IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Bank as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN AN OFFERING MEMORANDUM THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE CLOSING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities described herein, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act) or (2) non-U.S. persons (as defined in Regulation S) outside of the U.S. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are either (a) QIBs or (b) outside of the U.S. and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the U.S. and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Banc of America Securities LLC, Citigroup Global Markets Limited, J.P. Morgan Securities Ltd., nor Standard Chartered Bank, as Initial Purchasers, or any person who controls any of them, nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from any of the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This Offering Memorandum is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

OFFERING MEMORANDUM

AKBANK T.A.Ş.

AKBANK

a Turkish banking institution organised as a joint stock company

US$1,000,000,000 5.125% Notes due 2015

Akbank T.A.Ş., a Turkish banking institution organised as a joint stock company (''**Akbank**'', the ''**Bank**'' or the ''**Issuer**''), is issuing US$1,000,000,000 5.125% Notes due 2015 (the ''**Notes**''). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''**Securities Act**''), or the securities or ''blue sky'' laws of any state of the United States of America (''**United States**'' or ''**U.S.**''), the Republic of Turkey (''**Turkey**''), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the ''**U.S. Offering**'') in the United States to qualified institutional buyers (each a ''**QIB**'') as defined in, and in reliance upon, Rule 144A (''**Rule 144A**'') under the Securities Act and (b) for sale (the ''**International Offering**'' and, with the U.S. Offering, the ''**Offering**'') outside the United States in reliance upon Regulation S (''**Regulation S**'') under the Securities Act. For a description of certain restrictions on sale and transfer of the Notes, see ''Plan of Distribution'', beginning on page 174 and ''Transfer Restrictions'', beginning on page 177.

As described further herein, the gross proceeds of the Notes will be used by the Issuer for the Issuer's general corporate purposes.

Interest on the Notes will be paid on the 22nd day of each July and January; *provided* that if any such date is not a Business Day (as defined herein), then such payment will be made on the next Business Day. Principal of the Notes is scheduled to be paid on 22 July 2015, but may be paid earlier under certain circumstances as further described herein. The Notes initially will be sold to investors at a price equal to 99.431% of the principal amount thereof.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the ''**UK Listing Authority**'') for the Notes to be admitted to listing on the official list of the UK Listing Authority (the ''**Official List**'') and to the London Stock Exchange plc (the ''**London Stock Exchange**'') for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the ''**Market**''). References in this Offering Memorandum to the Notes being ''listed'' (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

An application has been made to the Turkish Capital Markets Board (the ''**CMB**'') in its capacity as competent authority under Law No. 2499 of the Republic of Turkey relating to Capital Markets (the ''**Capital Markets Law**'') for the registration of the Notes with the CMB and the issuance of the Notes by the Bank outside Turkey. The Notes cannot be sold outside Turkey before they are registered with the CMB. The Notes were registered with the CMB on 1 July 2010.

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in Condition 9), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. Under the current Turkish tax law, withholding tax on interest applies to the Notes and the Issuer has undertaken to gross up as provided above. In the event that pursuant to any potential new Turkish legislation, some or all of the payments under the Notes will qualify for a relief from Turkish withholding tax, the Issuer will seek to apply relief at source in accordance with the applicable law. In order to comply with any such applicable law, the Issuer may be required to make available to the Turkish tax authorities certain information and documents relating to the identity, tax residence and legal entity type of the beneficial owners of the Notes who receive interest payments. The Issuer has arranged certain procedures with Acupay System LLC (''Acupay''), The Depository Trust Company (''DTC'') and Euroclear Bank S.A./N.V. (''Euroclear'') to facilitate the collection of such information and documents. For a description of the required procedures, see ''Taxation – Provision of Beneficial Owner Information'' and Annexes A, B and C to this Offering Memorandum.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER ''RISK FACTORS'' BEGINNING ON PAGE 14 OF THIS OFFERING MEMORANDUM.

For a more detailed description of the Notes, see ''Conditions of the Notes'' beginning on page 150.

The Notes are being offered under Rule 144A and under Regulation S by Banc of America Securities LLC, Citigroup Global Markets Limited, J.P. Morgan Securities Ltd. and Standard Chartered Bank (collectively, the ''**Initial Purchasers**''), subject to their acceptance and right to reject orders in whole or in part. It is expected that delivery of the Notes will be made in book-entry form only through the facilities of DTC, including for the account of Euroclear and/or Clearstream Banking, *société anonyme*, Luxembourg (''**Clearstream**''), against payment therefor in immediately available funds on 22 July 2010 (*i.e.*, the fifth business day following the date of pricing of the Notes (such date being referred to herein as the ''**Closing Date**'' and such settlement cycle being herein referred to as ''**T+5**'').

BofA Merrill Lynch **Citi** **J.P. Morgan** **Standard Chartered Bank**

The date of this Offering Memorandum is 20 July 2010.

This Offering Memorandum constitutes a Prospectus for the purpose of Article 5 of Directive 2003/71/ EC (the "*Prospectus Directive*") and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Notes. This Offering Memorandum is to be read in conjunction with the Issuer's Annual Financial Statements and Interim Financial Statements (as defined in "Financial Information") which form part of and are included herein.

The Issuer, having made all reasonable enquiries, confirms that this Offering Memorandum contains all information which is material in the context of the issuance and offering of the Notes, that the information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that there are no other facts the omission of which would make this Offering Memorandum or any of such information or the expression of any such opinions or intentions misleading in any material respect and all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Initial Purchasers to subscribe for or purchase, any Notes. The distribution of this Offering Memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Offering Memorandum may come are required by the Issuer and the Initial Purchasers to inform themselves about and to observe any such restrictions.

No person has been authorised in connection with the offering of the Notes to give any information or make any representation regarding the Issuer, the Initial Purchasers or the Notes other than as contained in this Offering Memorandum. Any such representation or information must not be relied upon as having been authorised by the Issuer or the Initial Purchasers. The delivery of this Offering Memorandum at any time does not imply that there has been no change in the Issuer's affairs or that the information contained in it is correct as at any time subsequent to its date. This Offering Memorandum may only be used for the purpose for which it has been published.

No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers assumes any responsibility for the accuracy or completeness of the information set forth in this document. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

None of the Issuer or the Initial Purchasers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of any investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

GENERAL INFORMATION

In this Offering Memorandum, the "**Group**", the "**Bank**" and "**Akbank**" refer to Akbank T.A.Ş. and its consolidated subsidiaries, unless the context otherwise requires.

Unless otherwise indicated, the "**Issuer**" refers to Akbank T.A.Ş.

Unless otherwise indicated, "**Noteholder**" refers to the registered holder of any Note. "**Beneficial Owner**" refers to an owner of a beneficial interest in any Note.

Unless otherwise indicated, all references in this Offering Memorandum to "**Initial Purchasers**" refer to Banc of America Securities LLC, Citigroup Global Markets Limited, J.P. Morgan Securities Ltd. and Standard Chartered Bank.

References to "**resident**" herein refer to tax residents of Turkey and references to "**non-resident**" herein refer to persons who are not tax residents of Turkey.

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other U.S. jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom described under "Notice to U.S. Investors" or "Notice to Investors in the International Offering," as applicable. Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The Offering of the Notes has been registered with the CMB only for the purpose of sale of the Notes outside Turkey in accordance with Article 15/b of Decree 32 on the Protection of the Value of the Turkish Currency (as issued in August 1989 and amended in December 1990, June 1991, March 1993, October 1994, April 1997, December 1998, July 1999, July 2001, June 2003, January 2005, June 2006, January 2008 and June 2009, "**Decree 32**"), and Articles 6 and 25 of Communiqué Serial No: II No 22 on the Principles on the Registration and Sale of Debt Instruments ("**Communiqué**") and, accordingly, the Notes (or beneficial interests therein) will neither be offered or sold to Turkish residents in accordance with BRSA's decision nor will they be offered or sold within Turkey under current capital markets regulations.

