

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2011**

(ORIGINALLY ISSUED IN TURKISH)

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2011

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2011 AND 31 DECEMBER 2010

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

	Note References	31 March 2011	31 December 2010
ASSETS			
Current Assets		55.987.675	54.840.479
Cash and Cash Equivalents		5.745.104	4.962.185
Financial Assets			
- Marketable Securities	5.a	1.407.519	851.346
- Available for sale	5.b	3.046.855	9.402.429
- Held to Maturity	5.c	894.170	1.029.960
Derivative Financial Instruments	18	116.874	344.803
Reserve Deposits with the Central Bank of Turkey		7.200.396	5.283.817
Trade Receivables		1.225.231	1.096.000
Receivables from Finance Sector Operations	19	32.183.203	29.241.185
Inventories		1.095.545	969.689
Other Receivables	7	547.343	492.046
Other Current Assets	13	803.652	663.124
		54.265.892	54.336.584
Non-current Assets Held for Sale	15	1.721.783	503.895
Non-current Assets		75.096.285	75.219.405
Trade Receivables		39.732	31.654
Receivables from Finance Sector Operations	19	30.614.521	28.784.892
Derivative Financial Instruments	18	367.074	130.424
Financial Assets			
- Available for Sale	5.b	31.663.078	33.699.788
- Held to Maturity	5.c	4.620.901	4.784.055
Investments Accounted Through Equity Method	8	162.808	299.803
Investment Property		169.613	151.525
Property, Plant and Equipment	9	4.850.463	4.865.088
Intangible Assets	10	1.156.109	1.076.704
Goodwill	11	725.227	725.227
Deferred Tax Assets	17	509.781	458.200
Other Receivables	7	128.427	144.511
Other Non-current Assets	13	88.551	67.534
Total Assets		131.083.960	130.059.884

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 13 May 2011 and signed on its behalf by Zafer Kurtul, member of Board of Directors and CEO and Cezmi Kurtuluş, Budgeting Accounting and Consolidation Department Head.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2011 AND 31 DECEMBER 2010

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

	Note References	31 March 2011	31 December 2010
LIABILITIES			
Short Term Liabilities		96.561.505	95.253.466
Financial Liabilities	6	9.341.930	7.746.903
Current Portion of Long-term Financial Liabilities	6	1.257.755	870.645
Trade Payables		1.067.847	1.195.192
Payables from Finance Sector Operations	20	80.003.436	81.401.882
Derivative Financial Instruments	18	298.096	206.608
Income Taxes Payable	17	129.265	328.520
Other Short Term Liabilities and Provisions	13	940.111	1.046.241
Other Payables	7	2.367.837	2.128.355
		95.406.277	94.924.346
Liabilities Relating to Non-current Assets Held for Sale	15	1.155.228	329.120
Long Term Liabilities		10.486.565	10.160.266
Financial Liabilities	6	7.627.165	7.234.739
Trade Payables		2.934	2.845
Payables from Finance Sector Operations	20	1.589.820	1.590.837
Derivative Financial Instruments	18	526.693	600.629
Provision for Employee Termination Benefits		122.128	120.809
Deferred Tax Liabilities	17	389.098	405.079
Other Long Term Liabilities and Provisions	13	112.524	131.869
Other Payables	7	116.203	73.459
EQUITY		24.035.890	24.646.152
Equity attributable to the parent	14	13.020.998	13.069.186
Share Capital	14	2.040.404	2.040.404
Adjustment to Share Capital	14	3.426.761	3.426.761
Treasury Share (-)	14	(50.583)	(21.534)
Share Premium	14	21.670	21.670
Revaluation Funds	14	282.783	713.203
Hedge Funds	14	(145.957)	(180.699)
Restricted Reserves	14	392.295	392.295
Translation Reserve	14	36.874	7.728
Net Income for the Period	14	401.472	1.662.836
Retained Earnings	14	6.615.279	5.006.522
Non-controlling Interests		11.014.892	11.576.966
- Sabancı Family Members		3.400.161	3.545.881
- Others		7.614.731	8.031.085
Total Equity and Liabilities		131.083.960	130.059.884
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The accompanying notes form an integral part of these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2011 AND 2010

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

	Note References	1 January- 31 March 2011	1 January- 31 March 2010
CONTINUING OPERATIONS			
Sales (net)	4	2.256.135	1.740.535
Interest, Premium, Commission and Other Income	4	3.135.682	3.174.017
Total		5.391.817	4.914.552
Cost of Sales (-)		(1.818.732)	(1.413.582)
Interest, Premium, Commission and Other Expense (-)		(1.529.357)	(1.394.038)
Total		(3.348.089)	(2.807.620)
Gross Profit from Non-financial Operations		437.403	326.953
Gross Profit from Financial Operations		1.606.325	1.779.979
GROSS PROFIT		2.043.728	2.106.932
Marketing, Selling and Distribution Expenses (-)		(122.732)	(109.639)
General and Administrative Expenses (-)		(862.736)	(769.755)
Research and Development Expenses (-)		(1.785)	(3.001)
Other Operating Income		63.466	147.912
Other Operating Expenses		(32.192)	(37.820)
OPERATING PROFIT		1.087.749	1.334.629
Shares of Income of Investments Accounted			
Through Equity Method	8	30.820	51.697
Financial Income	16	92.021	155.613
Financial Expenses (-)	16	(147.029)	(157.203)
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS		1.063.561	1.384.736
Tax Income/ (expense) from continuing operations			
Current Income Tax Expense		(278.786)	(294.119)
Deferred Income Tax Benefit	17	64.821	6.851
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS		849.596	1.097.468
DISCONTINUED OPERATIONS			
Net income/ (loss) after tax from discontinued operations	15	13.683	678
NET INCOME FOR THE PERIOD		863.279	1.098.146
ALLOCATION OF NET INCOME		863.279	1.098.146
- Non-Controlling Interest		461.807	600.762
- Equity Holders of the Parent		401.472	497.384
Earnings per share			
- thousands of ordinary shares (TL)		1,97	2,44

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED INTERIM COMPREHENSIVE STATEMENTS OF INCOME FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2011 AND 2010

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

	Note References	1 January- 31 March 2011	1 January- 31 March 2010
NET INCOME FOR THE PERIOD		863.279	1.098.146
Other Comprehensive Income/ (Loss):			
Net unrealized fair value gains from available for sale financial assets, after tax	17	(861.301)	306.512
Losses on available for sale financial assets transferred to the income statement, after tax	17	(193.087)	(146.768)
Net gains included in the income statement due to transfer of available for sale financial assets into held to maturity assets, after tax	17	592	8.624
Currency translation differences	17	62.476	(37.324)
Cash flow hedges, after tax	17	97.633	1.125
Hedges of net investment in a foreign operation, after tax	17	(34.036)	27.391
OTHER COMPREHENSIVE INCOME/ (EXPENSE), (AFTER TAX)		(927.723)	159.560
TOTAL COMPREHENSIVE INCOME		(64.444)	1.257.706
ATTRIBUTABLE TOTAL COMPREHENSIVE INCOME		(64.444)	1.257.706
- Non-Controlling Interest		(99.999)	696.207
- Equity Holders of the Parent		35.555	561.499

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2011 AND 2010

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

	Share capital	Adjustment to share capital	Treasury share (-)	Share premium	Revaluation Funds	Hedge funds	Restricted reserves	Translation reserve	Net income for the period	Retained earnings	Equity attributable to the parent	Non-controlling interests	Total
Balances at 1 January 2010	1.900.000	3.426.761	-	21.670	311.064	(194.426)	371.648	(11.254)	1.258.481	3.863.478	10.947.422	9.741.155	20.688.577
Transfers	140.404	-	(21.534)	-	-	-	-	-	(1.258.481)	1.139.611	-	-	-
Effect of change in the effective ownership of subsidiaries	-	-	-	-	-	-	-	-	-	232.322	232.322	(250.207)	(17.885)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(319.767)	(319.767)
Total comprehensive income	-	-	-	-	75.256	5.092	-	(16.233)	497.384	-	561.499	696.207	1.257.706
Balances at 31 March 2010	2.040.404	3.426.761	(21.534)	21.670	386.320	(189.334)	371.648	(27.487)	497.384	5.235.411	11.741.243	9.867.388	21.608.631
Balances at 1 January 2011	2.040.404	3.426.761	(21.534)	21.670	713.203	(180.699)	392.295	7.728	1.662.836	5.006.522	13.069.186	11.576.966	24.646.152
Transfers	-	-	-	-	-	-	-	-	(1.662.836)	1.662.836	-	-	-
Acquisition of Holding shares acquired by subsidiaries	-	-	(29.049)	-	-	-	-	-	-	(54.694)	(83.743)	(124.536)	(208.279)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(337.539)	(337.539)
Total comprehensive income	-	-	-	-	(430.420)	34.742	-	29.146	401.472	615	35.555	(99.999)	(64.444)
Balances at 31 March 2011	2.040.404	3.426.761	(50.583)	21.670	282.783	(145.957)	392.295	36.874	401.472	6.615.279	13.020.998	11.014.892	24.035.890

