HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2005
TOGETHER WITH AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

HACI ÖMER SABANCI HOLDİNG A.Ş.

AUDITOR'S REPORT
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2005

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

1. We have audited the accompanying consolidated balance sheet of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") at 31 December 2005 and the related consolidated statement of income for the year then ended. Our examination was made in accordance with the auditing principles issued by the Capital Market Board ("CMB") and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

2. In our opinion, the consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Hacı Ömer Sabancı Holding A.Ş. at 31 December 2005 and the results of its operations for the year then ended in accordance with the accounting principles issued by the CMB (Note 2).

Without qualifying our opinion we draw your attention to the following matter:

3. The consolidated financial statements include the accounts of Sabancı Holding, the parent company, its Subsidiaries and Joint Ventures. Subsidiaries are companies in which the parent company has the power to govern the financial and operating policies. In these consolidated financial statements, subsidiaries are companies in which Sabancı 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 Sabancı Holding and its Subsidiaries together with voting power which Sabancı 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 Sabancı Holding and one or more other parties. In effect the Sabancı family members allow Sabancı Holding to exercise voting power in respect of their shares held in these companies. In these consolidated financial statements the shares held by Sabancı family members in the consolidated subsidiaries are treated as outside interests.

Additional paragraph for US Dollar conversion:

4. As explained in Note 2 to the consolidated financial statements US Dollar (“USD”) amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and are translated from New Turkish Lira (“YTL”), as a matter of arithmetic computation only, at the official USD bid rate announced by the Central Bank of the Republic of Turkey at 31 December 2005. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into USD at these or any other rates.

Additional paragraph for amendment of segment disclosures:

5. The segment disclosures in Note 33.c to the consolidated financial statements has been amended to provide additional information relating to the allocation of operating expenses among segments in identifying segment result, none of which is required or contemplated by IAS 14 “Segment Reporting”.

Additional paragraph for convenience translation into English:

6. The accounting principles described in Note 2 to the consolidated financial statements (defined as “CMB Accounting Standards”) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Burak Özpoyraz, SMMM
Partner

Istanbul, 14 April 2006

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2005

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CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2005 AND 2004

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

	Notes	2005 USD (*)	2005	(Restated) 2004
ASSETS				
Current assets		**30.266.747**	**40.611.921**	**26.580.615**
Cash and cash equivalents	4	3.171.337	4.255.300	3.232.154
Marketable securities (net)	5	4.871.710	6.536.860	4.046.011
Financial assets (net)				
- Available for sale	16.a	5.311.498	7.126.968	5.092.047
- Held-to-maturity	16.b	400.068	536.811	125.772
Derivative financial instruments	44	9.039	12.128	241.388
Reserve deposits with the Central Bank of the Republic of Turkey		2.927.002	3.927.451	1.941.705
Loans and advances to customers	45	11.632.252	15.608.156	9.796.028
Trade receivables (net)	7	963.073	1.292.252	1.084.555
Lease receivables (net)	8	91.352	122.576	-
Due from related parties (net)	9	14.618	19.615	18.961
Other receivables (net)	10	168.655	226.301	200.994
Biological assets (net)	11	-	-	-
Inventories (net)	12	671.113	900.500	770.560
Receivables from construction contracts work in progress (net)	13	-	-	-
Deferred tax assets	14	-	-	-
Other current assets	15	35.030	47.003	30.440
Non-current assets		**15.743.076**	**21.124.058**	**16.830.244**
Loans and advances to customers	45	4.686.910	6.288.896	3.766.143
Trade receivables (net)	7	174.696	234.407	51.772
Lease receivables (net)	8	102.004	136.869	-
Due from related parties (net)	9	-	-	-
Other receivables (net)	10	35.448	47.564	35.804
Financial assets (net)				
- Available for sale	16.a	6.472.408	8.684.677	7.675.683
- Held-to-maturity	16.b	182.237	244.525	222.716
- Investments	16.c	85.680	114.965	183.926
Goodwill / negative goodwill (net)	17	216.849	290.968	161.567
Investment properties (net)	18	216.847	290.965	336.728
Property, plant and equipment (net)	19	3.156.469	4.235.350	3.909.646
Intangible assets (net)	20	148.506	199.265	155.019
Deferred tax assets	14	265.022	355.607	331.240
Other non-current assets	15	-	-	-
Total Assets		**46.009.823**	**61.735.979**	**43.410.859**

These consolidated financial statements have been approved by Board of Directors on 14 April 2006 and signed on its behalf by Cezmi Kurtuluş and Reha Demiröz.

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2005, and therefore do not form part of these consolidated financial statements (Note 2.7).

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2005 AND 2004

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

	Notes	2005 USD (*)	2005	(Restated) 2004
LIABILITIES				
Current liabilities		**34.047.379**	**45.684.771**	**29.354.849**
Short-term borrowings (net)	6	4.430.883	5.945.359	3.645.470
Current portion of long-term borrowings (net)	6	171.657	230.329	339.871
Banking customer deposits	46	27.409.876	36.778.571	23.110.983
Derivative financial instruments	44	52.377	70.280	38.432
Lease payables (net)	8	6.335	8.500	7.808
Other financial liabilities (net)	10	-	-	-
Insurance technical reserves		117.395	157.520	104.172
Trade payables (net)	7	676.962	908.348	642.387
Due to related parties (net)	9	6.260	8.399	14.071
Advances received	21	21.979	29.491	11.767
Construction contracts progress billings (net)	13	-	-	-
Provisions	23	174.290	233.862	157.940
Current liabilities	15	117.033	157.035	152.898
Deferred tax liabilities	14	-	-	-
Other current liabilities (net)	10	862.332	1.157.077	1.129.050
Non-current liabilities		**3.275.548**	**4.395.131**	**3.117.770**
Long-term borrowings (net)	6	2.623.280	3.519.917	2.078.059
Banking customer deposits	46	111.106	149.082	433.450
Lease payables (net)	8	-	-	3.329
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	155.958	209.264	46.406
Due to related parties (net)	9	-	-	-
Advances received	21	-	-	-
Insurance technical reserves		60.432	81.088	102.041
Provisions	23	106.106	142.373	124.925
Deferred tax liabilities	14	202.266	271.401	268.418
Government grants	30	-	-	-
Non-current liabilities	15	-	-	-
Other payables (net)	10	16.400	22.006	61.142
MINORITY INTERESTS	**24**	**3.619.704**	**4.856.918**	**4.726.939**
- Sabancı family members		1.480.148	1.986.062	1.970.796
- Others		2.139.556	2.870.856	2.756.143
SHAREHOLDERS' EQUITY		**5.067.192**	**6.799.159**	**6.211.301**
Share capital	**25**	**1.341.482**	**1.800.000**	**1.200.000**
Treasury shares	**25**	**-**	**-**	**-**
Capital reserves	**26**	**2.988.715**	**4.010.259**	**4.111.232**
Share premium		16.150	21.670	21.670
Share cancellation gains		-	-	-
Revaluation reserve		9.282	12.455	-
Financial assets' fair value reserve		68.723	92.213	24.167
Inflation adjustment to shareholders' equity		2.894.560	3.883.921	4.065.395
Profit reserves	**27**	**210.251**	**282.114**	**2.259**
Legal reserves		56.742	76.136	54.110
Statutory reserves		-	-	-
Extraordinary reserves		422.968	567.538	255.893
Special reserves		-	-	-
Investment and property sales income to be added to the capital		-	-	-
Currency translation reserve		(269.459)	(361.560)	(307.744)
Net income for the period		**514.059**	**689.765**	**724.132**
Retained earnings	**28**	**12.685**	**17.021**	**173.678**
Total liabilities and shareholders' equity		**46.009.823**	**61.735.979**	**43.410.859**
Commitments and contingent assets and liabilities	31			

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2005, and therefore do not form part of these consolidated financial statements (Note 2.7).

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

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

	Notes	2005 USD (*)	2005	2004
OPERATING REVENUE		**10.600.084**	**14.223.192**	**11.548.598**
Sales (net)	36	6.510.709	8.736.069	6.989.848
Interest Income	36	4.089.375	5.487.123	4.558.750
Cost of Sales (-)		(4.984.559)	(6.688.281)	(5.295.346)
Interest Expense		(2.051.937)	(2.753.289)	(1.928.047)
Service Income (net)	36	-	-	-
Other Operating Income	36	-	-	-
GROSS PROFIT		**3.563.588**	**4.781.622**	**4.325.205**
Operating expenses (-)	37	(1.732.235)	(2.324.313)	(1.969.392)
OPERATING PROFIT		**1.831.353**	**2.457.309**	**2.355.813**
Other income	38	244.545	328.131	539.106
Other expenses (-)	38	(148.756)	(199.601)	(314.542)
Financial expenses (net) (-)	39	(173.941)	(233.394)	(163.796)
Income from associates	16	39.431	52.909	47.914
INCOME BEFORE MONETARY LOSS, MINORITY INTEREST AND TAX		**1.792.632**	**2.405.354**	**2.464.495**
Monetary gain/ (loss)	40	-	-	(633.279)
PROFIT OF MINORITY INTEREST(-)	**24**	**(740.741)**	**(993.927)**	**(697.710)**
- Sabancı Family Members		(303.285)	(406.948)	(303.628)
- Others		(437.456)	(586.979)	(394.082)
INCOME BEFORE TAX		**1.051.891**	**1.411.427**	**1.133.506**
Taxation on income	41	(537.831)	(721.662)	(409.374)
NET INCOME FOR THE PERIOD		**514.060**	**689.765**	**724.132**
Earnings per share				
- usufruct shares (YTL)	42		218.973	229.883
- thousands of ordinary shares (YTL)	42		3,60	3,78

(*) USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2005, and therefore do not form part of these consolidated financial statements (Note 2.7).

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

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

	Share capital	Share premium in excess of par value	Revaluation reserve	Financial assets' fair value reserve	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation reserve	Net income for the period	Retained earnings	Total
Balances at 31 December 2003											
- as previously reported	**1.000.000**	**21.670**	**-**	**2.354**	**4.055.206**	**18.857**	**245.015**	**(193.811)**	**927.161**	**(276.928)**	**5.799.524**
Accounting policy change (Note 2.4)	-	-	-	57.537	-	-	-	-	-	-	57.537
Balances at 31 December 2003											
-restated	**1.000.000**	**21.670**	**-**	**59.891**	**4.055.206**	**18.857**	**245.015**	**(193.811)**	**927.161**	**(276.928)**	**5.857.061**
Transfers	-	-	-	-	-	35.253	10.878	-	(927.161)	881.030	-
Capital increase	200.000	-	-	-	10.189	-	-	-	-	(210.189)	-
Effect of change in the scope											
of consolidation of subsidiaries											
Effect of change in the effective rate	-	-	-	-	-	-	-	(4.040)	-	(1.985)	(6.025)
of subsidiaries	-	-	-	-	-	-	-	-	-	(45.081)	(45.081)
Dividends paid	-	-	-	-	-	-	-	-	-	(173.169)	(173.169)
Available for sale financial assets'											
net fair value losses, net of tax	-	-	-	(35.724)	-	-	-	-	-	-	(35.724)
Currency translation differences	-	-	-	-	-	-	-	(109.893)	-	-	(109.893)
Net income for the period	-	-	-	-	-	-	-	-	724.132	-	724.132
Balances at 31 December 2004	**1.200.000**	**21.670**	**-**	**24.167**	**4.065.395**	**54.110**	**255.893**	**(307.744)**	**724.132**	**173.678**	**6.211.301**
Balances at 31 December 2004 -											
as previously reported	**1.200.000**	**21.670**	**-**	**2.583**	**4.065.395**	**54.110**	**255.893**	**(307.744)**	**724.132**	**173.678**	**6.189.717**
Accounting policy change (Note 2.4)	-	-	-	21.584	-	-	-	-	-	-	21.584
Balances at 31 December 2004											
-restated	**1.200.000**	**21.670**	**-**	**24.167**	**4.065.395**	**54.110**	**255.893**	**(307.744)**	**724.132**	**173.678**	**6.211.301**
Effect of application of IFRS 3 (Note 2.4)	-	-	-	-	-	-	-	-	-	14.595	14.595
Balance at 1 January 2005											
-as restated	**1.200.000**	**21.670**	**-**	**24.167**	**4.065.395**	**54.110**	**255.893**	**(307.744)**	**724.132**	**188.273**	**6.225.896**
Transfers	-	-	-	-	-	22.026	311.645	-	(724.132)	390.461	-
Capital increase	600.000	-	-	-	(181.474)	-	-	-	-	(418.526)	-
Effect of change in the effective rate											
of subsidiaries	-	-	-	-	-	-	-	-	-	(14.501)	(14.501)
Dividends paid	-	-	-	-	-	-	-	-	-	(128.686)	(128.686)
Revaluation reserve-net	-	-	12.455	-	-	-	-	-	-	-	12.455
Available for sale financial assets'											
net fair value gains, net of tax	-	-	-	68.046	-	-	-	-	-	-	68.046
Currency translation differences	-	-	-	-	-	-	-	(53.816)	-	-	(53.816)
Net income for the period	-	-	-	-	-	-	-	-	689.765	-	689.765
Balances at 31 December 2005	**1.800.000**	**21.670**	**12.455**	**92.213**	**3.883.921**	**76.136**	**567.538**	**(361.560)**	**689.765**	**17.021**	**6.799.159**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") was established in 1967 to coordinate and liaise the activities of companies operating in different fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey and owned by the members of the Sabancı family (Note 25). The address of the registered office is as follows:

Sabancı Center, 4. Levent, Istanbul, Turkey.

Sabancı Holding has been registered to Capital Markets Boards of Turkey ("CMB") on 26 June 1997 and the shares of Sabancı Holding are publicly traded on the Istanbul Stock Exchange.

