.810.313
3 to 12 months	10.228.672	7.271.219
Current	25.455.494	20.081.532
1 to 5 year	10.981.329	7.460.858
Over 5 year	2.528.974	1.842.316
Non-current	13.510.303	9.303.174
Total	38.965.797	29.384.706

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NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

The aging analysis of loans and advances past due but not impaired related to banking segment as of 31 December 2007 and 2006 are as follows:

	Corporate	Commercial	Credit Card	Total
Up to 1 month	460.938	519.698	240.286	1.220.922
1 to 2 months	167.522	231.686	84.419	483.627
2 to 3 months	96.593	87.311	25.305	209.209
2007	725.053	838.695	350.010	1.913.758

	Corporate	Commercial	Credit Card	Total
Up to 1 month	370.630	157.401	124.524	652.555
1 to 2 months	83.680	108.846	68.857	261.383
2 to 3 months	61.021	62.097	18.183	141.301
2006	515.331	328.344	211.564	1.055.239

The repricing schedule of loans and advances to customers at 31 December 2007 and 2006 is summarised below:

	2007	2006
Up to 3 months	20.121.877	16.355.780
3 to 12 months	12.285.621	8.443.811
1 to 5 year	5.816.734	4.012.694
Over 5 year	741.565	572.421
Total	38.965.797	29.384.706

NOTE 46 - BANKING CUSTOMER DEPOSITS

	2007			2006		
	Demand	Time	Total	Demand	Time	Total
Savings deposits	3.307.696	26.768.405	30.076.101	3.081.287	23.148.391	26.229.678
Commercial deposits	2.778.315	5.615.589	8.393.904	2.312.597	3.469.964	5.782.561
Bank deposits	153.252	1.786.712	1.939.964	102.583	1.640.764	1.743.347
Funds deposited under repo transactions	-	4.780.933	4.780.933	-	5.224.820	5.224.820
Other	952.182	1.326.385	2.278.567	688.408	860.305	1.548.713
Total	7.191.445	40.278.024	47.469.469	6.184.875	34.344.244	40.529.119

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NOTE 46 - BANKING CUSTOMER DEPOSITS (Continued)

Effective interest rates of USD, EUR and YTL denominated customer deposits are 3,86% p.a. (2006: 5,50% p.a.), 3,40 % p.a. (2006: 3,53% p.a.) and 14,97% p.a. (2006: 18,98% p.a.), respectively.

As at 31 December 2007 and 2006, the contractual maturity date and contractual repricing schedules based on the remaining period of banking customer deposits are as follows:

	2007	2006
Demand	7.191.445	6.184.875
Up to three months	37.527.274	32.100.786
Between 3 and 12 months	2.179.855	1.983.517
Between 1 and 5 years	398.258	259.941
Over 5 years	172.637	-
Total	47.469.469	40.529.119

NOTE 47 - MUTUAL FUNDS

At 31 December 2007, the Group manages 18 (2006: 16) mutual funds ("Funds") which were established under Capital Markets Board Regulations. At 31 December 2007, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of YTL 4.548.184 (2006: YTL 3.262.882). 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 0,00275% - 0,01375%. At 31 December 2007, management fees and commissions earned by the Group amounted to YTL 117.748 (2006: YTL 115.390).

NOTE 48 - DISCLOSURE OF OTHER MATTERS

None (2006: None).

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