

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2008
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

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

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of matter

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

Additional paragraph for US Dollar ("USD") translation

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

Additional paragraph for convenience translation into English

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

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

Burak Özpoyraz, SMMM
Partner

İstanbul, 3 April 2009

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2008 AND 2007

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

	Notes	UNAUDITED 2008 USD (*)	2008	Restated 2007
ASSETS				
Current Assets		36.989.683	55.939.498	48.780.416
Cash and Cash Equivalents	5	5.068.478	7.665.059	2.901.156
Financial Assets				
- Marketable Securities	6.a	116.080	175.548	4.833.069
- Available for Sale	6.b	1.274.629	1.927.622	9.548.528
- Held to Maturity	6.c	3.327.460	5.032.118	-
Derivative Financial Instruments	26	54.928	83.068	81.282
Reserve Deposits with the Central Bank of the Republic of Turkey	2.4	4.143.273	6.265.872	1.667.269
Trade Receivables	8, 31	697.599	1.054.979	1.140.924
Receivables from Finance Sector Operations	27	20.552.646	31.081.766	26.062.442
Other Receivables	9	302.774	457.885	571.433
Inventories	10	973.578	1.472.342	1.197.573
Other Current Assets	18	440.886	666.752	194.672
		36.952.331	55.883.011	48.198.348
Non-current Assets Held for Sale	20	37.352	56.487	582.068
Non-current Assets		29.677.925	44.881.926	30.608.224
Trade Receivables	8, 31	16.409	24.816	23.637
Receivables from Finance Sector Operations	27	11.934.573	18.048.654	13.842.985
Other Receivables	9	53.703	81.214	45.818
Financial Assets				
- Available For Sale	6.b	3.843.821	5.813.011	11.692.082
- Held to Maturity	6.c	10.260.258	15.516.588	-
Investments Accounted Through Equity Method	11	194.779	294.564	179.390
Investment Property	12	236.761	358.054	394.251
Property, Plant and Equipment	13	2.476.538	3.745.268	3.587.373
Intangible Assets	14	237.014	358.437	364.549
Goodwill	15	220.601	333.615	327.412
Deferred Income Tax Assets	25	203.468	307.705	150.727
Total Assets		66.667.608	100.821.424	79.388.640

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

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

		UNAUDITED 2008 USD (*)	2008	Restated 2007
LIABILITIES				
Short Term Liabilities		51.231.321	77.477.127	58.018.151
Borrowings	7	4.861.573	7.352.157	4.382.957
Current Portion of Long-term Borrowings	7	1.121.103	1.695.444	1.752.250
Trade Payables	8, 31	664.672	1.005.183	938.384
Other Payables	9	1.344.227	2.032.874	2.596.446
Payables From Finance Sector Operations	28	42.834.082	64.777.982	47.478.977
Derivative Financial Instruments	26	207.832	314.305	105.591
Income Taxes Payable	25	55.439	83.840	192.855
Other Short Term Liabilities	18	142.393	215.342	214.629
		51.231.321	77.477.127	57.662.089
Liabilities Associated with Non-current Assets Held for Sale	20	-	-	356.062
Long Term Liabilities		3.971.117	6.005.520	5.296.648
Borrowings	7	3.049.677	4.612.026	4.113.529
Trade Payables	8, 31	2.791	4.221	3.885
Other Payables	9	111.204	168.175	201.913
Payables from Finance Sector Operations	28	560.537	847.700	604.768
Provision for Employment Termination Benefits	17	90.717	137.191	147.961
Deferred Income Tax Liabilities	25	156.191	236.207	224.592
EQUITY		11.465.170	17.338.777	16.073.841
Shareholders' Equity		6.319.494	9.556.971	8.550.833
Share Capital	19	1.190.240	1.800.000	1.800.000
Capital Reserves		2.218.203	3.354.589	3.516.539
Share Issue Premium		14.329	21.670	21.670
Value Increase Funds		(62.053)	(93.842)	68.108
Adjustment to Capital		2.265.927	3.426.761	3.426.761
Restricted Reserves	19	170.480	257.817	215.478
Translation Reserve		(183.194)	(75.359)	(215.298)
Net Income for the Period		919.292	1.188.559	969.487
Retained Earnings	19	2.004.473	3.031.365	2.264.627
Minority Interests		5.145.676	7.781.806	7.523.008
- Sabancı Family Members		1.676.252	2.534.996	2.311.987
- Others		3.469.424	5.246.810	5.211.021
TOTAL EQUITY AND LIABILITIES		66.667.608	100.821.424	79.388.640
Contingent assets and liabilities	16			

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

	Notes	UNAUDITED 2008 USD (*)	2008	2007
CONTINUING OPERATIONS				
Sales (net)	21	5.829.201	7.536.619	7.522.733
Interest, premium, commission and other income	21	9.482.604	12.260.130	10.859.705
Total		15.311.805	19.796.749	18.382.438
Cost of sales (-)	4	(4.772.294)	(6.170.134)	(6.153.912)
Interest, premium, commission and other expenses (-)	4	(6.322.788)	(8.174.781)	(6.829.252)
Total		(11.095.082)	(14.344.915)	(12.983.164)
Gross profit from non-financial operations		1.056.907	1.366.485	1.368.821
Gross profit from financial operations		3.159.816	4.085.349	4.030.453
GROSS PROFIT		4.216.723	5.451.834	5.399.274
Marketing, Selling and Distribution Expenses (-)	22	(429.996)	(555.945)	(524.050)
General and Administrative Expenses (-)	22	(2.218.290)	(2.868.044)	(2.308.730)
Research and Development Expenses (-)	22	(15.000)	(19.393)	(17.933)
Other Operating Income	23	291.145	376.424	242.805
Other Operating Expenses	23	(29.674)	(38.366)	(96.351)
OPERATING PROFIT		1.814.908	2.346.510	2.695.015
Shares of Income of Investments Accounted Through Equity Method	11	145.136	187.647	135.083
Financial Income	24	365.964	473.157	423.210
Financial Expenses (-)	24	(419.196)	(541.982)	(577.660)
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS		1.906.812	2.465.332	2.675.648
Tax income/expense from continuing operations				
Current Tax Expense	25	(213.236)	(275.695)	(357.135)
Deferred Income Tax Benefit	25	79.489	102.772	12.918
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS		1.773.065	2.292.409	2.331.431
DISCONTINUED OPERATIONS				
Net income/(loss) after tax from discontinued operations		27.276	35.265	(4.020)
NET INCOME FOR THE PERIOD		1.800.341	2.327.674	2.327.411
ALLOCATION OF NET INCOME		1.800.341	2.327.674	2.327.411
- Minority interest		881.049	1.139.115	1.357.924
- Sabanci Family members		233.727	302.187	308.545
- Others		647.322	836.928	1.049.379
- Equity Holders of the Parent		919.292	1.188.559	969.487
Earnings per share				
- thousands of ordinary shares (TL)	30	4,95	6,41	5,22

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

	Share Capital	Share premium	Value increase funds	Adjustment to Capital	Restricted reserves	Translation reserve	Net income for the period	Retained earnings	Shareholders' equity	Minority interests	Total
Previously reported	1.800.000	21.670	(43.771)	3.426.761	189.248	(241.428)	494.049	1.207.815	6.854.344	4.997.041	11.851.385
Mathematical correction (Note 2.1.5)	-	-	-	-	-	-	-	(2.097)	(2.097)	(6.001)	(8.098)
Balances at 1 January 2007	1.800.000	21.670	(43.771)	3.426.761	189.248	(241.428)	494.049	1.205.718	6.852.247	4.991.040	11.843.287
Increase in share premium	-	-	-	-	-	-	-	-	-	1.076.926	1.076.926
Capital increase	-	-	-	-	-	-	-	-	-	129.313	129.313
Transfers	-	-	-	-	26.230	-	(494.049)	467.819	-	-	-
Effect of change in the effective rate of subsidiaries (Note 2.4.27)	-	-	-	-	-	-	-	798.302	798.302	390.901	1.189.203
Establishment of subsidiary	-	-	-	-	-	-	-	-	-	10.222	10.222
Business combinations	-	-	-	-	-	-	-	-	-	33.068	33.068
Effect of change in the scope of consolidation	-	-	3.235	-	-	-	-	-	3.235	38.919	42.154
Liquidation of subsidiary	-	-	-	-	-	-	-	-	-	(118.194)	(118.194)
Purchase of usufruct shares (Note 31)	-	-	-	-	-	-	-	(21.089)	(21.089)	-	(21.089)
Dividends paid	-	-	-	-	-	-	-	(189.399)	(189.399)	(491.278)	(680.677)
Non-cash capital increase adjustment	-	-	-	-	-	-	-	-	-	(12.345)	(12.345)
Transfer from revaluation reserve	-	-	(3.276)	-	-	-	-	3.276	-	-	-
Unrealized market value gains on available for sale financial assets (Note 6)	-	-	117.945	-	-	-	-	-	117.945	206.155	324.100
Gains on available for sale financial assets transferred to the income statement (Note 6)	-	-	(6.025)	-	-	-	-	-	(6.025)	(10.347)	(16.372)
Currency translation differences	-	-	-	-	-	26.130	-	-	26.130	(79.296)	(53.166)
Net income for the period	-	-	-	-	-	-	969.487	-	969.487	1.357.924	2.327.411
Balances at 31 December 2007	1.800.000	21.670	68.108	3.426.761	215.478	(215.298)	969.487	2.264.627	8.550.833	7.523.008	16.073.841
Balances at 1 January 2008	1.800.000	21.670	68.108	3.426.761	215.478	(215.298)	969.487	2.264.627	8.550.833	7.523.008	16.073.841
Capital increase	-	-	-	-	-	-	-	-	-	89.733	89.733
Transfers	-	-	-	-	42.339	-	(969.487)	927.148	-	-	-
Effect of change in the effective rate of subsidiaries (Note 2.4.27)	-	-	-	-	-	-	-	21.352	21.352	(13.088)	8.264
Sale of subsidiary	-	-	-	-	-	-	-	-	-	(188.327)	(188.327)
Purchase of usufruct shares (Note 31)	-	-	-	-	-	-	-	(3.096)	(3.096)	-	(3.096)
Dividends paid	-	-	-	-	-	-	-	(190.421)	(190.421)	(553.203)	(743.624)
Transfer from revaluation reserve (Note 2.4.13)	-	-	(11.755)	-	-	-	-	11.755	-	-	-
Unrealized market value losses on available for sale financial assets (Note 6)	-	-	(86.287)	-	-	-	-	-	(86.287)	(155.176)	(241.463)
Gains on available for sale financial assets transferred to the income statement (Note 6)	-	-	(16.142)	-	-	-	-	-	(16.142)	(27.733)	(43.875)
Net gains and losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets (Note 6)	-	-	5.690	-	-	-	-	-	5.690	9.775	15.465
Cash flow hedges, net of tax (Note 2.4.8)	-	-	(53.456)	-	-	-	-	-	(53.456)	(91.844)	(145.300)
Currency translation differences	-	-	-	-	-	139.939	-	-	139.939	49.546	189.485
Net income for the period	-	-	-	-	-	-	1.188.559	-	1.188.559	1.139.115	2.327.674
Balances at 31 December 2008	1.800.000	21.670	(93.842)	3.426.761	257.817	(75.359)	1.188.559	3.031.365	9.556.971	7.781.806	17.338.777

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

	Notes	UNAUDITED USD (*) 2008	2008	2007
Net income before tax from continuing operations		1.906.812	2.465.332	2.675.648
Net income/(loss) before tax from discontinued operations		32.915	42.556	(2.393)
Adjustments to reconcile income before taxation to net cash provided by operating activities:				
Depreciation and amortisation		325.883	421.336	434.225
Provision for loan losses		1.110.163	1.435.338	937.841
Re-measurement of derivative instruments at fair value		160.049	206.928	40.973
Provision for employment termination benefits		34.118	44.111	32.646
Impairment of non-current assets held for sale		-	-	20.311
Impairment charge on goodwill		-	-	4.891
Impairment charge on property, plant and equipment, intangible assets and investment property		15.555	20.111	51.527
Currency translation adjustment		(456.524)	100.866	59.274
Insurance technical reserves		(123.905)	(160.198)	(108.370)
Income from associates		(145.136)	(187.647)	(135.083)
Loss/(gain) on sale of subsidiaries and joint ventures		7.238	9.358	(211.510)
Gain on sale of property, plant and equipment, intangible assets and investment properties		(111.812)	(144.562)	(15.245)
Other		(15.702)	(20.301)	56.992
Net cash provided by operating activities before changes in operating assets and liabilities		2.739.654	4.233.228	3.841.727
Changes in trade receivables		65.562	84.766	(120.410)
Changes in inventories		(212.520)	(274.769)	(22.481)
Changes in other receivables and other current assets		(363.879)	(470.462)	(48.854)
Changes in trade payables		51.926	67.135	59.646
Changes in other liabilities and other payables		(461.438)	(596.597)	905.686
Net cash used in operating activities of non-current assets held for sale		(73.367)	(94.857)	(199.752)
Changes in assets and liabilities in banking segment:				
Changes in marketable securities		3.602.362	4.657.521	1.940.461
Changes in receivables from financial operations		(8.245.238)	(10.660.331)	(10.678.506)
Changes in payables from financial operations		13.691.725	17.702.135	7.136.143
Changes in reserve with the Central Bank of the Republic of Turkey		(3.556.792)	(4.598.603)	1.025.508
Income taxes paid		(238.017)	(307.734)	(242.465)
Employment termination benefits paid	17	(36.653)	(47.389)	(30.674)
Net cash provided by operating activities		6.963.325	9.694.043	3.566.029
Cash flows from investing activities:				
Capital expenditures	3	(552.244)	(714.000)	(969.261)
Investment in available-for-sale and held-to-maturity securities		(5.798.246)	(7.496.596)	(6.219.026)
Cash used in business combinations		(17.648)	(22.817)	(225.879)
Establishment of subsidiary		-	-	11.413
Changes in scope of consolidation		-	-	58.825
Proceeds from sale of subsidiary and joint venture		189.163	244.570	278.897
Proceeds from sale of property, plant and equipment, intangible assets and non-current assets held for sale		179.208	231.699	117.714
Dividends received		59.830	77.355	139.344
Net cash provided by investing activities of non-current assets held for sale		16.965	21.934	12.016
Net cash used in investing activities		(5.922.972)	(7.657.855)	(6.795.957)
Cash flows from financing activities:				
Increase in borrowings		2.638.155	3.410.891	(425.828)
Dividends paid		(147.281)	(190.421)	(189.399)
Purchase of usufruct shares		(2.395)	(3.096)	(21.089)
Dividends paid to minority interests		(427.875)	(553.203)	(491.278)
Increase in share capital of minority interests		69.404	89.733	129.313
Increase in share issue premium of minority interests		-	-	1.076.926
Effect of change in the effective rate of subsidiaries		6.392	8.264	1.189.203
Net cash used in financing activities of non-current assets held for sale		(26.648)	(34.453)	7.455
Net cash provided by financing activities		2.109.752	2.727.715	1.275.303
Net increase/(decrease) in cash and cash equivalents		3.150.105	4.763.903	(1.954.625)
Cash and cash equivalents at the beginning of the period		1.918.373	2.901.156	4.855.781
Cash and cash equivalents at the end of the period		5.068.478	7.665.059	2.901.156

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. (the “Holding”) was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey and is owned by the members of the Sabancı family (Note 19). The number of employees in 2008 is 51.120 (2007: 52.530). The Holding’s registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye

The Holding is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1997. As of 31 December 2008, the Group has 21,55% shares registered to Capital Market Board (“CMB”), also the principal shareholders and their respective shareholding rates in the Holding are as follows: (Note 19):

	%
Sabancı family members	61,40
Public quotation (*)	21,55
Sakıp Sabancı Holding A.Ş.	14,81
Sabancı University	1,62
Hacı Ömer Sabancı Foundation	0,62
	100,00

(*) On 10 February 2009, some Sabancı family members registered their shares with 15,89% percentage to ISE and the public quotation percentage has increased to 37,44%.