Consolidated Subsidiary undertakings

The nature of the business of the Subsidiaries consolidated in these consolidated financial statements at 31 December 2005 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Subsidiaries	Nature of business	Business segment
Akbank T.A.Ş. ("Akbank")	Banking	Finance
Sabancı Bank Plc. ("Sabank")	Banking	Finance
Ak Uluslararası Bankası A.Ş. ("Ak Uluslararası") **(*)**	Banking	Finance
Ak Emeklilik A.Ş. ("Ak Emeklilik")	Pension	Finance
Aksigorta A.Ş. ("Aksigorta")	Insurance	Finance
Advansa B.V. ("Advansa")	Chemicals	Chemicals
Pilsa Plastik Sanayi ve Ticaret A.Ş. ("Pilsa")	Plastics	Chemicals
Bossa Ticaret ve Sanayi İşletmeleri A.Ş. ("Bossa")	Textile	Textile
İnsa Naylon Sanayi ve Ticaret A.Ş. ("İnsa") (**)	Textile	Textile
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	Textile	Textile
Kordsa International, LLC ("Kordsa LLC") **(***)**	Tire and tire reinforcement	Tire and tire reinforcement
Sabancı Industrial Nylon Yarn and Tire Cord Fabric B.V. ("Sabancı Industrial Nylon Yarn")	Tire and tire reinforcement	Tire and tire reinforcement
Sakosa Sabancı Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("Sakosa") (***)	Tire and tire reinforcement	Tire and tire reinforcement
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş. ("Temsa")	Automotive	Automotive
Toyotasa Toyota-Sabancı Pazarlama ve Satış A.Ş. ("Toyotasa Pazarlama")	Automotive	Automotive
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	Cement and clinker	Cement
Oralitsa İnşaat Malzemeleri ve Ticaret Ltd.Şti. ("Oralitsa") **(****)**	Construction	Cement
Gıdasa Sabancı Gıda Sanayi ve Ticaret A.Ş. ("Gıdasa")	Food and beverage	Food
Marsa Kraft Foods Sabancı Gıda Sanayi ve Ticaret A.Ş. ("Marsa")	Food and beverage	Food
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	Trade	Retailing
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. ("Exsa")	Trade	Other
Exsa UK Ltd. ("Exsa UK")	Trade	Other
Universal Trading (Jersey) Ltd. ("Universal")	Trade	Other
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	Tourism	Other
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	Tourism	Other
Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	Energy	Other
Sapeksa Mensucat ve Toprak Mahsulleri Sanayi ve Ticaret A.Ş. ("Sapeksa")	Agriculture	Other
Sabancı Telekomünikasyon Hizmetleri A.Ş. ("Sabancı Telekom")	Telecommunication	Other
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	Trade of data processing systems	Other

(*) Effective from 9 March 2005, Akbank, a subsidiary of Sabancı Holding, controls the operating and financial activities of Ak Uluslararası (formerly named BNP-AK Dresdner Bank A.Ş.) and accordingly Ak Uluslararası was consolidated in these financial statements effective from the control date. Prior to 9 March 2005, Ak Uluslararası was accounted for as an associate equity method of accounting (Note 32).

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

(**) İnsa, a subsidiary of Sabancı Holding was liquidated on 5 December 2005. The results of İnsa are consolidated in these financial statements until the date of liquidation.

(***) Effective from 30 April 2005, Sabancı Holding controls the operating and financial activities of Kordsa LLC (former name; DuPont Sabancı International, LLC) and accordingly Kordsa LLC was consolidated in these financial statements effective from the control date. Prior to 30 April 2005, Kordsa LLC was accounted for as a Joint Venture in the consolidated financial statements by proportionate consolidation (Note 32).

The subsidiary of Kordsa LLC, Kordsa Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. ("Kordsa") merged on 28 December 2005 with another Subsidiary of the Holding, Sakosa, through transfer of Sakosa's total assets and liabilities as of 30 June 2005 as a whole.

(****) Oralitsa, a subsidiary of Sabancı Holding, was liquidated on 19 April 2005. The results of Oralitsa are consolidated in these financial statements until the date of liquidation.

For the purposes of segment information in these consolidated financial statements, Sabancı Holding's stand-alone financial statements have been included within the "Other" segment (Note 33).

All the Subsidiaries are registered in Turkey except for Sabank, Exsa UK, Universal, Advansa, Kordsa LLC and Sabancı Industrial Nylon Yarn (collectively referred to as the "Foreign Subsidiaries"). Sabank and Exsa UK are registered in the United Kingdom; Universal, Advansa and Sabancı Industrial Nylon Yarn in the Netherlands; Kordsa LLC in the United States of America.

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 December 2005 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Joint Ventures	Nature of business	Segment	Investor
Beksa Çelik Kord Sanayi ve Ticaret A.Ş. ("Beksa")	Tire and tire reinforcement	Tire and tire reinforcement	Bekaert
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	Tire and tire reinforcement	Tire and tire reinforcement	Bridgestone
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	Cement and clinker	Cement	Heidelberg
Oysa Çimento Sanayi ve Ticaret A.Ş. ("Oysa Çimento")	Cement and clinker	Cement	Oyak
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.
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	Olmuksa and Kartonsan

All the Joint Ventures are registered in Turkey.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

Preparation of consolidated financial statements

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

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting 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 IASB in its financial statements for the accounting periods starting 1 January 2005. The financial statements for comparison purposes are expressed in the purchasing power of YTL at 31 December 2004. These financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

Sabancı Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in YTL in accordance with the Turkish Commercial Code ("TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles promulgated by the Banking Regulation and Supervising Agency for banks and for listed companies and accounting principles issued by the CMB. 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 Accounting Standards.

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

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

2.2 Restatement for the effects of hyperinflation

The financial statements at 31 December 2004 are expressed in terms of the purchasing power of New Turkish lira at 31 December 2004. With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies, operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the Turkish Statistical Institute ("TURKSTAT"), previously named as State Institute of Statistics ("SIS"). Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

Date	Index	Conversion factor	Cumulative three-year inflation rate
31 December 2004	**8.403,800**	**1,000**	**69,7 %**
31 December 2003	7.382,100	1,138	181,1 %
31 December 2002	6.478,800	1,297	227,3 %

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

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

2.3 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the “Group”) on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Accounting Standards as explained in Note 2.1. The result of operations of Subsidiaries, Joint Ventures and Associated companies 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 Sabancı Holding has the power to control the financial and operating policies for the benefit of Sabancı Holding, either (a) through the power to exercise more than 50% 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 Sabancı Holding exercises control over the voting rights of (but does not have economic benefit 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 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 effective interest of the Holding in these subsidiaries at 31 December 2005.

Subsidiaries	Direct and indirect ownership interest by Sabancı 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	43,61	23,50	67,11	39,46
Ak Emeklilik	99,41	-	99,41	45,08
Aksigorta	61,98	-	61,98	61,98
Bossa	50,12	25,70	75,82	50,12
Bimsa	99,98	-	99,98	93,11
Çimsa	50,80	2,06	52,86	49,82
Enerjisa	86,65	-	86,65	83,99
Exsa	45,71	54,30	100,00	27,71
Exsa UK	100,00	-	100,00	99,06
Gıdasa	100,00	-	100,00	99,99
Marsa	99,20	-	99,20	99,19
Pilsa	51,23	48,77	100,00	51,23
Kordsa LLC	100,00	-	100,00	100,00
Sabancı Industrial Nylon Yarn	100,00	-	100,00	100,00
Sabank	100,00	-	100,00	58,12
Sapeksa	52,84	44,87	97,71	34,84
Sabancı Telekom	100,00	-	100,00	100,00
Teknosa	51,92	48,08	100,00	51,91
Temsa	48,70	51,29	99,99	47,65
Toyotasa Pazarlama	65,00	-	65,00	64,99
Tursa	99,52	-	99,52	98,46
Universal	100,00	-	100,00	92,77
Yünsa	59,37	14,74	74,11	54,13

(Amounts expressed in thousands of New Turkish lira ("YTL") 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 Sabancı Holding and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Sabancı Holding and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Sabancı 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 2005 and result of operations for the period ended 31 December 2005 are insignificant to the overall consolidated financial statements, are not consolidated on the grounds of immateriality. Such subsidiaries are classified as available for sale equity securities in these consolidated financial statements (Note 16.a).

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 Sabancı 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 2005:

Joint Ventures	**Direct and indirect ownership interest by Sabancı Holding and its Subsidiaries %**	**Proportion of ownership interest %**	**Proportion of effective interest %**
Akçansa	39,72	39,72	36,88
Beksa	49,99	49,99	49,99
Brisa	43,26	43,26	43,25
Carrefoursa	40,00	40,00	40,00
Diasa	40,00	40,00	40,00
Dönkasan	33,13	33,13	33,12
Olmuksa	43,73	43,73	43,73
Oysa Çimento	41,09	41,09	20,47

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

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

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

d) Investments in Associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group generally has between 20% and 50% of voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Group and its Associated undertakings 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 Associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the Associated undertakings (Note 16.c). Associates whose financial position at 31 December 2005 and result of operations for the period ended 31 December 2005 are insignificant to the overall consolidated financial statements are not accounted for by the equity method of accounting. Such Associates are classified as available for sale equity securities (Note 16.a).

The table below sets out all Associates and shows the total interest of Sabancı Holding in these associates at 31 December 2005:

Associated undertakings	**Direct and indirect ownership interest by Sabancı 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 Associated undertakings.

e) Other investments in which Sabancı Holding and its Subsidiaries, together with Sabancı family members, have interest below 20%, or over which Sabancı Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 16.a and c).

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

The minority shareholders' share of the net assets and results for the period for the Subsidiaries are separately classified in the consolidated balance sheets and statements of income as minority interests.

Certain Sabancı family members, Vaksa Hacı Ömer Sabancı Vakfı (the "Vaksa"), a charitable foundation established by Sabancı family members, and Akbank Tekaüt Sandığı, a retirement foundation for Akbank employees, have interests in the share capital of certain Subsidiaries and Associates. In these consolidated financial statements their interests are treated as outside interests and are not included in Sabancı Holding's net assets and profits attributable to shareholders of Sabancı Holding.

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

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

2.4 Comparatives and restatement of prior year financial statements

As explained in Note 3, in accordance with IFRS 3 ("Business Combinations"), at 1 January 2005 the Group has derecognised the negative goodwill accounted for in the consolidated financial statements at 31 December 2004 arising in relation to the acquisitions before 31 March 2004 in the amount of YTL 14.595 with a corresponding adjustment to the opening balance of retained earnings.

The Group has reclassified the securities under loans and advances to customers as trading financial assets in accordance with the revised IAS 39 "Financial Instruments: Recognition and Measurement" which is effective from 1 January 2005. The effect of this reclassification is as follows:

	1 January 2005	1 January 2004
- Increase in available-for-sale investment securities	9.327.271	7.210.435
- Increase in held-to-maturity investment securities	467.769	1.044.391
- Decrease in loans and advances to customers	9.713.400	8.046.525
- Increase in deferred tax liability	26.941	62.490
- Increase in financial assets' fair value reserve	21.584	57.537
- Increase in minority interest	33.115	88.274

2.5 Offsetting

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

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

As of 31 December 2005, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.7 US Dollar translation

USD amounts shown in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements, and are translated from YTL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2005 of YTL1,3418 = USD1, respectively and do not form part of these consolidated financial statements. Such translation should not be construed as a representation that the YTL amounts have been or could be converted USD at these or any other rates.

2.8 Amendment of segment disclosures

The segment disclosures in Note 33.c to the consolidated financial statements has been amended to provide additional information relating to the allocation of operating expenses among segments in identifying segment result, none of which is required or contemplated by IAS 14 "Segment Reporting".

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries and Joint Ventures have been changed to ensure consistency with the policies adopted by the Group. The significant accounting policies other than Group accounting which is described in Note 2, followed in the preparation of the accompanying consolidated financial statements are summarised below:

Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis 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.

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

Insurance

Life:
Premium income represents premiums accrued on policies issued, adjusted by the reserve for unearned premiums for annual life policies, during the period.

Non-Life:
Premium income represents premiums on policies written during the period, net of taxes and 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 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 recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

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. Unit cost of inventories is determined on the weighted average basis (Note 12). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

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

Property, plant and equipment

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

	Years
Land improvements	20-50
Buildings	20-50
Machinery and equipment	4-20
Motor vehicles	4-10
Furniture and fixtures	4-10

Gains and losses on disposal of property and equipment are determined by reference to their carrying values and the proceeds and are taken into account in determining operating profit.

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.

Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Borrowing costs are expensed when they occur.

Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 18). The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16 "Property, Plant and Equipment". At that date, the property becomes investment property and thus it is transferred to investment property.

Intangible assets

Intangible assets consist of rights, computer software, development costs, purchased technology, mining rights and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a period not exceeding 10 years (Note 20).

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

Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are 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 over the period of the borrowings.

Investment securities

In accordance with IAS 39, in the banking segment, the Group classifies its investments in debt and equity securities in the three following categories; held-to-maturity, available-for-sale assets and assets at fair value through profit or loss. 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 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 provided that their fair value can be reliably measured.

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

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred to in the equity under financial assets fair value reserve until the financial asset is sold, collected or otherwise disposed. 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 costs at the balance sheet date. When available-for-sale securities are sold, collected or otherwise disposed , related deferred gains and losses in equity are released to the statement of income.

Held to maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

The Group has reclassified its trading securities as financial assets at fair value through profit or loss in accordance with the revised IAS 39 which is effective from 1 January 2005 (Note 16.a).

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

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

Interest obtained from financial assets at fair value through profit or loss is classified within interest income and the profit shares earned are classified as dividend income. All purchases and sales of financial assets at fair value through profit or loss are recognised at trade date, which is the date that the banks commit to purchase or sell the assets.