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2011 AND 2010

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

	Note References	1 January- 31 March 2011	1 January- 31 March 2010
Net income before tax from continuing operations		1.063.561	1.384.736
Net income before tax from discontinued operations	15	14.194	1.056
Adjustments to reconcile income before taxation to net cash provided by operating activities:			
Provision for loan losses	19	138.477	186.653
Depreciation and amortisation expenses	4	119.901	106.100
Unrealized interest and foreign currency income		142.888	547.948
Unrealized interest expense		44.681	3.762
Change in the fair value of derivative instruments		130.872	213.721
Provisions for employee termination benefits		13.754	8.763
Impairment charge on property, plant and equipment, intangible assets and investment property	4	708	235
Currency translation differences		53.961	(13.068)
Insurance technical reserves		96.590	108.552
Income from associates	8	(30.820)	(51.697)
Loss/ (gain) on sale of property, plant and equipment, intangible assets and investment properties		291	247
Other		(2.405)	(13.738)
Net cash provided by operating activities before changes in operating assets and liabilities		1.786.653	2.483.270
Changes in trade receivables		(137.309)	30.961
Changes in inventories		422.346	(54.529)
Changes in other receivables and other current assets		(854.688)	(23.271)
Changes in trade payables		(127.256)	(21.295)
Changes in other liabilities and other payables		228.941	40.003
Net cash (used in)/provided by operating activities of non-current assets held for sale		(663.589)	(22.576)
Changes in assets and liabilities in finance segment			
Changes in securities held for trading		(558.340)	(214.406)
Changes in receivables from financial operations		(5.230.881)	(2.769.041)
Changes in payables from financial operations		(848.725)	1.555.175
Changes in reserve deposit with the Central Bank of the Republic of Turkey		(2.104.705)	259.313
Income taxes paid		(226.545)	(82.961)
Employment termination benefits paid		(10.287)	(7.380)
Net cash provided by/ (used in) operating activities		(8.324.385)	1.173.263
Cash flows from investing activities:			
Capital expenditures	4	(176.728)	(232.719)
Purchase of financial assets available-for-sale and held-to-maturity		7.140.105	(6.513.529)
Cash used in business combinations		(83.499)	(7.363)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		15.865	8.000
Dividends received		167.860	173.048
Net cash used in investing activities of non-current assets held for sale		(3.372)	(548)
Net cash provided by/ (used in) investing activities		7.060.231	(6.573.111)
Cash flows from financing activities:			
Change in financial liabilities		2.329.914	976.418
Dividends paid to non-controlling interests		(337.539)	(319.767)
Cash used in acquisition of Holding shares acquired by subsidiaries		(208.279)	-
Net cash provided/ (used) in financing activities of non-current assets held for sale		54	18.606
Net cash (used)/ provided by financing activities		1.784.150	675.257
Effect of change in foreign currency rates on cash and cash equivalents		74.470	27.284
Net increase/ (decrease) in cash and cash equivalents		594.466	(4.697.307)
Cash and cash equivalents at the beginning of the period (*)		4.138.871	11.845.767
Cash and cash equivalents at the end of the period		4.733.337	7.148.460

(*)Cash and cash equivalents at the beginning of the period comprise interest accruals of TL 343 TL and cash and cash equivalents at the end of the period comprise interest accrual TL 669 (31 December 2010: TL 24.300 and TL 421 respectively). Restricted cash is not included. Restricted deposit at the beginning of the period is 822.971 TL and the restricted deposit at the end of the period is 1.011.098 TL (At 31 March 2010 respectively 999.165 TL and 983.437 TL).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

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

NOTE 1 – ORGANISATION OF THE GROUP AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. (the “Holding”) was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey and is owned by the members of the Sabancı family (Note 14). The number of employees in 2011 is 56.025 (31 December 2010: 57.209). The Holding’s registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye

The Holding is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the İstanbul Stock Exchange (“ISE”) since 1997. As of 31 December 2010, the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 14):

	%
Sabancı family	43,65
Public quotation (*)	37,64
Sakıp Sabancı Holding A.Ş.	14,07
Sabancı University	1,51
Exsa	1,21
Çimsa	1,06
Hacı Ömer Sabancı Foundation	0,66
Other	0,20
	100,00

* Free float rate does not include the shares acquired from İstanbul Stock Exchange by the affiliated companies in recent months. Free float rate is 39.40% including those shares.

Subsidiaries

The business nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments at 31 March 2011 are as follows:

Subsidiaries	Nature of business	Business segment
Akbank T.A.Ş. (“Akbank”)	Banking	Finance
Aksigorta A.Ş. (“Aksigorta”)	Insurance	Finance
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. (“Kordsa Global”)	Tire and tire reinforcement	Tire, tire reinforcement and automotive
Temsa Global Sanayi ve Ticaret A.Ş. (“Temsa”)	Automotive	Tire, tire reinforcement and automotive
Çimsa Çimento Sanayi ve Ticaret A.Ş. (“Çimsa”)	Cement and clinker	Cement
Teknosa İç ve Dış Ticaret A.Ş. (“Teknosa”)	Trade	Retailing
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (“Exsa”)	Trade	Other
Exsa UK Ltd. (“Exsa UK”)	Trade	Other
Ankara Enternasyonal Otelcilik A.Ş. (“AEO”)	Tourism	Other
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (“Tursa”)	Tourism	Other
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (“Bimsa”)	Trade of Data and Processing Systems	Other
Advansa B.V. (“Advansa”)	Textile	Other
Yünsa Yünlü Sanayi ve Ticaret A.Ş. (“Yünsa”)	Textile	Other

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

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

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 March 2011 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

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

All the Joint Ventures are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 *Basis of presentation*

2.1.1 **Financial Reporting Standards**

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

Preparation of Financial Statements in Hyperinflationary Periods In accordance with the CMB’s decision No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the CMB Accounting Standards (including the application of IFRSs) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, IAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying consolidated financial statements.

The Group has prepared its consolidated financial statements within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué in accordance with CMB Financial Reporting Standards which is based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended and including the information required by the CMB.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

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

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

2.1.2 Basis of consolidation

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

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 March 2011:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries	Ownership interest shares held by Sabancı family members	Proportion of ownership interest	Proportion of effective interest
	%	%	%	%
Advansa	100,00	-	100,00	99,93
AEO	70,29	-	70,29	70,29
Akbank	40,85	16,15	57,00	40,78
Aksigorta (*)	61,98	-	61,98	61,98
Bimsa	100,00	-	100,00	89,96
Çimsa	53,00	1,42	54,42	53,00
Exsa	45,70	54,30	100,00	30,25
Exsa UK	100,00	-	100,00	99,09
Kordsa Global	91,11	-	91,11	91,11
Teknosa	70,29	29,71	100,00	70,29
Temsa	48,71	51,28	99,99	48,71
Tursa	99,52	-	99,52	99,45
Yünsa	57,88	11,50	69,38	57,88

(*)The share transfer agreement, with Ageas Insurance International N.V. related to the sale of the 50% of the 18.965.880.200 shares of Aksigorta A.Ş held by the Group portfolio having a nominal value of TL 189.658, was signed on 18 February 2011. 9.482.940.100 Aksigorta A.Ş. shares, which consists of 50% of the shares held by the Group, will be sold to Ageas Insurance International N.V for a consideration of USD 220.029, excluding the future adjustments. Pursuant to the joint venture agreement dated 18 February 2011, Aksigorta A.Ş. , which was previously managed by Group, will be jointly managed by the Group and Ageas Insurance International N.V. The share transfer transactions are yet to be finalized as of the balance sheet date.

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

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2010:

Subsidiaries	Direct and indirect ownership interest by the Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100,00	-	100,00	99,93
AEO	70,29	-	70,29	70,29
Akbank (*)	40,85	16,15	57,00	40,78
Aksigorta	61,98	-	61,98	61,98
Bimsa	100,00	-	100,00	89,96
Çimsa	53,00	1,42	54,42	53,00
Exsa	45,70	54,30	100,00	30,25
Exsa UK	100,00	-	100,00	99,09
Kordsa Global	91,11	-	91,11	91,11
Teknosa	70,29	29,71	100,00	70,29
Temsa	48,71	51,28	99,99	48,71
Tursa	99,52	-	99,52	99,45
Yünsa	57,88	11,50	69,38	57,88

(*) The effective ownership in Akbank in Holding share portfolio has been increased to 40,78% from 36,80% as a result of Akbank and Aviva shares which held in Aksigorta’s portfolio, and Akbank shares which are held in Exsa’s portfolio injected as capital in kind to Holding via spin-off process.

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

Financial statements of subsidiaries, whose financial position at 31 March 2011 and result of operations for the three month period ended 31 March 2011 are insignificant to the overall consolidated financial statements, are not consolidated on the grounds of materiality. Such subsidiaries are classified as available for sale equity securities in these consolidated financial statements (Note5.b).

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

- c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. The Group’s interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the financial statements. The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 March 2011:

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

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2010:

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

(*) As a result of Akbank and Aviva shares held in Aksigorta’s portfolio, and Akbank shares held in Exsa’s portfolio, injected as capital in kind to Holding via spin-off process, the total Avivasa shares previously held by Aksigorta by 49,83% are currently included in Holding’s share portfolio.(Note 14)

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

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

- d) Investments in Associates are accounted for by the equity method. These are entities over which the Holding generally has between 20% and 50% of voting rights, or over which the Holding has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Holding and its Associates are eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an Associate reaches zero, unless the Holding has incurred obligations or guaranteed obligations in respect of the Associates. Such Associates are accounted at fair value if the fair value can be determined objectively; otherwise, they are accounted at cost (Note 8 ve Note 2.e).

Associates, whose financial position at 31 March 2011 and result of operations for the three month period ended 31 March 2011 are insignificant to the overall consolidated financial statements, are not accounted for under the equity method. Such associates are classified as available for sale equity securities in these consolidated financial statements (Note 5.b).

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 March 2011 and 31 December 2010:

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

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

- e) Other investments in which the Holding and its Subsidiaries, have interest below 20%, or over which the Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 5.b).
- f) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

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

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

2.1.3 Offsetting

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

2.1.4 Comparatives and restatement of prior year financial statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous period. The Group presented the consolidated balance sheet as of 31 March 2011 comparatively with the consolidated balance sheet as of 31 December 2010 and presented the consolidated statement of income, statement of cash flows and statement of change in equity for the period 1 January- 31 March 2011 comparatively with the period 1 January - 31 March 2010. The Group has reviewed prior period derivative financial instrument balances and has classsified TL 130.424 from short term to long term assets and TL 311.075 from short term to long term liabilities.