Notes offered and sold in the United States to QIBs in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the "**Rule 144A Note**"). Notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S will be represented by beneficial interests in a single, permanent global certificate in fully registered form without interest coupons (the "**Regulation S Note**" and, with the Rule 144A Note, the "**Global Certificates**").

The Global Certificates will be deposited on or about the Closing Date with the Fiscal Agent as custodian for, and registered in the name of, Cede & Co. as nominee of DTC. Except as described in this Offering Memorandum, beneficial interests in the Global Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream. Except as described in this Offering Memorandum, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Agency Agreement.

An application has been made to admit the Notes to listing on the London Stock Exchange; *however*, no assurance can be given that such application will be accepted.

In connection with the issue of Notes to be underwritten by the Initial Purchasers, the Initial Purchaser or Initial Purchasers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in this Offering Memorandum may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant issue of Notes is made and, if begun, may be ended at any time, but it must

end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the relevant Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The Notes have not been approved or disapproved by any state securities commission or any other U.S., Turkish, United Kingdom or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary may be a criminal offence.

The distribution of this Offering Memorandum and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Memorandum are required by the Bank and the Initial Purchasers to inform themselves about and to observe any such restrictions.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom and numerous other jurisdictions.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and contains no omission likely to affect the import of such information.

The Issuer has derived substantially all of the information contained in this Offering Memorandum concerning the Turkish market and its competitors, which may include estimates or approximations, from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Offering Memorandum have been obtained from the BRSA's website at www.bddk.org.tr and all data relating to the Turkish economy, including statistical data, have been obtained from TURKSTAT's website at www.turkstat.gov.tr, the Central Bank's website at www.tcmb.gov.tr and the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days during the months of May and June 2010 and may be the result of calculations made by the Bank and therefore may not appear in the exact same form on such websites or elsewhere. Such websites should not be deemed to be a part of, or to be incorporated into, this Offering Memorandum. Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based on best estimates and assumptions of the Bank's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank included herein, whether based on external sources or based on the Bank's management internal research, constitutes the best current estimates of the information described.

Where third party information has been used in this Offering Memorandum, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Such data, while believed to be reliable and accurately extracted by the Bank for the purposes of this Offering Memorandum, has not been independently verified by the Bank or any other party and you should not place undue reliance on such data included in this Offering Memorandum. As far as the Bank is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted which would render the reproduction of this information inaccurate or misleading.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (THE "**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

TURKISH TAX GROSS UP AND PROVISION OF BENEFICIAL OWNER INFORMATION

The Issuer may be required pursuant to potential new legislation to make available to the Turkish tax authorities certain details and documents relating to the non-resident Beneficial Owners who receive interest payments on the Notes. See "Taxation – Provision of Beneficial Owner Information".

The Issuer has arranged certain procedures with Acupay that will facilitate the collection of certain Beneficial Owner information and documents as of the issue date of the Notes through direct and indirect participants of DTC, including Euroclear and Clearstream. The procedures arranged by Acupay are intended to facilitate the collection of information and documents regarding the identity, tax residence and legal entity type of Beneficial Owners who are (a) direct participants in DTC, (b) hold their interests through securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant in DTC (each such entity an "indirect DTC participant") or (c) hold their interests through direct or indirect DTC participants, including Euroclear and Clearstream. These procedures are set forth in Annexes A, B and C to this Offering Memorandum.

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in the Conditions) imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. Under the current Turkish tax law, withholding tax on interest applies to the Notes (currently at the rate of 10%) and the Issuer has undertaken to gross up as provided above.

In the event that, pursuant to any potential new Turkish legislation, some or all of the payments under the Notes will qualify for a relief from Turkish withholding tax, the Issuer will seek to apply relief at source in accordance with the applicable law. In order to be in a position to apply relief at source, the Issuer may be required to make available to the Turkish tax authorities certain information and documents relating to the identity, tax residency and the legal entity type of the Beneficial Owners of the Notes who receive interest payments.

The Issuer, and Acupay, as tax certification agent, will enter into a tax certification agency agreement as at the issue date of the Notes (the "**Tax Certification Agency Agreement**") and agree, so long as any principal amount of the Notes remains outstanding, to comply with the procedures set forth in Annexes A, B and C to this Offering Memorandum to facilitate the collection of information and documents concerning the identity, tax residence and legal entity type of Beneficial Owners.

None of the above-mentioned clearing systems are under any obligation to continue to perform such procedures and such procedures may be modified or discontinued at any time.

Beneficial Owners must seek their own advice for information regarding the manner in which the clearing system participant through which they hold their beneficial interests in the Notes complies with the required procedures for providing Beneficial Owner information and documents.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains statements that may be considered to be ''forward-looking statements'' as that term is defined in the U.S. Private Securities Litigation Act of 1995. Forward-looking statements appear in a number of places throughout this Offering Memorandum, including, without limitation, under ''Risk Factors'', ''Use of Proceeds'', ''Management's Discussion and Analysis of Financial Condition and Results of Operations'', ''Business of Akbank'' and elsewhere in this Offering Memorandum, and include, but are not limited to, statements regarding:

- strategy and objectives;
- trends affecting the Bank's results of operations and financial condition;
- asset portfolios;
- loan loss reserve;
- capital spending;
- legal proceedings; and
- the Bank's potential exposure to market risk.

The forward-looking statements also may be identified by words such as ''believes'', ''expects'', ''anticipates'', ''projects'', ''intends'', ''should'', ''seeks'', ''estimates'', ''probability'', ''risk'', ''target'', ''goal'', ''objective'', ''future'' or similar expressions or variations on such expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements.

The Bank has identified some of the risks inherent in forward-looking statements under ''Risk Factors'' in this Offering Memorandum. Other important factors that could cause actual results to differ materially from those in forward-looking statements include, among others:

- changes in the Turkish economy;
- changes in the banking and financial markets in Turkey;
- changes in applicable laws and regulations, including taxes, or accounting standards or practices;
- the monetary, interest rate and other policies of central banks in Turkey, the European Union, the United States and elsewhere;
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition in the markets in which the Bank operates, which may be influenced by regulation or deregulation;
- changes in consumer spending, saving and borrowing habits in Turkey, including changes in government policies which may influence investment decisions;
- the Bank's ability to hedge certain risks economically;
- the Bank's ability to manage any mismatches between the Bank's interest-earning assets and the Bank's interest-bearing liabilities;
- the Bank's ability to manage operational risks and prevent security breaches;
- the Bank's ability to grow the Bank's loan portfolio at historical rates;
- the Bank's ability to compete in the Bank's business lines and increase or maintain market share;
- the Bank's ability to control expenses;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by the Bank's clients;
- the Bank's ability to carry out acquisitions, disposals and any other strategic transactions;
- the Bank's our ability to manage liquidity risks and to access financial markets;

- the Bank's success in managing the risks involved in the foregoing, which depends, among other things, on the Bank's ability to anticipate events that cannot be captured by the statistical models the Bank uses; and
- *force majeure* and other events beyond the Bank's control.

There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Bank's results or the accuracy of forward-looking statements in this Offering Memorandum. Therefore, you should not consider the factors discussed here or under "Risk Factors" to be a complete set of all potential risks or uncertainties.