Financial instruments and financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

Foreign exchange risk

The Group is exposed to foreign currency risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored by management and limited by analysis of the foreign currency position through obtaining positions within the approved limits.

In the banking segment, the difference between the assets and liabilities denominated in foreign currency of Akbank (the "Bank"), 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.

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

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.

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 at maintaining flexibility in funding by keeping committed credit lines available.

A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments to customers and to satisfy the Bank's own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities.

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 the Bank indicate that these deposits will provide a long-term and stable source of funding for the Bank.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

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

Fair value of 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.

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

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

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 market prices at balance sheet dates.

The carrying value of loans and advances to customers, along with the related allowances for uncollectibility, is considered to approximate their fair value.

The trade receivables are carried at amortised cost using the effective yield method, and hence are considered to approximate their fair values.

Financial liabilities

The fair value of customer deposits, 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 period-end exchange rates and accordingly their carrying amounts approximate their fair values.

The trade payables are carried at amortised cost using the effective yield method, and hence are considered to approximate their fair values.

Derivative financial instruments

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

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

Foreign currency transactions

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 by management and limited by analysis of the foreign currency position through obtaining positions within the approved limits.

Earnings per share

Earnings per share for each class of shares disclosed in these consolidated statements of income is determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 42 earnings per share are calculated in accordance with IAS 33.

Provisions, contingent assets and liabilities

Provisions are recognized 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 treated as contingent assets or liabilities.

Leasing Transactions

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.

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 lessor 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.

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

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.

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, significant related party transactions are eliminated. The remaining related party transactions which were not eliminated are disclosed in Note 9 to consolidated financial statements.

Segment reporting of results of operations

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.

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (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.

Deferred income taxes

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

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 14 and Note 41).

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Employee benefits/Provision for employment termination benefits

<u>Defined benefit plans</u>

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

Akbank T.A.Ş. Tekaüt Sandığı Vakfı (the "Fund") is a separate legal entity and a foundation recognised by an official decree, founded on the basis of Social Insurance Law, Temporary Article numbered 20, providing all qualified bank employees with pension and post retirement benefits. Acccording to the temporary article numbered 38 of the Turkish insurance law, and the "Decree on Actuaries", the Fund is subject to the inspection of a listed actuary. There is no technical or actual deficit in the audited financial statements of the Fund necessitating the accounting of a provision.

Temporary article 23 of the Banking Law No.5387 (new law) promulgated in the Turkish Grand National Assembly on 2 July 2005 includes the provision that requires bank pension funds to be transferred to the Social Security Institution within 3 years following the publication of the new law. In accordance with the new law, liability calculations should be made taking into account the pensions income and expenses of the fund by a commission including representatives from various institutions based on the transfer for each fund. The specified liability will be paid in annual equal installments for a period not exceeding 15 years. On the other hand, some articles of the new law including the temporary 23rd article have been vetoed by the president and have been sent back to the parliament for review.

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

The relevant article lays down the calculation method of the technical interest rate to be used in the actuarial calculation and the general framework related to the transfer operations; other procedures and parameters which will form the basis of the liability calculation will be created following the commencement of the commission.

The Bank management, as of 31 December 2005, envision that the liability amount to be calculated according to the specifications in the relevant article of the new law and the current actuarial balance sheet results of the pension fund will be commensurate with the assets of the pension fund and will not bring any further burden for the Bank.

The liability to be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Bank does not have the legal rights to access to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and therefore, no assets are recognised in the balance sheet in respect of defined benefit pension plans.

The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected real interest rates for New Turkish lira.

Employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 23.b).

Sale and repurchase agreements

In the banking segment, securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as fair value through profit or loss, available-for-sale or held to maturity financial assets and measured in accordance with the policies used in the measuring the relevant class. Securities purchased under agreements to resell ("reverse repurchase agreements") are recorded as loans to banks in the consolidated financial statements. The counter party liability is included in customer deposits and the difference between 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 loan to banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the reverse repo agreement using the effective yield method.

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

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 incurring due to obtaining guarantees for originated loans are not considered as transaction costs and 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 can not 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 provision for loan losses for the period.

Deferred financing costs

Deferred financing costs (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.

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.

If the acquisition cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as income in the related period (Note 32).

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

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. The provision for claims outstanding is determined according to the insurance expert's report, or according to the initial estimations of the insured and the expert.

Life assurance provision

The life assurance provision is calculated on the basis of actuarial mortality assumptions, as approved by the Insurance Supervisory Office. The revenues obtained upon the investment activities in relation to the provisions held, are set aside as life assurance provision.

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. 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 by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2005. 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 fair value gains and losses reported in the income statement.

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

Gains and losses on forward foreign exchange contracts were calculated by valuing the contract with the spot exchange rate prevailing on 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 were included in the interest income and expense as appropriate.

Foreign currency transactions

<u>Functional currency</u>

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 measurement currency of Sabancı Holding.

<u>Foreign currency transactions and balances</u>

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 settlement and translation of foreign currency items have been included in the consolidated income statement.

<u>Foreign Group companies</u>

The results of Group undertakings using a functional currency other than New Turkish lira are translated into New Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into New 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 period-end rates are included in currency translation reserve as a separate item in the shareholders' equity.

Research costs

Research costs are recognised as expense in the period in which they are incurred.

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

Shareholders' equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as revaluation value increase fund to 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 is considered. In the restatement of share premium payment dates are considered (Note 25).

Use of estimates

The preparation of consolidated financial statements in conformity with CMB Accounting 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. The estimates are evaluated periodically, if necessary revised and reflected in the related period's income statement.

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% (2004: 6%) and 11% (2004: 11%), respectively. Interest income is recognised quarterly by using the interest rates determined by the Central Bank. In addition to that, in accordance with Banking Law amounts computed on deposits by using the rates determined by the Central Bank should also be maintained in the Group's accounts as government bonds and treasury bills. In accordance with the legal requirements, liquidity requirement rates for New Turkish lira and foreign currency denominated deposits are 4 % (2004: 4%) and 1% (2004: 1%), respectively.

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

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 31 December 2005 and 2004 were as follows:

	2005	2004
Cash in hand		
- banking	859.554	275.117
- other companies	10.202	10.265
Banks - time deposits	2.598.640	2.267.955
Banks - demand deposits	292.691	168.122
Interbank money market placements	400.300	429.884
Due from reverse repo transactions	91.888	80.424
Other cash and cash equivalents	2.025	387
	4.255.300	**3.232.154**

Time deposits are all short-term, maturing within one year at 31 December 2005 and 2004.

Effective interest rates of USD, EUR and YTL denominated time deposits are 4,43% p.a. (2004: 2,42% p.a.), 2,41% p.a. (2004: 2,38% p.a.) and 14,07% p.a. (2004: 20,86% p.a.), respectively.

Due from reverse repo transactions are secured with Turkish government bonds and treasury bills held for resale to banks under reverse repurchase agreements. These are all short-term with periods of less than three months. Effective interest rate of loan to banks is 15,79% p.a. (2004: 23,76% p.a.). The market values of such securities approximate carrying values, including accrued income at the respective balance sheet date.

Analysis of maturities at 31 December 2005 and 2004 was as follows:

	2005	2004
Repayable on demand	1.666.228	1.008.471
Up to 3 month	2.481.571	2.049.033
3 to 12 months	107.501	174.650
	4.255.300	**3.232.154**

Akbank, a Subsidiary of Sabancı Holding, pledged its demand deposits as off-shore cash reserve and payment accounts in connection with long-term securitised borrowings from foreign institutions in the amount of USD 1.879 million (2004: USD 1.282 million). The details of demand deposits unavailable for use at the balance sheet date were as follows:

	2005	2004
Regarding long term securitised borrowings	67.064	53.572
Regarding debt securities in issue	2.618	17.242
	69.682	**70.814**

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

NOTE 5 - MARKETABLE SECURITIES

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

	2005	2004
Government bonds denominated in foreign currency	5.958.594	3.232.537
Eurobonds	482.553	517.469
Government bonds	30.583	205.278
Treasury bills	46.133	65.845
Share certificates	18.997	14.362
Other	-	10.520
	6.536.860	**4.046.011**

Effective interest rates of USD, EUR and YTL denominated securities at fair value through profit and loss are 6,26% p.a. (2004: 5,39% p.a.), 5,05% p.a. (2004: 9,44% p.a.) and 14,47% p.a. (2004: 22,50% p.a.), respectively.

Analysis of maturities at 31 December 2005 and 2004 was as follows:

Period remaining to contractual maturity dates:

	2005			2004		
	Banking	**Other companies**	**Total**	**Banking**	**Other companies**	**Total**
Up to 3 months	46.056	209	46.265	876.073	33.774	909.847
3 to 12 months	87.937	38.647	126.584	2.569.101	42.806	2.611.907
1 to 5 years	6.142.559	-	6.142.559	317.776	517	318.293
Over 5 years	200.986	-	200.986	189.977	-	189.977
No maturity	18.997	1.469	20.466	14.362	1.625	15.987
	6.496.535	**40.325**	**6.536.860**	**3.967.289**	**78.722**	**4.046.011**

Period remaining to contractual repricing dates:

	2005			2004		
	Banking	**Other companies**	**Total**	**Banking**	**Other companies**	**Total**
Up to 3 months	2.032.380	209	2.032.589	940.932	37.531	978.463
3 to 12 months	3.183.960	38.647	3.222.607	2.509.919	39.049	2.548.968
1 to 5 years	1.060.212	-	1.060.212	312.099	517	312.616
Over 5 years	200.986	-	200.986	189.977	-	189.977
No maturity	18.997	1.469	20.466	14.362	1.625	15.987
	6.496.535	**40.325**	**6.536.860**	**3.967.289**	**78.722**	**4.046.011**

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

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

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

	2005	2004
Short-term	5.945.359	3.645.470
Short-term portion of long term	230.329	339.871
	6.175.688	3.985.341

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

	2005	2004
Long-term	3.519.917	2.078.059
	9.695.605	**6.063.400**

Effective interest rates of USD, EUR and YTL denominated loans and advances to customers are 4.86% p.a. (2004: 3.75% p.a.), 2.73% p.a. (2004: 2.96% p.a.) and 12.72% p.a. (2004: 17.36% p.a.), respectively.

The maturity schedule at 31 December 2005 and 2004 are summarised below:

	2005	2004
Up to 3 months	2.246.285	1.220.400
3 to 12 months	3.929.402	2.764.941
1 to 5 year	2.426.379	1.724.023
Over 5 year	1.093.539	354.036
	9.695.605	**6.063.400**

The maturity schedule of long term borrowing at 31 December 2005 and 2004 are summarised below:

Year	2005	2004
2006	-	790.442
2007	365.625	339.651
2008	868.047	307.225
2009	675.897	286.705
2010	516.808	198.706
2011 and after	1.093.540	155.330
	3.519.917	**2.078.059**

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

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

The repricing schedule of borrowings at 31 December 2005 and 2004 are summarised below:

	2005	2004
Up to 3 months	6.949.673	4.072.322
3 to 12 months	2.093.234	1.882.074
1 to 5 years	647.370	105.153
Over 5 years	5.328	3.851
	9.695.605	**6.063.400**

Major borrowing transactions of Sabancı Holding and its banking subsidiaries during the year 2005 are as follows:

Funds borrowed:

a) Funds borrowed from West LB AG London Branch

At 31 December 2005, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 400 million with an interest rate of Libor + 0,6% p.a. provided by 11 international banks with West LB AG, London Branch acting as the agent, and mature on 30 December 2008.

b) Funds borrowed via UFJ Bank Limited

At 31 December 2005, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 1.250 million, with an interest rate of Libor + 0,4% p.a. provided by 27 international banks with UFJ Bank Limited acting as the agent, and maturing on 26 August 2006.

c) Structured finance deals

In November 1999, the Bank finalised a structured finance deal of USD 400 million by securitising its foreign currency denominated present and future remittances (international payment orders, cash against goods, letter of credit reimbursement rights, cash against documents and other amounts in deposit accounts). The Bank obtained further tranches related with the same deal in the amount of USD 2.125 million between 2000 and 2005. Interest rates on the tranches vary between Libor + 0,25% p.a. and Libor + 1,1% p.a. At 31 December 2005, the outstanding principal amount of the securitization deal amounts to USD 1.378 million after the repayment of USD 1,147 million between 2000 and 2005.

In December 2005, the Bank finalised another structured finance deal of USD 500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). At 31 December 2005, the maturity date of this deal is July 2006 and the interest rates vary between Libor + 0,16% p.a. and Libor +1,01% p.a.

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

The repayment schedule of the structured finance deal is as follows:

	2005		2004	
	USD (000)	**YTL**	**USD (000)**	**YTL**
2005 (*)	-	-	187,456	256,758
2006 (*)	129,790	178,461	266,167	364,568
2007	82,105	112,895	226,042	309,609
2008	216,837	298,150	204,171	279,654
2009	349,322	480,318	150,750	206,483
2010	356,143	489,697	134,382	184,063
2011	354,373	487,263	113,404	155,330
2012	253,429	348,465	-	-
2013	136,677	187,930	-	-
	1,878,676	**2,583,179**	**1,282,372**	**1,756,465**

(*) The repayments in 2005 and 2006 include accrued interest payables in the amount of USD 3,706 thousands (YTL 5.076) and USD 3,676 thousands (YTL 5.054), respectively.

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:

	2005	**2004**
Trade receivables	1.408.001	1.052.835
Notes and cheques receivable	134.285	102.206
	1.542.286	1.155.041
Less: allowance for doubtful accounts	(15.627)	(18.714)
	1.526.659	**1.136.327**

Short-term and long-term trade payables:

	2005	**2004**
Trade payables	1.117.344	688.703
Notes payable	268	90
	1.117.612	**688.793**

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

NOTE 8 - LEASE RECEIVABLES AND LEASE PAYABLES

Lease receivables at 31 December 2005 **(*)** are summarized below.