2.2 *Changes in Accounting Policies and Estimates ve Errors*

Significant changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. There has been no change in the accounting policies related to the interim period 1 January – 31 March 2011.

Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied. There were no significant changes in the current year, the Group's accounting estimates.

Significant changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. There has been no change in the accounting policies related to the current period.

2.3 *Summary of Significant Accounting Policies*

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, the standard on the preparation and presentation of interim period financial statements. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended 31 March 2011 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2010. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2010.

2.3.1 Financial Instruments

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

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

2.3.1 Financial Instruments (Continued)

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

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

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

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

The Bank has Consumer Price Index (“CPI”) linked government bonds in available for sale and held to maturity portfolios having 5-10 year term and fixed real coupon rates until the maturity. These marketable securities are valued by using effective interest method by considering the real coupon rates together with the changes in the CPI references between the issuance and balance sheet dates. Used estimated inflation rates will be updated when necessary during the year, final valuation will be according to actual inflation rate.

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

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

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

2.3.2 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 9). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

2.3.3 Intangible assets

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 10). The amortisation of mining rights commences when the extraction begins.

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. Customer relations and agreements are amortised using the straight-line method over their estimated useful life of 27 years and carried at cost less accumulated amortisation and impairment (Note 10).

2.3.4 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. The sale

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

2.3.4 Non-current assets held for sale and discontinued operations (Continued)

of assets held for sale is expected to be occur within the following 12 months from the balance sheet date.

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

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

2.3.5 IFRIC 12 - Service Concession Arrangements

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

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

The Group accounts the amount that is received or will be received due to electricity distribution services at fair value of the service. This amount is recorded as a financial asset. The Group accounts the financial asset considering the cash basis given by the grantor or at the direction of the grantor associated with the electricity distribution services. The amount that should be paid by the grantor or at the direction of the grantor is accounted as a receivable in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

2.3.6 Shareholders’ equity

In the restatement of shareholders’ equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders. In the restatement of shareholders’ equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 14).

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

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

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

2.3.6 Shareholders’ equity (Continued)

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

2.3.7 Borrowing costs

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

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

2.3.8 Deferred Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 17).

2.3.9 Loans and advances to customers and provisions for loan impairment

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

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

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

2.3.9 Loans and advances to customers and provisions for loan impairment(Continued)

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

2.3.10 Revenue recognition

Banking

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

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

Life:

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

Non-Life:

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

Other segments

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

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

2.3.11 Foreign currency transactions

Functional currency

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

Foreign currency transactions and balances

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

Foreign Group companies

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

2.3.12 Segment reporting

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

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

The Group has selected business segments in a manner consistent with the reporting provided to the chief operating decision-maker. Based on the internal reporting as the Group's risk and returns are affected by the differences between the produced goods and rendered services, industrial segments are determined for the segment reporting purposes. Geographical segments have not been disclosed in these consolidated financial statements on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

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

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

2.4 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with CMB Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. If changes in the accounting policies are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods.

NOTE 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 March 2011 are as follows:

On 3 March 2011 Enerjisa, a joint venture of the Group, acquired 100% shares of IBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş and on 31 March 2011 acquired 100% shares of Italgen Elektrik Üretim A.Ş who holds 100% shares of Bares Elektrik Üretimi A.Ş. As none of the companies have begun to operate as at the purchase date, they are not in the scope of IFRS 3 "Business Combinations". Acquired net assets, excluding electricity production licence, are recognized at carrying amount (Note 10).

The business combinations between the period 1 January and 31 December 2010 are as follows:

Çimsa, a subsidiary of the Group, purchased 60% shares of the Med.Con Srl Company which is established in Italy, amounting to EUR 3.551 at 9 February 2010. The difference between the cost of acquisition and fair value of purchased assets is TL 816 and recorded as gain on the bargain purchase at consolidated Income statement.

	<u>Fair value</u>
Total current assets	7.413
Total non-current assets	34.506
Total liabilities	(28.287)
Book value of net assets	13.632
60% of net assets	8.179
Cash and cash equivalents paid	7.363
The effect of gain on the bargain purchase on consolidated financial statements	(816)

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

Carrefoursa, a joint venture of the Group, acquired retailer Alpark at 1 July 2010 by purchasing the 99.99 shares of İpek Giyim Mağaza San. Tic. A.Ş. (Alpark) for TL 39.811. The acquisition is recognized by purchasing method. The gained net assets and goodwill determined temporarily from the transaction are as follows:

	Fair value
Total current assets	10.462
Total non-current assets	6.816
Total liabilities	(26.115)
Book value of net assets	(8.837)
Cash and cash equivalents paid	39.811
Goodwill	48.648
Goodwill attributable to the consolidated financial statements resulting from the acquisition completed by the joint venture	18.866

In the period between 1 July 2010 and 31 December 2010, Alpark's contribute to sales income is TL 18.322 and contribute to loss before tax to the Group is TL 2.199.

Olmuksa, a joint venture of the Group, acquired 99,99% shares of DS Smith Çopikas and its joint venture DS Smith Trakya at 1 October 2010 with the development plan in corrugated sector.

The acquisition is recognized by purchasing method. The net assets and goodwill determined temporarily from the transaction are as follows:

	Fair value
Total current assets	19.545
Total non-current assets	25.102
Total liabilities	(9.954)
Book value of net assets	34.693
Cash and cash equivalents paid	10.238
Goodwill	(24.455)
Gain on bargain purchase attributable to the consolidated financial statements resulting from the acquisition completed by the joint venture	(10.694)

After the acquisition of DS Smith Çopikas, profit amounting TL 249 has been included in period profit. The revenue of DS Smith Çopikas within the period is TL 9.388.

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

Brisa, a joint venture of the Group, acquired 99,99% shares of Bandag Lastik Mamülleri Tic. Ltd. Şti. at 31 December 2010 for TL 5.604.

This transaction is recognized by purchasing method. The net asset and goodwill determined temporarily are as follows:

	Fair value
Total current assets	4.998
Total non current assets	3.970
Total liabilities	(3.364)
Book value of net assets	5.604
Paid cash and cash equivalents	5.604
Goodwill effect on consolidated financial statements	-

Purchase price of the registered value of net assets acquired in excess of TL 3.960 is associated with exclusive right to sell and license of Bandag and it is recognized as intangible assets, its effect on consolidated financial statements is TL 1.728.

NOTE 4 - SEGMENT REPORTING

a) External revenues:

	31 March 2011	31 March 2010
Finance	3.135.682	3.174.017
Tire, tire reinforcements and automotive	776.472	570.689
Retail	704.079	574.506
Cement	231.751	200.455
Energy	441.792	318.600
Other	102.041	76.285
Total	5.391.817	4.914.552

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NOTE 4 - SEGMENT REPORTING (Continued)

b) Segment assets:	31 March 2011	31 December 2010
Tire, tire reinforcements and automotive	2.550.926	2.308.922
Cement	1.424.701	1.372.411
Retail	1.016.890	1.003.271
Energy	3.411.124	3.179.573
Finance	120.212.438	120.916.734
Banking	119.773.482	119.452.975
Insurance	438.956	1.463.759
Other	581.822	551.119
Segment assets (*)	129.197.901	129.332.030
Non-current assets held for sale (Note 15)	1.721.783	503.895
Investment in associates	162.808	299.803
Unallocated assets	868.336	785.892
Less: intercompany eliminations and reclassifications	(866.868)	(861.736)
Total assets as per consolidated financial statements	131.083.960	130.059.884

(*) Segment assets mainly comprise operating assets.

c) Segment liabilities:	31 March 2011	31 December 2010
Tire, tire reinforcements and automotive	511.935	462.862
Cement	193.080	168.487
Retail	547.193	638.537
Energy	420.343	505.663
Finance	102.998.790	102.280.525
Banking	102.645.448	101.282.777
Insurance	353.342	997.748
Other	93.034	77.584
Segment liabilities (*)	104.764.375	104.133.658
Liabilities associated with non-current assets held for sale (Note 15)	1.155.228	329.120
Unallocated liabilities	2.498.120	2.172.007
Less: intercompany eliminations and reclassifications	(1.369.653)	(1.221.053)
Total liabilities as per consolidated financial statements	107.048.070	105.413.732

(*) Segment liabilities mainly comprise operating liabilities and exclude items such as taxation, certain financial liabilities and unallocated liabilities.