You should not place undue reliance on any forward-looking statements. The Bank does not have any intention or obligation to update forward-looking statements to reflect new information, future events or risks that may cause the forward-looking events the Bank discusses in this Offering Memorandum not to occur or to occur in a manner different from what the Bank expects.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank and its Turkish affiliates maintain their books of accounts and prepare their statutory financial statements (the "**Statutory Financial Statements**") in Turkish Lira (TL) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency of Turkey (the "**BRSA**") and also the Turkish Commercial Code and the Turkish Tax Legislation (collectively, "**Turkish GAAP**"). The Bank's foreign affiliates maintain their books of account and prepare their Statutory Financial Statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

The Statutory Financial Statements are prepared on the historical cost basis except for financial assets and liabilities held for trading, available-for-sale assets, derivative financial instruments, equity participations quoted at the stock exchanges and assets held for resale, which are presented on a fair value basis if reliable measures are available. The Bank's Statutory Financial Statements are also prepared on a consolidated basis with its financial affiliates.

Though the Bank is not required by Turkish law to prepare financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), including International Accounting Standards ("**IAS**") as promulgated by the International Accounting Standards Board ("**IASB**") and interpretations issued by the Standards Interpretations Committee of IASB, as international investors are generally unfamiliar with Turkish GAAP, the consolidated financial statements for the years ended 31 December 2008 and 2009 of the Bank and its subsidiaries included herein (the "**Annual Financial Statements**") and unaudited interim condensed consolidated financial statements (the "**Interim Financial Statements**") for the first three months of 2009 and 2010 have been prepared and presented in accordance with IFRS.

The Annual Financial Statements as at and for the years ended 31 December 2008 and 2009 have been audited by PricewaterhouseCoopers ("**PwC**") (see PwC's reports dated 27 February 2009 and 24 February 2010, respectively, in the Appendix), and the Interim Financial Statements as at 31 March 2010 have been reviewed by Ernst & Young ("**E&Y**") (see E&Y's report date 2 July 2010 in the Appendix). Unless otherwise indicated, the financial information presented herein is based upon the Annual Financial Statements and Interim Financial Statements attached hereto.

Unless otherwise indicated, references to "**TL**" with respect to the Annual Financial Statements and Interim Financial Statements are references to the Turkish currency rounded to the nearest thousand. Unless otherwise indicated, references to "**US$**", "**$**", "**U.S. Dollars**" or "**Dollars**" in this Offering Memorandum are to United States Dollars rounded to the nearest million. Unless otherwise indicated, references to "**Euro**" and "**€**" are to the single currency of the participating member states of the European Union that was adopted pursuant to the Treaty of Rome of 27 March 1957, as amended by the Single European Act 1986 and the Treaty of European Union of 7 February 1992, as amended.

For the convenience of the reader, this Offering Memorandum presents translations of certain Turkish Lira amounts into Dollars at the Turkish Lira exchange rates for purchases of Dollars announced by the Bank (the "**TL/$ Exchange Rate**") (see "Exchange Rates"). This rate differs from the official cash buying rate for Dollars announced by the Turkish Central Bank (*Türkiye Cumhuriyet Merkez Bankasi*, the "**Central Bank**") as the TL/$ Exchange Rates are based upon the actual cash buying rates announced by the Bank on the relevant dates. No representation is made that the Turkish Lira or Dollar amounts in this Offering Memorandum could have been or could be converted into Dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Bank of fluctuating exchange rates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

According to BRSA regulations the Bank was required to rotate its external auditors. As a result, E&Y were appointed as the Bank's external auditors as at 26 March 2010.

Certain figures included in this Offering Memorandum have been subject to rounding adjustments (e.g., certain U.S. Dollar amounts have been rounded to the nearest million). Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based on best estimates and assumptions of the Bank's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank included herein, whether based on external sources or based on the Bank's management internal research, constitutes the best current estimates of the information described.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Bank named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,

(b) there is de facto enforcement in such country of judgments rendered by Turkish courts; or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and the United States or the United Kingdom and Turkey providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States. Turkish courts have rendered at least one judgment in the past confirming de facto reciprocity between Turkey and the United Kingdom. However, since de facto reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts in the future. Moreover, there is uncertainty as to the ability of a Noteholder to bring an original action in Turkey based on the US federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed;

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;

(d) the judgment is not of a civil nature;

(e) the judgment is clearly against public policy rules of Turkey; or

(f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered.

In connection with the issuance of Notes, the Bank will designate Law Debenture Corporate Services Limited as their agent upon whom process may be served in connection with any proceedings in England.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, for as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer is required to furnish, upon request of a holder of the Notes and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

TABLE OF CONTENTS

This page is intentionally left blank

OVERVIEW OF AKBANK

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements and notes thereto appearing elsewhere in this Offering Memorandum. Prospective investors should see "Risk Factors" below for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein).

Akbank T.A.Ş. is a Turkish banking institution organised as a joint stock company with registration number 90418. Founded as a local bank in Adana in January 1948, Akbank was originally established with the core objective of providing funding for local cotton producers. The Bank opened its first branch in the Sirkeci district of Istanbul on 14 July 1950. The Bank's head office is currently located at Sabancı Center 4, Levent 34330, Istanbul, Turkey.

Akbank carries out its activities from its head office and 20 regional offices throughout Turkey. Its network of 870 domestic branches as at 31 May 2010 provides Akbank with the ability to reach a nationwide base of customers.

Akbank operates in five main business segments: (i) Retail Banking; (ii) Corporate and SME Banking (prior to the end of 2009, Corporate and Commercial Banking); (iii) Treasury; (iv) Private Banking; and (v) International Banking. It offers a wide range of consumer, SME, corporate and private banking services as well as international trade financing. Non-banking financial, capital market, brokerage and investment services are provided by Akbank's subsidiaries and/or sister companies including AkSecurities, Akbank (Dubai) Limited (investment banking and brokerage), AkInvestment Fund (a closed-end mutual fund), AkAssetManagement (portfolio management), AkLease, Aksigorta (insurance) and AvivaSA Pensions. Akbank does not have any subsidiaries that are not involved in financial services.

In addition to the Bank's traditional delivery channels such as its branches, Akbank offers customer services through its Retail and Corporate Internet Branches, the Telephone Banking Center, over 2,500 ATMs and more than 260,000 POS terminals, as well as other electronic channels.

Akbank has an international presence through its subsidiaries in The Netherlands (Akbank N.V.), Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited), and through one branch in Malta.

Since its establishment, a majority of the shares in Akbank have been owned or controlled by the Sabancı family and the Sabancı Group, which is one of the two largest financial and industrial corporate groups in Turkey. Floated to the public in 1990, Akbank shares began trading on international markets and as American Depository Receipts ("**ADRs**") after its secondary public offering in 1998. On 9 January 2007, Akbank and Citigroup successfully completed a strategic partnership agreement according to which Citigroup acquired a 20% equity stake in Akbank.

As at 31 March 2010, 28.6% of Akbank's shares were publicly traded on the Istanbul Stock Exchange (the "**ISE**") and the Bank's Level 1 ADRs are traded on the OTC in the United States. Akbank's market capitalisation stood at TL31.2 billion as at 31 May 2010, making it the most valuable company by market capitalisation on the ISE.