Subsidiaries

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

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

Joint Ventures

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

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

(*) The Group purchased the shares of Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. from Enerjisa Enerji Üretim A.Ş. in accordance with the authorization of Energy Market Regulation Agency. Enerjisa Enerji Üretim A.Ş. had 49,99% interest in Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. Effective from 31 March 2008, ETS is included in the scope of consolidation as a joint venture of the Group.

(**) The Group has purchased 49,99% shares of Enerjisa Elektrik Dağıtım A.Ş., which was established in 2008. Effective from 21 October 2008, Enerjisa Elektrik Dağıtım A.Ş. is included in the scope of consolidation as a joint venture of the Group

All the Joint Ventures are registered in Turkey.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 *Basis of presentation*

2.1.1 Financial Reporting Standards

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

2.1.2 Basis of consolidation

- a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1.1. The result of operations of Subsidiaries, Joint Ventures and Associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively
- b) Subsidiaries are companies in which the Holding has the power to control the financial and operating policies for the benefit of the Holding, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby the Holding exercises control over the voting rights of the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2008:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100,00	-	100,00	99,93
AEO	70,29	-	70,29	70,29
Akbank	40,85	16,32	57,17	36,80
Aksigorta	61,98	-	61,98	61,98
Bimsa	95,11	-	95,11	89,86
Çimsa	53,00	1,42	54,42	53,00
Exsa	45,70	54,30	100,00	30,25
Exsa UK	100,00	-	100,00	99,09
Kordsa Global	91,11	-	91,11	91,11
Sapeksa	52,84	44,87	97,71	37,00
Sabancı Telekom	100,00	-	100,00	100,00
Teknosa	69,17	30,83	100,00	69,17
Temsa Global	48,70	51,29	99,99	47,66
Toyotasa Pazarlama	65,00	-	65,00	64,99
Tursa	99,52	-	99,52	98,46
Yünsa	59,37	11,50	70,87	58,80

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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 2007:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100,00	-	100,00	99,93
AEO	70,29	-	70,29	70,29
Akbank	40,85	14,91	55,76	36,79
Aksigorta	61,98	-	61,98	61,98
Bossa (*)	50,12	17,68	67,80	50,12
Bimsa	95,11	-	95,11	90,10
Çimsa	52,74	1,42	54,16	51,86
Exsa	45,70	54,30	100,00	29,87
Exsa UK	100,00	-	100,00	99,09
Gıdasa (**)	99,68	-	99,68	99,67
Pilsa Plastik Sanayi ve Ticaret A.Ş. ("Pilsa") (***)	51,23	48,77	100,00	51,23
Kordsa Global	91,11	-	91,11	91,11
Sapeksa	52,84	44,87	97,71	36,91
Sabancı Telekom	100,00	-	100,00	100,00
Teknosa	51,92	48,08	100,00	51,93
Temsa Global	48,71	51,28	99,99	47,66
Toyotasa Pazarlama	65,00	-	65,00	64,99
Tursa	99,52	-	99,52	98,46
Universal (****)	100,00	-	100,00	92,99
Yünsa	59,37	13,66	73,03	58,80

(*) Group signed a share sales agreement with Akkardan Sanayi ve Ticaret A.Ş on 5 August 2008 to sell its 50,12% share in Bossa that existed as of 31 December 2007. Sale transaction was completed on 22 September 2008. Effective from this date, Bossa was excluded from the scope of consolidation.

(**) Group signed a share sales agreement with Marmara Gıda Sanayi ve Ticaret A.Ş on 14 August 2007 to sell its 99,68% share in Gıdasa that existed as of 31 December 2007. Sale transaction was completed on 3 March 2008. Effective from this date, Gıdasa was excluded from the scope of consolidation.

(***) Group signed a share sales agreement with Wavin B.V registered in Netherlands on 21 November 2007 to sell its 51,23% share in Pilsa Plastik Sanayi A.Ş. that existed as of 31 December 2007. Sale transaction was completed on 10 January 2008. Effective from this date, Pilsa was excluded from the scope of consolidation.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

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

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

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

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2008:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Proportion of effective interest %
Akçansa	39,72	39,72
Avivasa	49,83	49,83
Brisa	43,63	43,63
Carrefoursa	38,78	38,78
Diasa	40,00	40,00
Dönkasan	33,13	33,12
Enerjisa	50,00	50,00
ETS	50,00	50,00
Enerjisa Elektrik Dağıtım A.Ş.	50,00	50,00
Olmuksa	43,73	43,73

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2007:

Joint Ventures	Direct and indirect ownership interest by the Holding and its Subsidiaries	Proportion of effective interest
	%	%
Akçansa	39,72	36,88
Avivasa	49,83	49,83
Beksa (*)	49,99	49,99
Brisa	43,63	43,63
Carrefoursa	38,78	38,78
Diasa	40,00	40,00
Dönkasan	33,13	33,12
Enerjisa	50,00	50,00
Olmuksa	43,73	43,73

(*) Group sold all its 49,99% share in Beksa as of 31 December 2007 to Bekaert Iberica Holding S.L. Sale transaction was completed on 24 July 2008. Effective from this date, Beksa was excluded from the scope of consolidation.

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

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

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

- e) Other investments in which the Holding and its Subsidiaries, have interest below 20%, or over which the Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 6.b).
- f) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

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

2.1.3 Amendments in International Financial Reporting Standards

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

IFRIC 11, "IFRS 2 - Group and treasury share transactions"

IFRIC 12, "Service concession arrangements"

IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"

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

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

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

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

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

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

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

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

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

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

- IAS 32 (Amendment), "Financial instruments: Presentation", and IAS 1 (Amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1(Amendment) from 1 January 2009.
- IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009.
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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

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

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

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

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

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

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

- IFRS 8, “Operating segments”, was early adopted in 2008. IFRS 8 replaces IAS 14, “Segment reporting”, and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply the IFRS 8 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group’s consolidated financial statements.
- IFRIC 13, “Customer loyalty programme” (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

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

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

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

(d) *Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and have not been early adopted by the Group (Continued):*

- IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows") (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the Group's operations because none of the Group's companies ordinary activities comprise renting and subsequently selling assets.
- IAS 27 (Amendment), "Consolidated and separate financial statements" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements Project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, "Financial instruments: recognition and measurement", is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.
- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation", and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in an associate to be equity accounted in the Group's consolidated accounts.
- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Group's operations, as none of the Group's subsidiaries or associates operate in hyperinflationary economies.
- IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the Group's operations.
- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Group's operations, as all intangible assets are amortised using the straight-line method.

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

(d) *Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and have not been early adopted by the Group (Continued):*

- IAS 40 (Amendment), “Investment property” (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group’s operations, as there are no investment properties under construction are held by the Group.
- IAS 41 (Amendment), “Agriculture” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the Group’s operations as no agricultural activities are undertaken.
- IAS 20 (Amendment), “Accounting for government grants and disclosure of government assistance” (effective from 1 January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, ‘Financial instruments: Recognition and measurement’, and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Group’s operations as there are no loans received or other grants from the government.
- IFRIC 15, “Agreements for construction of real estates” (effective from 1 January 2009). The interpretation clarifies whether IAS 18, “Revenue”, or IAS 11, “Construction contracts”, should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Group’s operations as all revenue transactions are accounted for under IAS 18.

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

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

2.1.4 Offsetting

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

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

2.1.5 Comparatives and restatement of prior year financial statements

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

As a result of the correction in the calculations of rediscount of Insurance Receivables and Technical Reserves of Aksigorta, a subsidiary of the Group, the Retained Earnings and Minority Interests as of 31 December 2006 is decreased by TL 11.236 and TL 6.893, respectively.

As a result of the correction in property plant and equipment of Kordsa Global, a subsidiary of the Group, due to the change in functional currency, the Retained Earnings and Minority Interests as of 31 December 2006 is increased by TL 9.139 and TL 892, respectively.

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

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

On the consolidated balance sheet as at 31 December 2007, government bonds denominated in foreign currency, government bonds and Eurobonds amounting to TL 145.541 classified under "Marketable Securities" are reclassified under "Cash and Cash Equivalents".

On the consolidated balance sheet as at 31 December 2007, loans given to customers amounting to TL 25.455.494 classified under "Loans and Advances to Customer" and financial lease receivables amounting to TL 318.478 classified under "Lease Receivables" are reclassified under "Receivables from Financial Operations"; receivables originated from insurance operations amounting to TL 288.470 classified under "Trade Receivables" and "Due from Related Parties" are reclassified under "Receivables from Financial Operations".

On the consolidated balance sheet as at 31 December 2007, loans given to customers amounting to TL 13.510.303 classified under non-current "Loans and Advances to Customer" and financial lease receivables amounting to TL 332.682 classified under non-current "Lease Receivables" are reclassified under "Receivables from Financial Operations".

On the consolidated balance sheet as at 31 December 2007, taxes payable amounting to TL 192.855 classified under "Provisions" is reclassified under "Income Taxes Payable".

On the consolidated balance sheet as at 31 December 2007, payables amounting to TL 2.702 classified under "Lease Payables" and advances amounting to TL 14.073 classified under "Advances Received" are reclassified under "Other Payables".

On the consolidated balance sheet as at 31 December 2007, payables originated from insurance operations amounting to TL 21.559 classified under "Trade Payables" and payables amounting to TL 11.040 classified under "Due to Related Parties" are reclassified under "Payables from Financial Operations".

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

2.1.5 Comparatives and restatement of prior year financial statements (Continued)

On the consolidated balance sheet as at 31 December 2007, extraordinary reserves amounting to TL 693.869 and legal reserves amounting to TL 113.797 classified under "Profit Reserves" and; inflation adjustment related to legal reserves amounting to TL 457.160 classified under "Inflation Adjustment to Shareholders' Equity" are reclassified under "Retained Earnings". Moreover, at the consolidated balance sheet as of 31 December 2007, TL 196.900 classified under "Retained Earnings" is reclassified under "Restricted Reserves".

On the consolidated income statement for the year ended 31 December 2007, revenue related to discontinued operations amounting to TL 499.624 classified under "Sales Revenue" and cost related to discontinued operations amounting to TL 397.203 classified under "Cost of Sales", operating expenses amounting to TL 84.053 classified under "Operating Expenses" and foreign exchange loss and interest expense amounting to TL 10.589 classified under "Financial Expenses" are reclassified under "Discontinued Operations".

On the consolidated income statement for the year ended 31 December 2007, foreign exchange and interest income amounting to TL 144.434 and TL 46.236 classified under "Other Income" are reclassified under "Financial Income".

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

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

2.1.7 US Dollar Translation

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

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

2.2 *Changes in Accounting Policies*

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

2.3 *Changes in Accounting Estimates and Errors*

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

2.4 *Summary of Significant Accounting Policies*

2.4.1 **Cash and cash equivalents**

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

2.4.2 **Sale and repurchase agreements**

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

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

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

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

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

2.4.4 Trade receivables and provision for doubtful receivables

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

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

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

2.4.5 Related parties

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

2.4.6 Inventories

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

2.4.7 Financial Instruments

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

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

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

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

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

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

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

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

2.4.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2008. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

Gains and losses on forward foreign exchange contracts are calculated by valuing the contract with the spot exchange rate prevailing at the balance sheet date and comparing the amount arrived at with the original amount calculated on a straight line basis by using the spot rate prevailing at the beginning of the contracts. Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps are included in the interest income and expense as appropriate.

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

i) Cash flow hedge

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

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

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

ii) Derivatives that do not qualify for hedge accounting

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

2.4.9 Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 12). The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16 “Property, Plant and Equipment”. At that date, the property becomes investment property and thus is transferred to investment property.

2.4.10 Property, plant and equipment

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

	<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.

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets.

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

2.4.11 Intangible assets

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 14). The amortisation of mining rights commences when the extraction begins.

2.4.12 Non-current assets held for sale and discontinued operations

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

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

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

2.4.13 Shareholders' equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 19).

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

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

2.4.14 Research expenses and development costs

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

2.4.15 Borrowing costs

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

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

2.4.16 Deferred financing charges

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

2.4.17 Deferred Income Tax

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

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

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

2.4.18 Employee benefits

Retirement benefits

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

On 1 November 2005, Banking Law No.5411 ("New Law") which requires the transfer of the pension funds of the banks to the Social Security Institution within three years following the publication date was published in the Official Gazette. However, President of the Turkish Republic applied to the Constitutional Court on 2 November 2005 for the abrogation of the related article of Banking Law, and this article was abrogated with the decision No E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No 26479 dated 31 March 2007, and its execution was annulled at the publication date of the decision.