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NOTE 4 - SEGMENT REPORTING (Continued)

d) Segmental analysis for the period between 1 January – 31 March 2011

	Tire, tire, reinforcements and automotive	Cement	Retail	Energy	Finance		Total Finance	Other	Intersegment eliminations	Total
					Banking	Insurance				
External revenues	776.472	231.751	704.079	441.792	2.797.357	338.325	3.135.682	102.041	-	5.391.817
Intersegment revenues	719	4	693	25.037	8.009	1.075	9.084	2.576	(38.113)	-
Total revenues	777.191	231.755	704.772	466.829	2.805.366	339.400	3.144.766	104.617	(38.113)	5.391.817
Cost of sales (*)	(642.011)	(188.456)	(552.698)	(375.129)	(1.237.240)	(335.897)	(1.573.137)	(79.743)	63.002	(3.348.172)
General and administrative expenses	(23.760)	(10.498)	(75.243)	(42.340)	(681.331)	(10.986)	(692.317)	(9.598)	6.998	(846.758)
Sales, marketing and distribution expenses	(41.623)	(2.812)	(68.392)	(343)	-	-	-	(9.712)	150	(122.732)
Research and development expenses	(1.785)	-	-	-	-	-	-	-	-	(1.785)
Intersegment adjustment	(50)	(25)	-	-	26.506	8.188	34.694	160	(34.696)	83
Operating result	67.962	29.964	8.439	49.017	913.301	705	914.006	5.724	(2.659)	1.072.453
Other unallocated operating expenses									(15.978)	(15.978)
Other income/ (expense) - net	2.318	(4.122)	(711)	1.053	24.928	7.396	32.324	412	-	31.274
Segment result	70.280	25.842	7.728	50.070	938.229	8.101	946.330	6.136	(18.637)	1.087.749

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

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NOTE 4 - SEGMENT REPORTING (Continued)

Segmental analysis for the period between 1 January – 31 March 2010

	Tire, tire, reinforcements and automotive	Cement	Retail	Energy	Finance		Total Finance	Other	Intersegment eliminations	Total
					Banking	Insurance				
External revenues	570.689	200.455	574.506	318.600	2.887.396	286.621	3.174.017	76.285	-	4.914.552
Intersegment revenues	393	1	562	13.016	4.277	1.070	5.347	2.943	(22.262)	-
Total revenues	571.082	200.456	575.068	331.616	2.891.673	287.691	3.179.364	79.228	(22.262)	4.914.552
Cost of sales (*)	(472.882)	(158.415)	(452.681)	(283.437)	(1.133.406)	(283.078)	(1.416.484)	(60.991)	36.759	(2.808.131)
General and administrative expenses	(23.130)	(10.829)	(66.560)	(40.552)	(589.835)	(25.227)	(615.062)	(9.278)	9.437	(755.974)
Sales, marketing and distribution expenses	(37.955)	(2.233)	(63.523)	-	-	-	-	(6.199)	271	(109.639)
Research and development expenses	(2.177)	(115)	-	-	-	-	-	(798)	89	(3.001)
Intersegment adjustment	(50)	(25)	-	-	17.939	(842)	17.097	587	(17.098)	511
Operating result	34.888	28.839	(7.696)	7.627	1.186.371	(21.456)	1.164.915	2.549	7.196	1.238.318
Other unallocated operating expenses									(13.781)	(13.781)
Other income/ (expense) - net	(3.005)	(5.036)	(1.401)	3.164	107.309	10.275	117.584	(1.214)	-	110.092
Segment result	31.883	23.803	(9.097)	10.791	1.293.680	(11.181)	1.282.499	1.335	(6.585)	1.334.629

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

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NOTE 4 - SEGMENT REPORTING (Continued)

e) Operating results:

i) Banking:

	31 March 2011	31 March 2010
Interest income	2.236.705	2.444.012
Interest expense	(1.137.435)	(1.029.846)
Net interest income	1.099.270	1.414.166
Fee and commission income	560.652	443.384
Fee and commission expense	(57.890)	(45.165)
Net fee and commission income	502.762	398.219
Provision for loan losses	(36.314)	(99.433)
Foreign exchange trading gains and losses - net	28.914	63.254
Operating expense	(681.331)	(589.835)
Other operating income	24.928	107.309
Segment result	938.229	1.293.680

ii) Insurance:

	31 March 2011	31 March 2010
Gross premiums received	338.325	286.621
Premiums ceded to reinsurers	(77.078)	(82.131)
Change in the provision for premiums net of reinsurance	(78.547)	(48.960)
Earned premiums-net	182.700	155.530
Claims paid	(153.601)	(171.370)
Claims paid – reinsurers' share	21.331	46.634
Life insurance provisions	253	448
Change in the provision for claims	(11.968)	2.945
Claims incurred-net	(143.985)	(121.343)
Change in life mathematical reserve net	855	(2.985)
Commission expenses - net	(27.879)	(27.431)
Technical income/(loss)	11.691	3.771
General and administrative expenses	(10.986)	(25.227)
Other operational income/ (expense)	7.396	10.275
Segment result	8.101	(11.181)

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NOTE 4 - SEGMENT REPORTING (Continued)

iii) Non-financial segments

	31 March 2011	31 March 2010
Net sales	2.256.135	1.740.535
Cost of Sales	(1.818.732)	(1.413.582)
Gross profit	437.403	326.953
Operating expenses	(294.934)	(267.331)
Other Operating (expense)/income	(1.050)	(7.492)
Segment result	141.419	52.130

The Group assesses the performance of its operating segments based on a measure of adjusted Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA"). Adjusted EBITDA does not include the effects of non-recurring expenses of the operating segments.

	31 March 2011	31 March 2010
Tire, tire reinforcement and automotive	94.860	56.739
Cement	45.892	38.546
Retail	20.908	2.591
Energy	69.352	22.289
Finance	983.758	1.312.673
Other	(6.199)	823
Total	1.208.571	1.433.661

A reconciliation of adjusted EBITDA to income before tax from continuing operations is as follows:

	31 March 2011	31 March 2010
Adjusted EBITDA for reported operating segments	1.208.571	1.433.661
Tax negotiation	(3.977)	-
Depreciation and amortisation	(116.845)	(99.032)
Operating profit	1.087.749	1.334.629
Financial expenses - net	(55.008)	(1.590)
Shares of income of investments accounted for equity method	30.820	51.697
Income before tax from continuing operations	1.063.561	1.384.736

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NOTE 4 - SEGMENT REPORTING (Continued)

f) Interests in Joint Ventures:

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

Balance Sheet	31 March 2011	31 December 2010
Current assets	1.568.901	1.392.106
Non-current assets	4.268.491	4.134.445
Total assets	5.837.392	5.526.551
Current liabilities	1.283.131	1.109.088
Non-current liabilities	1.761.926	1.743.087
Total liabilities	3.045.057	2.852.175
Minority interests	4.339	4.401
Shareholders' equity	2.787.997	2.669.975
Total Liabilities, non-controlling interest and, Shareholders' equity	5.837.393	5.526.551
Income statement	31 March 2011	31 March 2010
Operating Profit	64.712	24.412
Financial income/ (expense)- net	(50.495)	17.844
Income before tax and non-controlling interests	14.217	42.256
Taxation on income	(7.484)	(10.882)
Income before non-controlling interests	6.733	31.374
Non-controlling interests	62	87
Net income for the period from continuing operations	6.795	31.461

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NOTE 4 - SEGMENT REPORTING (Continued)

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

1 January - 31 March 2011

	Finance		Tire, tire reinforcements and automotive	Cement	Energy	Retail	Other	Discontinued operations	Total
	Banking	Insurance							
Depreciation and amortisation	35.889	275	24.581	16.072	19.282	13.180	6.302	4.320	119.901
Impairment of property, plant and equipment, intangible assets	-	-	-	-	-	708	-	-	708
Capital expenditures	12.328	116	40.007	20.429	87.133	12.149	4.566	3.373	180.101

1 January - 31 March 2010

	Finance		Tire, tire reinforcements and automotive	Cement	Energy	Retail	Other	Discontinued operations	Total
	Banking	Insurance							
Depreciation and amortisation	28.799	1.372	24.856	14.743	11.498	11.688	6.076	7.068	106.100
Impairment of property, plant and equipment, intangible assets	-	-	-	-	-	235	-	-	235
Capital expenditures	39.060	596	34.876	37.118	97.529	13.564	9.976	548	233.267

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NOTE 5 - FINANCIAL ASSETS

a) Marketable securities:

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

	31 March 2011	31 December 2010
Eurobonds	692.375	97.705
Government bonds	653.761	693.662
Treasury bills	28.450	9.768
Share certificates	26.259	46.081
Government bonds denominated in foreign currency	6.589	4.130
Other	85	-
Total	1.407.519	851.346

b) Securities available-for-sale:

	31 March 2011	31 December 2010
Debt securities		
- Government bonds	30.786.298	37.861.014
- Eurobonds	2.478.056	3.659.814
- Treasury bills	-	46.986
- Government bonds denominated in foreign currency	610.422	625.614
- Investment funds	67.479	68.376
- Other bonds denominated in foreign currency	735.652	758.967
Sub - total	34.677.907	43.020.771
Equity securities		
- Listed	6.509	25.681
- Unlisted	25.517	55.765
Sub - total	32.026	81.446
Total securities available for sale	34.709.933	43.102.217

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NOTE 5 - FINANCIAL ASSETS (Continued)

c) Held to maturity:

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

	31 March 2011	31 December 2010
Government bonds	4.476.977	4.545.587
Eurobonds	1.037.217	997.013
Government bonds denominated in foreign currency	-	270.553
Other	877	862
Total	5.515.071	5.814.015

Period remaining to contractual maturity dates for held to maturity financial assets and available-for-sale assets as at 31 March 2011 and 31 December 2010 is as follows:

	31 March 2011			31 December 2010		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	4.169.332	44.962	4.214.294	10.469.055	48.703	10.517.758
1 to 5 years	31.141.867	148.887	31.290.754	32.951.574	362.404	33.313.978
Over 5 years	5.965.499	36.127	6.001.626	5.698.676	41.263	5.739.939
No maturity	108.647	17.202	125.849	127.515	68.388	195.903
Total	41.385.345	247.178	41.632.523	49.246.820	520.758	49.767.578

Period remaining to contractual repricing dates for investment security, held to maturity financial assets and available-for-sale securities as at 31 March 2011 and 31 December 2010 is as follows:

	31 March 2011			31 December 2010		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	14.944.765	-	14.944.765	11.757.920	-	11.757.920
3 to 12 months	11.214.590	44.962	11.259.552	21.318.247	48.703	21.366.950
1 to 5 years	11.240.137	148.887	11.389.024	12.064.660	362.404	12.427.064
Over 5 years	3.877.206	36.127	3.913.333	3.978.478	41.263	4.019.741
No maturity	108.647	17.202	125.849	127.515	68.388	195.903
Total	41.385.345	247.178	41.632.523	49.246.820	520.758	49.767.578