For the three month period ended 31 March 2010, Akbank's net profit was TL1.0 billion compared to TL563 million for the same period in 2009. For the twelve month period ended 31 December 2009, Akbank's net profits were TL2.7 billion, an increase of 50.3% and 35.9% from TL1.8 billion in 2008 and TL2.0 billion in 2007, respectively. As at 31 March 2010, Akbank had total assets of TL106.2 billion, an increase of 3.7%, 14.6% and 47.8% from TL102.4 billion, TL92.7 billion and TL71.8 billion as at 31 December 2009, 2008 and 2007, respectively. As at 31 March 2010, Akbank had total shareholder's equity of TL15.2 billion, an increase of 4.4%, 33% and 42.1% from TL14.6 billion, TL11.4 billion and TL10.7 billion as at 31 December 2009, 2008 and 2007, respectively.

Business Segments – Overview

Akbank operates in five main business segments: (i) Retail Banking; (ii) Corporate and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. Following a change in early 2010 in the Bank's organisational structure, with small business banking being transferred from the Retail Banking Unit to the Corporate and SME Banking Unit, the Bank's classification of its business segments as at 31 March 2010 differs from the classification as at 31 December 2009, 2008 and 2007.

Retail Banking: includes retail services such as deposit accounts, consumer loans, credit cards, insurance products and wealth management services. The Bank's line of retail banking products and services also includes bank cards, mutual funds, bonds and t-bills brokerage, equity brokerage, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, ATM, telephone and internet banking. Gross profit from retail banking was TL205.2 million for the three month period ended 31 March 2010, an increase of 86.8% from TL109.8 million for the same period last year and TL566.7 million for the twelve month period ended 31 December 2009, a decrease of 42.7% and 61.1% from TL988.7 million and TL1.5 billion for the same periods in 2008 and 2007, respectively. At the beginning of 2010, Akbank changed its customer segmentation and formed the SME Banking Division (which is now part of the Corporate and SME Banking Unit) by merging the Commercial and Small Business Banking divisions in order to provide a closer, more specialised and efficient service to SMEs. Small Business Banking is therefore no longer part of the Retail Banking Unit, save for the business segment of small businesses with annual sales revenue of less than TL500,000 (categorised by the Bank as "micro business customers"), which is now covered by the Consumer Banking Division of the Retail Banking Unit. Gross profit for the Retail Banking Unit before 31 March 2010 took into account profit generated by Small Business Banking which was then part of Retail Banking.

Corporate and SME Banking: provides financial solutions and banking services to large-scale and medium-sized corporate and commercial customers, including Turkish Lira and foreign currency denominated working capital loans, small business loans, medium-term financing for investments, foreign trade financing, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, the Bank provides working capital management solutions for corporate customers, delivering tailored cash management services based on customers' requests which include collection and payment services and liquidity and information management. Project finance loans are provided as part of the Bank's commercial banking activities. Gross profit from Corporate and SME Banking was TL198.0 million for the three month period ended 31 March 2010, an increase of 8.6% from TL182.3 million for the same period last year and TL669.9 million for the twelve month period ended 31 December 2009, an increase of 30.2% and 36.2% from TL514.3 million and TL491.8 million for the same period in 2008 and 2007, respectively. Gross profit for Corporate and SME Banking before 31 March 2010 did not take into account profit generated by Small Business Banking.

Treasury: includes proprietary positioning in Turkish Lira and foreign currency instruments on a spot and forward basis, and proprietary positioning in treasury bills, bonds and other domestic securities together with foreign securities with AAA ratings. This business segment also includes marketing treasury products and derivative financial products for customers. Gross profit from Treasury was TL907.3 million for the three month period ended 31 March 2010, an increase of 125.6% from TL402.2 million for the same period last year and TL2.1 billion for the twelve month period ended 31 December 2009, an increase of 424.7% and 9,937.9% from TL396.9 million and TL20.8 million for the same period in 2008 and 2007, respectively.

Private Banking: includes products and services for individuals with assets under management with Akbank exceeding TL500,000, such as investment, pension and insurance services. Gross profit from private banking was TL22.1 million for the three month period ended 31 March 2010, an increase of 28.5% from TL17.2 million for the same period last year and TL76.2 million for the twelve month period ended 31 December 2009, an increase of 266.3% from TL20.8 million in 2008 and a decrease of 52.9% from TL161.7 million in 2007.

International Banking: manages the Bank's international fund raising activities and correspondent banking relationships and sets credit limits and risk management policies for financial institutions. In addition to financing through structured finance transactions, syndicated loans and bilateral loans from institutional banks, the International Banking Unit has been able to secure long-term financing through various multilateral institutions to support SMEs and various projects for its customers. The Unit also offers products and services in trade finance, foreign exchange and Turkish Lira clearing. Gross profit from international banking was TL11.2 million for the three month period ended 31 March 2010, a decrease of 35% from TL17.3 million for the same period last year and TL61.7 million for the twelve month period ended 31 December 2009, a decrease of 8.1% and an increase of 59.9% from TL67.1 million and TL38.6 million for the same period in 2008 and 2007, respectively.

Competitive Strengths

Akbank believes that it has the following competitive strengths:

- ***Robust Capital Structure; Strong Liquidity; Conservative Funding Policy.*** As at 31 March 2010, the Bank had a robust capital structure, as demonstrated by a capital adequacy ratio of 20.1% (under BRSA), Tier 1 ratio of 18.9%, leverage ratio of 7.0x and shareholders' equity of TL15.2

billion. Supporting its capital structure, Akbank maintains strong liquidity, with a liquid asset ratio (being the total amount of cash, deposits with the Central Bank of Turkey, overnight interbank deposits, the balances of Akbank's nostro accounts and statutory reserves divided by the Bank's total liabilities) of 9% and loan-to-deposit ratio of 70%, in each case as at 31 May 2010. In addition, on the funding side, Akbank has a policy of keeping customer deposits as a substantial percentage of its liabilities. Although many of Akbank's deposits are short-term (with durations of less than 90 days), a majority of Akbank's deposits have been reinvested. Akbank has an immaterial exposure to sovereign debt, other than that of Turkey, as approximately 98.6% of its investment securities are composed of Turkish T-bills, government bonds and eurobonds. As a result, Akbank was less affected than many other global financial institutions by the reduction of liquidity and increased cost of funding that occurred during the global financial crisis. Accordingly, Akbank believes that its strong balance sheet has supported its ability to attract a strong deposit base and benefitted from a "flight to quality" during difficult market conditions, with deposits having grown at a rate of 15.6% from TL66.2 billion as at 31 December 2008 to TL76.5 billion as at 31 March 2010.

- ***Prudent and Effective Risk Management; Superior Asset Quality.*** Akbank's management believes it has instilled a prudent and effective risk management culture at all levels of the Bank, beginning with careful customer selection to support a quality asset base and including establishing conservative provisioning policies. As a key element of risk management, Akbank focuses on ensuring it has a diversified asset base with no single exposure greater than 2% of its loan portfolio and no single group exposure greater than 5% of its total loans as at 31 March 2010 and high collateral levels, with an average loan-to-value ratio of 57.3%. Approximately half of Akbank's loan portfolio had a term of less than six months as at 31 March 2010, thereby limiting Akbank's exposure to significant movements in interest rates. Akbank monitors credit quality on an on-going basis; as the global financial crisis impacted Turkey and Akbank's customers, Akbank introduced new risk management tools in 2008 and focused on reducing loans in sectors (primarily SMEs) that were particularly susceptible to the disruptions in global market conditions. Supporting Akbank's emphasis on building a quality asset base, Akbank has a long-standing policy of provisioning substantially in excess of regulatory requirements with 100% of loans that are more than 90 days past due provisioned at a rate of 100%, regardless of level of collateral (compared to the BRSA regulatory requirement which permits provisioning after deduction of collateral over a 12 month period). Despite Akbank's conservative provisioning policy, Akbank's NPL ratios have consistently been below the average of the Turkish banking sector, achieving an NPL ratio of 2.9% as at 31 March 2010 (compared to the average sector NPL ratio of 4.9%), 3.8% for 2009 (compared to the average of 5.2%), 2.3% for 2008 (compared to 3.6%) and 2.5% for 2007 (compared to 3.5%). Collections have exceeded new NPL formation in the first quarter of 2010, with TL188.2 million new NPLs being recorded, but TL173.2 million previously provisioned NPLs being collected during the period.