	2005
Gross investment in finance leases	306.788
Less: unearned finance income	(45.610)
Total investment in finance leases	261.178
Less: unearned finance income	(1.733)
Net investment in finance leases	**259.445**

Lease receivables are originated rent amounts in agreement terms. The maturity schedule of receivables is summarized below.

	2005
2006	124.309
2007	80.866
2008	41.265
2009	12.276
2010	2.462
	261.178

(*) Finance lease receivables at 31 December 2005 are related to Ak Finansal Kiralama A.Ş., a subsidiary of Ak Uluslararası.

Lease payables at 31 December 2005 and 2004 are summarized below.

	2005	**2004**
Lease payables		
- Current	8.500	7.808
- Non-current	-	3.329
	8.500	**11.137**

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

NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

Due from related parties:

	2005	2004
Akçansa	3.284	2.846
Carrefoursa	2.593	2.107
Brisa	2.387	3.542
Oysa	1.118	538
Diasa	849	369
Beksa	716	711
Olmuksa	427	476
Dönkasan	36	91
Other	8.205	8.281
	19.615	**18.961**

Due to related parties:

	2005	2004
Brisa	5.522	8.646
Olmuksa	1.455	1.384
Carrefoursa	754	133
Akçansa	127	4
Beksa	75	704
Dönkasan	-	76
Other	466	3.124
	8.399	**14.071**

	2005	2004
Key management personnel compensation	58.952	49.960

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other current/non-current receivables:

	2005	2004
Deductible Value Added Tax ("VAT")	49.061	26.808
Receivables from credit cards payments	11.364	13.835
Job advances given	2.431	5.461
Other	211.009	190.694
	273.865	**236.798**

Other current/non-current payables:

	2005	2004
Payables related to credit card transactions	536.835	588.064
Other taxes and funds	113.899	98.580
Bonus liability to credit card customers	75.857	64.360
Unearned commission income	42.792	67.056
Due to personnel	28.203	14.488
Payment orders to correspondent banks	27.848	15.081
Import deposits and transfer orders	20.176	28.300
Saving deposits insurance	6.900	12.062
Other	326.573	302.201
	1.179.083	**1.190.192**

NOTE 11 - BIOLOGICAL ASSETS

None (2004: None).

NOTE 12 - INVENTORIES

	2005	2004
Raw materials and supplies	318.144	214.639
Semi-finished goods	87.417	72.376
Finished goods and merchandise	432.759	417.205
Spare parts	62.180	66.340
	900.500	**770.560**

NOTE 13 - RECEIVABLES FROM CONSTRUCTION CONTRACTS WORK IN PROGRESS AND CONSTRUCTION CONTRACTS PROGRESS BILLINGS

None (2004: None).

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Accounting Standards and tax purposes, and from investment incentives and carry forward tax losses.

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 30% (2004: 30%).

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2005 and 2004 using the enacted tax rates were as follows:

	2005		2004	
	Cumulative temporary difference	**Deferred tax assets / (liabilities)**	**Cumulative temporary difference**	**Deferred tax assets / (liabilities)**
Deferred tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	(62.872)	18.861	(171.378)	51.414
- Inventories	(32.727)	8.280	(32.724)	7.709
Investment allowances	(1.029.166)	120.250	(911.017)	97.362
Tax losses carried forward	(252.470)	75.805	(251.750)	75.894
Provision for loan losses	(177.095)	53.128	(109.235)	32.771
Provision for employment termination benefits	(120.650)	35.689	(107.957)	31.477
Unearned interest income	(5.136)	1.556	(35.975)	10.802
Other temporary differences	(139.175)	42.038	(79.092)	23.811
Deferred tax assets		355.607		331.240
Deferred tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	726.134	(204.436)	690.688	(195.281)
- Inventories	1.751	(525)	2.843	(858)
Valuation difference on investment securities	56.478	(16.937)	55.383	(16.615)
Reversal of country risk provision	76.826	(30.731)	84.968	(33.987)
Deferred finance charges	16.484	(4.945)	20.018	(6.005)
Other temporary differences	44.118	(13.827)	62.838	(15.672)
Deferred tax liabilities		(271.401)		(268.418)
Deferred tax assets - net		**84.206**		**62.822**

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets	**2005**	**2004**
Deferred tax assets to be recovered after more than 12 months	280.462	256.147
Deferred tax assets to be recovered within 12 months	75.145	75.093
	355.607	**331.240**

Deferred tax liabilities	**2005**	**2004**
Deferred tax liabilities to be recovered after more than 12 months	214.029	234.315
Deferred tax liabilities to be recovered within 12 months	57.372	34.103
	271.401	**268.418**

The movements in deferred tax assets for the years ended at 31 December 2005 and 2004 were as follows:

	2005	**2004**
Balances at 1 January	62.822	(63.722)
Tax charge to equity relating		
to available for sale financial assets	(29.147)	35.549
Business combinations	15.288	(7.362)
Tax charge to revaluation reserve	(18.414)	-
Change in the scope of consolidation	-	(11)
Currency translation differences	(17.544)	558
Credited to income statement	71.201	97.810
Balances at 31 December	**84.206**	**62.822**

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

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

	2005	2004
Other Current/Non-Current Assets		
Prepaid expenses	47.003	30.440
	47.003	**30.440**

Other Current/Non-Current Liabilities		
Expense accruals	157.035	152.898
	157.035	**152.898**

NOTE 16 - FINANCIAL ASSETS

a) Securities available-for-sale:

	2005	2004
Debt securities		
- Government bonds	11.373.387	6.464.772
- Government bonds denominated in foreign currency	3.410.951	4.863.490
- Eurobonds	658.108	427.078
- Treasury bills	202.356	870.511
- Mutual Funds	53.914	28.716
- Other bonds denominated in foreign currency	-	57.828
	15.698.716	12.712.395
Equity securities		
- Listed	82.550	23.170
- Unlisted	30.379	32.165
	112.929	55.335
Total securities available-for-sale	**15.811.645**	**12.767.730**

Effective interest rates of USD, EUR and YTL denominated available-for-sale debt securities, are 8,21% p.a. (2004: 5,08% p.a.) and 5,70% p.a. (2004: 5,51% p.a.), 18,42 % p.a. (2004: 26,73% p.a.), respectively.

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

NOTE 16 - FINANCIAL ASSETS (Continued)

Analysis of maturities at 31 December 2005 and 2004 were as follows:

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

	2005			2004		
	Banking	**Other companies**	**Total**	**Banking**	**Other companies**	**Total**
Up to 3 months	3.044.761	15.807	3.060.568	3.077.736	20.685	3.098.421
3 to 12 months	7.805.444	110.340	7.915.784	6.227.646	173.712	6.401.358
1 to 5 years	4.410.631	77.420	4.488.051	3.075.951	61.132	3.137.083
Over 5 years	193.149	-	193.149	46.817	-	46.817
No maturity	88.371	65.722	154.093	31.660	52.391	84.051
	15.542.356	**269.289**	**15.811.645**	**12.459.810**	**307.920**	**12.767.730**

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

	2005			2004		
	Banking	**Other companies**	**Total**	**Banking**	**Other companies**	**Total**
Up to 3 months	305.904	3.056	308.960	241.984	20.685	262.669
3 to 12 months	6.707.667	110.341	6.818.008	4.655.666	173.712	4.829.378
Current	7.013.571	113.397	7.126.968	4.897.650	194.397	5.092.047
1 to 5 years	8.247.265	77.420	8.324.685	7.483.683	61.132	7.544.815
Over 5 years	193.149	-	193.149	46.817	-	46.817
No maturity	88.371	78.472	166.843	31.660	52.391	84.051
Non-current	8.528.785	155.892	8.684.677	7.562.160	113.523	7.675.683
	15.542.356	**269.289**	**15.811.645**	**12.459.810**	**307.920**	**12.767.730**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

The breakdown of available-for-sale equity securities at 31 December 2005 was as follows:

Listed	**Share (%)**	**Carrying amount**	**Business**
Türkiye Sınai Kalkınma Bankası A.Ş.	6,45	59.312	Investment banking
Ak Yatırım Ortaklığı A.Ş. **(*)**	45,62	19.976	Investment management
Others		3.262	
		82.550	

Unlisted	**Share (%)**	**Carrying amount**	**Business**
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	15,00	8.358	Vessel transportation
Ak Portföy Yönetimi A.Ş. **(**)**	99,99	3.592	Portfolio management
Others		18.430	
		30.379	

(*) The Group owns 45,62% of the shares of Ak Yatırım Ortaklığı A.Ş. Due to the insignificance of the financial impact on the net worth, financial position and results of Sabancı Holding, Ak Yatırım Ortaklığı A.Ş. was not accounted by equity method of accounting and carried at cost less provision for diminution in value at 31 December 2005 and 2004.

(**) The Group owns 99,99% of the shares of Ak Portföy Yönetimi A.Ş. Due to the insignificance of the financial impact on the net worth, financial position and results of Sabancı Holding, Ak Portföy Yönetimi A.Ş. was not accounted by equity method of accounting and carried at cost less provision for diminution in value at 31 December 2005 and 2004.

The breakdown of available-for-sale equity securities at 31 December 2004 is as follows:

Listed	**Share (%)**	**Carrying amount**	**Business**
Türkiye Sınai Kalkınma Bankası A.Ş.	6,45	12.035	Investment banking
Ak Yatırım Ortaklığı A.Ş. (*)	45,62	11.077	Investment management
Others		58	
		23.170	

Unlisted	**Share (%)**	**Carrying amount**	**Business**
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	15,00	8.278	Vessel transportation
Ak Portföy Yönetimi A.Ş. (**)	99,99	3.592	Portfolio management
Others		20.295	
		32.165	

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

NOTE 16 - FINANCIAL ASSETS (Continued)

b) Securities held-to-maturity:

	2005	**2004**
Debt securities		
- Bonds denominated in foreign currency	480.521	-
- Treasury bills denominated in foreign currency	152.724	140.881
- Government bonds denominated in foreign currency	120.421	193.250
- Treasury bills	21.256	1.088
- Government bonds	6.414	13.269
	781.336	**348.488**

Period remaining to contractual maturity dates for held-to-maturity securities:

	2005			**2004**		
	Banking	**Other companies**	**Total**	**Banking**	**Other companies**	**Total**
Up to 3 months	31.071	-	31.071	52.108	1.714	53.822
3 to 12 months	498.295	7.445	505.740	59.306	12.644	71.950
Current	529.366	7.445	536.811	111.414	14.358	125.772
1 to 5 years	163.025	-	163.025	166.972	-	166.972
Over 5 years	81.500	-	81.500	55.744	-	55.744
Non-current	244.525	-	244.525	222.716	-	222.716
	773.891	**7.445**	**781.336**	**334.130**	**14.358**	**348.488**

Period remaining to contractual repricing dates for held-to maturity securities:

	2005			**2004**		
	Banking	**Other companies**	**Total**	**Banking**	**Other companies**	**Total**
Up to 3 months	34.130	-	34.130	52.108	5.844	57.952
3 to 12 months	495.236	7.445	502.681	59.306	8.514	67.820
1 to 5 years	163.025	-	163.025	166.972	-	166.972
Over 5 years	81.500	-	81.500	55.744	-	55.744
	773.891	**7.445**	**781.336**	**334.130**	**14.358**	**348.488**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

c) Investment in associates

	2005	**Share(%)**	**2004**	**Share(%)**
Philsa	96.216	25,00	87.385	25,00
Philip Morrissa	18.749	24,75	15.660	24,75
Ak Uluslararası **(*)**	-	-	80.881	39,99
	114.965		**183.926**	

Income from associates was as follows:

	2005	**2004**
Philsa	38.918	23.788
Philip Morrissa	13.991	13.986
Ak Uluslararası	-	10.140
	52.909	**47.914**

(*) Effective from 9 March 2005, Akbank, a subsidiary of Sabancı Holding, controls the operating and financial activities of Ak Uluslararası (former name; BNP-AK Dresdner Bank A.Ş.) and accordingly Ak Uluslararası was consolidated in these financial statements effective from the control date. Prior to 9 March 2005, Ak Uluslararası was accounted for as associate by equity method of accounting (Note 32).

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

NOTE 16 - FINANCIAL ASSETS (Continued)

The summary of the financial statements of the associates' financials at 31 December 2005 and 2004 are as follows:

	2005		2004	
	Total assets	**Total liabilities**	**Total assets**	**Total liabilities**
Philsa	892.089	507.226	716.283	366.742
Philip Morrissa	342.072	266.317	238.608	175.333
Ak Uluslararası	-	-	516.553	314.320
	1.234.161	**773.543**	**1.471.444**	**856.395**

Sales revenue:	**2005**	**2004**
Philsa	4.595.484	3.835.394
Philip Morrissa	4.790.465	4.055.909
Ak Uluslararası	-	94.276
	9.385.949	**7.985.579**

Net income:	**2005**	**2004**
Philsa	154.471	152.585
Philip Morrissa	56.250	61.902
Ak Uluslararası	-	25.395
	210.721	**239.882**

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

NOTE 17 - GOODWILL / NEGATIVE GOODWILL (NET)

The movements in goodwill for the year ended 31 December 2005 is as follows:

	Goodwill	Negative Goodwill
1 January 2005	176.162	(14.595)
Application of IFRS 3	-	14.595
Additions	246.865	-
Currency translation difference	(1.037)	-
Impairment (**)	(131.022)	-
31 December 2005	**290.968**	**-**

The movement in goodwill and negative goodwill for the year ended 31 December 2004 is as follows:

	Goodwill	Negative goodwill
1 January 2004	261.535	(19.425)
Additions	1.376	-
Addition to the scope of consolidation (*)	14.909	-
Currency translation difference	(15.615)	-
Impairment (**)	(56.206)	-
Amortisation charge	(29.837)	4.830
31 December 2004	**176.162**	**(14.595)**

(*) The goodwill on the books of Advansa, a former joint venture of Sabancı Holding, has been included full in the consolidated financial statements, following the acquisition of remaining shares of Advansa on 30 November 2004.