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NOTE 6 – BORROWINGS

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

	31 March 2011	31 December 2010
Short-term	9.341.930	7.746.903
Short-term portion of long term	1.257.755	870.645
Total short-term	10.599.685	8.617.548

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

Long term	7.627.165	7.234.739
Total	18.226.850	15.852.287

The maturity schedule of borrowings at 31 March 2011 and 31 December 2010 is summarised below:

	31 March 2011	31 December 2010
Up to 3 months	3.679.004	3.844.432
3 to 12 months	6.920.681	4.773.116
1 to 5 years	5.639.047	6.040.748
Over 5 years	1.988.118	1.193.991
Total	18.226.850	15.852.287

The maturity schedule of long term borrowings at 31 March 2011 and 31 December 2010 is summarised below:

	31 March 2011	31 December 2010
2012	1.907.579	2.053.160
2013	1.037.438	1.086.738
2014	698.929	809.593
2015	1.995.101	2.091.257
2016 and after	1.988.118	1.193.991
Total	7.627.165	7.234.739

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NOTE 6 – BORROWINGS (Continued)

The repricing schedule of borrowings at 31 March 2011 and 31 December 2010 is summarised below:

	31 March 2011	31 December 2010
Up to 3 months	12.381.548	9.562.342
3 to 12 months	2.926.875	3.997.160
1 to 5 years	2.880.543	2.280.120
Over 5 years	37.884	12.665
Total	18.226.850	15.852.287

Major funding transactions of Akbank and Enejisa at 31 March 2011 are as follows:

Funds Borrowed:

a) Akbank - Funds borrowed via syndicated credit facilities

As of 31 March 2011, there are two outstanding syndicated loan facilities; the first syndicated loan facility amounts to EUR 1.000.000 that comprised of EUR 810.500 and USD 254.700 provided by 52 international banks with West LB AG London Branch acting as agent signed on 17 August 2010. EUR 780.000 of the syndicated loan facility has a maturity of 1 year while EUR 220.000 of the syndicated loan facility has a maturity of 2 years. Tranches with 1 year maturity have an all-in cost interest rate of Euribor/Libor + 1.30% and tranches with 2 years maturity have an all-in cost interest rate of Euribor/Libor + 1.75%. The second syndicated loan facility amounts to USD 1.300.000 signed on 23 March 2011. The loan provided with West LB AG London branch acting as agent comprised of two tranches, each of which amounting to EUR 652.216 and USD 405.708 with all-in cost interest rate of Euribor+% 1,10 and Libor+% 1,10 respectively.

b) Enerjisa - Funds borrowed via IFC

Group's joint venture Enerjisa signed an agreement with International Finance Cooperation (IFC) and certain international finance institutions under the coordination of IFC, Akbank T.A.Ş. and European Investment Bank ("EIB") to borrow funds amounting to EUR 1.000.000 at 13 June 2008. These funds are considered to be used in the company's energy investments.

The part of the loan amounting to EUR 513.000, which will be coordinated by IFC, EUR 495.000 of it will have a maturity of 12 years and EUR 18.000 of it will have a maturity of 15 years. EUR 158.000 of it will be provided by IFC and EUR 355.000 of it will be provided by several financial institutions under the supervision of IFC and WestLB. KfW IPEX – Bank GmbH, Bank Austria Creditanstalt AG, Erste Bank der Oesterreichischen Sparkassen AG, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG, WestLB, ING ve Societe Generale Bank have been participated in this financing package as authorised leading regulators. Akbank T.A.Ş. has provided a parallel loan agreement of EUR 352.000 which has a maturity of 12 years, with the participation of National Bank of Greece. Finally with the participation of EIB with loan amounting to EUR 135.000, the financing package has been completed to EUR 1.000.000. As of 31 March 2011, Enerjisa has used EUR 722.500 with respect to this EUR 1.000.000 loan agreement. (31 December 2010: EUR 620.000). The effect of the used loan on consolidated financial statements is limited to 50% joint venture share.

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NOTE 6 – BORROWINGS (Continued)

Issued securities

Securities issued consist of US Dollar and TL assets.

The repayment plan for securities issued is stated below in USD.

	<u>31 March 2011</u>		<u>31 December 2010</u>	
	USD	TL	USD	TL
2011	443.827	681.852	435.467	669.574
2012	581.695	893.657	533.286	819.980
2013	592.404	910.110	583.480	897.160
2014	342.245	525.790	391.549	602.046
2015	987.366	1.516.890	1.001.150	1.539.368
2016	130.335	200.234	119.764	184.149
2017	93.690	143.936	72.705	111.791
2018	336.276	516.622	36.353	55.895
Total	3.507.838	5.389.091	3.173.754	4.879.963

The balance amounting to USD 3.507.838 consists of securitization deals and USD denominated securities issued by the Bank. As of 31 March 2011, the outstanding principal amount of the securitization deals amounts to USD 2.062.136. In addition, in 2010, the Bank issued 5 year USD denominated Eurobonds with a nominal amount of USD 1.000.000 and maturing at 22 June 2015. These bonds have a yield of 5,256% and a coupon rate of 5,125%. In 2011, the Bank has issued 7 year USD denominated Eurobonds with a nominal amount of USD 500.000 and maturing at 9 March 2018. These bonds have a yield of 6,562% and a coupon rate of 6,5%.

As of 31 March 2011, the outstanding TL denominated bonds are amounting to TL 1.412.178 (31 December 2010: 966.804 TL).

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NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables:	31 March 2011	31 December 2010
Receivables from credit card payments	94.383	70.769
Financial assets (*)	45.821	40.244
Other	407.139	381.033
Total	547.343	492.046

Other long-term receivables:	31 March 2011	31 December 2010
Financial assets (*)	76.745	95.576
Deposits and guarantees given	32.754	31.605
Other	18.928	17.330
Total	128.427	144.511

(*) Composed of financial assets accounted for by the Group’s joint venture Başkent Elektrik Dağıtım A.Ş. in accordance with IFRS 3 “Business Combinations” and IFRIC 12 “Service Concession Arrangements”.

Other short-term payables	31 March 2011	31 December 2010
Payables related to credit card transactions	1.374.774	1.313.783
Taxes and funds payable	214.201	191.578
Import deposits and transfer orders	107.216	55.227
Due to personnel	17.906	16.820
Payment orders to correspondent banks	34.772	15.274
Other	618.968	535.673
Total	2.367.837	2.128.355

Other long term payables:		
Deposits and guarantees received	57.618	53.902
Other	58.585	19.557
Total	116.203	73.459

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NOTE 8 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

	31 March 2011	Share (%)	31 December 2010	Share (%)
Philsa	140.448	25	220.840	25
Philip Morrissa	22.360	24,75	78.963	24,75
Total	162.808		299.803	

Income from associates is as follows:

	31 March 2011	31 March 2010
Philsa	28.329	14.185
Philip Morrissa	2.491	37.512
Total	30.820	51.697

The summary financial information of associates is as follows:

	31 March 2011		31 December 2010	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	1.428.045	866.248	1.805.591	922.232
Philip Morrissa	506.919	416.577	786.907	467.865
Total	1.934.964	1.282.825	2.592.498	1.390.097

	31 March 2011	31 March 2010
Sales revenue		
Philsa (*)	1.908.553	1.364.811
Philip Morrissa	1.953.545	1.766.870

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

	31 March 2011	31 March 2010
Net income		
Philsa	113.316	56.740
Philip Morrissa	10.065	151.565
Total	123.381	208.305

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment for the three month period ended 31 March 2011 are as follows:

	1 January 2011	Currency translation differences	Additions	Disposals	Acquisition of subsidiary	Transfers to non-current assets held for sale	Transfers	Impairment	31 March 2011
Cost:									
Land and land improvements	501.474	1.311	1.042	(27)	-	-	78.006	-	581.806
Buildings	2.385.787	2.654	702	(364)	-	(38.837)	(2.346)	(14)	2.347.582
Machinery and equipment	3.869.530	10.705	9.303	(2.143)	-	(15.503)	68.350	-	3.940.242
Motor vehicles	156.989	146	4.885	(5.532)	-	(50)	2.482	-	158.920
Furniture and fixtures	1.782.310	669	11.856	(3.822)	-	(26.113)	(1.619)	(694)	1.762.587
Total	8.696.090	15.485	27.788	(11.888)	-	(80.503)	144.873	(708)	8.791.137
Construction in progress	741.834	2.025	141.017	(8.972)	4.631	-	(182.789)	-	697.746
Total	9.437.924	17.510	168.805	(20.860)	4.631	(80.503)	(37.916)	(708)	9.488.883
Accumulated depreciation:									
Land and land improvements	97.831	487	3.284	-	-	-	-	-	101.602
Buildings	842.788	601	16.218	(86)	-	(10.724)	(284)	-	848.513
Machinery and equipment	2.208.146	6.132	41.641	(1.398)	-	(4.277)	-	-	2.250.244
Motor vehicles	106.239	44	1.154	(1.000)	-	(26)	-	-	106.411
Furniture and fixtures	1.317.832	574	35.379	(2.285)	-	(19.850)	-	-	1.331.650
Total	4.572.836	7.838	97.676	(4.769)	-	(34.877)	(284)	-	4.638.420
Net book value	4.865.088								4.850.463

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property, plant and equipment for the three month period ended 31 March 2010 are as follows:

	1 Ocak 2010	Currency translation differences	Additions	Disposals	Impairment	31 March 2010
Cost:						
Land and land improvements	440.394	1.347	16.606	-	-	458.347
Buildings	2.048.047	1.261	920	(27)	-	2.050.201
Machinery and equipment	3.249.574	4.689	25.275	(463)	-	3.279.075
Motor vehicles	152.027	102	5.393	(7.326)	-	150.196
Furniture and fixtures	1.610.306	66	18.707	(11.518)	(235)	1.617.326
Total	7.500.348	7.465	66.901	(19.334)	(235)	7.555.145
Construction in progress	844.977	33	142.230	-	-	987.240
Total	8.345.325	7.498	209.131	(19.334)	(235)	8.542.385
Accumulated depreciation:						
Land and land improvements	90.772	470	1.924	-	-	93.166
Buildings	755.336	914	13.093	(19)	-	769.324
Machinery and equipment	2.069.021	4.029	31.332	(260)	-	2.104.122
Motor vehicles	100.035	49	3.170	(2.629)	-	100.625
Furniture and fixtures	1.218.431	60	32.352	(8.689)	-	1.242.154
Total	4.233.595	5.522	81.871	(11.597)	-	4.309.391
Net book value	4.111.730					4.232.994

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NOTE 10 - INTANGIBLE ASSETS

The movements in intangible assets for the three month periods ended 31 March 2011 and 2010 are as follows:

	1 January 2011	Currency translation differences	Additions	Disposals	Transfers	Acquisition of subsidiary (*)	Transfers to non-current assets held for sale	31 March 2011
Cost	1.353.706	407	9.092	(119)	18.617	78.868	(12.818)	1.447.753
Accumulated amortisation(-)	(277.002)	(142)	(19.129)	54	-	-	4.575	(291.644)
Net book value	1.076.704							1.156.109

	1 January 2010	Currency translation differences	Additions	Disposals	Transfers	Acquisition of subsidiary	Transfers to non-current assets held for sale	31 March 2010
Cost	1.268.182	562	16.208	(177)	-	-	-	1.284.775
Accumulated amortisation(-)	(211.550)	(359)	(15.809)	153	-	-	-	(227.565)
Net book value	1.056.632							1.057.210

(*) In 2011 Enerjisa Üretim A.Ş., a joint venture of the Group, acquired shares of IBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. and Bares Elektrik Üretimi A.Ş and TL 78.868 that comprised the portion of the purchase price exceeding the net registered amount was associated with the electric generation license and accounted for as intangible asset.

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NOTE 11 – GOODWILL

The movements in goodwill for the three month periods ended 31 March 2011 and 2010 are as follows:

	31 March 2011	31 March 2010
1 January	725.227	706.354
Additions (Note 3)	-	3.279
Currency translation differences	-	3
Balance at 31 March	725.227	709.636

NOTE 12 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments – Banking segment	31 March 2011	31 December 2010
Letters of guarantee given	6.697.238	6.447.730
Letters of credits	3.091.128	2.557.786
Foreign currency acceptance credits	97.312	69.764
Other guarantees given	1.062.296	950.408
Total	10.947.974	10.025.688

Commitments – Non-banking segments	31 March 2011	31 December 2010
Letters of guarantee given	510.109	461.806
Other guarantees given	96.731	60.310
Total	606.840	522.116

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NOTE 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Repurchase commitments	12.032.734	11.470.108
Resale commitments	5.899	13.803

Commitments to forward currency purchase/sale and swap transactions:

Derivatives held for trading

	31 March 2011	31 December 2010
Foreign currency purchases	2.019.633	1.298.329
Foreign currency sales	2.013.271	1.288.342
Total	4.032.904	2.586.671

	31 March 2011	31 December 2010
Currency swap purchases	8.090.788	8.911.169
Currency swap sales	8.034.890	8.697.663
Interest rate swap purchases	5.926.697	5.506.299
Interest rate swap sales	5.926.697	5.506.299
Total	27.979.072	28.621.430

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NOTE 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 March 2011	31 December 2010
Spot purchases	4.121.181	577.939
Spot sales	4.122.112	579.603
Total	8.243.293	1.157.542

	31 March 2011	31 December 2010
Currency options purchases	5.015.383	4.625.020
Currency options sales	5.015.383	4.625.020
Total	10.030.766	9.250.040

	31 March 2011	31 December 2010
Future purchases	99.623	71.193
Future sales	99.623	71.193
Total	199.246	142.386

Derivative transactions for hedging:

	31 March 2011	31 December 2010
Interest swap purchases	3.789.430	3.569.550
Interest swap sales	3.789.430	3.569.550
Total	7.578.860	7.139.100

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 March 2011 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	420.105	6.277.133	6.697.238
Letters of credits	2.098.878	992.250	3.091.128
Acceptance credits	89.032	8.280	97.312
Other guarantees	432.104	630.192	1.062.296
Total	3.040.119	7.907.855	10.947.974

The maturity analysis of the off-balance sheet assets in the Banking segment at 31 December 2010 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees	428.816	6.018.914	6.447.730
Letters of credits	1.514.588	1.043.198	2.557.786
Acceptance credits	59.408	10.356	69.764
Other guarantees	180.804	769.604	950.408
Total	2.183.616	7.842.072	10.025.688

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NOTE 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Letter of guarantees and guarantee notes given

Collaterals, pledges and mortgages (CPM) given by the Group at 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011					31 December 2010				
	Total TL Equivalent	TL	USD	Euro	Other	Total TL Equivalent	TL	USD	Euro	Other
A. Total amount of the CPM given for its own legal entity	2.417.578	346.074	210.826	1.821.590	39.088	970.130	358.866	159.991	53.211	398.062
B. CPM given on behalf of fully consolidated companies	386.357	301.812	82.266	-	2.279	398.525	316.214	82.311	-	-
C. CPM given on behalf of the third parties' debt for the continuation of their economic activities	10.953.079	4.667.342	4.019.549	2.035.268	230.920	10.027.089	4.279.262	4.034.627	1.506.292	206.908
D. Total amount of other CPM										
i. Given on behalf of majority shareholder	-	-	-	-	-	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	48	48	-	-	-	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	923	923	-	-	-	-	-	-	-	-
Total	13.757.985	5.316.199	4.312.641	3.856.858	272.287	11.395.744	4.954.342	4.276.929	1.559.503	604.970

The equity ratio of CPMs given by the Group as at 31 March 2011 is 0% (31 December 2010: 0%).

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NOTE 13 - OTHER ASSETS AND LIABILITIES

Other Current Assets:	31 March 2011	31 December 2010
Cheques in clearance	201.186	196.395
Prepaid expenses	216.004	176.293
Deductible Value Added Tax (VAT)	116.703	89.863
Deferred commission expense	-	67.358
Income accrual	27.834	18.081
Other	241.925	115.134
Total	803.652	663.124

Other Non Current Assets:	31 March 2011	31 December 2010
Deferred finance expense	50.401	32.038
Deferred commission expense	-	20.532
Other	38.150	14.964
Total	88.551	67.534

Other Short Term Liabilities and Provisions

Liabilities	31 March 2011	31 December 2010
Cheques in clearance	354.274	368.837
Unearned commission income	57.040	68.894
Unused vacation	40.408	46.575
Expense accruals	54.559	44.661
Advances received	28.547	29.253
Saving deposits insurance	18.051	18.173
Deferred income	10.951	9.911
Other short-term liabilities	114	7.521
Total	563.944	593.825

Provisions

Credit card bonus provisions	150.512	143.173
Provisions for unindemnified non-cash loans	88.981	89.269
Onerous contracts	23.846	38.970
Other short-term liability provisions	112.828	181.004
	376.167	452.416

Total	940.111	1.046.241
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NOTE 13 - OTHER ASSETS AND LIABILITIES (Continued)

Other Long Term Liabilities and Provisions

	31 March 2011	31 December 2010
Unearned commission income	109.873	116.299
Other long-term liability provisions	2.651	15.570
Total	112.524	131.869

NOTE 14 - EQUITY

The Holding's authorised and issued capital consists of 204.040.393.100 (31 December 2010: 204.040.393.100) shares of Kr 1 each.

The Holding's authorised and paid-in share capital and shareholding structure at 31 March 2011 and 31 December 2010 is as follows:

Shareholders:	Share (%)	31 March 2011	Share (%)	31 December 2010
Sabancı family members	43,65	890.627	43,61	890.027
Public quotation *	37,64	767.956	39,40	803.860
Sakıp Sabancı Holding A.Ş.	14,07	287.100	13,79	281.388
Sabancı University	1,51	30.769	1,51	30.769
Exsa	1,21	24.763	-	-
Çimsa	1,06	21.534	1,06	21.534
H.Ö. Sabancı Foundation	<1	13.370	<1	12.826
Other	<1	4.285	-	-
Share Capital	100	2.040.404	100	2.040.404
Treasury Share (-)		(50.583)		(21.534)
Share premium		21.670		21.670

* Free float rate does not include the shares acquired from Istanbul Stock Exchange by the affiliated companies in recent months. Free float rate is 39.40% including those shares.

Sabancı Holding shares that Exsa, a subsidiary of the Holding, acquired on Istanbul Stock Exchange for investment are eliminated and accounted for under equity as treasury share.

The transaction related with the injection of Akbank and Aviva shares which held in Aksigorta's portfolio, and Akbank shares which are held in Exsa's portfolio, as capital in kind to Holding via spin-off process has been approved in the Extraordinary General Assembly on 4 January 2010 and the shares with a nominal value of TL 140.403.931 have been registered by CMB and Trade Registry on 12 January 2010. As a result of the spin-off transaction, Çimsa, a subsidiary of the Holding has participated to the share capital of Holding by 1,06%. This transaction is accounted for under equity as treasury share.

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NOTE 14 - EQUITY (Continued)

Restricted Reserves

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

Furthermore, to be entitled to the exemption for sale of participation shares and property, 75% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years.

The details of restricted reserves mentioned above are as follows:

	31 March 2011	31 December 2010
Legal reserves	264.469	264.469
Investments sales income	127.826	127.826
Total	392.295	392.295

Dividend Distribution

Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009 (2008: 20%). Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué No. IV-27, their articles of association and their previously publicly declared profit distribution policies. In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves.