- ***Strong Turkish Franchise with a Well-Known and Trusted Brand.*** Akbank believes it is one of the leading private banks in Turkey with a broad portfolio of retail and commercial products and well-established relationships with its client base. Akbank is Turkey's third largest private bank as measured by assets as at 31 March 2010, with 870 domestic branches and over five million active customers as at 31 May 2010 as well as a large network of alternative delivery channels, including a call centre with over 900 representatives, 260,000 point-of-sale terminals and 2,689 ATMs, in each case as at 31 May 2010. As at 31 March 2010, Akbank's general purpose loans market share was 9.8%, auto loans market share 11.9%, mortgage loans market share was 10.5% and credit card loans market share 16%. In addition, Akbank had an aggregated 9.5% market share in corporate, commercial and small business loans. Akbank's stronger growth targets in the commercial, small business, and consumer segments, together with a growing demand for credit from customers from these segments, is expected to lead to an expansion of the Bank's loan portfolio. Akbank believes that its strong position in retail and commercial banking enables it to benefit from economies of scale and provides a strong platform for sustained profitability in the Turkish banking market. Akbank also believes that it has established itself as one of the most widely recognised banks in Turkey as result of its 62-year operating history in Turkey through often turbulent Turkish financial markets and its long-standing focus on prudent risk management and record of financial stability. As at 31 March 2010, over 95% of Akbank's assets are in Turkey as Akbank has focused virtually all of its businesses in a market it believes it understands well and in which it enjoys a competitive advantage. Akbank believes that the strength of its franchise is enhanced by the controlling shareholding of (51.4% as at June 2010) of the Sabancı family, one of Turkey's most prominent families and its strategic partnership with Citigroup (with Citigroup having acquired 20% of Akbank's shares), which has allowed the Bank to enhance its international connectivity, expand its product offering and further establish its profile and reputation for excellence in the domestic market. The strength of Akbank's Turkish franchise has been recognised through numerous awards, including being named "Best Bank in Turkey" at Euromoney's 2009 Awards of Excellence, winning Global Finance Magazine's Best Emerging Market Bank in Turkey Award for each of the past five years and being named "Turkey's Best Local Bank" by EMEA Finance Magazine in 2009.

- ***Record of Innovation.*** Akbank has a strong track record of developing an innovative range of products and services, including innovative lending products and the ability to obtain a consumer loan by telephone (since 2005), on the internet (since 2006), via SMS or through a dedicated credit machine (since 2007) or via a standard ATM (since 2008). Akbank has also enhanced its distribution capabilities through developing a full-service call centre and embracing new technologies including developing mobile web and mobile branch applications since 2008. It has also expanded its investment product portfolio, including introducing Turkey's first mass market structured deposits and structured funds in 2007 as well as BRIC Fund in 2009.

Strategy

Akbank's corporate goals and strategy are closely aligned with its commitment to the development of the Turkish economy and the Turkish financial system by providing high-quality specialised banking products and services that are both innovative and comprehensive. Akbank's objective is to become the leading multi-specialist bank in Turkey. To achieve this objective, Akbank has identified the following strategic priorities.

- ***Focusing on Prudent and Sustainable Growth in Turkey.*** Akbank plans to continue to focus on the Turkish market where it has substantial local knowledge, enhancing its product and service offerings in the following ways:

  - *Grow Retail Loans and Mortgages:* Turkey's population has been growing at a rate of around 1% since 2000 and GDP has increased at a rate of 3.3% and inflation has averaged 19% over that period. As Turkey continues to develop, Akbank believes that consumer lending will become an increasingly important business for Akbank (although it has remained relatively stable for the past few years, with consumer loans accounting for 20.7% of the Bank's total loan book (compared to 20.5%, 19.4% and 21.8% as at 31 December 2009, 2008 and 2007, respectively) In addition, mortgages are a relatively new product in the Turkish market, having only been generally available within the last five years and representing only 5% of Turkey's GDP in 2009 (source: BRSA). Management believes that Akbank will be able to attract new customers and increase its market share as a result of its large national network and strong brand, both of which will be promoted by its regional marketing teams. In addition, to support this growth, Akbank intends to continue to develop innovative products and services (similar to its recent application of the internet and mobile phone technologies to expand distribution channels for loans) and continue to emphasise service quality.

  - *Expand Branch Network:* Akbank intends to expand its branch network in Turkey in a manner consistent with ensuring that it is well-placed to benefit from the main areas of economic growth in Turkey, which is substantially concentrated in Istanbul. Currently, only 30.6% of Akbank's 870 domestic branches are located in the greater Istanbul area and Akbank intends to invest significantly to expand its presence in this area. In addition, in order to complement its Turkish franchise, Akbank intends to continue to increase the number of its representative offices in regions that have significant economic relationships with Turkey (such as the BRIC countries) to become a regional player in order to support the growth of its Turkish clients in these regions.

  - *Increase New Deposits and Deposit Offerings:* Deposits in Turkey are primarily structured as short-term deposits, with terms of less than three months, which management believes is a result of high inflationary conditions in Turkey's recent history. However, with inflationary conditions having abated in recent years, Akbank's management believes that it will be able to profitably introduce new deposit products and gain market share from new customers as a result of its strong national branch network and brand. Examples of such products have included Akbank's new AUM products, including approximately 40 new asset management products, such as capital protected funds, as well as new monthly-fee account packages.

- *Develop Credit Card and Other Fee and Commission Income Businesses.* In line with the growing prosperity of the Turkish population, Akbank believes that Turkish retail customers are likely to use fee-based banking products more readily as the population becomes more familiar with such products. In particular, Akbank has focused on and expects to continue to focus on developing its credit card business, which has increased in absolute and relative terms over the period 2007-2009, from TL3.8 million to TL5.8 million. Akbank's market share in the credit card business has increased to 16% since 2008, supported by Akbank's partnerships with some of Turkey's leading retailers such as Boyner (with which it established an innovative co-branded "Fish" visa card that was based on continuous prize draws) and Carrefoursa (with which it established 19 credit express branches in existing Carrefoursa stores and introduced a co-branded "Axess" credit card).

- ***Continue to Focus on Commercial and Small Business Segments.*** During the global financial crisis, Akbank actively reduced its exposure to SME banking customers due to Akbank's view that such customers were particularly susceptible to adverse changes in the economy (with the aggregate amount and percentage of SME loans decreasing from TL14.6 million as at 31 March 2009 to TL13 million as at 31 March 2010 (going from 32% of total loans to 28% over that period)). However, as the Turkish economy begins to recover and given the increasing importance of the SME and commercial segments (those with annual revenues of between TL500,000 and TL85 million) to Turkey's developing economy, Akbank has re-focused its efforts on this segment. In early 2010, the Bank combined its Small Business and commercial banking activities into one segment to take advantage of synergies between these two segments and it restructured its branch network to extend specialised services from 44 to more than 180 branches and established 22 specialised commercial banking branches where account officers target commercial customers.