(**) Impairment of goodwill is included in other operating expenses.

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

NOTE 18 - INVESTMENT PROPERTY (NET)

Cost	**1 January 2005**	**Additions**	**Disposals**	**Transfers**	**Impairment**	**31 December 2005**
Land	119.548	12.907	(38.815)	-	(5.374)	88.266
Buildings	253.497	7.971	(31.840)	-	-	229.628
	373.045	20.878	(70.655)	-	(5.374)	317.894
Accumulated depreciation						
Buildings	36.317	1.381	(10.769)	-	-	26.929
	36.317	1.381	(10.769)	-	-	26.929
Net book value	**336.728**					**290.965**

Cost	**1 January 2004**	**Additions**	**Disposals**	**Transfers**	**Impairment**	**31 December 2004**
Land	128.477	-	(8.929)	-	-	119.548
Buildings	240.250	15.599	(2.352)	-	-	253.497
	368.727	15.599	(11.281)	-	-	373.045
Accumulated depreciation						
Buildings	28.068	8.403	(154)	-	-	36.317
	28.068	8.403	(154)	-	-	36.317
Net book value	**340.659**					**336.728**

Exsa, a subsidiary of Sabancı Holding, recorded impairment losses related to land held as investment property following the valuation studies carried out in August and September 2005. The impairment losses amounting to YTL 5.374 is included in other operating expenses.

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET)

Cost	1 January 2005	Exchange rate difference	Additions	Disposals	Change in the scope of consolidation	Business combinations	Impairment	Revaluation	31 December 2005
Land and land improvements	345.225	(3.087)	6.173	(54.474)	577	27.014	(4.136)	-	317.292
Buildings	1.948.840	(10.554)	47.885	(74.145)	1.255	81.623	-	18.080	2.012.984
Machinery and equipment	4.532.557	(40.019)	287.536	(223.520)	5.989	226.997	(3.243)	3.548	4.789.845
Motor vehicles	127.828	(379)	19.011	(11.132)	362	228	-	222	136.140
Furniture and fixtures	1.194.714	6.357	207.727	(83.984)	129	32.175	-	709	1.357.827
	8.149.164	(47.682)	568.332	(447.255)	8.312	368.037	(7.379)	22.559	8.614.088
Construction in progress	193.899	(4.937)	355.914	(377.974)	48	14.445	-	-	181.395
	8.343.063	(52.619)	924.246	(825.229)	8.360	382.482	(7.379)	22.559	8.795.483
Accumulated depreciation									
Land and land improvements	59.147	(142)	6.614	(1.377)	243	-	-	-	64.485
Buildings	670.025	(3.281)	26.207	(24.282)	728	-	-	-	669.397
Machinery and equipment	2.703.931	1.650	219.533	(212.522)	4.670	-	-	-	2.717.262
Motor vehicles	102.456	(271)	8.885	(7.456)	324	-	-	-	103.938
Furniture and fixtures	897.858	4.470	167.407	(64.796)	112	-	-	-	1.005.051
	4.433.417	2.426	428.646	(310.433)	6.077	-	-	-	4.560.133
Net book value	**3.909.646**								**4.235.350**

At 31 December 2005 there are mortgages amounting to YTL 31.338 (2004: YTL 134.243) on buildings as security for bank borrowings and due to regulatory requirements.

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

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

Cost	1 January 2004	Exchange rate difference	Additions	Disposals	Change in the scope of consolidation	Business combinations	Impairment	31 December 2004
Land and land improvements	338.387	(3.498)	15.216	(29.012)	(211)	24.343	-	345.225
Buildings	1.909.071	(14.994)	61.727	(36.483)	(704)	35.253	(5.030)	1.948.840
Machinery and equipment	4.074.569	(93.941)	372.961	(119.847)	(2.711)	512.939	(211.413)	4.532.557
Motor vehicles	120.911	(97)	18.031	(12.535)	(226)	1.744	-	127.828
Furniture and fixtures	1.112.467	(2.073)	106.061	(28.553)	(63)	6.882	(7)	1.194.714
	7.555.405	(114.603)	573.996	(226.430)	(3.915)	581.161	(216.450)	8.149.164
Construction in progress	221.459	(5.000)	316.309	(361.850)	-	22.981	-	193.899
	7.776.864	(119.603)	890.305	(588.280)	(3.915)	604.142	(216.450)	8.343.063
Accumulated depreciation								
Land and land improvements	53.579	(95)	5.735	(1.104)	(75)	1.107	-	59.147
Buildings	611.442	(2.483)	61.882	(9.741)	(571)	9.496	-	670.025
Machinery and equipment	2.361.428	(28.741)	210.049	(84.836)	(2.383)	248.414	-	2.703.931
Motor vehicles	101.695	(54)	9.648	(9.956)	(209)	1.332	-	102.456
Furniture and fixtures	817.297	(1.342)	105.252	(27.852)	(51)	4.554	-	897.858
	3.945.441	(32.715)	392.566	(133.489)	(3.289)	264.903	-	4.433.417
Net book value	**3.831.423**							**3.909.646**

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

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

At 31 December 2004 impairment loss amounting to YTL 216,450 was included in other operating expenses.

As disclosed in the summary of significant accounting policies, where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

In this context, Sabancı Holding management made an assessment at the end of the year for DuPontSA, which operates in the textile chemicals segment, and concluded that as a result of the decrease in demand in this market, the sales prices could not be increased to compensate the significant increases in the raw material prices throughout the year and accordingly the profit margins were decreased. Additionally, the carrying amount of the net assets of DuPontSA was considered as one of the significant indicators of the impairment of assets. In consideration of the above indicators, in accordance with IAS 36 "Impairment of Assets", the Holding calculated the recoverable amount of DuPontSA's property, plant and equipment by reference to value in use, as the net selling prices were not reliably determined.

Value in use was determined by reference to the estimated discounted future cash flows method calculated based on the 5-year budgets approved by the Board of Directors of DuPontSA. In the discounted cash flows method, rate of growth is not used for the period over 5 years. The discount rates used in the estimate of future cash flows are 8,14% and 5,37% for DuPontSA units operating in Turkey and abroad, respectively.

NOTE 20 - INTANGIBLE ASSETS

	2005	**2004**
Cost	299.047	239.212
Accumulated depreciation	(99.782)	(84.193)
	199.265	**155.019**

NOTE 21 - ADVANCES RECEIVED

	2005	**2004**
Advances received from customers	29.491	11.767

NOTE 22 - RETIREMENT PLANS

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

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

NOTE 23 - PROVISIONS

a) Income taxes payable

	2005	2004
Corporation and income taxes currently payable	792.376	503.936
Less: prepaid taxes	(558.514)	(345.996)
Total taxes payable	**233.862**	**157.940**

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.

Corporation tax rate of the fiscal year 2005 is 30% (2004: 33%). Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, 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 the 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, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is payable by the 17th 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 accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2005.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 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.

NOTE 23 - PROVISIONS (Continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 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 Sabancı Holding 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.

Exemption for Participation into Foreign Subsidiaries
The participation income of corporations participating in 25% 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 investment of marketable securities) for at least two continuous years 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 are subject to corporate income tax, or alike, in their country of legal or business centre at the rate of at least 20% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance) and 75% of the income generated consists of commercial, agricultural or independent professional service income.

Exemption for Income Generated from Foreign Offices and Permanent Representatives
The income of corporations arising from their offices or permanent representatives abroad are exempt from corporate income tax provided that the foreign office or permanent representative must be subject to corporate income tax, or alike, in the country it is located at the rate of at least 20% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the income must be transferred to Turkey until the end of the third month following the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

Participation Exemption and Reduced Dividend Withholding Tax Rate for Holding Companies
The participation income of full tax resident Joint Stock Companies ("JSC") in Turkey are exempt from corporate income tax assuring that the JSC must held the shares of the subsidiary, for at least 2 continuous years as at the date the income is generated, and 75 % or more of the total assets of the JSC comprise of participation in 25% or more of the capital of the limited or joint stock companies (except from those whose core business is financial leasing or security investment), whose legal or business centre is located abroad, and the participation income constitute 75 % or more of the corporate income of the JSC and, the subsidiary must be subject to corporate income tax, or alike, in its country of legal or business centre at the rate of at least 20% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the participation income is transferred to Turkey until the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

NOTE 23 - PROVISIONS (Continued)

Exemption for sale of Participation Shares and Property
Profit of corporations' from sale of participation shares and property which have been in their assets at least for two years is exempt from corporate tax provided that they are added to corporations' share capital until the end of second calendar year following the year in which sale was realised.

On the other hand, the condition of adding this profit to share capital is not required for corporations other than full fledged taxpayer corporations and non-resident taxpayer corporations and these profits are accounted under special reserves. In the event that these profits added to share capital or accounted under special reserves are withdrawn from the entity in any means, transferred to abroad by non-resident taxpayer corporations or the entity liquidates (except by take over, merger and de-merger) within five years, those profits are considered as profits regarding that year and are subject to corporate tax.

Exemption for Investment Allowance
Capital expenditures, with some exceptions, over YTL 10 are eligible for investment incentive allowance of 40% is exempted from corporate income tax and this allowance is not subject to withholding tax without the requirement of an investment incentive certificate. Investment allowances calculated are deferred to the following years in cases where corporate income is insufficient. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 in accordance with provisions of Income Tax Law Transitional Article 61 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution. Therefore, profit mentioned above within trade income/loss is considered in the calculation of corporate income tax.

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law Article 14 and reiterated Article 14, and Income Tax Law Article 40 are also taken into consideration.

b) Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2005 the amount payable consists of one month's salary limited to a maximum of YTL 1.727,15 (2004: YTL 1.574,74) 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.

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

NOTE 23 - PROVISIONS (Continued)

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.

The movements in the reserve for employment termination benefits for the periods ended 31 December were as follows:

	2005	2004
Balances at 1 January	124.925	98.071
Business combinations	8.262	20.192
Liquidation of subsidiaries	(31)	-
Payments during the period	(40.726)	(37.625)
Charge for the year	49.943	55.768
Monetary gain	-	(11.481)
Balances at 31 December	**142.373**	**124.925**

NOTE 24 - MINORITY INTEREST

	2005	2004
Balances at 1 January - as previously reported	4.693.824	4.246.909
Accounting policy change	33.115	88.274
Balances at 1 January - as restated	4.726.939	4.335.183
Effect of change in the effective rate of subsidiaries	(54.409)	35.703
Non-cash capital increase	(91.759)	(42.341)
Liquidation of subsidiaries	(4.224)	-
Capital increase	40.210	-
Increase in share premium	-	-
Dividends paid	(879.307)	(292.192)
Business combinations	25.838	60.653
Currency translation difference	(38.326)	(12.813)
Available for sale investments, net fair value change, net of tax	138.029	(54.964)
Net income for the period	993.927	697.710
Balances at 31 December	**4.856.918**	**4.726.939**

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

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Sabancı Holding’s authorised and issued capital consists of 180.000.000.000 (2004: 120.000.000.000) shares of YKr 1 each. Sabancı Holding’s authorised and paid-in share capital and shareholding structure at 31 December 2005 and 2004 were as follows:

Shareholders:	**Share (%)**	**2005**	**Share (%)**	**2004**
Sabancı family members	58,37	1.050.594	64,47	773.640
Public quotation	25,20	453.686	19,10	229.200
Sakıp Sabancı Holding A.Ş.	14,81	266.578	14,81	177.720
Sabancı University	1,62	29.142	1,62	19.440
Share capital	**100,00**	**1.800.000**	**100,00**	**1.200.000**
Share premium		**21.670**		**21.670**

According to the Articles of Association (the “Articles”) of the Holding, any founder shareholder participating in the Holding foundation with an amount of more than TL1.000.000 receives a usufruct share in return for each of their TL 250.000 share commitment. As a result, there are 189 usufruct shares, all of which have been granted to Vaksa and certain Sabancı family members. The holders of the usufruct shares are currently entitled to receive dividends out of distributable profits as explained in Note 27. Shareholders having usufruct shares do not have any interest in the capital of Sabancı Holding, and do not have any voting rights associated with them.

NOTE 26 - CAPITAL RESERVES

The inflation adjusted amounts and the inflation adjustment differences of the items in shareholders’ equity which are presented in the accompanying financial statements at their statutory amounts are as follows:

2005	**Historical amount**	**Restated amount**	**Restatement difference**
Share capital	1.800.000	5.226.761	3.426.761
Share premium	21.670	300.122	278.452
Legal reserves	76.136	159.239	83.103
Extraordinary reserves	567.538	663.143	95.605
	2.465.344	**6.349.265**	**3.883.921**

2004	**Historical amount**	**Restated amount**	**Restatement difference**
Share capital	1.200.000	4.626.761	3.426.761
Share premium	21.670	300.122	278.452
Legal reserves	54.110	137.213	83.103
Extraordinary reserves	255.893	532.972	277.079
	1.531.673	**5.597.068**	**4.065.395**

NOTE 27 - PROFIT RESERVES

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

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

Dividend distribution is made by the Holding in 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%, to the holders of the usufruct shares in the amount of 3% and to Vaksa 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 Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. The income of the Subsidiaries, Joint Ventures and Associated companies of the Holding will not be taken into consideration in the calculation of dividends of the parent company, if they have not declared dividends in their general assemblies.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as restatement difference.