Furthermore, Group companies that are obliged to prepare consolidated financial statements based on the related decision of General Assembly, are permitted to calculate net distributable profits based upon the net income for the period presented on consolidated financial statements that have been prepared within the framework of Communiqué XI, No: 29.

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NOTE 14 - EQUITY (Continued)

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

	31 March 2011	31 December 2010
Share capital	2.040.404	2.040.404
Treasury share (-)	(50.583)	(21.534)
Share premium	21.670	21.670
Adjustment to capital	3.426.761	3.426.761
Net income for the period	401.472	1.662.836
Retained earnings	6.615.279	5.006.522
Total shareholders' equity subject to dividend distribution	12.455.003	12.136.659
Restricted reserves	392.295	392.295
Translation reserve	36.874	7.728
Revaluation funds	282.783	713.203
Hedge funds	(145.957)	(180.699)
Shareholders' equity	13.020.998	13.069.186

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NOTE 15 - NON CURRENT ASSETS HELD FOR SALE

Holding classified Advansa, a subsidiary of Group with 99,93% control rate, as non-current asset held for sale.

The Group realised TL 89.965 impairment charge based on the difference between the fair value and carrying amount of Advansa that is transferred to non-current asset held for sale as of 31 December 2009. The impairment remains in the financial statements of the Group as at 31 March 2011. The balance sheets of Advansa as at 31 March 2011 and 31 December 2010 are given below:

Balance Sheet

	31 March 2011	31 December 2010
Assets	589.862	503.895
Cash and cash equivalents	68.694	63.676
Trade receivables	156.144	132.630
Inventories	191.065	142.902
Property, plant and equipment and intangible assets	207.876	207.988
Other assets	50.701	42.002
Deferred income tax asset	5.347	4.662
Provision for impairment	(89.965)	(89.965)
Liabilities	399.686	329.120
Financial liabilities	123.289	123.235
Trade payables	156.416	109.944
Other liabilities	58.442	37.315
Provision for employment termination benefit	55.356	52.227
Deferred income tax liability	6.183	6.399
Net Assets	190.176	174.775
Non-controlling Interests	(131.210)	(126.078)
Equity attributable to the parent	58.966	48.697

The summary income statement of discontinued operations as of 31 March 2011 and 2010 is as follows:

Income Statement	31 March 2011	31 March 2010
Sales revenue (net)	279.837	174.825
Cost of sales	(224.436)	(153.423)
Gross profit	55.401	21.402
Operating expenses	(18.730)	(18.149)
Other operating income (net)	(19.482)	3.127
Operating profit	17.189	6.380
Financial expenses (net)	(2.995)	(5.324)
Income/ (loss) before taxation	14.194	1.056
Taxation	(511)	(378)
Discontinued operations net loss for the period	13.683	678

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NOTE 15 - NON CURRENT ASSETS HELD FOR SALE (Continued)

The Group has classified the balance sheet of Aksigorta, one of its subsidiaries, under non-current assets held for sale. The share transfer agreement for the sale of 50% of Aksigorta A.Ş. shares in the group portfolio was signed with Ageas Insurance International N.V. on 18 February 2011. 50% of Aksigorta A.Ş. shares totaling 9.482.940.100 shares in the group portfolio will be sold to Ageas Insurance International N.V. with a value of USD 220.029 excluding adjustments. Pursuant to the joint management agreement signed with Ageas Insurance International N.V. on 18 February 2011, the Group will continue to hold the same level of management control over Aksigorta A.Ş. as Ageas Insurance International N.V. The share transfer transactions are yet to be finalized as of the date of balance sheet.

Balance Sheet	31 March 2011
Assets	1.120.696
Cash and cash equivalents	320.695
Financial assets	204.470
Trade receivables	369.292
Property, plant and equipment and intangible assets	43.530
Other assets and liabilities	174.601
Deferred income tax asset	8.108
Liabilities	755.542
Trade payables	58.096
Technical reserves	629.366
Other liabilities	63.835
Provision for employment termination benefit	2.158
Deferred income tax liability	2.087
Net Assets	365.154

Kordsa decided to consolidate Fabric Manufacturing Facilities in South America in Brazil. The property, plant and equipment which became idle following the consolidation and which are expected to be sold in twelve months have been transferred to non-current assets held for sale and presented separately on the balance sheet. As the income from sale is expected to exceed the book value of the assets, no impairment is booked for the concerned activities pending for sale. The carrying amount of the property, plant and equipment registered as non-current assets held for sale is TL 11.225.

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NOTE 16 - FINANCIAL INCOME/EXPENSES

	31 March 2011	31 March 2010
Financial income		
Foreign exchange income	50.287	131.852
Interest income	41.734	23.761
Total	92.021	155.613
Financial expense		
Foreign exchange losses	77.835	123.577
Interest expense	30.347	16.901
Other financial expenses	38.847	16.725
Total	147.029	157.203

Financial income and expenses relate to segments other than banking.

NOTE 17 - TAX ASSETS AND LIABILITIES

	31 March 2011	31 December 2010
Corporate and income taxes payable	135.387	1.015.239
Less: prepaid expenses	(6.122)	(686.719)
Total taxes payable	129.265	328.520

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

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The corporation tax rate of the fiscal year 2011 is 20% (2010: 20%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

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

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

Exemption for participation in subsidiaries

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

Preferential right certificate sales and issued premiums exemption

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

Exemption for participation into foreign subsidiaries

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

Exemption for sale of participation shares and property

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

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

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Exemption for investment allowance

According to the regulation, published in the 27659 numbered Official Gazette on August 1, 2010 based on Law No. 6009 through article 5, the phrase “only 2006, 2007 and 2008 regardin years” on temporary article 69 of Income Tax Law No.193 that was abolished by The Constitutional Court decision numbered 2009/144 published in the Official Gazette on January 8, is rearranged. With regard to rearrangement, undeductible investment allowance due to insufficient income and deferred investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

The tax charges for comprehensive income statement items for the periods ended 31 March 2011 and 2010 are as follows:

	31 March 2011			31 March 2010		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Net unrealized fair value from available for sale financial assets	(1.076.626)	(215.325)	(861.301)	383.140	76.628	306.512
Losses on available for sale financial assets transferred to the income statement	(241.359)	(48.272)	(193.087)	(183.460)	(36.692)	(146.768)
Net gains included in the income statement due to transfer of available for sale financial assets into held to maturity assets	740	148	592	10.780	2.156	8.624
Cash flow hedges	122.041	24.408	97.633	1.406	281	1.125
Gain/ (loss) on net investment hedges	(42.545)	(8.509)	(34.036)	34.239	6.848	27.391
Currency translation differences	62.476	-	62.476	(37.324)	-	(37.324)
Other comprehensive income	(1.175.273)	(247.550)	(927.723)	208.781	49.221	159.560

Deferred taxes

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

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20%.

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

At 31 March 2011 the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TL 142.369 which can be offset against future taxable profits for a period of five years (31 December 2010: TL 172.769). As of 31 March 2011 the amount of the carry forward tax losses and the last fiscal periods in which they can be utilized are as follows:

2012	6.688
2013	61.923
2014	39.412
2015	25.886
2016	8.487
Total	142.396

The movements in deferred income tax assets/ (liabilities) for the three month periods ended at 31 March 2011 and 2010 are as follows:

	31 March 2011	31 March 2010
1 January	53.121	107.447
Charged to equity	2.955	15.001
Transfer to non-current assets held for sale	(5.652)	-
Currency translation differences	(1.467)	921
Charged to statement of income	64.821	6.851
Other	6.905	12.842
31 March	120.683	143.062

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

31 March 2011	Fair Value	
	Asset	Liability
Derivatives held for trading:		
Foreign exchange derivatives		
Currency and interest rate swaps purchases and sales	353.500	(486.920)
Forward currency purchases and sales	56.201	(22.314)
Currency and interest rate futures purchases and sales	35.392	(25.733)
Currency options purchases and sales	35.131	(36.190)
Total derivatives held for trading	480.224	(571.157)
Derivatives held for hedging:		
Interest rate swap purchases and sales	3.724	(253.632)
Total derivative instruments	483.948	(824.789)

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NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS(Continued)

31 December 2010	Fair Value	
	Asset	Liability
Derivatives held for trading:		
Foreign exchange derivatives		
Currency and interest rate swaps purchases and sales	364.571	(358.698)
Forward currency purchases and sales	33.778	(17.247)
Currency and interest rate futures purchases and sales	42.595	(34.923)
Currency options purchases and sales	34.283	(34.042)
Total derivatives held for trading	475.227	(444.910)
Derivatives held for hedging:		
Interest rate swap purchases and sales	-	(362.327)
Total derivative instruments	475.227	(807.237)

NOTE 19 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

Loans and advances to customers	31 March 2011	31 December 2010
Customer loans and credit cards receivables	21.041.313	19.799.369
Construction	5.003.297	4.847.738
Small scale enterprises	4.246.330	3.978.383
Financial institutions	3.960.184	3.402.482
Health care and social services	3.383.101	3.015.014
Chemicals	2.880.071	2.431.462
Telecommunication	2.620.285	2.057.515
Other manufacturing industries	2.493.635	1.847.710
Mining	2.043.745	1.832.725
Food and beverage, wholesale and retail	1.806.566	1.643.592
Project finance loans	1.022.154	1.046.585
Automotive	907.438	754.250
Textile	897.681	805.779
Tourism	676.055	611.639
Electronics	290.786	200.587
Agriculture and forestry	215.305	195.222
Other	8.801.039	8.685.807
	62.288.985	57.155.859
Non-performing loans	1.228.227	1.279.634
Total loans and advances to customers	63.517.212	58.435.493
Allowance for loan losses	(1.815.706)	(1.797.660)
Net loans and advances to customers	61.701.506	56.637.833