- ***Continue to Enhance Akbank's Operational Efficiency.*** Akbank has focused on improving its operational efficiency through its centralised operations centre located in Maslak, İstanbul which is in the process of relocating to Şekerpınar, İzmit. Operational functions have been concentrated and centralised in order for the branches to be dedicated service and marketing centres. The development of alternative delivery channels (such as internet banking, call centres and SMS banking) is currently an important focus for the Bank. This effort is designed to increase the efficiency of branches as well as to generate revenue through other customer centres. The Bank is enhancing the range of available delivery channels and alternative products in order to migrate more and more banking transactions away from traditional branches. As at 31 March 2010, approximately 3.6 million customers were actively using the Bank's alternative delivery channels, accounting for approximately 65% of the Bank's total consumer banking transactions. In addition, Akbank has taken steps to provide services to its corporate customers by providing them with specific contacts at the operations centre to monitor and manage the status of their transactions. This allows Akbank to gain the efficiency benefits of centralisation, while at the same time maintaining the ability to tailor its services to any particular customer's needs and improve the personal nature of its relationship with that customer.

- ***Continue to Upgrade IT Systems to Support Akbank's Growth.*** Akbank has initiated a complete overhaul of its IT infrastructure, which is expected to be completed by the end of 2010 in order to implement an integrated customer relationship management system, foster channel integration and support business intelligence systems with the objectives of being able to deploy new products at a faster rate and maximising cross-selling opportunities with its customers.

- ***Continue to Focus on Human Capital Recruitment and Development.*** Akbank believes that the quality of its staff is a key competitive advantage for the Bank and it has designed a comprehensive recruitment and training program. Targeting the best universities is the starting point for the new graduates' recruitment process, followed by aptitude and personality tests and competency based interviews. Recruitment for managerial positions is handled in cooperation with leading recruitment firms. Succession planning for the top management team (at the vice president level) and the development programs designed according to specific development needs of high potential managers are the key retention programmes for top personnel, as well as the leadership mentoring programme applied within the company. In order to enhance its recruitment of top personnel and the brand value of the Bank, Akbank created the "Akbank Thinking Club" in 2008. The purpose of the club is to unite academically and socially successful young people under the brand and to create a platform for the exchange of opinions between Akbank's senior management and selected students from universities.

OVERVIEW OF THE CONDITIONS OF THE NOTES

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum. See, in particular, "Conditions of the Notes".

Issue:	US$1,000,000,000 principal amount of 5.125% Notes due 2015.
Interest and Interest Payment Dates:	The Notes bear interest from and including 22 July 2010 (the "**Issue Date**") at the rate of 5.125% per annum, payable semi-annually in arrear on 22 July and 22 January (each an "**Interest Payment Date**"). The first payment (for the period from and including 22 July 2010 to but excluding 22 January 2011 and amounting to US$25.625 per US$1,000 principal amount of each Note) shall be made on 22 January 2011.
Maturity Date:	22 July 2015.
Use of Proceeds:	The net proceeds will be used by the Issuer for general corporate purposes. See "Use of Proceeds".
Status:	The Notes are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6267), the Capital Markets Law (Law No. 2499) and Articles 6 and 25 of the Communiqué Serial II, No. 22 of the Capital Markets Board on Registration and Sale of Debt Instruments.
Negative Pledge:	The Issuer agrees that so long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined in Condition 4), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (i) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of the Noteholders, provided always that nothing shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to (i) the Turkish covered bond regime prescribed in "CMB Communiqué on Mortgage-Covered Bonds (Serial III, No: 33)" (in Turkish: *Seri III, No: 33 – İpotek Teminatlı Menkul Kıymetlere İlişkin Esaslar Hakkında Tebliğ*) and in "CMB Communiqué on Real Estate Finance Funds and Mortgage-Backed Securities (Serial III, No: 34) (in Turkish: *Seri III, No: 34 – Konut Finansmanı Fonlarına ve İpoteğe Dayalı Menkul Kıymetlere İlişkin*

Esaslar Hakkında Tebliğ), or such other legislation which may in future come into force and govern the issue of covered bonds by banks in Turkey (any such bond, a "**Covered Bond**"), or (ii) any securitisation of receivables, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged solely from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer), provided that the aggregate value of assets or revenues subject to any Security Interest created in respect of (A) an issuance of Covered Bonds and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities (as defined in Condition 4)) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities does not, at any time, exceed 15% of consolidated total assets of the Issuer and its Subsidiaries (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

See "Conditions of the Notes – Condition 4".

Certain Covenants: The Issuer will agree to certain covenants, including, without limitation, covenants limiting transactions with affiliates. See "Conditions of the Notes – Condition 5".

Redemption for Taxation Reasons: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to the date fixed for redemption) if, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 22 July 2010, on the next Interest Payment Date:

(i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 9; and

(ii) the Issuer would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of 15%; and

the requirement cannot be avoided by the Issuer taking reasonable measures available to it.

Taxation; Payment of Additional Amounts: All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in the Conditions of the Notes), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction.

See "Conditions of the Notes – Condition 9".

Disclosure of the Identity of Beneficial Owners: Under Turkish tax principles, the Issuer may be required to make available to the Turkish tax authorities certain information and documents relating to non-resident Beneficial Owners of the Notes who receive interest payments and related income. This

	information and documents include the Beneficial Owner's identity, country of tax residence and a copy of a certain confirming document (a tax residence certificate and a certificate of incorporation) issued by a government entity, and must be obtained with respect to each Interest Payment Date by 8:00 p.m. (New York time) on the fourth New York business day prior to or, under certain circumstances, by 9:45 a.m. (New York time) on such Interest Payment Date. The Issuer has arranged certain procedures with DTC, Euroclear and Acupay to facilitate the collection of information and documents concerning the identity, tax residence and legal entity type of Beneficial Owners. The delivery of such information and documents while the Notes are in global form, shall generally be made through the relevant direct and indirect participants in DTC (including Euroclear and Clearstream). See "Taxation – Provision of Beneficial Owner Information". None of the Issuer, the Joint Lead Managers, Acupay, the Fiscal Agent, Euroclear or Clearstream or DTC assumes any responsibility therefor.
Events of Default:	The Notes will be subject to certain Events of Default (as defined in Condition 11) including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "Conditions of the Notes – Condition 11".
Form, Transfer and Denominations:	Notes offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC and interests therein will be credited to the DTC accounts of the Specialised Depositaries of Euroclear and Clearstream, Luxembourg, respectively. Notes offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Certificate, in registered form, without interest coupons attached, which will be deposited with the Custodian, and registered in the name of Cede & Co., as nominee for, DTC. Except in limited circumstances, certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificates. See "Conditions of the Notes" and "Summary of the Provisions to the Note while in Global Form". Interests in the Restricted Global Certificate will be subject to certain restrictions on transfer. See "Form of Notes and Transfer Restrictions". Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream Luxembourg). Notes will be issued in denominations of US$100,000 and integral multiples of US$1,000 thereafter. See "Conditions of the Notes".
Governing Law:	The Notes and the Agency Agreement will be governed by, and construed in accordance with, English law.
Listing:	Application has been made to the UK Listing Authority for the Notes to be admitted to listing on the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market.
Selling Restrictions:	The Notes have not been nor will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act), except to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by

	Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in Turkey and the United Kingdom. See "Selling Restrictions".
Risk Factors:	For a discussion of certain risk factors relating to Turkey, the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "Risk Factors".
Regulation S Security Code:	ISIN: USM0300LAA46
	CUSIP: M0300LAA4
	Common Code: 052795427
Rule 144A Security Codes:	ISIN:US00971YAA82
	CUSIP: 00971YAA8
	Common Code: 052801869
Representation of Noteholders:	There will be no trustee.