Following the publication of the reasoned ruling of the Constitutional Court in December 2007, the relevant commission of the Turkish Parliament began to work on a new law provision establishing the transfer of the pension funds. The law provision was drawn up as a draft in the first months of 2008 and the legislation processes are in progress as of the preparation date of these consolidated financial statements.

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

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group's obligation related to other non-transferrable benefits has been calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TL 69.181 (2007: TL 68,529), the surplus of the Fund amounts to TL 212,099 as of 31 December 2008 (2007: TL 12,814).

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

	2008	2007
Present value of funded obligations	(576.660)	(693.564)
- Pension benefits transferrable to SSI	(541.150)	(601.307)
- Post-employment medical benefits transferrable to SSI	33.671	(23.728)
- Other non-transferrable benefits	(69.181)	(68.529)
Fair value of plan assets	788.759	706.378
Surplus	212.099	12.814

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

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

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

The principal actuarial assumptions used were as follows:

Discount rate	2008	2007
- Pension benefits transferrable to SSI	%9,80	%9,80
- Post-employment medical benefits transferrable to SSI	%9,80	%9,80
- Other non-transferrable benefits	%6,26	%5,71

Provision for Employment Termination Benefit

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 17).

2.4.19 Provisions, contingent liabilities and assets

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

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

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

2.4.20 Loans and advances to customers and provisions for loan impairment

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

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

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

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

2.4.21 Government grants

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

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

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

2.4.22 Insurance technical reserves

Unearned premiums reserve

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

Claim provisions

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

Life assurance provision

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

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

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

2.4.23 Leasing transactions

2.4.23.1 The Group as a lessee

Finance leases

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

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

Operating leases

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

2.4.23.2 The Group as a lessor

Finance leases

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

Operating leases

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

2.4.24 Revenue recognition

Banking

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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 4.e).

Non-Life:

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

Other segments

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

2.4.25 Earnings per share

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 30 earnings per share are calculated in accordance with IAS 33 “Earnings Per Share”.

2.4.26 Foreign currency transactions

Functional currency

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

Foreign currency transactions and balances

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

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

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

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

Foreign Group companies

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

2.4.27 Business combinations

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

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

Partial share purchase-sale transactions with minority interests

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

2.4.28 Segment reporting

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

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

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

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

2.4.28 Segment reporting (Continued)

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

2.4.29 Financial Instruments

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

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

2.4.29 Financial Instruments (Continued)

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

Financial assets

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

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

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

Financial liabilities

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

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

Trade payables are stated at their fair values and accordingly their carrying amounts approximate their fair values.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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 2008 and 2007 are as follows:

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Due from banks	6.867.802	6.867.802	2.667.900	2.667.900
Loans and advances to customers	47.921.582	46.904.667	38.965.797	39.368.261
Trading and available for sale financial assets	28.014.015	28.017.050	25.676.244	25.676.244
Total financial assets	82.803.399	81.789.519	67.309.941	67.712.405
Other deposits	64.833.026	65.979.605	47.469.469	47.196.666
Funds borrowed and debt securities in issue	12.538.830	11.976.225	9.645.144	9.645.144
Total financial liabilities	77.371.856	77.955.830	57.114.613	56.841.810

2.5 Critical accounting estimates and assumptions

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

(a) Estimated impairment of goodwill

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

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

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

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NOTE 3 - BUSINESS COMBINATIONS

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

Cimsa acquired Bilecik Hazır Beton Tesisleri for a consideration of TL 22.817 on 31 July 2008. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Property, plant and equipment and intangible assets	18.081
Other current assets	442
<hr/>	
Total net assets	18.523
Less: cost of acquisition	22.817
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Goodwill	4.294

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

Enerjisa acquired Ere Holding A.Ş. and its subsidiaries (Ere Elektrik and Ere HES) in consideration of TL 44.342 on 25 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Property plant and equipment, net	75.759
Finance lease receivables	4.373
Other current assets/non-current assets	1.779
Financial liabilities	(32.289)
Deferred income tax liabilities	(3.271)
Other liabilities	(1.707)
Minority interest	(302)
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Total net assets	44.342
Less: cost of acquisition	44.342
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Akçansa, a joint venture of the Holding, acquired Ladik cement plant from Türkerler İnşaat Turizm Ticaret ve Sanayi A.Ş. in consideration of TL 128.007 on 1 May 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Inventories	11.952
Property plant and equipment, net	66.086
Intangible assets, net	22.520
Other current assets/non-current assets	22
Provisions	(553)
Deferred income tax liabilities	(445)
<hr/>	
Total net assets	99.582
Less: cost of acquisition	227.589
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Goodwill **128.007**

**Goodwill attributable to the consolidated financial statements
resulting from the acquisition completed by the joint venture** **47.209**

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

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

The Holding acquired 41,09% of shares of Oysa Çimento in consideration of TL 45.294 on 31 December 2007. Oysa Çimento is consolidated as a subsidiary of the Holding effective from 30 April 2007. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition have been initially determined by the Group during the preparation of 31 December 2007 consolidated balance sheet and as foreseen in the context of IFRS 3 the final fair values of identifiable assets, liabilities and contingent liabilities determined within the twelve month period following 31 December 2007 are as follows:

Trade receivable	8.605
Inventories	3.317
Other current assets/non-current assets	286
Property plant and equipment, net	93.422
Intangible assets, net	5.106
Deferred income tax assets	(12.215)
Borrowings	(1.187)
Trade payables	(2.654)
Other liabilities	(6.883)
Revaluation fund	(4.379)
Minority interest	(38.124)
Total net assets	45.294
Less: cost of acquisition	45.294

NOTE 4 - SEGMENT REPORTING

a) External revenues:

	2008	2007
Finance	12.260.130	10.859.705
Retail	2.125.397	1.965.133
Automotive	1.797.077	1.911.787
Tire and tire reinforcements	1.460.764	1.488.434
Cement	928.804	822.492
Energy	248.587	143.733
Textile	673.736	753.244
Other	302.254	437.910
Total	19.796.749	18.382.438

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

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NOTE 4 - SEGMENT REPORTING (Continued)

b) Segment assets:	2008	2007
Tire and tire reinforcements	1.353.745	1.124.061
Automotive	1.303.613	762.455
Textile	748.996	1.175.351
Cement	1.336.703	1.196.379
Retail	793.369	817.134
Energy	720.391	550.632
Finance	93.833.365	72.887.608
Banking	92.491.103	71.777.679
Insurance	1.342.262	1.109.929
Other	446.549	685.328
Segment assets (*)	100.536.731	79.198.948
Non-current assets held for sale	56.487	582.068
Investment in associated companies	294.564	179.390
Unallocated assets	819.435	343.898
Less: intercompany eliminations and reclassifications	(885.793)	(915.664)
Total assets per consolidated financial statements	100.821.424	79.388.640

(*) Segment assets mainly comprise of operating assets.

c) Segment liabilities:	2008	2007
Tire and tire reinforcements	253.338	218.941
Automotive	405.829	241.337
Textile	141.349	203.048
Cement	141.576	129.439
Retail	403.493	471.472
Energy	68.003	60.883
Finance	82.049.742	61.621.114
Banking	81.180.925	60.956.732
Insurance	868.817	664.382
Other	73.196	156.200
Segment liabilities (*)	83.536.526	63.102.434
Liabilities associated with the assets held for sale	-	356.062
Unallocated liabilities	1.449.182	1.054.842
Less: intercompany eliminations and reclassifications	(1.503.061)	(1.198.539)
Total liabilities per consolidated financial statements	83.482.647	63.314.799

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

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

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NOTE 4 - SEGMENT REPORTING (Continued)

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

	Tire and tire reinforcements	Automotive	Textile	Cement	Retail	Energy	Finance		Total finance	Other	Inter segment elimination	Total
							Banking	Insurance				
External revenues	1.460.764	1.797.077	673.736	928.804	2.125.397	248.587	11.357.200	902.930	12.260.130	302.254	-	19.796.749
Inter segment revenues	6.057	409	1.394	182	4.214	86.567	55.435	1.103	56.538	14.410	(169.771)	-
Total revenues	1.466.821	1.797.486	675.130	928.986	2.129.611	335.154	11.412.635	904.033	12.316.668	316.664	(169.771)	19.796.749
External revenues	1.460.764	1.797.077	673.736	928.804	2.125.397	248.587	11.357.200	902.930	12.260.130	302.254	-	19.796.749
Inter segment revenues	6.057	409	1.394	182	4.214	86.567	55.435	1.103	56.538	14.410	(169.771)	-
Revenues	1.466.821	1.797.486	675.130	928.986	2.129.611	335.154	11.412.635	904.033	12.316.668	316.664	(169.771)	19.796.749
Cost of sales (*)	(1.196.380)	(1.562.394)	(613.265)	(692.993)	(1.662.501)	(278.667)	(7.443.175)	(942.650)	(8.385.825)	(267.822)	316.002	(14.343.845)
General and administrative expenses	(65.775)	(50.056)	(29.322)	(34.907)	(223.518)	(24.227)	(2.245.009)	(127.947)	(2.372.956)	(43.559)	34.278	(2.810.042)
Sales, marketing and distribution expenses	(74.737)	(163.143)	(68.034)	(10.910)	(220.280)	(523)	-	-	-	(20.278)	1.960	(555.945)
Research and development expenses	(10.205)	(1.635)	(7.553)	-	-	-	-	-	-	-	-	(19.393)
Inter segment adjustment	-	(515)	-	(99)	-	-	153.703	796	154.499	(454)	(154.501)	(1.070)
Operating result	119.724	19.743	(43.044)	190.077	23.312	31.737	1.878.154	(165.768)	1.712.386	(15.449)	27.968	2.066.454
Other unallocated operating expenses	-	-	-	-	-	-	-	-	-	-	-	(58.002)
Other income/(expense) - net	(1.956)	(5.543)	(18.587)	(9.103)	134.070	(2.053)	175.235	84.318	259.553	(18.323)	-	338.058
Segment result	117.768	14.200	(61.631)	180.974	157.382	29.684	2.053.389	(81.450)	1.971.939	(33.772)	27.968	2.346.510

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

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

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

	Tire and tire reinforcements	Automotive	Textile	Cement	Retail	Energy	Finance		Total finance	Other	Inter segment elimination	Total
							Banking	Insurance				
External revenues	1.488.434	1.911.787	753.244	822.492	1.965.133	143.733	10.003.561	856.144	10.859.705	437.910	-	18.382.438
Inter segment revenues	5.617	562	12.341	286	2.722	139.586	69.621	1.159	70.780	17.004	(248.898)	-
Total revenues	1.494.051	1.912.349	765.585	822.778	1.967.855	283.319	10.073.182	857.303	10.930.485	454.914	(248.898)	18.382.438
External revenues	1.488.434	1.911.787	753.244	822.492	1.965.133	143.733	10.003.561	856.144	10.859.705	437.910	-	18.382.438
Inter segment revenues	5.617	562	12.341	286	2.722	139.586	69.621	1.159	70.780	17.004	(248.898)	-
Revenues	1.494.051	1.912.349	765.585	822.778	1.967.855	283.319	10.073.182	857.303	10.930.485	454.914	(248.898)	18.382.438
Cost of sales (*)	(1.288.251)	(1.607.886)	(687.238)	(532.630)	(1.562.085)	(276.602)	(6.141.940)	(777.350)	(6.919.290)	(387.594)	276.482	(12.985.094)
General and administrative expenses	(68.251)	(31.000)	(24.761)	(35.675)	(202.890)	(12.495)	(1.763.754)	(96.098)	(1.859.852)	(44.395)	25.420	(2.253.899)
Sales, marketing and distribution expenses	(70.500)	(171.004)	(64.193)	(9.270)	(187.971)	-	-	-	-	(25.526)	4.414	(524.050)
Research and development expenses	(7.228)	(1.646)	(9.118)	(16)	-	-	-	-	-	-	75	(17.933)
Inter segment adjustment	-	(495)	-	(100)	-	-	16.949	2.309	19.258	2.525	(19.258)	1.930
Operating result	59.821	100.318	(19.725)	245.087	14.909	(5.778)	2.184.437	(13.836)	2.170.601	(76)	38.235	2.603.392
Other unallocated operating expenses												(54.831)
Other income/(expense) - net	9.461	(13.881)	(35.736)	(5.322)	(16.185)	(5.087)	(2.942)	143.068	140.126	73.078	-	146.454
Segment result	69.282	86.437	(55.461)	239.765	(1.276)	(10.865)	2.181.495	129.232	2.310.727	73.002	38.235	2.695.015

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

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NOTE 4 - SEGMENT REPORTING (Continued)

e) Operating results:

i) Banking:

	2008	2007
Interest on loans	6.185.984	5.182.162
Interest on investment and trading securities	3.404.452	3.028.796
Commission income	1.406.387	1.301.145
Interest from other banks	335.942	336.114
Trading gain on securities	(120.210)	43.825
Other interest income	144.644	111.519
Total operating revenues	11.357.200	10.003.561
Less: commission income and trading gains on securities	(1.286.177)	(1.344.970)
Total interest income	10.071.022	8.658.591
Interest expense	(6.370.161)	(5.310.963)
Interest income - net	3.700.862	3.347.628
<u>Operating costs</u>		
Interest expense	(6.370.161)	(5.310.963)
Foreign exchange trading gain - net	260.091	96.620
Operating expense	(2.245.009)	(1.763.754)
Commission expense	(244.345)	(256.153)
Provision for loan losses	(879.622)	(584.874)
Total operating costs	(9.479.046)	(7.819.124)
Add: interest expense	6.370.161	5.310.963
Add: commission income and trading gain on securities	1.286.177	1.344.970
Other operating income/(expense)	175.235	(2.942)
Segment result	2.053.389	2.181.495