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

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

NOTE 27 - PROFIT RESERVES (Continued)

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

	2005	**2004**
Capital	1.800.000	1.200.000
Share premium	21.670	21.670
Legal reserves	76.136	54.110
Extraordinary reserves	567.538	255.893
Shareholders' equity restatement difference	3.883.921	4.065.395
Net income	689.765	724.132
Retained earnings	17.021	173.678
Total shareholders' equity subject to dividend distribution	7.056.051	6.494.878
Translation reserve	(361.560)	(307.744)
Revaluation reserve	12.455	-
Fair value reserve	92.213	24.167
Shareholders' equity per consolidated financial statements	**6.799.159**	**6.211.301**

NOTE 28 - RETAINED EARNINGS

	2005
Balance at 1 January 2005 - as previously reported	173.678
Effect of IFRS 3 application	14.595
Balance at 1 January 2005 - as restated	188.273
Capital increase	(418.526)
Transfer of net income of 2004 to retained earnings	390.461
Effect of change in the effective rate of subsidiaries	(14.501)
Dividends paid	(128.686)
Balance at 31 December 2005	**17.021**

NOTE 29 - FOREIGN CURRENCY POSITION

Foreign currency denominated financial assets and liabilities held by the Group before consolidation eliminations at 31 December 2005 and 2004 were as follows:

	2005	**2004**
Assets	25.304.424	21.497.809
Liabilities	(26.118.652)	(21.803.444)
Net foreign currency position	**(814.228)**	**(305.635)**

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	2005				
	USD	**EUR**	**GBP**	**Other**	**Total**
Cash and due from banks	1.770.368	1.372.953	217.502	33.872	3.394.695
Trading securities	5.638.279	802.868	-	-	6.441.147
Derivative financial instruments	4.863	1.020	5.991	254	12.128
Reserve deposits at Central Bank	-	1.190.957	-	-	1.190.957
Loans and advances to customers - net	5.160.374	3.353.073	57.515	2.013	8.572.975
Investment securities	4.155.071	572.988	76.675	20.536	4.825.270
Trade receivables	192.583	465.722	77.651	29.975	765.931
Other receivables	64.877	13.810	16.263	6.371	101.321
Total foreign currency denominated assets	**16.986.415**	**7.773.391**	**451.597**	**93.021**	**25.304.424**
Funds borrowed, bank borrowings and debt securities in issue	8.388.164	1.826.117	126.724	10.852	10.351.857
Customer deposits	8.193.099	5.955.814	630.961	161.174	14.941.048
Derivative financial instruments	39.823	19.373	10.862	222	70.280
Trade payables	131.187	305.037	73.016	30.737	539.977
Other payables	122.507	59.636	30.111	3.236	215.490
Total foreign currency denominated liabilities	**16.874.780**	**8.165.977**	**871.674**	**206.221**	**26.118.652**
Net balance sheet position	**111.635**	**(392.586)**	**(420.077)**	**(113.200)**	**(814.228)**

	2004				
	USD	**EUR**	**GBP**	**Other**	**Total**
Cash and due from banks	1.236.827	1.356.951	345.341	70.033	3.009.152
Trading securities	3.558.869	205.414	-	-	3.764.283
Derivative financial instruments	200.038	464.030	128.533	23.407	816.008
Reserve deposits at Central Bank	380.032	848.433	-	-	1.228.465
Loans and advances to customers	10.156.390	1.580.006	54.046	1.736	11.792.178
Investment securities	12	199.816	40.382	24	240.234
Trade receivables	173.403	338.705	60.178	6.657	578.943
Other receivables	22.365	17.777	26.380	2.024	68.546
Total foreign currency denominated assets	**15.727.936**	**5.011.132**	**654.860**	**103.881**	**21.497.809**
Funds borrowed, bank borrowings and debt securities in issue	5.228.417	1.041.618	17.450	9.117	6.296.602
Customer deposits	7.805.610	6.199.930	579.433	163.827	14.748.800
Derivative financial instruments	5	2.177	35.133	19	37.334
Trade payables	82.230	264.729	47.555	33.658	428.172
Other payables	196.389	67.414	24.682	4.051	292.536
Total foreign currency denominated liabilities	**13.312.651**	**7.575.868**	**704.253**	**210.672**	**21.803.444**
Net balance sheet position	**2.415.285**	**(2.564.736)**	**(49.393)**	**(106.791)**	**(305.635)**

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

NOTE 30 - GOVERNMENT GRANTS

None (2004: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

	2005	2004
Letters of guarantee issued	2.227.769	1.722.901
Foreign currency acceptance credits	838.159	740.273
Letter of credits	49.179	46.893
	3.115.107	**2.510.067**

Commitments for resale and repurchase of debt securities:

Commitments for resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2005 and 2004 were as follows:

	2005	2004
Repurchase commitments	5.489.288	2.327.537
Resale commitments	91.885	80.194

Commitments to forward currency purchase / sale and swap transactions:

	2005	2004
Forward currency purchases		
YTL	410	43.228
USD	204.377	169.430
EUR	718.182	372.611
JPY	43.380	26.157
GBP	339.685	174.403
Other	-	1.765
	1.306.034	**787.594**
Forward currency sales		
YTL	27.862	43.416
USD	983.941	317.239
EUR	214.420	232.966
JPY	95.137	5.675
GBP	48.755	171.226
Other	-	1.767
	1.370.115	**772.289**

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

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

	2005	2004
Currency swap purchases		
USD	857.195	32.331
EUR	816.540	2.215.093
GBP	265.462	185.142
CHF	17.777	-
Other	83.721	-
	2.040.695	**2.432.566**
Currency swap sales		
USD	832.273	2.245.877
GBP	8.296	-
EUR	1.216.265	32.331
	2.056.834	**2.278.208**
Interest rate swap purchases		
USD	326.729	123.478
EUR	315.649	113.993
GBP	323.694	257.650
JPY	13.680	15.598
	979.752	**510.719**
Interest rate swap sales		
USD	320.154	116.953
EUR	315.649	113.993
GBP	323.694	257.650
JPY	20.520	23.398
	980.017	**511.994**
Spot purchases	78.170	38.657
Spot sales	78.319	38.630

Commitments - Other companies

Letters of guarantee given	729.677	461.733
Other guarantees given	43.810	95.480
	773.487	**557.213**

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

NOTE 32 - BUSINESS COMBINATIONS

Akbank, a subsidiary of Sabancı Holding, acquired 60% of shares of its prior associate Ak Uluslararası Bankası A.Ş. (formerly named BNP Ak Dresdner Bank A.Ş.) from the foreign shareholders in consideration of YTL 64.337 on 9 March 2005. The excess of the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of acquisition amounted to YTL 24.968 and was credited to other operating income. The net income of Ak Uluslararası Bankası A.Ş. for the period between 9 March 2005 and 31 December 2005 is YTL 24.076. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Loans and advances to customers	239.223
Financial assets	201.087
Property plant and equipment, net	12.983
Other assets	8.533
Customer deposits	(8.288)
Other borrowed funds and debt securities issued	(290.942)
Other liabilities	(10.426)
Total net assets	152.170
Net assets owned by Holding before acquisition	(82.305)
Total net assets acquired	69.865
Less: cost of acquisition	(44.897)
Excess recognised in the statement of income	**(24.968)**

Sabancı Industrial Nylon Yarn, a subsidiary of Sabancı Holding, acquired 50% of shares of Kordsa LLC from E.I. du Pont de Nemours and Company (“Dupont”), a joint venturer of Kordsa LLC, in consideration of YTL 133.349 on 30 April 2005. The excess of Sabancı Industrial Nylon Yarn’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of acquisition amounted to YTL 52.269 and was credited to other operating income. The net income of Kordsa LLC for the period between 30 April 2005 and 31 December 2005 is YTL 9.650. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Trade receivable	67.516
Inventories	63.684
Property plant and equipment, net	223.180
Intangible assets,-net	10.176
Other assets	44.558
Financial liabilities	(97.255)
Trade payables	(53.868)
Other liabilities	(72.374)
Total net assets	185.617
Less: cost of acquisition	(133.349)
Excess recognised in statement of income	**(52.268)**

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

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Sabancı Industrial Nylon Yarn, a subsidiary of Sabancı Holding, acquired 90,32% of shares of Cobafi from Acordis/Diolen in consideration of YTL 21.320 on 13 May 2005. The excess of Sabancı Industrial Nylon Yarn's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 10.449 and was credited to other operating income. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Trade receivables	7.796
Inventory	23.758
Property plant and equipment, net	19.982
Other assets	15.223
Financial liabilities	(18.780)
Trade payables	(3.431)
Other liabilities	(12.779)
Total net assets	31.769
Less: cost of acquisition	(21.320)
Excess recognised in statement of income	**(10.449)**

Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş., a joint venture of Sabancı Holding, acquired 65,33% of shares of Gima Gıda ve İhtiyaç Maddeleri T.A.Ş. and 34,95% of Endi Tüketim Malları Ticaret ve Sanayi A.Ş. ("Endi") from Fiba Holding A.Ş.in consideration of YTL 72.192 on 13 July 2005. The amount of goodwill arising as a result of this transaction amounted to YTL 94.884. The total net income of the acquirees amounted to YTL 11.090 for the period between 13 July 2005 and 31 December 2005. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Inventory	9.029
Property plant and equipment, net	18.613
Intangible assets, net	269
Other assets	16.611
Financial liabilities	(13.070)
Trade payables	(34.373)
Other liabilities	(19.771)
Losses applicable to minority interests exceeding the minority interest in the equity at the acquisition date	(10.571)
Total net assets	(33.263)
Less: cost of acquisition	(72.192)
Goodwill	**105.455**

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

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Çimsa Çimento Sanayi ve Ticaret A.Ş., a subsidiary of Sabancı Holding, acquired the Eskişehir and Lalapaşa plants of Standart Çimento Sanayi A.Ş. ("Standart Çimento") from Savings Deposits Insurance Fund in consideration of YTL 235.784 (USD 175.000.000) on 26 December 2005. The fair values of identifiable assets, liabilities, contingent liabilities and cost of acquisition are as follows:

Inventory	2.310
Property plant and equipment, net	74.903
Intangible assets, net (*)	22.759
Employee termination benefits	(199)
Deferred tax liabilities	(5.399)
Total net assets	94.374
Less: cost of acquisition	(235.784)
Goodwill	**141.410**

(*) The acquired intangible assets represent the mining rights.

Application of the purchase accounting in relation to the business combinations of Carrefoursa-Gima and Çimsa-Standart Çimento were determined provisionally as the valuation of the fair values of the identifiable assets, liabilities and the contingent liabilities of the acquirees (Gima and Standart Çimento) were not finalized as of 31 December 2005. As stated in IFRS 3 "Business Combinations", provisional application of the purchase method will be completed within the 12 months following the acquisition dates.

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

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Summary of business combination in 2004 was as follows:

Sabancı Holding acquired 50% of shares of its former joint venture DuPontSA (subsequently named "Advansa") from the joint venturer, Dupont Polyster Europe APS in consideration of YTL 147.308 on 30 November 2005. The excess of Sabancı Holding's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of acquisition amounted to YTL 293.862 and was credited to other operating income. The net loss of DuPontSA for the period between 30 November 2004 and 31 December 2004 is YTL 5.397. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Trade receivables	173.291
Inventory	100.680
Property plant and equipment, net	369.130
Intangible assets	51.896
Other assets	18.788
Bank borrowings	(74.095)
Trade payables	(126.266)
Other liabilities	(72.254)
Total net assets	441.170
Less: cost of acquisition	(147.308)
Excess recognised in statement of income	**293.862**

Sabancı Holding acquired 50% of shares of its Joint Venture I-Bimsa from IBM Türk Limited Company in consideration of YTL 2.253 resulting in goodwill amounting to YTL 1.376.

NOTE 33 - SEGMENT REPORTING

a) External revenues	**2005**	**2004**
Tire and tire reinforcements	1.057.363	761.936
Automotive	1.470.028	1.363.559
Textile	333.598	402.665
Chemicals	1.587.413	929.493
Cement	486.400	409.264
Retail	1.300.259	892.088
Food and beverage	394.709	384.340
Finance	7.174.698	6.014.653
Other	418.724	390.600
	14.223.192	**11.548.598**

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

NOTE 33 - SEGMENT REPORTING (Continued)

b) Segment assets		**2005**		**2004**
Tire and tire reinforcements		880.361		690.629
Automotive		511.642		419.516
Textile		456.838		357.864
Chemicals		1.413.551		1.582.719
Cement		645.534		486.475
Retail		818.030		681.545
Food and beverage		261.401		230.826
Finance		55.446.516		37.322.341
Banking	54.684.653		36.794.917	
Insurance	761.863		527.424	
Other		1.433.677		1.487.244
Segment assets (*)		**61.867.550**		**43.259.159**
Investment in associated companies		114.965		183.926
Banking	-		80.881	
Other	114.965		103.045	
Unallocated assets		937.046		827.118
Less: intercompany eliminations and reclassifications		(1.183.582)		(859.344)
Total assets per consolidated financial statements		**61.735.979**		**43.410.859**

(*) Segment assets comprise operating assets.