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NOTE 19 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS(Continued)

The movement of loan loss provision of banking segment as of 31 March 2011 by class is as follows:

	Corporate	Commercial	Total
1 January	969.340	828.320	1.797.660
Gross provisions	64.408	74.069	138.477
Collections	(44.040)	(55.963)	(100.003)
Write - off	(5.904)	(14.530)	(20.434)
Currency translation differences	6	-	6
31 March	983.810	831.896	1.815.706

The movement of loan loss provision of banking segment as of 31 March 2010 by class is as follows:

	Corporate	Commercial	Total
1 January	1.311.711	989.597	2.301.308
Gross provisions	78.813	107.840	186.653
Collections	(82.147)	(90.272)	(172.419)
Write - off	(198.454)	(138.786)	(337.240)
Currency translation differences	(8)	-	(8)
31 March	1.109.915	868.379	1.978.294

The maturity schedule of loans and advances to customers at 31 March 2011 and 31 December 2010 are summarised below:

	31 March 2011	31 December 2010
Up to 3 months	18.322.726	17.910.340
3 to 12 months	13.449.358	10.624.887
Current	31.772.084	28.535.227
1 to 5 years	23.132.824	21.838.128
Over 5 years	6.796.598	6.264.478
Non-current	29.929.422	28.102.606
Total	61.701.506	56.637.833

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NOTE 19 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS(Continued)

The repricing schedule of loans and advances to customers at 31 March 2011 and 31 December 2010 are summarised below:

	31 March 2011	31 December 2010
Up to 3 months	29.089.355	27.868.620
3 to 12 months	17.749.220	15.428.629
1 to 5 years	13.325.313	12.159.295
Over 5 years	1.537.618	1.181.289
Total	61.701.506	56.637.833

Long-term and the short-term lease receivables of Ak Finansal Kiralama A.Ş. as a subsidiary of Akbank at 31 March 2011 is TL 1.022.795 (31 December 2010: TL 982.971).

b) Insurance

	31 March 2011	31 December 2010
Receivables from insurance operations (net)	73.423	405.273

NOTE 20 - PAYABLES FROM FINANCE SECTOR OPERATIONS

a) Banking

	31 March 2011			31 December 2010		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	3.932.540	36.440.283	40.372.823	3.827.712	36.955.560	40.783.272
Commercial deposits	4.181.539	15.289.203	19.470.742	4.187.215	16.527.067	20.714.282
Bank deposits	196.828	7.500.079	7.696.907	192.117	7.493.637	7.685.754
Funds deposits under repo transactions	-	12.181.989	12.181.989	-	11.421.202	11.421.202
Other	586.607	970.951	1.557.558	493.359	992.260	1.485.619
Total	8.897.514	72.382.505	81.280.019	8.700.403	73.389.726	82.090.129

b) Insurance

	31 March 2011	31 December 2010
Payables from insurance operations (net)	5.523	62.101
Insurance technical reserves	307.714	840.489
Total	313.237	902.590

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NOTE 21 - RELATED PARTY DISCLOSURES

Key management personnel compensation:

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

The detailed schedule of compensation paid or payable to key management for the three month periods ended 31 March 2011 and 2010 are as follows:

	31 March 2011	31 March 2010
Short term benefits	5.431	7.320
Benefits resulted from discharge	53	37
Other long term benefits	42	61
Total	5.526	7.418

NOTE 22 - FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

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

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

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NOTE 22 - FINANCIAL RISK MANAGEMENT(Continued)

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations at 31 March 2011 and 31 December 2010 terms of TL are as follows:

	31 March 2011	31 December 2010
Assets	41.885.940	41.062.643
Liabilities	(45.194.308)	(45.150.673)
Net foreign currency balance sheet position	(3.308.368)	(4.088.030)
Net foreign currency of off-balance sheet derivative financial instruments	3.110.206	4.265.131
Net foreign currency balance sheet and off-balance sheet position	(198.162)	177.101

31 March 2011

	TL Equivalent	USD	Euro	GBP	Other
Assets:					
Cash and cash equivalents	2.959.883	1.404.436	1.381.391	83.708	90.348
Financial assets	5.986.936	3.398.843	2.587.215	-	878
Receivables from financial operations	28.818.974	19.657.501	9.051.763	37.611	72.099
Reserve deposits at Central Bank	3.425.427	1.454.509	1.970.918	-	-
Trade receivables	488.637	132.608	270.723	6.217	79.089
Other current assets	206.083	54.955	93.932	1.343	55.853
Total Assets	41.885.940	26.102.852	15.355.942	128.879	298.267
Liabilities:					
Funds borrowed and debt securities in issue	15.592.220	9.732.561	5.784.154	10.132	65.373
Customer deposits	28.905.697	16.478.456	11.113.745	833.684	479.812
Trade payables	282.799	87.956	107.742	101	87.000
Other payables and provisions	413.592	181.149	180.354	3.064	49.025
Total Liabilities	45.194.308	26.480.122	17.185.995	846.981	681.210
Net foreign currency position of off-balance sheet derivative financial instruments	3.110.206	554.043	1.454.633	728.689	372.841
Net foreign currency position	(198.162)	176.773	(375.420)	10.587	(10.102)
Net foreign currency monetary position	(198.162)	176.773	(375.420)	10.587	(10.102)

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NOTE 22 - FINANCIAL RISK MANAGEMENT(Continued)

31 December 2010

	TL Equivalent	USD	Euro	GBP	Other
Assets:					
Cash and cash equivalents	3.111.696	1.392.480	1.592.477	18.883	107.856
Financial assets	6.505.512	3.797.183	2.707.468	-	861
Receivables from financial operations	27.249.869	19.078.713	8.056.645	41.402	73.109
Reserve deposits at Central Bank	3.499.797	1.475.533	2.024.264	-	-
Trade receivables	481.354	153.839	264.375	7.619	55.521
Other current assets	214.415	42.825	95.493	1.215	74.882
Total Assets	41.062.643	25.940.573	14.740.722	69.119	312.229
Liabilities:					
Funds borrowed and debt securities in issue	13.907.185	8.802.457	5.032.103	9.537	63.088
Customer deposits	30.493.615	17.061.068	12.089.122	831.701	511.724
Trade payables	352.786	126.281	125.393	699	100.413
Other payables and provisions	397.087	203.429	148.483	2.048	43.127
Total Liabilities	45.150.673	26.193.235	17.395.101	843.985	718.352
Net foreign currency position of off-balance sheet derivative financial instruments	4.265.131	452.963	2.625.873	787.355	398.940
Net foreign currency position	177.101	200.301	(28.506)	12.489	(7.183)
Net foreign currency monetary position	177.101	200.301	(28.506)	12.489	(7.183)

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NOTE 22 - FINANCIAL RISK MANAGEMENT(Continued)

The foreign exchange risk of Group companies other than the banking segment for the period ended 31 March 2011 and year ended 31 December 2010 is summarized as follows:

31 March 2011

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	9.836	(9.836)	-	-
Hedged items (-)	-	-	-	-
USD net effect	9.836	(9.836)	-	-
Change in EUR against TL by 10%				
EUR net assets/liabilities	(61.972)	61.972	-	-
Hedged items (-)	-	-	-	-
EUR net effect	(61.972)	61.972	-	-
Change in GBP against TL by 10%				
GBP net assets/liabilities	1.082	(1.082)	-	-
Hedged items (-)	-	-	-	-
GBP net effect	1.082	(1.082)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(1.039)	1.039	-	-
Hedged items (-)	-	-	-	-
Other currency net effect	(1.039)	1.039	-	-
	(52.093)	52.093	-	-

31 December 2010

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
USD net assets/liabilities	13.412	(13.412)	-	-
Hedged items (-)	-	-	-	-
USD net effect	13.412	(13.412)	-	-
Change in EUR against TL by 10%				
EUR net assets/liabilities	(29.305)	29.305	-	-
Hedged items (-)	-	-	-	-
EUR net effect	(29.305)	29.305	-	-
Change in GBP against TL by 10%				
GBP net assets/liabilities	1.134	(1.134)	-	-
Hedged items (-)	-	-	-	-
GBP net effect	1.134	(1.134)	-	-
Change in other currency against TL by 10%				
Other currency net assets/liabilities	(1.382)	1.382	-	-
Hedged items (-)	-	-	-	-
Other currency net effect	(1.382)	1.382	-	-
	(16.141)	16.141	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

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

NOTE 23 - EVENTS AFTER THE BALANCE SHEET DATE

In the General Assembly of Hacı Ömer Sabancı Holding A.Ş. dated 10 May 2011, it has been resolved that after reserving TL 33.869 as legal reserves over 2010 consolidated net profit amounting to TL 1.662.836, TL 306.061 will be paid to shareholders representing TL 2.040.404 of capital, TL 10.123 will be paid to H.Ö. Sabancı Vakfı, TL 448 will be paid to Board Members and the remaining profit will be allocated as extraordinary reserves, and dividend payments will be started on 11 May 2011.

On 8 April 2011, Akbank sold its service facilities in Maslak for USD 95 million. Gain on sale is TL 46,2 million.

Ankara 10th Administrative Court rejected the case which was opened by Akbank for the suspension of execution regarding the Central Bank’s request of annulment arising from the dissent between the Bank and Central Bank of Republic of Turkey with regards to syndication loans used by Malta Branch for the reserve requirements for Central Bank of Republic of Turkey. The Court’s decision will be appealed within the legal period by Akbank.

On 18 April 2011, Enerjisa acquired 100% shares of Alparslan-II Enerji Üretim Madencilik Sanayi ve Ticaret A.Ş. The power plant has an energy generation capacity of 862 GWh and installed power of 204 MWh. However the installed power is planned to be increased to 280 MWh with the amendment of license.