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NOTE 4 - SEGMENT REPORTING (Continued)

ii) Insurance:

	2008	2007
Gross premiums written	902.930	856.144
Premiums ceded to reinsurers	(345.264)	(335.325)
Change in the provision for unearned premiums net of reinsurance	(60.275)	(59.605)
Earned premiums, net of reinsurance	497.391	461.214
Claims paid	(584.083)	(511.255)
Claims paid - reinsurers' share	192.890	233.276
Provisions of life insurance	1.383	-
Change in the provision for claims	(66.759)	(46.029)
Claims incurred, net of reinsurance	(456.569)	(324.008)
Change in life mathematical reserve	(33.164)	2.736
Commission expense - net	(45.479)	(57.680)
Technical income	(78.643)	(54.944)
General and administrative expenses	(127.947)	(96.098)
Other operational income/(loss)	84.318	143.068
Segment result	(81.450)	129.232

iii) Non-financial segments:

	2008	2007
Net sales	7.536.619	7.522.733
Cost of sales	(6.170.134)	(6.153.912)
Gross profit	1.366.485	1.368.821
Operating expenses	(1.070.426)	(990.861)
Other operating income/(expense)	78.505	6.328
Segment result	374.564	384.288

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

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

NOTE 4 - SEGMENT 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 2, are as follows on a combined basis:

Balance Sheet	2008	2007
Current assets	1.218.799	645.219
Non-current assets	1.799.774	1.765.564
Total assets	3.018.573	2.410.783
Current liabilities	589.997	553.469
Non-current liabilities	727.453	520.811
Total liabilities	1.317.450	1.074.280
Minority interests	4.645	4.701
Shareholders' equity	1.696.477	1.331.802
Total liabilities, minority interests and, shareholders' equity	3.018.572	2.410.783
Income statement	2008	2007
Operating profit	250.401	116.263
Financial (expense)/income- net	(32.144)	24.054
Income before tax and minority interests	218.257	140.317
Taxation on income	(31.526)	(32.503)
Income before minority interests	186.731	107.814
Minority interests	(98)	(509)
Net income for the period from continuing operations	186.633	107.305

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

1 January - 31 December 2008

	Finance		Tire and tire reinforcements	Automotive	Textile	Cement	Energy	Retail	Other	Discontinued operations	Total
	Banking	Insurance									
Depreciation and amortisation	113.120	5.978	69.174	20.421	35.921	78.746	23.846	35.802	23.415	14.913	421.336
Impairment of property, plant and equipment, intangible assets and investment property	-	-	-	-	13.659	-	-	6.452	-	-	20.111
Capital expenditure	204.607	4.606	80.213	81.331	38.211	69.450	139.757	72.965	18.568	4.292	714.000

1 January - 31 December 2007

	Finance		Tire and tire reinforcements	Automotive	Textile	Cement	Energy	Retail	Other	Discontinued operations	Total
	Banking	Insurance									
Depreciation and amortisation	107.074	4.330	70.735	15.908	33.888	56.529	29.975	35.392	25.249	55.145	434.225
Impairment of goodwill	-	-	-	-	-	-	-	4.891	-	-	4.891
Impairment of property, plant and equipment, intangible assets and investment property	-	-	16.802	-	28.933	-	-	1.236	4.149	407	51.527
Impairment of subsidiary	-	-	-	-	-	-	-	-	-	20.311	20.311
Capital expenditure	125.690	7.428	65.346	76.098	68.983	182.210	298.478	80.238	43.006	21.784	969.261

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS

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

	2008	2007
Cash in hand		
- banking	610.540	1.095.189
- other companies	7.385	6.621
Banks - time deposits	4.788.924	898.347
Banks - demand deposits	1.892.902	749.684
Government bonds	358.734	-
Government bonds denominated in foreign currency	-	126.904
Eurobonds	-	15.045
Treasury bills	3.152	3.592
Due from reverse repurchase transactions	1.416	2.547
Other cash and cash equivalents	2.006	3.227
Total	7.665.059	2.901.156

Effective interest rates of USD, EUR and TL denominated time deposits are 0,15 % p.a. (2007: 4,13% p.a.), 1,84 % p.a. (2007: 3,55% p.a.) and 14,94 % p.a. (2007: 17,50 % p.a.), respectively.

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

	2008	2007
Demand	2.512.833	1.854.721
Up to 3 months	5.152.226	1.046.435
Total	7.665.059	2.901.156

NOTE 6 - FINANCIAL ASSETS

a) Marketable securities:

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

	2008	2007
Government bonds	103.217	42.375
Eurobonds	30.743	207.409
Treasury bills	5.426	-
Share certificates	9.685	4.637
Government bonds denominated in foreign currency	11.406	4.550.781
Mutual funds	15.000	26.617
Other	71	1.250
Total	175.548	4.833.069

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

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NOTE 6 - FINANCIAL ASSETS (Continued)

Effective interest rates of USD, EUR and TL denominated securities at fair value through profit and loss are 7,57 % p.a. (2007: 6,94% p.a.), 6,58% p.a. (2007: 6,43% p.a.) and 17,88% p.a. (2007: 17,43% p.a.), respectively.

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

Period remaining to contractual maturity dates:

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	21.991	-	21.991	2.621.474	-	2.621.474
1 to 5 years	110.640	-	110.640	2.026.426	-	2.026.426
Over 5 years	18.161	-	18.161	152.664	-	152.664
No maturity	9.756	15.000	24.756	5.888	26.617	32.505
Total	160.548	15.000	175.548	4.806.452	26.617	4.833.069

Period remaining to contractual repricing dates:

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	11.325	-	11.325	1.879.553	-	1.879.553
3 to 12 months	23.251	-	23.251	2.628.457	-	2.628.457
1 to 5 years	98.134	-	98.134	139.932	-	139.932
Over 5 years	18.082	-	18.082	152.622	-	152.622
No maturity	9.756	15.000	24.756	5.888	26.617	32.505
Total	160.548	15.000	175.548	4.806.452	26.617	4.833.069

b) Securities available-for-sale:	2008	2007
Debt securities		
- Government bonds	4.966.879	16.915.166
- Government bonds denominated in foreign currency	153.721	2.356.264
- Eurobonds	1.671.269	1.743.173
- Treasury bills	437.542	91.145
- Investment funds	35.392	-
- Other bonds denominated in foreign currency	415.823	86.020
Sub-total	7.680.626	21.191.768
Equity securities		
- Listed	8.399	19.395
- Unlisted	51.608	29.447
Sub-total	60.007	48.842
Total securities available for sale	7.740.633	21.240.610

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NOTE 6 - FINANCIAL ASSETS (Continued)

Effective interest rates of USD, EUR and TL denominated available-for-sale securities are 5,48% p.a. (2007: 5,66% p.a.), 6,64% p.a. (2007: 6,26% p.a.) and 19,53% p.a. (2007: 18,81% p.a.) respectively.

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

	2008	2007
Balance at 1 January	20.869.792	14.519.587
Additions	14.458.299	12.654.340
Change in fair value	(1.250.919)	775.130
Disposals and redemptions	(8.257.237)	(7.079.265)
Transfers	(18.515.174)	-
Total	7.304.761	20.869.792

Akbank reclassified its government bonds with fair values TL 138.859 and TL 36.670 into the category of financial assets available-for-sale which were classified under the category of financial assets held-for-trading before in accordance with amendments to IAS 39 and IFRS 7 dated October 2008 and effective from 1 July 2008 due to change in the intention to hold such securities. As of the balance sheet date, fair values of these reclassified government bonds are TL 141.394 and TL 35.379. Had these financial assets not been reclassified, an unrealized valuation gain before minority interest of TL 283 and an unrealized valuation loss before minority interest of TL 1.693 would have been recognised in the income statement.

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

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

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	2.576.875	-	2.576.875	6.417.304	-	6.417.304
3 to 12 months	1.870.097	243.937	2.114.034	8.773.362	123.019	8.896.381
1 to 5 years	1.709.334	59.679	1.769.013	4.334.279	149.331	4.483.610
Over 5 years	1.098.003	87.310	1.185.313	1.315.221	79.252	1.394.473
No maturity	50.452	44.946	95.398	29.626	19.216	48.842
Total	7.304.761	435.872	7.740.633	20.869.792	370.818	21.240.610

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

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NOTE 6 - FINANCIAL ASSETS (Continued)

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

	2008			2007		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	1.683.685	243.937	1.927.622	9.425.509	123.019	9.548.528
Current	1.683.685	243.937	1.927.622	9.425.509	123.019	9.548.528
1 to 5 years	3.603.123	59.678	3.662.801	7.201.002	149.331	7.350.333
Over 5 years	1.967.501	87.310	2.054.811	4.213.655	79.252	4.292.907
No maturity	50.452	44.947	95.399	29.626	19.216	48.842
Non-current	5.621.076	191.935	5.813.011	11.444.283	247.799	11.692.082
Total	7.304.761	435.872	7.740.633	20.869.792	370.818	21.240.610

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

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş. (*)	65	8.327	Investment management
Others		72	
Total		8.399	

Unlisted	Share (%)	Carrying amount	Business
Merter BV	24,99	28.879	Real estate
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	5,53	9.002	Transportation
Other		13.727	
Total		51.608	

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

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

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NOTE 6 - 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	Transportation
Ak Portföy Yönetimi A.Ş.	99,99	3.592	Portfolio management
Others		17.497	-
Total		29.447	

c) Held to maturity:

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

	2008	2007
Government bonds	13.939.245	-
Eurobonds	1.165.303	-
Government bonds denominated in foreign currency	5.444.158	-
Total	20.548.706	-

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

	Banking	Other companies	Total
3 to 12 months	5.032.118	-	5.032.118
1 to 5 years	12.463.197	-	12.463.197
More than 5 years	3.053.391	-	3.053.391
Total	20.548.706	-	20.548.706

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

	Banking	Other companies	Total
Up to 3 months	5.425.632	-	5.425.632
3 to 12 months	6.590.550	-	6.590.550
1 to 5 years	7.367.220	-	7.367.220
Over 5 years	1.165.304	-	1.165.304
Total	20.548.706	-	20.548.706

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NOTE 6 - FINANCIAL ASSETS (Continued)

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

	2008	2007
Balance at 1 January	-	-
Additions	21.168.413	-
Addition due to change in amortised cost	754.430	-
Redemptions and sales	(1.374.137)	-
Total	20.548.706	-

Akbank reclassified its government bonds with fair values TL 104.306, TL 1.455.403 and TL 897.040 into the category of held to maturity financial assets which were classified under the category of financial assets held-for-trading before in accordance with amendments to IAS 39 and IFRS 7 dated October 2008 and effective from 1 July 2008 due to change in the intention to hold such securities. As of the balance sheet date, fair values of these reclassified government bonds are TL 108.083, TL 1.389.649 and TL 859.991. Had these financial assets not been reclassified, an unrealized valuation gain before minority interest of TL 2.832 and an unrealized valuation loss before minority interest of TL 73.719 and TL 48.551 would have been recognised in the income statement.

Akbank, reclassified its government bonds with fair values TL 14.584.774, TL 3.408.261 and TL 679.381 into the category of financial assets held-to-maturity which were classified under the category of available for sale financial assets before.

NOTE 7 - BORROWINGS

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

	2008	2007
Short-term	7.352.157	4.382.957
Short-term portion of long term	1.695.444	1.752.250
Total short term	9.047.601	6.135.207

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

Long-term	4.612.026	4.113.529
Total	13.659.627	10.248.736

Effective interest rates of USD, EUR and TL denominated funds borrowed and debt securities in issue are 3,61% p.a. (2007: 5,79% p.a.), 3,90% p.a. (2007: 4,94% p.a.) and 15,79% p.a. (2007: 15,56% p.a.).

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NOTE 7 - BORROWINGS (Continued)

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

	2008	2007
Up to 3 months	2.408.593	1.771.610
3 to 12 months	6.639.008	4.363.597
1 to 5 year	3.184.011	3.047.458
Over 5 years	1.428.015	1.066.071
Total	13.659.627	10.248.736

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

Period	2008
2010	787.337
2011	896.425
2012	768.998
2013	731.251
2014 and over	1.428.015

Total **4.612.026**

Period	2007
2009	1.469.890
2010	529.039
2011	499.116
2012	549.413
2013 and over	1.066.071

Total **4.113.529**

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

	2008	2007
Up to 3 months	10.393.151	8.236.307
3 to 12 months	2.702.205	1.584.701
1 to 5 years	555.632	421.695
Over 5 years	8.639	6.033
Total	13.659.627	10.248.736

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

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NOTE 7 - BORROWINGS (Continued)

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

Funds borrowed:

a) Funds borrowed via West LB AG London Branch

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

At 31 December 2008, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 1 billion and formed by EUR 500 million and EUR 500 million with an interest rate of Euribor + 0,75% p.a. provided by 53 international banks with West LB AG, London Branch acting as the agent, which mature on 21 August 2009 and 25 September 2009 respectively.

b) Funds borrowed via UFJ Bank Limited

At 31 December 2008, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 500 million with an interest rate of Euribor + 0,75% p.a. provided by 21 international banks with UFJ Bank Limited acting as the agent, maturing on 26 June 2009.

c) Debt securities in issue

In November 1999, Akbank finalised a structured finance deal of USD 400 million by securitising its foreign currency denominated present and future remittances (worker remittances, cash against goods, cash against documents, letters of credits, cheque remittances and other third party payment orders) for the issue of floating-rate notes amounting to USD 400 million. Akbank obtained further tranches related with the same deal in the amount of USD 3.569 million between 2000 and 2008 June through the additional issue of floating-rate notes. Interest rates on the tranches vary between Libor + 0,16% p.a. and Libor + 1,1% p.a. At 31 December 2008, the outstanding principal amount of the securitisation deal amounts to USD 2.235 million after the repayment of USD 1.733 million between 2000 and 2008.

In December 2005, the Group finalised another structured finance deals with a total amount of USD 500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). The interest rates varying between Libor + 0,16% and Libor +1,01%.