SELECTED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, the Bank's selected historical consolidated financial and other information. The following selected consolidated financial and other information should be read in conjunction with, and is qualified in its entirety by reference to, the Annual Financial Statements and other relevant information included elsewhere in this Offering Memorandum. The Annual Financial Statements are presented in Turkish Lira and have been prepared in accordance with IFRS and as described in more detail in the accounting principles included in the notes to the consolidated financial statements beginning on page F-1 of this Offering Memorandum.

Prospective investors should read the following information in conjunction with "Presentation of Financial Information", "Managements Discussion and Analysis of Financial Condition and Results of Operations" and the Annual Financial Statements.

Balance Sheet Data

	As at 31 December		
	2009	**2008**	**2007**
		(TL thousands)	
ASSETS			
Cash and due from banks	5,029,260	6,867,802	2,667,900
Trading securities	159,786	162,931	4,813,851
Derivative financial instruments	245,120	80,221	81,282
Reserve requirements with the Central Bank of Turkey	3,464,090	6,265,872	1,667,268
Loans and advances to customers	45,049,817	49,500,489	40,237,999
Investment securities:			
– Available-for-sale	30,726,800	7,564,893	21,002,303
– Held-to-maturity	15,839,764	20,650,762	—
Investment in associates	3,125	3,125	3,125
Property and equipment	805,457	815,399	730,513
Intangible assets	65,449	36,873	31,971
Deferred income tax assets	269,965	176,092	36,839
Other assets and pre-payments	727,650	649,055	555,339
Total assets	**102,386,283**	**92,683,514**	**71,828,390**
LIABILITIES			
Customer deposits	74,701,284	66,177,887	48,418,300
Interbank money market deposits	483,572	227,819	154,023
Derivative financial instruments	771,743	314,305	105,591
Funds borrowed	5,881,999	8,331,238	6,493,467
Debt securities in issue	3,327,341	3,979,773	2,997,654
Income taxes payable	196,541	68,188	407,144
Other liabilities and accrued expenses	2,411,052	2,104,759	2,522,635
Employment benefit obligations	58,886	53,332	38,401
Total liabilities	**87,832,418**	**81,257,301**	**61,137,215**
EQUITY			
Capital and reserves attributable to the equity holders			
– Share capital	3,000,000	3,000,000	3,000,000
– Adjustment to share capital	2,029,151	2,029,151	2,092,151
Total paid-in share capital	5,029,151	5,029,151	5,029,151
Share premium	1,709,098	1,709,098	1,709,098
Translation reserve	23,435	18,723	(25,947)
Other reserves	505,752	(244,103)	174,467
Retained earnings	7,286,224	4,913,113	3,804,167
	14,553,660	**11,425,982**	**10,690,936**
Minority interest	205	231	239
Total equity	**14,553,865**	**11,426,213**	**10,691,175**
Total liabilities and equity	**102,386,283**	**92,683,514**	**71,828,390**

Income Statement Data

	As at 31 December		
	2009	**2008**	**2007**
	(TL thousands)		
Interest income	9,549,763	10,126,457	8,798,880
Interest expense	(4,825,073)	(6,486,070)	(5,423,042)
Net interest income	**4,724,690**	**3,640,387**	**3,375,838**
Fee and commission income	1,542,129	1,406,387	1,234,092
Fee and commission expense	(207,392)	(244,345)	(227,607)
Net fee and commission income	**1,334,737**	**1,162,042**	**1,006,485**
Impairment losses on loans and credit related commitments, net	(813,194)	(879,622)	(591,625)
Foreign exchange gains and losses, net	87,501	37,719	136,523
Trading gains and losses, net	25,838	27,698	14,103
Dividend income	1,391	4,351	11,496
Other operating income	189,419	196,443	75,005
Operating income	**5,550,382**	**4,189,018**	**4,027,825**
Operating expenses	(2,261,343)	(2,262,011)	(1,882,347)
Profit before income taxes and tax case	**3,289,039**	**1,927,007**	**2,205,478**
Income taxes	(555,338)	(332,710)	(464,467)
Gains on tax case	—	224,709	270,001
Profit for the year	**2,733,701**	**1,819,006**	**2,011,012**
Attributable to:			
Equity holders of the Group	2,733,661	1,818,978	2,011,243
Minority interest	40	28	(231)
	2,733,701	**1,819,006**	**2,011,012**
Earnings per share (expressed in TL, full amount, per share)	0.0091	0.0061	0.0067

Key Ratios

The following table sets out certain key ratios calculated with results derived from the audited consolidated financial statements of the Bank for the years ended 31 December 2009, 2008 and 2007. These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	As at and for the year ended 31 December		
	2009	**2008**	**2007**
		(%)	
Return on average shareholders' equity excluding minority interest	21.0	16.4	22.6
Net interest margin(1)	5.1	4.5	5.2
Capital adequacy ratio(2)	21.0	17.0	18.0
Cost to income(3)	40.7	54.0	45.2
Free capital ratio(4)	13.4	11.4	13.8
Non-performing loans to total cash loans	3.8	2.3	2.5
Cost to average total assets	2.3	2.7	2.8

(1) Net interest income divided by average interest earning assets.

(2) Calculated in accordance with BRSA regulations.

(3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.

(4) Total shareholders' equity excluding intangible assets, tangible assets, assets held for resale, investments in equity participations and net of impaired loans divided by total assets.

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read the entire Offering Memorandum. In addition to the other information in this Offering Memorandum, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment in the Notes. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. Akbank believes that the factors described below represent the principal risks inherent in investing in the Notes, but Akbank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risk factors relating to Akbank

Difficult macroeconomic and financial market conditions have affected and could continue to materially adversely affect Akbank's business, financial condition, results of operations, and prospects.

Since the second half of 2007, disruptions in global capital and credit markets, coupled with the re-pricing of credit risk have created difficult conditions in financial markets. These conditions have resulted in historically high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity, widening of credit spreads, lack of price transparency in certain markets and the failure of a number of financial institutions in the United States and Europe. In addition, in the first half of 2010, there has been a perceived increase in sovereign risk in certain countries in Europe.

In response to the global financial crisis, the government of the United States, a number of European governments and international monetary organisations have taken steps intended to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurance as to the actual impact that these measures and related actions will have on the financial markets and consumer and corporate confidence generally and on Akbank specifically, including the levels of volatility and limited credit availability in wholesale markets that have recently characterised the financial markets. The failure of these measures and related actions to help stabilise the financial markets and a continuation or worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have an adverse effect on Akbank's business, financial condition, results of operations, and prospects.

Credit risks, including risks arising from exposure to clients and the Turkish government, have materially adversely affected and could continue to materially adversely affect Akbank's business, financial conditions, results of operations or prospects.

Akbank's business, financial condition, results of operations and prospects have been affected by credit risks and will likely continue to be affected by credit risks, particularly if economic conditions in Turkey deteriorate or fail to recover.

Akbank may experience credit default arising from adverse changes in credit and recoverability that are inherent in Akbank's banking businesses.