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

NOTE 33 - SEGMENT REPORTING (Continued)

c) Segment liabilities		2005		2004
Tire and tire reinforcements		195.382		114.521
Automotive		231.851		173.216
Textile		48.267		50.597
Chemicals		271.055		327.163
Cement		58.426		54.662
Retail		329.300		197.679
Food and beverage		81.324		59.952
Finance		48.515.453		30.625.522
Banking	47.975.444		30.336.712	
Insurance	540.009		288.810	
Other		220.092		170.857
Segment liabilities (*)		**49.951.150**		**31.774.169**
Unallocated liabilities		1.201.455		1.131.176
Less: intercompany eliminations and reclassifications		(1.072.703)		(432.726)
Total liabilities per consolidated financial statements		**50.079.902**		**32.472.619**

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

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

NOTE 33 - SEGMENT REPORTING (Continued)

d) Segment analysis for the period between 1 January - 31 December 2005

								Finance					
	Tire and tire reinforcements	**Automotive**	**Textile**	**Chemicals**	**Cement**	**Retail**	**Food and beverage**	**Banking**	**Insurance**	**Total finance**	**Other**	**Inter segment eliminations**	**Total**
External revenues	1.057.363	1.470.028	333.598	1.587.413	486.400	1.300.259	394.710	6.605.049	569.649	7.174.698	418.723	-	14.223.192
Inter segment revenues	5.356	339	12	16.514	1	2.795	5.509	20.865	2.222	23.087	175.254	(228.867)	-
Intra segment revenues	37.680	-	133	2.013	2.412	3.385	1.002	3.566	-	3.566	1.423.154	(1.473.345)	-
Combined revenues	**1.100.399**	**1.470.367**	**333.743**	**1.605.940**	**488.813**	**1.306.439**	**401.221**	**6.629.480**	**571.871**	**7.201.351**	**2.017.131**	**(1.702.212)**	**14.223.192**
External revenues	1.057.363	1.470.028	333.598	1.587.413	486.400	1.300.259	394.710	6.605.049	569.649	7.174.698	418.723	-	14.223.192
Inter segment revenues	5.356	339	12	16.514	1	2.795	5.509	20.865	2.222	23.087	175.254	(228.867)	-
Revenues	**1.062.719**	**1.470.367**	**333.610**	**1.603.927**	**486.401**	**1.303.054**	**400.219**	**6.625.914**	**571.871**	**7.197.785**	**593.977**	**(228.867)**	**14.223.192**
Cost of sales (*)	(898.696)	(1.210.055)	(259.514)	(1.429.612)	(324.309)	(1.028.804)	(341.611)	(3.079.738)	(377.999)	(3.457.737)	(1.199.766)	205.780	(9.944.324)
General and administrative expenses	(64.069)	(19.078)	(27.442)	(41.465)	(21.960)	(154.078)	(21.933)	(1.340.805)	(56.059)	(1.396.864)	(50.463)	-	(1.797.352)
Marketing and selling expenses	(26.046)	(110.237)	(27.089)	(122.488)	(6.347)	(78.990)	(75.371)	-	-	-	(39.555)	-	(486.123)
Research and development expenses	(4.414)	(4.445)	(8.328)	(6.881)	-	-	(292)	-	-	-	-	-	(24.360)
Other income/(expenses), net	53.640	(5.011)	(1.796)	(28.838)	15.593	14.810	4.884	-	-	-	140.369	-	193.651
Adjustment to segment result	37.680	(738)	224	1.335	(16.153)	3.432	(11.517)	(25.693)	(143.405)	(169.098)	394.420	23.087	262.672
Segment result	**160.814**	**120.803**	**9.665**	**(24.022)**	**133.225**	**59.424**	**(45.621)**	**2.179.678**	**(5.592)**	**2.174.086**	**(161.018)**	**-**	**2.427.356**
Other unallocated operating expenses													(53.881)
Add-back other income/(expenses), net													83.834
Operating profit													**2.457.309**

(*) In the banking segment cost of sales includes interest expense, fee and commission expense, provision for loan losses and other operating income.

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

NOTE 33 - SEGMENT REPORTING (Continued)

Segment analysis for the period between 1 January - 31 December 2004

								Finance					
	Tire and tire reinforcements	**Automotive**	**Textile**	**Chemicals**	**Cement**	**Retail**	**Food and beverage**	**Banking**	**Insurance**	**Total finance**	**Other**	**Inter segment eliminations**	**Total**
External revenues	761.936	1.363.559	402.665	929.493	409.264	892.088	384.340	5.533.898	480.755	6.014.653	390.600	-	11.548.598
Inter segment revenues	1.387	551	198	13.069	21	1.634	4.145	20.938	35.577	56.515	161.819	(239.339)	-
Intra segment revenues	40.583	6.513	73	5.966	1.286	2.572	1.476	3.533	-	3.533	1.356.813	(1.418.815)	-
Combined revenues	**803.906**	**1.370.623**	**402.936**	**948.528**	**410.571**	**896.294**	**389.961**	**5.558.369**	**516.332**	**6.074.701**	**1.909.232**	**(1.658.154)**	**11.548.598**
External revenues	761.936	1.363.559	402.665	929.493	409.264	892.088	384.340	5.533.898	480.755	6.014.653	390.600	-	11.548.598
Inter segment revenues	1.387	551	198	13.069	21	1.634	4.145	20.938	35.577	56.515	161.819	(239.339)	-
Revenues	**763.323**	**1.364.110**	**402.863**	**942.562**	**409.285**	**893.722**	**388.485**	**5.554.836**	**516.332**	**6.071.168**	**552.419**	**(239.339)**	**11.548.598**
Cost of sales (*)	(613.124)	(1.175.293)	(301.384)	(841.450)	(279.424)	(728.602)	(340.703)	(2.239.517)	(392.155)	(2.631.672)	(1.329.153)	182.824	(8.057.981)
General and administrative expenses	(46.697)	(16.289)	(27.187)	(48.869)	(24.362)	(123.795)	(17.325)	(1.182.251)	(48.300)	(1.230.551)	(50.435)	-	(1.585.510)
Marketing and selling expenses	(25.499)	(74.060)	(31.326)	(53.920)	(6.447)	(51.381)	(61.672)	-	-	-	(45.996)	-	(350.301)
Research and development expenses	(3.704)	(8.056)	(8.979)	(8.264)	-	-	(354)	-	-	-	-	-	(29.357)
Other income/(expenses), net	2.690	2.151	5.987	(272.705)	5.312	23.770	4.476	-	-	-	18.160	-	(210.159)
Adjustment to segment result	33.134	5.775	164	3.237	(4.186)	2.572	(3.250)	3.533	(56.221)	(52.688)	1.057.720	56.515	1.098.993
Segment result	**110.123**	**98.338**	**40.138**	**(279.409)**	**100.178**	**16.286**	**-30.343**	**2.136.601**	**19.656**	**2.156.257**	**202.715**	**-**	**2.414.283**
Other unallocated operating expenses													(44.100)
Add-back other income/(expenses), net													(14.370)
Operating profit													**2.355.813**

(*) In the banking segment cost of sales includes interest expense, fee and commission expense, provision for loan losses and other operating income.

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

NOTE 33 - SEGMENT REPORTING (Continued)

e) Operating results

i) Banking

	2005	2004
Interest on loans and advances to customers	2.786.102	3.386.106
Interest on investment and trading securities	2.471.193	1.017.773
Fee and commission income	914.903	699.129
Interest on deposits from banks	160.726	151.255
Net trading gains on securities	203.023	276.019
Other interest income	69.102	3.616
Total operating revenues	6.605.049	5.533.898
Less: fee and commission income and net trading gains on securities	(1.117.926)	(975.148)
Total interest income	5.487.123	4.558.750
Interest expense	(2.753.289)	(1.928.047)
Interest income - net	2.733.834	2.630.703
Operating expenses		
Interest expense	(2.753.289)	(1.928.047)
Foreign exchange trading gains – net	64.896	38.323
Operating expense	(1.340.805)	(1.182.251)
Fee and commission expense	(232.767)	(231.732)
Provision for loan losses	(217.973)	(118.002)
Other operating income - net	54.568	24.412
Total operating expenses	(4.425.370)	(3.397.297)
Add: interest expense	2.753.289	1.928.047
Add: fee and commission income and net trading gains on securities	1.117.925	975.148
Operating result	**2.179.678**	**2.136.601**

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

NOTE 33 - SEGMENT REPORTING (Continued)

ii) Insurance

	2005	2004
Gross premiums written	569.649	480.755
Outward reinsurance premiums	(281.944)	(255.279)
Change in the provision for unearned premiums, net of reinsurance	(38.495)	(10.028)
Earned premiums, net of reinsurance	249.210	215.448
Claims paid - gross	(342.313)	(294.711)
Claims paid – reinsures' share	174.470	153.724
Change in the provision for claims	(20.387)	(4.207)
Claims incurred, net of reinsurance	(188.230)	(145.194)
Change in life assurance provision	1.982	(19.409)
Commission expense - net	(37.123)	(21.634)
Other technical income - net	30.132	15.004
Technical Income	55.971	44.215
General administrative expenses	(56.059)	(48.300)
Other operating income - net	(5.504)	23.741
Operating result	**(5.592)**	**19.656**

iii) Non-financial products

Net sales	7.048.494	5.540.457
Cost of sales	(5.761.247)	(4.532.430)
Gross margin	1.287.247	1.008.027
General administrative expenses	(924.829)	(745.314)
Other operating expense- net	(163.029)	(48.787)
Operating result	**199.389**	**213.926**

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

NOTE 33 - SEGMENT REPORTING (Continued)

f) Interests in joint ventures

The aggregate amounts of current assets, long-term assets, current liabilities, long-term liabilities and income and expense items related to Joint Ventures which are proportionally consolidated as discussed in Note 3 to consolidated financial statements are as follows:

Balance sheet	**2005**	**2004**
Current assets	442.916	471.132
Non-current assets	973.894	1.144.068
Total assets	**1.416.810**	**1.615.200**
Current liabilities	404.918	430.796
Non-current liabilities	76.638	101.827
Total liabilities	481.556	532.623
Outside interests	4.143	29.340
Shareholders' equity	931.111	1.053.237
Total liabilities, outside interests and shareholders' equity	**1.416.810**	**1.615.200**

Statements of income	**2005**	**2004**
Operating result	135.410	(202.242)
Financial income- net	(17.454)	7.323
Gain on net monetary position	-	10.880
Income before taxation on income and outside interests	117.956	(184.039)
Taxation on income	(30.789)	61.825
Income before outside interests	87.167	(122.214)
Minority interests	458	17.308
Net income for the period	**87.625**	**(104.906)**

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

NOTE 33 - SEGMENTAL REPORTING (Continued)

g) Amortisation charge, negative goodwill income and capital expenditures

1 January - 31 December 2005

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Finance Banking	Finance Insurance	Other	Total
Depreciation and amortisation	61.104	9.485	35.596	71.400	44.812	12.286	33.773	112.357	4.414	66.166	451.393
Negative goodwill	(62.718)	-	-	-	-	-	-	(24.968)	-	-	(87.686)
	(1.614)	**9.485**	**35.596**	**71.400**	**44.812**	**12.286**	**33.773**	**87.389**	**4.414**	**66.166**	**363.707**
Capital expenditures	114.700	45.305	61.787	83.983	71.921	33.578	23.101	103.618	7.625	47.376	592.994

1 January - 31 December 2004

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Finance Banking	Finance Insurance	Other	Total
Depreciation and amortisation	49.003	9.883	37.014	66.811	44.182	9.547	34.047	105.400	10.772	82.068	448.727
Impairment of goodwill	-	-	-	54.830	-	-	-	-	-	1.376	56.206
	49.003	**9.883**	**37.014**	**121.641**	**44.182**	**9.547**	**34.047**	**105.400**	**10.772**	**83.444**	**504.933**
Capital expenditures	50.755	14.666	43.082	147.406	47.956	59.517	43.184	100.713	13.259	49.345	569.883

NOTE 34 - SUBSEQUENT EVENTS

a) The existence of 189 usufruct shares, in which entitled to get %3 dividend from the distributable net income without any voting rights, issued in accordance with the 13th article of the Articles of Association of Sabancı Holding were considered to be not in line with the contemporary corporate governance principles, and it was noted that such usufruct shares exerts pressure on the value of the shares of Sabancı Holding. Hence, on 14 March 2006, the Board of Directors of Sabancı Holding decided to purchase all of 189 usufruct shares from its owners. The value of the usufruct shares were determined as YTL 1.425.000 based on the valuation study of DTT Kurumsal Finans Danışmanlık A.Ş.

b) On 30 March 2006, the Board of Directors of the Sabancı Holding decided to repeal the 13th article of the Articles of Association of the Sabancı Holding due to the purchase of the 189 usufruct shares on 29 March 2006. Article 35 of the Article of Association, which formulates the provisions of profit distribution, was also decided to be changed as a result of the repeal of the Article 13 of the Articles of Association.

c) In accordance with the decision of the Board of Directors of Akbank dated 22 February 2006, a share purchase agreement was signed with Capital Development Bank Holdings Ltd, a subsidiary of Meridian Capital Limited, regarding the sale of 65% shares of Akbank in the share capital of Sabancı Bank Plc. ("Shares Purchase Agreement"). Within the scope of this agreement, the other shareholder Universal Trading (Jersey) Limited, that holds the remaining 35% shareholding, will also sell its shares in Sabancı Bank Plc. Sale value of the shares will be determined over the net assets of Sabancı Bank Plc at the date of the completion of the purchase transaction. Purchase transaction will be completed at a later date subsequent to the approval of the Financial Services Authority in England and other related authorities. Further information, if arise any in this respect will be disclosed publicly.

d) On 21 February 2006, the Board of Directors of Akbank decided to sell 73,41% shares of its subsidiary Ak Emeklilik A.Ş to Aksigorta A.Ş. Management of Akbank was authorised to apply to Prime Ministry Under Secretariat of Treasury, Insurance General Directorate for the completion of the transaction.

e) On 21 February 2006, the Board of Directors of Akbank decided to sell all of its shares in the share capital of Türkiye Sınai Kalkınma Bankası A.Ş which amount to a nominal value of YTL 12.893.915. Management of Akbank was authorized to sell these shares in the Istanbul Stock Exchange and it was decided that the profit arising from this transaction to be added to the share capital of Akbank.

f) The shares of Endi, which is a subsidiary of Carrefoursa, was sold to Diasa for USD 20 million with the decision of the Board of Directors of Carrefoursa on 24 January 2006. The segregation of the sales price which was collected in cash on 24 January 2006 was as follows; USD 7 million for the 34,95% of the shares directly owned by Carrefoursa and USD 13 million for the 65,05% of the shares owned indirectly by Carrefoursa through its subsidiary, Gima.