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

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NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:	2008	2007
Trade receivables	881.083	1.034.504
Notes and cheques receivable	214.450	146.059
Due from related parties (*)	13.703	11.700
	1.109.236	1.192.263
Less: doubtful receivables provision	(29.441)	(27.702)
Total	1.079.795	1.164.561

As of 31 December 2008, trade receivables of TL 78.663 were past due but not impaired (2007: TL 72.465). The aging analysis of these trade receivables is as follows:

	2008	2007
Up to 1 month	32.648	19.772
1 to 3 months	23.149	39.544
3 to 12 months	15.644	13.149
1 to 5 years	7.222	-
Total (*)	78.663	72.465

(*) The above aging analysis of past due but not impaired receivables does not include receivables from insurance operations. As of 31 December 2008, receivables from insurance operations amounting to TL 66.923 were past due but not impaired (2007: TL 74.222).

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

	2008	2007
Up to 1 month	657	607
1 to 3 months	1.314	1.213
3 to 12 months	2.993	4.528
1 to 5 years	24.477	21.354
Total	29.441	27.702

Short-term and long-term trade payables:	2008	2007
Trade payables	1.004.108	931.057
Due to related parties (*)	5.044	11.040
Notes payable	252	172
Total	1.009.404	942.269

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

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other receivables:	2008	2007
Receivables on cheques in clearance	161.265	331.920
Fund management fee accrual	51.865	35.070
Receivables from credit card payments	12.760	6.742
Receivables from sale of chemical business segment	-	22.546
Others	313.209	220.973
Total	539.099	617.251

Other payables:	2008	2007
Payables related to credit card transactions	803.891	811.776
Unearned commission income	251.845	148.269
Other taxes and funds	243.950	171.938
Payables on cheques in clearance	167.424	411.050
Bonus liability to credit card customers	102.859	114.762
Export deposits and transfer orders	35.729	32.144
Advances received	35.231	14.073
Payables due to acquisition of subsidiaries	23.497	35.614
Saving deposits insurance	19.194	18.035
Due to personnel	14.326	25.454
Payment orders to correspondent banks	6.856	20.171
Lease payables	6.249	6.983
Others	489.998	988.090
Total	2.201.049	2.798.359

NOTE 10 - INVENTORIES

	2008	2007
Raw materials and supplies	290.445	394.186
Semi-finished goods	163.282	131.519
Finished goods and merchandise	907.240	565.157
Spare parts	111.375	106.711
Total	1.472.342	1.197.573

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NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

	2008	Share (%)	2007	Share (%)
Philsa	246.972	25,00	152.804	25,00
Philip Morrissa	47.592	24,75	26.586	24,75
Total	294.564		179.390	

Income from associates is as follows:

	2008	2007
Philsa	151.618	108.983
Philip Morrissa	36.029	26.100
Total	187.647	135.083

The summary financial information of associates is as follows:

	2008		2007	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	1.751.269	763.384	1.402.815	791.598
Philip Morrissa	602.778	410.486	390.378	282.959
Total	2.354.047	1.173.870	1.793.193	1.074.557

	2008	2007
Sales revenue		
Philsa (*)	6.880.091	5.739.553
Philip Morrissa	6.994.956	6.051.047

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

	2008	2007
Net income		
Philsa	606.469	435.932
Philip Morrissa	145.573	105.454
Total	752.042	541.386

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NOTE 12 - INVESTMENT PROPERTY

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

	1 January 2008	Additions	Transfer to non-current assets held for sale	31 December 2008
Cost:				
Land	76.951	597	(23.674)	53.874
Buildings	430.775	4.028	(9.414)	425.389
Total	507.726	4.625	(33.088)	479.263
Accumulated depreciation:				
Buildings	113.475	8.924	(1.190)	121.209
Net book value	394.251			358.054

	1 January 2007	Additions	Disposals	Impairment	31 December 2007
Cost:					
Land	84.365	50	(3.403)	(4.061)	76.951
Building	464.882	157	(34.264)	-	430.775
Total	549.247	207	(37.667)	(4.061)	507.726
Accumulated depreciation:					
Building	111.062	9.389	(6.976)	-	113.475
Net book value	438.185				394.251

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2008	Currency translation differences	Additions	Disposals	Changes in scope of consolidation	Disposal of subsidiary	Business combination	Impairment	31 December 2008
Cost:									
Land and land improvements	369.303	4.055	23.660	(4.341)	3.656	(11.711)	4.616	-	389.238
Buildings	1.917.606	21.147	95.704	(45.195)	6.657	(102.687)	1.695	(11.423)	1.883.504
Machinery and equipment	3.729.265	(35.166)	201.038	(62.441)	25.892	(592.984)	2.908	-	3.268.512
Motor vehicles	131.324	681	19.405	(19.437)	1.461	(2.677)	8.113	-	138.870
Furniture and fixtures	1.396.247	2.096	197.314	(32.045)	1.632	(13.907)	749	(2.236)	1.549.850
Total	7.543.745	(7.187)	537.121	(163.459)	39.298	(723.966)	18.081	(13.659)	7.229.974
Construction in progress	187.742	6.449	135.403	-	3.801	(2.924)	-	-	330.471
Total	7.731.487	(738)	672.524	(163.459)	43.099	(726.890)	18.081	(13.659)	7.560.445
Accumulated depreciation									
Land and land improvements	81.268	823	8.695	(1.895)	1.630	(4.059)	-	-	86.462
Buildings	650.079	3.123	52.823	(35.452)	2.056	(51.092)	-	-	621.537
Machinery and equipment	2.292.173	(81.934)	168.962	(42.618)	19.124	(468.976)	-	-	1.886.731
Motor vehicles	93.644	340	18.849	(12.931)	881	(1.461)	-	-	99.322
Furniture and fixtures	1.026.950	1.143	126.807	(23.489)	1.043	(11.329)	-	-	1.121.125
Total	4.144.114	(76.505)	376.136	(116.385)	24.734	(536.917)	-	-	3.815.177
Net book value	3.587.373								3.745.268

At 31 December 2008 there are mortgages amounting to TL 45.096 on buildings held as security for bank borrowings and for legal requirements (2007: TL 99.673).

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2007	Currency translation differences	Additions	Disposals	Change in scope of consolidation	Transfer to non-current assets held for sale	Establishment of subsidiary	Business combination	Impairment	31 December 2007
Cost:										
Land and land improvements	367.861	(8.521)	35.448	(7.243)	(7.476)	(81.007)	-	70.241	-	369.303
Buildings	1.872.680	(20.650)	157.668	(13.575)	14.437	(104.412)	-	14.365	(2.907)	1.917.606
Machinery and equipment	4.132.821	(58.929)	284.652	(99.461)	(272.364)	(346.411)	1.286	130.335	(42.664)	3.729.265
Motor vehicles	145.610	(1.119)	19.575	(31.319)	2.959	(8.076)	167	3.559	(32)	131.324
Furniture and fixtures	1.388.972	(1.152)	151.891	(110.550)	3.109	(37.209)	350	1.141	(305)	1.396.247
Total	7.907.944	(90.371)	649.234	(262.148)	(259.335)	(577.115)	1.803	219.641	(45.908)	7.543.745
Construction in progress	222.017	(3.162)	6.775	(4.882)	(4.388)	(29.014)	-	396	-	187.742
Total	8.129.961	(93.533)	656.009	(267.030)	(263.723)	(606.129)	1.803	220.037	(45.908)	7.731.487
Accumulated depreciation:										
Land and land improvements	79.726	(1.912)	10.244	(514)	(4.925)	(4.224)	-	2.873	-	81.268
Buildings	637.632	(5.471)	44.491	(5.177)	386	(26.987)	20	5.185	-	650.079
Machinery and equipment	2.416.614	(11.049)	196.713	(61.875)	(69.099)	(215.744)	449	36.164	-	2.292.173
Motor vehicles	106.183	(819)	12.233	(23.871)	2.918	(6.329)	59	3.270	-	93.644
Furniture and fixtures	1.024.225	(196)	129.923	(104.920)	2.732	(25.901)	261	826	-	1.026.950
Total	4.264.380	(19.447)	393.604	(196.357)	(67.988)	(279.185)	789	48.318	-	4.144.114
Net book value	3.865.581									3.587.373

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NOTE 14 - INTANGIBLE ASSETS

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

	1 January 2008	Currency translation differences	Additions	Disposal	Change in scope of consolidation	Transfer to non-current assets held for sale	Disposal of subsidiary	Impairment	31 December 2008
Cost	513.624	13.997	36.851	(12.850)	1.310	(127)	(4.488)	(6.452)	541.865
Accumulated depreciation	(149.075)	(5.880)	(36.276)	4.685	(334)	1	3.451	-	(183.428)
Net book value	364.549								358.437

	1 January 2007	Currency translation differences	Additions	Disposals	Change in scope of consolidation	Transfer to non-current assets held for sale	Establishment of subsidiary	Business combination	Impairment	31 December 2007
Cost	465.853	(12.537)	313.045	(48.452)	(197.592)	(13.298)	308	7.855	(1.558)	513.624
Accumulated depreciation	(173.794)	6.563	(31.232)	47.348	(3.836)	6.276	(131)	(269)	-	(149.075)
Net book value	292.059									364.549

At 31 December 2008, the cost of intangible assets includes hydro-electric plant licenses of TL 141.834 (2007: TL 141.834) and mining rights of TL 97.554 (coal mine and stone quarry mine) (2007: TL 97.90.908).

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NOTE 15 - GOODWILL

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

	2008	2007
1 January	365.503	281.452
Adjustment to goodwill provisionally accounted	(38.091)	-
1 January restated	327.412	281.452
Additions (Note 3)	4.294	86.233
Change in scope of consolidation	1.909	-
Impairment	-	(4.891)
Currency translation differences	-	2.709
31 December	333.615	365.503

Impairment tests for goodwill

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

	2008
Cement	188.132
Retail	119.162
Tire and tire reinforcements	26.321
Total	333.615

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

Assumptions used for value in use calculations are as follows:

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

(*) Budgeted gross margin

(**) Weighted average growth rates used to extrapolate cash flows beyond the budget period

(***) After tax discount rate applied to the cash flow projections

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

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NOTE 16 - CONTINGENT ASSETS AND LIABILITIES

Commitments - Banking segment	2008	2007
Letters of guarantee issued	4.358.166	3.415.879
Letters of credits	1.658.597	1.075.048
Foreign currency acceptance credits	65.349	46.857
Total	6.082.112	4.537.784

Commitments - Non-banking segments

Letters of guarantee issued	541.872	483.426
Other guarantees issued	352.285	308.405
Total	894.157	791.831

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2008 and 2007 are as follows:

	2008	2007
Repurchase commitments	8.716.962	4.853.945
Resale commitments	-	3

Commitments to forward currency purchase/sale and swap transactions:

Derivatives held for trading

	2008	2007
Currency purchases		
EUR	135.029	50.176
TL	106.035	67.201
USD	102.696	19.012
GBP	1.641	-
JPY	-	49.278
Total	345.401	185.667

Currency sales		
TL	169.421	64.442
EUR	69.497	91.729
USD	92.853	18.750
Other	2.574	267
Total	334.345	175.188

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NOTE 16 - CONTINGENT ASSETS AND LIABILITIES (Continued)

	2008	2007
Money swap purchases		
EUR	2.292.266	1.711.827
GBP	733.837	505.556
USD	296.070	72.440
TL	62.388	72.669
CHF	32.964	27.810
Other	78.378	103.940
Total	3.495.903	2.494.242
Money swap sales		
USD	3.149.641	1.605.084
TL	115.633	75.165
EUR	229.975	759.084
JPY	7.326	23.008
GBP	-	21.062
Other	203	6.023
Total	3.502.778	2.489.426
	2008	2007
Interest rate swap purchases		
EUR	1.046.140	1.001.478
USD	484.742	1.321.642
TL	-	1.965.000
CHF	-	1.450
Total	1.530.882	4.289.570
Interest rate swap sales		
EUR	1.045.823	1.001.394
USD	485.059	1.321.717
TL	-	1.965.000
CHF	-	1.457
Total	1.530.882	4.289.568
	2008	2007
Spot purchases	170.389	210.947
Spot sales	170.360	211.081
Money options purchases	520.613	388.882
Money options sales	520.894	392.841

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NOTE 16 - CONTINGENT ASSETS AND LIABILITIES (Continued)

	2008	2007
Futures purchases	18.037	27.577
Futures sales	17.559	26.104

Derivatives held for hedging:

Interest swap purchases	4.302.679	-
Interest swap sales	4.302.679	-

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

	Up to 1 year	Over 1 year	Total
Letters of guarantees	451.117	3.907.049	4.358.166
Letters of credits	1.049.942	608.655	1.658.597
Acceptance credits	51.495	13.854	65.349
Total	1.552.554	4.529.558	6.082.112

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

	Up to 1 year	Over 1 year	Total
Letters of guarantees	399.820	3.016.059	3.415.879
Letters of credits	707.006	368.042	1.075.048
Acceptance credits	40.563	6.294	46.857
Total	1.147.389	3.390.395	4.537.784

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NOTE 16 - CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	2008	2007
Financial institutions	1.300.637	807.306
Wholesale	789.193	563.212
Small-scale retailers	650.890	668.232
Chemicals	636.539	585.638
Construction	617.794	369.846
Steel and mining	585.085	366.202
Electricity, gas and water	234.610	37.210
Other manufacturing	208.411	102.438
Agriculture and forestry	179.831	119.827
Food and beverage	175.894	108.324
Electronics	170.364	209.615
Automotive	90.947	93.613
Transportation	83.405	73.794
Textile	62.169	52.052
Tourism	43.455	32.218
Telecommunications	6.453	25.928
Other	246.435	322.329
Total	6.082.112	4.537.784

NOTE 17- PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2008, the amount payable consists of one month’s salary limited to a maximum of TL 2,2 (2007: TL 2,1) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above.

The liability is not funded, as there is no funding requirement.

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

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

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NOTE 17- PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2008	2007
Balances at 1 January	147.961	150.298
Business acquisitions	-	606
Change in scope of consolidation	324	918
Establishment of subsidiary	-	139
Disposal of subsidiary	(7.816)	-
Transfer to non-current assets held for sale	-	(5.972)
Payments during the period	(47.389)	(30.674)
Charge for the period	45.531	32.646
Actuarial income	(1.420)	-
31 December	137.191	147.961

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

	2008	2007
Discount rate (%)	6,26	5,71
Turnover rate to estimate the probability of retirement (%)	98	99

NOTE 18 - OTHER CURRENT ASSETS AND SHORT TERM LIABILITIES

Other Current Assets:	2008	2007
Prepaid expenses and prepayments	339.061	92.322
Inventory advances given	165.635	-
Deductible Value Added Tax ("VAT")	128.273	80.960
Income accrual	20.465	13.955
Job and salary advances given	13.318	7.435
Total	666.752	194.672

Other Current Liabilities:

Expense accruals	215.342	214.629
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NOTE 19 - EQUITY

The Holding's authorised and issued capital consists of 180.000.000.000 (2007: 180.000.000.000) shares of Kr 1 each.

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

Shareholders:	Share (%)	2008	Share (%)	2007
Sabancı family members (*)	61,40	1.105.217	61,31	1.103.566
Public quotation	21,55	387.835	21,64	389.486
Sakıp Sabancı Holding A.Ş.	14,81	266.578	14,81	266.578
Sabancı University	1,62	29.150	1,62	29.150
H.Ö. Sabancı Foundation	<1	11.220	<1	11.220
Share capital	100,00	1.800.000	100,00	1.800.000
Share premium	21.670			21.670

(*) On 10 February 2009, some Sabancı Family members registered their shares with 15,89% percentage to ISE and the public quotation percentage has increased to 37,44%.

Restricted Reserves

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

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

	2008	2007
Legal reserves	218.898	196.900
Investments sales income	38.919	18.578
Total	257.817	215.478

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

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NOTE 19 - EQUITY (Continued)

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

Public companies distribute dividends according to CMB regulations as follows:

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

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

- “if the difference is arising due to the inflation adjustment of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment to Share Capital”;
- “if the difference is due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under “Retained Earnings”;

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

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

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NOTE 19 - EQUITY (Continued)

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

	2008	2007
Capital	1.800.000	1.800.000
Share premium	21.670	21.670
Restricted reserves	257.817	215.478
Adjustment to capital	3.426.761	3.426.761
Net income for the period	1.188.559	969.487
Retained earnings	3.031.365	2.264.627
Total shareholders' equity subject to dividend distribution	9.726.172	8.698.023
Translation reserve	(75.359)	(215.298)
Value increase funds	(93.842)	68.108
Shareholders' equity	9.556.971	8.550.833

NOTE 20 - DISCONTINUED OPERATIONS

Carrefoursa, a joint venture of the Holding, classified Bayrampaşa Hypermarket and Mall and Maltepe Mall as non-current assets held for sale in the balance sheet as of 31 December 2008. Carrying amount of these assets in the consolidated balance sheet of the Group as of 31 December 2008 is TL 72.048 (2007: TL 112.421). The Group made provision, amounting to TL 15.561 (2007: TL 21.537) for the possible loss as a result of sales of Bayrampaşa Hypermarket and Mall and Maltepe Mall in the consolidated financial statements.

The Holding sold its 50,12% share in Bossa, a subsidiary of Group, on 22 October 2008 to Akkardan Sanayi ve Ticaret A.Ş.. Loss which occurred as a result of sale transaction, amounting to TL 29,699 is included in other expenses in the consolidated statement of income (Note 23).

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

Revenues	328.775
Expenses	(304.045)
Profit before taxation	24.730
Taxation	(3.803)
Net income for the period	20.927

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NOTE 20 - DISCONTINUED OPERATIONS (Continued)

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

Assets	363.030
Cash and cash equivalents	38.683
Trade receivables	72.706
Inventories	56.927
Property, plant and equipment and intangible assets	191.010
Other current assets	1.596
Deferred income tax asset	2.108
Liabilities	71.437
Financial liabilities	31.759
Trade payables	13.426
Other liabilities	5.225
Provision for employment termination benefit	7.816
Deferred income tax liability	13.211
Minority interests	145.447
Net Assets	146.146
The Holding signed an agreement with Bekaert Iberica Holding S.L on 23 May 2008 to sell its 49,99% share in Beksa. Share transfer is completed on 24 July 2008 (Note 23)	
The summary income statement of Beksa for the period 1 January-27 July 2008 is as follows	
Revenues	38.402
Expenses	(34.706)
Profit before taxation	3.696
Taxation	(2.143)
Net income for the period	1.553

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NOTE 20 - DISCONTINUED OPERATIONS (Continued)

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

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

The Holding signed an agreement with MGS Marmara Gıda Sanayi ve Ticaret A.Ş on 14 August 2007 to sell its 99.65% share in Gıdasa. In accordance with the agreement, sale transaction was completed after the grant of necessary permissions on 3 March 2008. Loss which occurred as a result of the sale transaction, amounting to TL 8.844 is included in the consolidated statements of income (Note 23).

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

Revenues	76.737
Expenses	(66.605)
Profit before taxation	10.132
Taxation	(1.718)
Net income for the period	8.414

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NOTE 20 - DISCONTINUED OPERATIONS (Continued)

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

Assets	288.671
Cash and cash equivalents	1.597
Trade receivables (net)	59.343
Inventories (net)	56.012
Other current assets	23.911
Property, plant and equipment (net)	140.272
Intangible assets (net)	7.440
Financial assets	96
Liabilities	286.141
Financial liabilities	165.508
Trade payables (net)	69.315
Other liabilities	23.556
Provision for employment termination benefit	3.488
Provision for discontinued operations	20.227
Deferred income tax liability	4.047
Net assets	2.530

The Holding signed an agreement with Wavin B.V. located in Netherland on 21 November 2007 to sell its 51,23% share in Pilsa. Sale transaction was completed on 10 January 2008, in consideration of USD 41 million, collected in cash. Gain which occurred as a result of this transaction, amounting to TL 7.096 is included in the consolidated statements of income (Note 23).

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

Assets	134.494
Cash and cash equivalents	36.562
Trade receivables (net)	43.493
Inventories (net)	20.785
Property, plant and equipment and intangible assets (net)	31.621
Deferred income tax asset	560
Other assets	1.473
Liabilities	46.570
Financial liabilities	14.318
Trade payables (net)	12.999
Other liabilities	13.296
Deferred income tax liability	5.957
Net assets	87.924
Minority interests	42.880

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NOTE 21 - REVENUE

	2008	2007
Finance	12.260.130	10.859.705
Non-finance	7.536.619	7.522.733
Total	19.796.749	18.382.438

NOTE 22 - EXPENSES BY NATURE

Research and development expenses:

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

	2008	2007
Personnel costs	9.386	6.226
Depreciation and amortisation	1.299	432
Energy expenses	322	248
Repair and maintenance expenses	122	2.618
Insurance expenses	37	45
Communication expenses	31	48
Other	8.196	8.316
Total	19.393	17.933

Marketing, selling and distribution expenses:

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

	2008	2007
Personnel costs	115.659	91.207
Advertisement expenses	95.230	102.209
Rent expense	59.299	47.091
Transportation, logistics and distribution expenses	50.953	51.281
Depreciation and amortisation	20.618	14.679
Consultancy expenses	9.307	8.786
Energy expenses	7.502	4.621
Communication expenses	3.684	3.154
Insurance expenses	2.024	1.720
Outsourced services	2.225	2.020
Other	189.444	197.282
Total	555.945	524.050

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NOTE 22 - EXPENSES BY NATURE (Continued)

General and administrative expenses:

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

	2008	2007
Personnel costs	1.135.503	878.861
Credit card and banking service expense	344.431	273.822
Depreciation and amortisation	158.749	151.928
Repair and maintenance expenses	130.606	87.919
Communication expenses	114.970	92.786
Taxes and duties	113.844	103.007
Consultancy expenses	100.247	57.109
Insurance expenses	77.191	55.556
Rent expenses	49.780	41.596
Energy expenses	34.159	25.906
Outsourced services	25.845	19.488
Transportation, logistics and distribution expenses	3.315	2.388
Other	579.404	518.364
Total	2.868.044	2.308.730

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

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

31 December 2008

On 28 January 2008, Carrefoursa, a joint venture of the Holding, sold Merter Mall Project which was classified as non-current assets held for sale in the balance sheet as of 31 December 2007 to joint venture of MultiTurkmall GYO Yatırım İnşaat and Ticaret A.Ş. and Apollo Real Estate for a consideration of TL 464,3 million and as a result of this transaction, fixed asset sales income amounting to TL 318,7 million has been generated. Share of income of the Group is TL 123.578

Other income related to provisions reversed and recoveries from prior year's expense for the year ended 31 December 2008 is TL 131.727.

Group sold its all 50,12% share in Bossa on 22 October 2008 to Akkardan Sanayi ve Ticaret A.Ş. for a consideration of TL 116.447 and as a result of the sale transaction, loss amounting to TL 29.699 has been incurred.

Group sold its 49,99% share in Beksa to Bekaert Iberica Holding S.L on 24 July 2008 for a consideration of Euro 39,4 million and as a result of this transaction, gain amounting to TL 22,054 has been generated.

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NOTE 23 - OTHER OPERATING INCOME/EXPENSES AND GAINS/LOSSES (Continued)

31 December 2007

Group has incurred share sales income amounting to TL 127.914 from the sales of Ak Emeklilik shares and TL 83.596 from the sales of Enerjisa sales for the year ended 31 December 2007.

Group has determined impairment on property, plant and equipment and intangible assets amounting to TL 47.466 for the year ended 31 December 2007 and included this amount as an impairment loss under other expenses.

Group has liquidated Sabank, its subsidiary in the year 2007 and has incurred loss amounting to TL 23.639 as a result of this liquidation. At 31 December 2008, Gıdasa, a subsidiary of Group, is classified under non-current assets held for sale and the difference between Gıdasa's carrying amount and the potential sale price at the same date is calculated as TL 20.311 and this amount is included as an impairment loss under other expenses.

NOTE 24 - FINANCIAL INCOME/EXPENSES

	2008	2007
Financial income		
Foreign exchange income	350.383	355.678
Interest income	108.245	56.960
Other	14.529	10.572
Total	473.157	423.210
Financial expense		
Foreign exchange losses	394.922	450.914
Interest expense	131.430	84.404
Other financial expenses	15.630	42.342
Total	541.982	577.660

Financial expenses relate to segments other than banking.

NOTE 25 - TAX ASSETS AND LIABILITIES

	2008	2007
Corporate and income taxes payable	423.428	693.925
Less: prepaid taxes	(339.588)	(501.070)
Total taxes payable	83.840	192.855

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The corporation tax rate of the fiscal year 2008 is 20% (2007: 20%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on an investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses can not be carried back to offset profits from previous periods.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Group are as follows:

Exemption for participation in subsidiaries

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

Preferential right certificate sales and issued premiums exemption

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Exemption for participation into foreign subsidiaries

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

Exemption for sale of participation shares and property

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

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

Exemption for investment allowance

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

- a) investment started after 1 January 2006, within the scope of investment incentive share certificates granted prior to 24 April 2003 in accordance with the appendices 1, 2, 3, 4, 5 and 6 of Income Tax Law numbered 193 prior to the change with the law numbered 4842 dated 9 April 2003,
- b) investment allowances being granted before 1 January 2006, which presents an economic and technical integrity with the investments, in accordance with the Income Tax Law numbered 193 abolished article No.19 of Corporate Income Tax Law numbered 193,

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

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

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	2008	2007
Profit before tax	2.465.332	2.675.648
Expected tax charge according to parent company's tax rate %20 (2007: %20)	493.067	540.298
Tax rate differences of subsidiaries	11.230	2.900
Expected tax charge of the Group	504.297	543.198
Disallowable expenses	51.420	121.669
Other tax exempt income	(139.274)	(44.307)
Dividend income	(16.032)	(35.603)
Lump expense provision	3.008	-
Tax correction for previous periods	(224.709)	(270.001)
Investment sale exemptions	(30.054)	(511)
Other	24.267	29.772
Current year tax charge of the Group	172.923	344.217

Akbank has filed three lawsuits the total of which is TL 754.303 against the Ministry of Finance regarding the correction of corporate tax paid in 2001, 2002, and 2003 with reference to the provision "Legal and optional reserves and losses subject to decrease of capital, shall be offset against tax base in determination of income of the banks in the framework of principles specified in the paragraph 7 of article 14 of the repealed Corporate Tax Law 5422" in the financial statements dated 31 December 2001, in accordance with the temporary article 4, added by the Law No.4743 to the Banking Law No.4389, which was annulled on 1 November 2005.