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

NOTE 34 - SUBSEQUENT EVENTS (Continued)

g) Income Tax Law No. 193 was amended in accordance with the Law No 5479 on Amendments to Income Tax Law, Law on the Procedures on the Collection of Public Receivables, Special Consumption Tax and Tax Procedural Law, which was enacted in the grand national assembly plenary session on 30 March 2006. Accordingly income and corporate taxpayers are only allowed to offset the investment allowances cumulative as of 31 December 2005 against their tax bases for 2006, 2007 and 2008.

Total amount of investment allowances that the Group could not offset against the corporate taxes of the year 2005 and projected to utilize in the future is YTL 1.029.166. As a result of the aforementioned change in the tax law, the Group estimates that it may not be able to utilize the investment allowances amounting to YTL 712.929 until the end of year 2008 for which deferred tax asset of YTL 78.085 has been recognised in the accompanying financial statements.

NOTE 35 - DISCONTINUED OPERATIONS

None (31 December 2004: None).

NOTE 36 - OPERATING INCOME

	2005	**2004**
Finance	7.174.698	6.014.653
Non-finance	7.048.494	5.533.945
	14.223.192	**11.548.598**

NOTE 37 - OPERATING EXPENSE

	2005	**2004**
General and administrative expenses	1.827.565	1.542.835
Marketing, selling and distribution expenses	469.886	397.285
Research and development expenses	26.862	29.272
	2.324.313	**1.969.392**

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

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	2005	2004
Foreign exchange gains	129.267	88.572
Negative goodwill income	87.686	293.862
Interest income	74.269	104.038
Other	36.909	52.634
	328.131	**539.106**

	2005	2004
Goodwill write-off (Note 17)	131.022	56.206
Loss on sale of property, plant and equipment	10.931	12.959
Impairment charge on property, plant and equipment and investment property	5.374	216.450
Other	52.274	28.927
	199.601	**314.542**

NOTE 39 - FINANCIAL EXPENSES

	2005	2004
Foreign exchange losses	141.026	97.467
Interest expense	51.782	45.494
Other financial expenses	40.586	20.835
	233.394	**163.796**

The financial expenses relate only to segments other than banking.

NOTE 40 – GAIN/(LOSS) ON NET MONETARY POSITION

The gain/(loss) on net monetary position is calculated as the difference between the assets and liabilities as a result of restatement of the non-monetary assets and liabilities and income statement for the changes in the general purchasing power. However, since inflation adjustment is not made for the period beginning on or after 1 January 2005, there is no gain/loss on net monetary position for period ended 31 December 2005 (2004: YTL 633.279, loss on net monetary position).

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

NOTE 41 - TAXES ON INCOME

Total taxes payable for the period ended 31 December 2005 and 2004 are reconciled to current period tax charge as follows:

	2005	2004
Corporation and income taxes currently payable	792.376	503.936
Translation gain	487	1.227
Monetary gain	-	2.021
Current period tax charge	792.863	507.184
Deferred taxation	(71.201)	(97.810)
Taxation on income	**721.662**	**409.374**

The reconciliation of current period tax charge is stated below:

	2005	2004
Statutory income before taxation	2.887.827	2.647.791
Disallowable expenses	400.541	164.491
Dividend income	(495.492)	(708.461)
Carry forward tax losses	(17.972)	(150.344)
Investment sales income	(39.544)	(630)
Investment allowances	(115.151)	(112.153)
Interim dividend payment (*)	-	(199.078)
Other exempt income	(94.136)	(336.923)
Corporation tax base	2.526.073	1.304.693
Withholding tax base	17.251	35.616
Effective tax charge including fund 31,27% (2004: 38,08%)	790.009	496.888
Withholding tax charge over investment allowance including fund 13,7% (2004: 19,8%)	2.367	7.048
Effective tax charge including fund	792.376	503.936
Foreign currency translation difference	487	1.227
Monetary gain	-	2.021
Current income tax	**792.863**	**507.184**

(*) Universal, a subsidiary of Sabancı Holding, paid interim dividend and deducted such payment for tax purposes based on the provisions of the related tax laws.

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

NOTE 42 - EARNINGS PER SHARE

Earnings per share for each class of shares disclosed in these consolidated statements of income is 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 year.

	2005	**2004**
Earnings per share in (full YTL)		
- ordinary share ('000)	3,60	3,78
- usufruct shares	218.973	229.883
Weighted average number of shares with YKr 1 face value each		
- ordinary shares	180.000.000.000	180.000.000.000
- usufruct shares	189	189

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 issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and 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. Bonus shares issued during the years ended 31 December 2005 and 2004 were as follows:

	Number of shares issued attributable to transfers to share capital from		
	Extraordinary reserves Restatement difference	**Investment sales income**	**Total**
2005	41.852.610	18.147.390	60.000.000

	Number of shares issued attributable to transfers to share capital from		
	Retained earnings	**Revaluation surplus**	**Total**
2004	18.143.212.400	1.856.787.600	20.000.000.000

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

	Usufruct shares	**Ordinary shares**	**Total**
2005	41.386	648.379	689.765
2004	43.448	680.684	724.132

There was no difference between basic and diluted earnings per share for any class of shares for any of these periods.

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

NOTE 43 - STATEMENTS OF CASH FLOW

	Notes	2005 USD (*)	2005	2004
Net income before taxation and minority interests		1.792.632	2.405.354	2.464.495
Adjustments to reconcile net income before taxation and outside interest to net cash provided by operating activities:				
Depreciation and amortisation expense	33	336.409	451.393	448.727
Provision for loan losses	45	149.382	200.441	107.388
Re-measurement of derivatives at fair value		195.024	261.683	13.560
Impairment charge on goodwill	17	97.646	131.022	56.206
Change in employment termination benefits reserve	23	37.221	49.943	55.768
Impairment change on investment property and tangible assets	18, 19	9.504	12.753	216.450
Negative goodwill income	38	(65.350)	(87.686)	(293.862)
Insurance technical reserves		(42.406)	(56.900)	33.644
Income from associates	16.c	(39.431)	(52.909)	(47.914)
Currency translation adjustment		(29.227)	(39.217)	(4.774)
Investment property and tangible assets sales income		(17.777)	(23.853)	(12.961)
Inflation effect on provision for loan losses		-	-	(35.573)
Inflation effect on non-operating activities		-	-	(11.481)
Net cash provided by operating activities before changes in operating assets and liabilities		2.423.627	3.252.024	2.989.673
Changes in operating assets and liabilities				
Increase in trade receivable		(234.774)	(315.020)	(139.646)
Increase in due from related parties		(487)	(654)	(61.884)
Increase on inventory		(23.221)	(31.158)	(85.845)
Increase in other receivables and other current assets		(17.403)	(23.351)	(45.850)
Increase in lease receivables		(193.356)	(259.445)	-
Increase on trade payables		251.265	337.147	46.507
(Decrease)/increase in due to related parties		(4.227)	(5.672)	8.447
Increase/(decrease) on insurance technical reserve		66.549	89.295	(12.477)
(Decrease)/increase on other liabilities and advances received		(40.955)	(54.954)	342.133
Changes in assets and liabilities in banking sector				
Increase/(decrease) in marketable securities		(1.706.680)	(2.290.023)	4.771.818
Increase in loans and advances		(6.361.099)	(8.535.322)	(4.964.425)
Decrease on customer deposits		9.967.903	13.374.932	820.512
Increase on reserve with the Central Bank of the Republic of Turkey		(1.477.432)	(1.982.418)	(184.834)
Inflation effect on operating activities		-	-	(1.078.442)
		226.083	303.357	(583.986)
Income taxes paid		(534.313)	(716.941)	(693.138)
Employment termination benefits paid	23	(30.352)	(40.726)	(37.625)
Net cash provided by operating activities		**2.085.045**	**2.797.714**	**1.674.924**
Cash flows from investing activities:				
Capital expenditures	33	(441.939)	(592.994)	(569.883)
Investment in marketable securities (non-banking segments)		28.616	38.397	(236.147)
Investment in available-for-sale and held-to-maturity securities		(2.265.952)	(3.040.454)	(1.256.923)
Proceeds on business combinations	32	(378.255)	(507.542)	(93.166)
Proceeds from sale of property, plant and equipment		153.499	205.965	123.897
Dividends received		30.549	40.990	43.371
Inflation effect on investing activities		-	-	(36.531)
Net cash used in investing activities		**(2.873.482)**	**(3.855.638)**	**(2.025.382)**
Cash flows from financing activities:				
Increase in short term funds borrowed, bank borrowings and debt securities in issue		2.393.918	3.212.159	914.586
Decrease on finance lease payables		(1.965)	(2.637)	-
Dividends paid		(95.906)	(128.686)	(173.169)
Dividends paid to outside interests		(655.319)	(879.307)	(292.192)
Increase in share capital of outside interests		(38.417)	(51.549)	(42.341)
Effective control rate change for subsidiaries		(51.356)	(68.910)	-
Inflation effect on financing activities		-	-	728.067
Net cash provided by financing activities		**1.550.954**	**2.081.070**	**1.134.951**
Net increase in cash and cash equivalents		762.517	1.023.146	784.493
Inflation effect on cash and cash equivalents			-	(246.373)
Cash and cash equivalents at the beginning of the period	4	2.408.819	3.232.154	2.694.034
Cash and cash equivalents at the end of the period	**4**	**3.171.336**	**4.255.300**	**3.232.154**

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

NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

	Fair values	
	Assets	**Liabilities**
2005		
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	1.373	16.307
Currency swaps	4.554	43.086
Total over-the-counter derivatives	**5.927**	**59.393**
Interest derivativies		
Interest swaps	6.201	10.887
Total derivatives held for trading	**12.128**	**70.280**

	Fair values	
	Assets	**Liabilities**
2004		
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	31.313	36.727
Currency swaps	210.075	1.705
Total over-the-counter derivatives	**241.388**	**38.432**
Total derivatives held for trading	**241.388**	**38.432**

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

NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS

a) Loans and advances to customers

	2005	**2004**
Consumer loans and credit cards receivables	6.994.921	3.889.216
Small-scale enterprises	1.956.879	851.499
Financial institutions	1.868.413	1.415.864
Project finance loans	1.433.489	1.593.208
Mining	942.802	387.503
Automotive	797.058	610.147
Chemicals	785.744	349.277
Food and beverage, wholesale and retail	759.436	1.482.886
Textile	618.697	282.329
Construction	499.435	174.655
Agriculture and forestry	242.734	101.530
Health care and social services	207.778	91.408
Tourism	190.235	50.460
Electronics	136.011	63.525
Telecommunication	103.454	247.748
Other manufacturing industries	885.017	733.370
Others	3.398.359	1.172.237
Total	21.820.462	13.496.862
Non-performing loans	359.050	204.119
Total loans and advances to customers	22.179.512	13.700.981
Accrued interest receivable	254.609	197.818
Allowance for loan losses	(537.069)	(336.628)
Net loans and advances to customers	**21.897.052**	**13.562.171**

Effective interest rates of USD, EUR and YTL denominated loans and advances to customers are 6,15% p.a. (2004: 6,28% p.a.), 3,10% p.a. (2004: 4,15% p.a.) and 20,90% p.a. (2004: 27,10%p.a.), respectively.

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

NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

The maturity schedule of loans and advances to customers at 31 December 2005 and 2004 are summarised below:

	2005	2004
Up to 3 months	7.296.166	5.939.749
3 to 12 months	8.311.990	3.856.279
Current	15.608.156	9.796.028
1 to 5 year	5.435.713	3.716.959
Over 5 year	853.183	49.184
Non-current	6.288.896	3.766.143
	21.897.052	**13.562.171**

The repricing schedule of loans and advances to customers at 31 December 2005 and 2004 are summarised below:

	2005	2004
Up to 3 months	12.746.841	7.830.599
3 to 12 months	5.803.853	4.596.878
1 to 5 year	2.980.224	1.122.165
Over 5 year	366.134	12.529
	21.897.052	**13.562.171**

Movements in the allowance for loan losses were as follows:

	2005	2004
Balance at 1 January	336.628	264.813
Gross provisions	303.468	171.986
Recoveries	(130.811)	(62.142)
Written-off	(19.635)	(10.330)
Net specific provision	153.022	99.514
Net additional provision	47.419	7.874
Monetary gain	-	(35.573)
Balances at 31 December	**537.069**	**336.628**

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

NOTE 46- BANKING CUSTOMER DEPOSITS

	2005			2004		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Savings deposits	2.668.137	18.097.911	20.766.048	2.486.801	12.953.738	15.440.539
Commercial deposits	1.953.702	4.448.533	6.402.235	1.017.665	2.693.473	3.711.138
Bank deposits	99.761	2.560.729	2.660.490	59.123	1.848.159	1.907.282
Funds deposited under repo transsactions	-	5.478.089	5.478.089	-	2.311.218	2.311.218
Other	602.341	1.018.450	1.620.791	140.260	33.996	174.256
	5.323.941	**31.603.712**	**36.927.653**	**3.703.849**	**19.840.584**	**23.544.433**

NOTE 47 - MUTUAL FUNDS

At 31 December 2005, the Group manages 13 (2004: 12) mutual funds and 10 pension funds ("Funds") which were established under Capital Markets Board Regulations. At 31 December 2005, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of YTL 3.978.847 (2004: YTL 3.706.830). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0,010% to 0,012%. At 31 December 2005, management fees and commissions earned by the Group amounted to YTL 118.920 (2004: YTL 109.130).

NOTE 48 - DISCLOSURE OF OTHER MATTERS

None (31 December 2004: None).

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