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

Accordingly, Akbank resigned from the lawsuits described in the first paragraph, as the result of the calculations, total amount of receivables of Akbank from the Ministry of Finance related to those lawsuits has been confirmed as TL 494.710. The remaining amount amounting to TL 224.709 after deducting the amount of TL 270.001 which was offset against other tax debts is offset against current income tax.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Deferred income taxes

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

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

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

	2008		2007	
	Cumulative temporary difference	Deferred income tax assets/ (liabilities)	Cumulative temporary difference	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment and intangible assets	(43.806)	7.347	(39.188)	8.332
- Inventories	(44.875)	9.305	(37.018)	7.530
Provision for loan losses	(477.363)	95.473	(293.625)	58.725
Provision for employment termination benefits	(101.252)	21.224	(122.752)	25.965
Expense accruals	(111.768)	22.353	(76.305)	15.261
Provision for law suits	(23.459)	4.692	(41.398)	8.309
Carry forward tax losses	(88.421)	19.141	(37.121)	8.158
Other temporary differences (*)	(640.664)	128.170	(90.597)	18.447
Deferred income tax assets		307.705		150.727
Deferred income tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment and intangible assets	724.737	(155.533)	725.434	(167.177)
- Inventories	6.329	(1.266)	2.639	(527)
Reversal of country risk provision	141.453	(42.437)	99.360	(39.744)
Valuation difference on investment securities	-	-	14.396	(2.875)
Deferred financing charges	23.768	(4.754)	5.289	(1.058)
Other temporary differences	154.051	(32.217)	63.715	(13.211)
Deferred income tax liabilities		(236.207)		(224.592)
Deferred income tax assets/(liabilities), net		71.498		(73.865)

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

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NOTE 25 - 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:	2008	2007
To be recovered after one year	116.989	65.499
To be recovered within one year	190.716	85.228
Total	307.705	150.727
Deferred income tax liabilities:	2008	2007
To be recovered after more than one year	179.840	160.961
To be recovered within one year	56.367	63.631
Total	236.207	224.592

At 31 December 2008 the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TL 191.020 which can be offset against future taxable profits for a period of five years. The amount of the carry forward tax losses and the last fiscal periods that they can be utilized as of 31 December 2008 is presented below:

2009	11.167
2010	69.750
2011	9.999
2012	46.545
2013	53.559
Total	191.020

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

	2008	2007
Balances at 1 January	(73.865)	(81.364)
Allocated to derivative instruments for hedging purposes	32.694	-
Effect of change in scope of consolidation	(726)	20.777
Business combinations	-	(16.442)
Transfer to revaluation fund	-	819
Establishment of subsidiary	-	572
Effect of currency translation	(480)	8.462
Transfer to non-current assets held for sale	11.103	(19.607)
Charged to statement of income	102.772	12.918
Balances at 31 December	71.498	(73.865)

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NOTE 26 - DERIVATIVE FINANCIAL INSTRUMENTS

2008	Fair Value	
	Asset	Liability
Derivatives held for trading:		
Foreign exchange derivatives		
Currency and interest rate swaps purchases and sales	43.014	(81.656)
Forward currency purchases and sales	18.774	(11.849)
Currency and interest rate futures purchases and sales	8.717	(2.928)
Currency options purchases and sales	12.563	(9.804)
Total over-the-counter derivatives	83.068	(106.237)
Derivatives held for hedging:		
Interest rate swap purchases and sales	-	(208.068)
Total derivatives held for trading	83.068	(314.305)
2007		
Derivatives held for trading:	Asset	Liability
Foreign exchange derivatives		
Currency and interest rate swaps purchases and sales	46.128	(92.177)
Forward currency purchases and sales	10.498	(5.637)
Currency and interest rate futures purchases and sales	20.243	(2.996)
Currency options purchases and sales	4.413	(4.781)
Total over-the-counter derivatives	81.282	(105.591)
Derivatives held for hedging:		
Interest rate swap purchases and sales	-	-
Total derivatives held for trading	81.282	(105.591)

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NOTE 27 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

	2008	2007
Loans and advances to customers		
Consumer loans and credit cards receivables	14.596.985	12.549.666
Small-scale enterprises	3.874.023	3.350.936
Construction	3.543.472	2.053.527
Financial institutions	3.218.978	3.058.770
Other manufacturing industries	2.487.669	1.992.545
Chemicals	2.104.951	1.102.932
Mining	2.021.510	1.391.498
Food and beverage, wholesale and retail	1.528.982	1.358.464
Telecommunication	1.462.301	355.305
Project finance loans	1.123.847	2.434.204
Health care and social services	981.731	449.819
Agriculture and forestry	747.547	760.626
Tourism	723.841	196.671
Textile	713.567	573.772
Automotive	622.847	642.714
Electronics	616.085	581.826
Other	8.015.417	6.406.147
	48.383.753	39.259.422
Non-performing loans	1.138.867	1.007.628
Total loans and advances to customers	49.522.620	40.267.050
Allowance for loan losses	(1.601.038)	(1.301.253)
Net loans and advances to customers	47.921.582	38.965.797

Effective interest rates of USD, EUR and TL denominated loans and advances to customers are 4,81% p.a. (2007: 6,49% p.a.), 6,76% p.a. (2007: 5,90% p.a.) and 21,76% p.a. (2007: 21,13% p.a.), respectively.

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

	Corporate	Commercial	Total
Balance at 1 January 2008	691.209	610.044	1.301.253
Gross provisions	883.356	551.982	1.435.338
Recoveries	(260.585)	(313.598)	(574.183)
Written - off	(285.346)	(276.054)	(561.400)
Currency translation differences	30	-	30
31 December 2008	1.028.664	572.374	1.601.038

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NOTE 27 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

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

	Corporate	Commercial	Total
Balance at 1 January 2007	357.092	430.015	787.107
Gross provisions	471.827	466.014	937.841
Recoveries	(116.721)	(237.312)	(354.033)
Written - off	(20.610)	(48.673)	(69.283)
Currency translation differences	(379)	-	(379)
31 December 2007	691.209	610.044	1.301.253

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

	2008	2007
Up to 3 months	17.034.658	15.226.822
3 to 12 months	13.383.088	10.228.672
Current	30.417.746	25.455.494
1 to 5 years	13.664.206	10.981.329
Over 5 years	3.839.630	2.528.974
Non current	17.503.836	13.510.303
Total	47.921.582	38.965.797

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

	2008	2007
Up to 3 months	26.190.827	20.121.877
3 to 12 months	15.072.165	12.285.621
1 to 5 years	5.868.245	5.816.734
Over 5 years	790.345	741.565
Total	47.921.582	38.965.797

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NOTE 27 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

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

Financial lease receivables:	2008	2007
Gross investment in finance leases	1.124.640	779.730
Less: unearned finance income	(178.914)	(118.585)
Total investment in finance leases	945.726	661.145
Less: provision for impairment	(34.911)	(9.985)
Net investment in finance leases	910.815	651.160

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

	2008	2007
Up to 1 year	365.997	318.478
1 to 5 year	448.890	321.048
Over 5 years	95.928	11.634
Total	910.815	651.160

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

b) Insurance

	2008	2007
Receivables from insurance operations (net)	298.023	288.470

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NOTE 28 - PAYABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

	2008			2007		
	Demand	Time	Total	Demand	Time	Total
Savings deposits	4.610.084	32.811.307	37.421.391	3.307.696	26.768.405	30.076.101
Commercial deposits	3.136.227	10.261.805	13.398.032	2.778.315	5.615.589	8.393.904
Bank deposits	376.928	3.472.304	3.849.232	153.252	1.786.712	1.939.964
Funds deposited under repo transactions	-	8.593.372	8.593.372	-	4.780.933	4.780.933
Other	373.930	1.197.069	1.570.999	952.182	1.326.385	2.278.567
Total	8.497.169	56.335.857	64.833.026	7.191.445	40.278.024	47.469.469

Effective interest rates of USD, EUR and TL denominated customer deposits are 4,59% p.a. (2007: 3,86% p.a.), 4,52 % p.a. (2007: 3,40% p.a.) and 16,76% p.a. (2007: 14,97% p.a.), respectively.

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

	2008	2007
Demand	8.516.015	7.191.445
Up to 3 months	52.747.296	37.527.274
Between 3 and 12 months	3.012.102	2.179.855
Between 1 and 5 years	332.763	398.258
Over 5 years	224.850	172.637
Total	64.833.026	47.469.469

b) Insurance

	2008	2007
Payables from insurance operations (net)	65.281	32.599
Insurance technical reserves	727.375	581.677
Total	792.656	614.276

NOTE 29 - MUTUAL FUNDS

At 31 December 2008, the Group manages 21 (2007: 18) mutual funds ("Funds") and 19 pension funds which were established under Capital Markets Board Regulations. At 31 December 2008, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of TL 4.815.568 (2007: TL 4.548.184). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates, provides other services and charges management fees ranging from 0,000275% - 0,001375%. At 31 December 2008, management fees and commissions earned by the Group amounted to TL 165.503 (2007: TL 117.748).

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NOTE 30 - EARNINGS PER SHARE

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

	2008	2007
Earnings per share in full TL		
- ordinary share ('000)	6,41	5,22
Weighted average number of shares with TL 0,01 face value each		
- ordinary shares	180.000.000.000	180.000.000.000

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

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

	Sabancı Foundation share	Ordinary shares	Total
1 January - 31 December 2008	35.657	1.152.902	1.188.559
1 January - 31 December 2007	29.085	940.402	969.487

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

In the year ended 31 December 2008, Bossa purchased usufruct shares for TL 3.096.

In the year ended 31 December 2008, Pilsa and Kordsa purchased usufruct shares for TL 6.557 and TL 14.532, respectively.

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NOTE 31 - RELATED PARTY DISCLOSURES

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

Due from related parties:	2008	2007
Brisa	2.961	3.143
Enerjisa	2.928	58
Carrefoursa	1.564	187
Avivasa	1.025	316
Akçansa	499	540
Diasa	271	49
Olmuksa	231	341
Other	4.224	7.066
Total	13.703	11.700

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

Due to related parties:	2008	2007
Enerjisa	2.059	4.542
Brisa	1.825	5.076
ETS	147	-
Olmuksa	109	187
Other	904	1.235
Total	5.044	11.040

Key management personnel compensation:

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

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

	2008	2007
Short term benefits	17.620	17.245
Benefits resulted from discharge	143	899
Other long term benefits	226	210
Total	17.989	18.354

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NOTE 32 - FINANCIAL RISK MANAGEMENT

32.1 Financial Instruments and Financial risk management

32.1.1 Financial risk management

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

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

32.1.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position. The Group aims to lower foreign exchange risk arising from assets and liabilities by using swap and forward derivative instruments.

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

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

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

	2008	2007
Assets	43.374.822	29.809.256
Liabilities	(43.288.253)	(29.779.885)
Net foreign currency balance sheet position	86.569	29.371
Net foreign currency position of off-balance sheet derivative financial instruments	62.121	(9.333)
Net foreign currency balance sheet and off-balance sheet position	148.690	20.038

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

2008

	Total TL	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	7.667.184	3.033.280	4.350.259	167.995	115.650
Financial assets	8.930.994	6.032.794	2.898.200	-	-
Receivables from financial operations	24.333.846	16.665.122	7.590.803	24.019	53.902
Reserve deposits at Central Bank	1.648.902	248.527	1.400.375	-	-
Trade receivables	665.812	221.279	392.131	14.168	38.234
Other current assets	128.084	38.648	32.297	12.661	44.478
Other non-monetary receivables and assets	-	-	-	-	-
Total Assets	43.374.822	26.239.650	16.664.065	218.843	252.264
Liabilities:					
Funds borrowed and debt securities in issue	13.546.202	7.309.092	6.148.923	14.253	73.934
Customer deposits	28.912.793	15.211.013	12.621.544	873.684	206.552
Trade payables	518.314	130.544	185.589	1.732	200.449
Other payables and provisions	310.944	164.279	107.546	5.602	33.517
Other non-monetary payables and liabilities	-	-	-	-	-
Total Liabilities	43.288.253	22.814.928	19.063.602	895.271	514.452
Net foreign currency position of off-balance sheet derivative financial instruments	62.121	(2.887.549)	2.108.027	738.685	102.958
Net foreign currency position	148.690	537.173	(291.510)	62.257	(159.230)
Net foreign currency monetary position	148.690	537.173	(291.510)	62.257	(159.230)
Total import	1.408.364				
Total export	2.317.020				

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

2007

	Total TL	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	3.121.479	1.006.782	2.015.462	45.106	54.129
Financial assets	9.085.596	6.895.18	2.190.415	-	-
Receivables from financial operations	15.316.907	9.666.557	5.581.617	26.165	42.568
Financial instruments-Assets	46.882	28.891	17.991	-	-
Reserve deposits at Central Bank	1.545.654	-	1.545.654	-	-
Trade receivables	570.402	190.310	287.179	54.196	38.716
Other current assets	122.336	19.580	71.415	3.026	28.316
Other non-monetary receivables and assets	-	-	-	-	-
Total Assets	29.809.256	17.807.301	11.709.733	128.493	163.729
Liabilities:					
Funds borrowed and debt securities in issue	10.467.730	6.215.537	4.187.420	11.844	52.928
Customer deposits	18.684.840	9.831.632	8.130.777	556.830	165.601
Trade payables	339.001	95.512	180.400	16.642	46.446
Other payables and provisions	239.566	99.963	97.595	7.052	34.955
Financial instruments-liabilities	48.751	19.658	29.093	-	-
Other non-monetary payables and liabilities	-	-	-	-	-
Total Liabilities	29.779.885	16.262.302	12.625.286	592.369	299.930
Net foreign currency position of off-balance sheet derivative financial instruments	(9.333)	(1.453.798)	789.723	492.446	162.296
Net foreign currency position	20.038	91.201	(125.829)	28.571	26.095
Net foreign currency monetary position	20.038	91.201	(125.829)	28.571	26.095
Total import	1.680.450				
Total export	2.550.097				

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

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

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

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
2008				
Change in USD against TL by 10%				
USD net assets/liabilities	26.538	(26.538)	-	-
Hedged items	-	-	-	-
USD net effect	26.538	26.538	-	-
Change in EUR against TL by 10%				
EUR net assets/liabilities	(1.458)	1.458	-	-
Hedged items	-	-	-	-
EUR net effect	(1.458)	1.458	-	-
Change in GBP against TL by 10%				
GBP net assets/liabilities	4.522	(4.522)	-	-
Hedged items	-	-	-	-
GBP net effect	4.522	(4.522)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(19.020)	19.020	-	-
Hedged items	-	-	-	-
Other currency net effect	(19.020)	19.020	-	-
	10.582	(10.582)	-	-
2007				
Change in USD against TL by 10%				
USD net assets/liabilities	5.408	(5.408)	-	-
Hedged items	-	-	-	-
USD net effect	5.408	(5.408)	-	-
Change in EUR against TL by 10%				
EUR net assets/liabilities	(2.678)	2.678	-	-
Hedged items	-	-	-	-
EUR net effect	(2.678)	2.678	-	-
Change in GBP against TL by 10%				
GBP net assets/liabilities	4.593	(4.593)	-	-
Hedged items	-	-	-	-
GBP net effect	4.593	(4.593)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(2.983)	2.983	-	-
Hedged items	-	-	-	-
Other currency net effect	(2.983)	2.983	-	-
	4.340	(4.340)	-	-

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

32.1.1.2 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. During 2008 and 2007, the Group's borrowings at variable rate are denominated in TL, USD, EUR and GBP.

The interest rate risk of Group companies other than that of the banking segment for the years ended 31 December 2008 and 2007 is summarized below as follows:

	2008	2007
Fixed interest rate financial instruments		
Financial liabilities	543.360	327.268
Floating interest rate financial instruments		
Financial assets	307.690	12.756
Financial liabilities	584.420	283.307

Group composed various scenarios for borrowings issued at variable rates taking into account hedging position, alternative funding and renew state of positions. According to these scenarios:

At 31 December 2008, if the annual interest rate on TL denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL 2.399 (2007: TL 1.579) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2008, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL 1.969 (2007: TL 1.137) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2008, if the annual interest rate on EUR denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TL 1.735 (2007: TL 2.097) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

32.1.1.3 Liquidity Risk

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

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

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

Other industrial segments:

The table below depicts the cash outflows the Group companies other than that of the banking segment will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Group performs its liquidity risk management by considering expected non-discounted cash flows.

As of 31 December 2008 and 2007 the contractual cash flows of the non-derivative financial liabilities of the Group companies other than that of the banking segment are as follows:

2008⁽¹⁾⁽²⁾	Book value	Contractual cash flows	Up to 3 months	3- 12 months	1- 5 years	Over 5 years
Financial liabilities	1.120.797	1.149.014	413.992	315.188	286.185	133.649
Financial lease obligations	6.983	3.777	1.008	1.225	1.544	-
Trade payables	1.004.108	1.003.041	973.316	29.725	-	-
Other payables	120.507	116.143	72.770	34.400	8.731	242
	2.252.395	2.271.975	1.461.086	380.538	296.460	133.891

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

2007 ⁽¹⁾⁽²⁾	Book value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	603.592	619.501	236.095	136.520	244.319	2.567
Financial lease obligations	6.983	4.768	171	512	4.085	-
Trade payables	931.057	824.083	799.464	24.619	-	-
Other payables	120.037	112.137	63.983	23.698	24.456	-
	1.661.669	1.560.489	1.099.713	185.349	272.860	2.567

(1) Maturity analysis is performed for only financial assets. Legal obligations are not considered in the analysis.

(2) The aforementioned cash flows are contractual and non-discounted amounts. Since, discounted amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the book value.

The maturity analysis of the non derivative financial liabilities of Group companies other than that of the banking segment for the periods ended 31 December 2008 and 2007 is summarized below:

2008	Book value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	100	104	8	96	-	-
Trade payables	146.184	146.162	143.305	2.857	-	-
Other liabilities	8.513	8.513	246	8.229	38	-
	154.797	154.779	143.559	11.182	38	-
2007	Book value	Contractual cash flows	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	8.215	8.215	8.215	-	-	-
Trade payables	142.875	142.875	139.991	2.884	-	-
Other liabilities	12.315	12.315	-	5.278	7.037	-
	163.405	163.405	148.206	8.162	7.037	-

32.1.1.4 Credit Risk

Other industrial segments

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

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

The credit risks of the financial instruments of Group companies other than that of the banking segment for the years ended 31 December 2008 and 2007 is summarized below as follows:

2008	Trade receivables	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D) (1)	1.095.533	32.242	425.980	2.871
Collateralized or secured with guarantees part of maximum credit risk	497.272	-	-	2.847
A. Neither past due nor impaired	983.591	23.578	353.316	2.871
B. Restructured				
Otherwise accepted as past due and impaired	42.687	-	-	-
C. Past due but not impaired	78.663	6.183	6.288	-
Guaranteed amount by commitment	7.278	-	-	-
D. Impaired assets				
net book value	804	-	-	-
- Past due (Gross amount)	30.245	7	-	-
- Impairment (Note 8)	(29.441)	(7)	-	-
- Net value				
Collateralized or guaranteed part of net value	2.255	-	-	-
2007	Trade receivables	Other receivables	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D) (1)	1.194.738	30.343	77.276	305
Collateralized or secured with guarantees part of maximum credit risk	159.686	-	-	305
A. Neither past due nor impaired	950.710	21.964	73.779	305
B. Restructured				
Otherwise accepted as past due and impaired	170.241	-	-	-
C. Past due but not impaired	72.465	8.382	3.467	-
Guaranteed amount by commitment	5.663	-	-	-
D. Impaired assets				
net book value	1.322	-	-	-
- Past due (Gross amount)	29.024	7	-	-
- Impairment (Note 8)	(27.702)	(7)	-	-
- Net value				
Collateralized or guaranteed part of net value	2.455	-	-	-

(*) Tax and other legal receivables are not included.

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

Banking industrial segment

Credit risk of the banking industrial segment is the risk that the counterparties of Akbank may be unable to meet the terms of their agreements. Akbank monitors this risk by reference to credit risk ratings and by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements.

When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

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

Rescheduled or restructured loans are followed in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

Akbank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

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

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

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

The default probabilities of counterparties are calculated by using scoring tools tailored to various categories of counterparty and are derived credit rating for corporate and commercial, SME, consumer and credit card loan portfolios.

Scoring systems calculate the risk of default for different types of customers and form different rating systems. The rating tool concentration by risk classes are as follows

	2008	2007
Above average	%6,34	%31,66
Average	%43,62	%49,98
Below average	%17,61	%13,90
Unrated	%2,43	%4,46

The credit risks of the corporate loans, consumer loans and credit cards and financial lease receivables given by rating system for the period ended 31 December 2008 is summarized below as follows:

2008	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Standard loans	32.136.163	12.599.851	889.349	45.625.363
Close monitoring loans	1.797.393	1.850.346	17.416	3.665.155
Loans under follow up	702.639	436.228	38.961	1.177.828
Total	34.636.195	14.886.425	945.726	50.468.346
Provisions	(1.028.664)	(572.374)	(34.911)	(1.635.949)
	33.607.531	14.314.051	910.815	48.832.397

The credit risks of the corporate loans, consumer loans and credit cards and financial lease receivables given by rating system for the period ended 31 December 2007 is summarized below as follows:

2007	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Standard loans	25.654.604	11.789.207	590.944	38.034.755
Close monitoring loans	953.145	862.466	56.586	1.872.197
Loans under follow up	526.434	481.194	13.615	1.021.243
Total	27.134.183	13.132.867	661.145	40.928.195
Provisions	(658.025)	(643.228)	(9.985)	(1.311.238)
	26.476.158	12.489.639	651.160	39.616.957

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

The aging analysis of the loans under close monitoring for the year ended 31 December 2008 are as follows:

2008	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Past due up to 1 month	1.340.597	1.287.556	5.800	2.633.953
Past due 1 - 2 months	288.456	403.017	3.774	695.247
Past due 2 - 3 months	168.340	159.773	2.327	330.440
Leasing payment receivables (uninvoiced)	-	-	5.515	5.515
	1.797.393	1.850.346	17.416	3.665.155

The aging analysis of the loans under close monitoring for the year ended 31 December 2007 are as follows:

2007	Corporate loans	Consumer loans and credit cards	Financial lease receivables	Total
Past due up to 1 month	689.030	433.745	1.367	1.124.142
Past due 1 - 2 months	167.522	316.105	3.318	486.945
Past due 2 - 3 months	96.593	112.616	1.112	210.321
Leasing payment receivables (uninvoiced)	-	-	50.789	50.789
	953.145	862.466	56.586	1.872.197

Maximum exposure to credit risk of banking industrial segment:

	2008	2007
Loans and advances to banks	5.449.849	1.572.712
Loans and advances	47.921.582	38.965.797
Consumer loans and advances	14.314.051	12.489.639
Corporate loans and advances	33.607.531	26.476.158
Financial lease receivables	910.815	651.160
Trading financial assets	160.548	4.806.452
Derivative financial instruments	80.221	81.282
Financial assets	27.853.467	20.869.792
Other assets	276.224	432.724
Total	82.652.706	67.379.919

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

The Moody's rating analysis of trading securities, available for sale financial assets and held to maturity financial assets of the banking industrial segment for the years ended for 31 December 2008 and 2007 are as follows:

2008	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	7.583	-	7.583
A1, A2, A3	-	135.992	-	135.992
Baa1, Baa2, Baa3	-	57.119	-	57.119
Ba3 (*)	160.548	7.097.121	20.548.706	27.806.375
C	-	6.946	-	6.946
Total	160.548	7.304.761	20.548.706	28.014.015

2007	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	6.072	-	6.072
A1, A2, A3	-	46.344	-	46.344
Baa1, Baa2, Baa3	-	23.260	-	23.260
Ba3 (*)	4.806.452	20.794.116	-	25.600.568
Total	4.806.452	20.869.792	-	25.676.244

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

The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2008 and 2007 are summarized as follows:

2008	Turkey	USA	EU Countries	Non EU Countries	Total
Loans and advances to banks	553.568	1.057.846	3.825.268	13.167	5.449.849
Loans and advances	46.782.628	2.502	768.491	367.961	47.921.582
Consumer loans and advances	14.314.051	-	-	-	14.314.051
Corporate loans and advances	32.468.577	2.502	768.491	367.961	33.607.531
Financial lease receivables	910.815	-	-	-	910.815
Trading assets	160.548	-	-	-	160.548
Derivative financial instruments	36.130	1.180	28.582	14.329	80.221
Available for sale financial assets	27.402.142	110	451.215	-	27.853.467
Other assets	245.133	-	31.091	-	276.224
Total	76.090.964	1.061.638	5.104.647	395.457	82.652.706

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

2007	Turkey	USA	EU Countries	Non EU Countries	Total
Loans and advances to banks	212.038	426.407	884.123	50.144	1.572.712
Loans and advances	38.092.236	11.441	405.239	456.881	38.965.797
Consumer loans and advances	12.489.639	-	-	-	12.489.639
Corporate loans and advances	25.602.597	11.441	405.239	456.881	26.476.158
Financial lease receivables 651.160 -	-	651.160	-	-	-
Trading assets	4.806.452	-	-	-	4.806.452
Derivative financial instruments	42.422	-	38.860	-	81.282
Available for sale financial assets	20.783.662	110	86.020	-	20.869.792
Other assets	380.514	-	52.210	-	432.724
Total	64.968.484	437.958	1.466.452	507.025	67.379.919

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2008 and 2007 are summarized as follows:

	Financial institutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to banks	5.449.849	-	-	-	-	-	5.449.849
Loan and advances	4.054.005	2.674.066	6.301.207	10.220.300	11.268.768	14.314.051	48.832.397
Consumer loans	-	-	-	-	-	14.314.051	14.314.051
Corporate loans	3.143.190	2.674.066	6.301.207	10.220.300	11.268.768	-	33.607.531
Financial lease receivables	910.815	-	-	-	-	-	910.815
Trading assets	9.756	150.792	-	-	-	-	160.548
Derivative financial instruments	68.990	-	-	10.538	-	693	80.221
Available for sale financial assets	300.776	27.390.315	-	-	162.376	-	27.853.467
Other assets	213.130	-	-	-	-	63.094	276.224
31 December 2008	10.096.506	30.215.173	6.301.207	10.230.838	11.431.144	14.377.838	82.652.706
31 December 2007	7.293.424	26.667.306	5.657.125	6.253.826	8.982.313	12.525.925	67.379.919

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

32.1.1.5 Value at Risk

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of Akbank, include interest rate stress testing. The results of the stress tests are reviewed by the Assets and Liabilities Committee. As at 31 December 2008 and 2007, assuming that all other variables are constant, and TL and foreign currency interest rates vary in an interval of +1% and -1%, the profit before tax and other reserves excluding tax effect of the Group would change as the following:

Change in interest rates	Impact on income		Impact on other reserves	
	2008	2007	2008	2007
(+) %1	(135,000)	(108,004)	(49,111)	(175,996)
(-) %1	127,000	87,094	35,220	184,906

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. Market risk is measured by two method named as “Inherent method” and “Standard method”.

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

Reinforced with scenario analyses and stress testing, VaR analyses also take into consideration the impact of events and market fluctuations that are unexpected and highly improbable but engender great consequences. The outputs of the model are regularly checked by back-tests.

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

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NOTE 32 - FINANCIAL RISK MANAGEMENT (Continued)

The table (*) below represents average market risk table at 31 December 2008 and 2007 calculated in accordance with the "Standard Method for Market Risk Calculations" as set out in Section 3 of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio", published in the Official Gazette No.26333 dated 1 November 2006, "Calculation of Market Risk with the Standard Method".

	31 December 2008			31 December 2007		
	Average	High	Low	Average	High	Low
Interest rate risk	154.327	188.238	97.312	173.305	193.594	167.506
Foreign Exchange risk	29.610	19.730	34.010	51.996	62.026	39.077
Equities risk	787	686	1.211	1.445	954	598
Total (**)	184.724	208.654	132.533	226.746	256.574	207.181

(*) The table above has been prepared using Akbank's consolidated financial statements prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, related to the 5411 numbered Banking Law which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency.

(**) Total balance represents the total capital to be employed for market risk.

32.1.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The net liability/invested capital ratios at 31 December 2008 and 2007 are as follows:

	2008	2007
Total liability	83.025.409	62.749.391
Cash and cash equivalents	(7.665.059)	(2.901.156)
Net liability	75.360.350	59.848.235
Equity	17.338.777	16.073.841
Invested capital	92.699.127	75.922.076
Net liability/invested capital ratio	81%	79%

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NOTE 33 - EVENTS AFTER THE BALANCE SHEET DATE

1. Sabancı Telekom, a subsidiary of the Group, is liquidated during the year 2009. Liquidation process is completed as of 30 March 2009 and the capital share of the Group amounting to TL 7.746 is collected.
2. On 10 February 2009, some Sabancı family members registered their shares with 15,89% percentage to ISE and the public quotation percentage has increased to 37,44%.
3. Enerjisa Elektrik Dağıtım A.Ş., joint venture of Group, has given the highest bid of USD 1.225 million in the privatization tender of Privatization Agency of Republic of Turkey concerning Başkent Elektrik Dağıtım A.Ş. ("BEDAŞ") and subsequently acquired the shares of BEDAŞ with the share transfer agreement signed on 28 January 2009. 50% of total acquisition cost (USD 612,5 million) is paid in cash and the remaining part will be paid in two years. As prescribed in IFRS 3, the fair value determination of identifiable assets, liabilities and contingent liabilities acquired through this business combination is in progress as of the date of preparation of these consolidated financial statements.

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