Akbank's core banking businesses have historically been, and are expected to continue to be, loans to retail, SME, and corporate clients. As at 31 March 2010, such loans constituted approximately 45% of Akbank's total assets. Many factors affect customers' ability to repay their loans or other obligations to Akbank. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates, and increased market volatility, may be difficult to anticipate and completely outside of Akbank's control. Other factors are dependent upon the viability of Akbank's internal credit application and monitoring systems. See "Risk Factors – Akbank's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks". All of the aforementioned risks could have a material adverse impact on the Bank's ability to meet its obligations under the Notes and could have a material adverse effect on the Bank's business, financial conditions, results of operations and prospects.

Akbank's SME customer base is particularly sensitive to adverse developments in the Turkish economy, which renders such lending activities relatively riskier than larger corporate customers.

As at 31 March 2010, 27.7% of Akbank's loan portfolio consisted of commercial loans to SMEs. SMEs, who typically have less financial strength than large companies, are important to Akbank's business and growth strategy. The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for large corporate clients. Therefore, notwithstanding the credit risk determination procedures that Akbank has in place, Akbank may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine their long-term financial viability.

Akbank's NPLs for each of the years ending 2007, 2008 and 2009 were 2.5%, 2.3% and 3.8% and 2.9% as at 31 March 2010. Akbank's NPLs for SME loans for the years ending 2008, 2009 and for three months ending 31 March 2010 were 3.1%, 5.5% and 4.0%, respectively. It is generally accepted that lending to these segments represents a relatively higher degree of risk than lending to other groups, and there can be no guarantee that the Bank's NPLs for the SME Banking Division, or any of its divisions, will not materially increase in the near to medium term, in particular if there is a further deterioration in the macroeconomic conditions in Turkey or if the Bank is unable to accurately model the risk associated with the borrowers to which it extends credit (see "– Akbank's Risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks.").

A large portion of Akbank's investment portfolio is comprised of securities issued by the Turkish government, and thus, in the case of a government default, there would be a direct negative impact on Akbank in addition to a severe impact on the Turkish economy.

Akbank, like other Turkish banks, has traditionally invested a large portion of its assets in securities issued by the Turkish government. As at 31 December 2009, 44.91% of Akbank's total consolidated assets were invested in securities issued by the Turkish government (44.16% as at 31 March 2010). In addition to any direct losses that Akbank might incur, a default by the Turkish government in making payments on its treasury bills would likely have a significant negative impact on the Turkish banking system generally and thus may significantly affect Akbank's financial condition or results of operations.

Security interests or loan guarantees provided in favour of the Bank may not be sufficient to cover any losses and may entail long and costly enforcement proceedings.

The practice of pledging assets to obtain a bank loan is subject to certain limitations and administrative restrictions under Turkish law. As a result, Akbank may have difficulty foreclosing on collateral or enforcing guarantees or other third party credit support arrangements when debtors default on their loans and would likely face further difficulties if any of the Bank's key clients or shareholders were to default on their loans. In addition, the time and costs associated with enforcing security interests in Turkey may make it uneconomical for the Bank to pursue such proceedings, adversely affecting the Bank's ability to recover its loan losses.

Any decline in the value or liquidity of such collateral may prevent the Bank from foreclosing on such collateral for its full value or at all, in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby adversely affect the Bank's ability to recover any losses.

The interests of Akbank's controlling shareholder may not coincide with the interests of the Noteholders and transactions entered into with such shareholders may not be at arm's length.

The Sabancı family and the Sabancı Group (the "**Controlling Shareholders**") owned 51.37% of the outstanding share capital of Akbank as at 31 March 2010. Subject to the right of Citigroup to nominate one non-executive director, the Controlling Shareholders have the power to elect all of Akbank's directors and to determine the outcome of most matters to be decided by a vote of shareholders of Akbank. There can be no guarantee that the interests of the Controlling Shareholders coincide with those of the Noteholders.

Although it is the Bank's policy that transactions with parties related to, or affiliated with, its Controlling Shareholders are priced at market rates, are otherwise undertaken on an arm's length basis, are in compliance with applicable Turkish legislation and are subject to the same loan or account approval procedures and limits as applied by the Bank to transactions with parties not related to or affiliated with the Bank, there can be no assurance that such transactions with parties related to, or affiliated with, the Bank's Controlling Shareholders have been or will be extended on the above basis and terms. Moreover, although the Bank has not experienced pressure from its controlling shareholders to date to conduct transactions upon more favourable terms with parties related to, or affiliated with, such controlling shareholders, or to deviate from its credit and lending policies and procedures, there is no guarantee that the Bank may not come under pressure to enter into investments with a lower profit margin than it would otherwise pursue, or to provide financing to certain companies or entities on favourable or non-market terms, in the future. Such activities, which are not permitted by BRSA and CMB rules and tax rules, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Any event or series of events affecting the risk profile of Akbank's credit exposure could have an adverse effect on its financial condition.

Akbank's related party cash loans and receivables, net on a consolidated basis amounted to TL838.7 million, or approximately 1.76% of Akbank's total consolidated cash loan portfolio, as at 31 March 2010. Akbank's related party credit related commitments on a consolidated basis amounted to TL440.4 million, or approximately 5.48% of Akbank's total non-cash loans, as at 31 March 2010. Akbank's related parties also maintained total deposits on a consolidated basis of TL6.2 billion with Akbank. In addition, Akbank maintains equity participations in other financial services companies. See "Business of Akbank – Subsidiaries and Affiliated Companies."

If any event or series of events were to adversely affect the risk profile of Akbank's credit exposure to affiliated companies, the availability of deposits from affiliates, and the investment value of its shares in affiliated companies, there would likely be an adverse effect on Akbank's business, financial condition, results of operations or prospects.

Akbank has incurred, and continues to incur, a risk of counterparty default that arises, for example, from entering into swaps or other derivative contracts under which counterparties have financial obligations to make payments to Akbank.

The Bank routinely executes transactions with counterparties in the financial services industry, including commercial banks, investment banks, central banks and other institutional clients, resulting in a significant credit concentration. The Bank is exposed to counterparty risk as a result of recent financial institution failures and nationalisations and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. In addition, the Bank's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover. In addition, a default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material and adverse effect on the Bank's results of operations, financial condition and prospects.

Since both the Bank's loan portfolio and deposit base are highly concentrated in Turkey, adverse changes affecting the Turkish economy could have a material adverse effect on its financial condition.

The Bank's loans and advances constituted approximately 45% of its total assets, or TL47.8 billion, as at 31 March 2010. Approximately 75% of these loans and advances were located in Turkey. The Bank's customer deposits constituted 84% of its total liabilities, or TL76.5 billion, as at 31 March 2010, almost all of which were located in Turkey.

Although the Turkish economy has grown in recent years, with Turkish gross domestic product growing by 0.7% and 4.7% in 2008 and 2007, respectively, the economy has also been affected by the slowdown in the global economy and in the first three quarters of 2009 Turkish GDP contracted.

In September 2009, the government announced a three year medium-term economic programme from 2010 to 2012 and the implementation of a new fiscal policy which is due to come into force in 2011. Under this medium-term economic programme, the government has set growth targets of 3.5% for 2010, 4.0% for 2011 and 5.0% for 2012, as well as a gradual decrease in the net public debt to GDP ratio. However, there can be no assurance that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully. Even if the Turkish government continues to implement these policies successfully, there can be no assurance that the strong economic growth achieved in recent years will survive external and internal shocks, including escalating oil prices and terrorist activity. Although government debt levels decreased considerably from 80% of GDP in 2001 to 45% of GDP in 2009, one or more such developments within the wider Turkish economic or political system could impair Akbank's business strategies and have a material adverse effect on its business, financial condition, results of operations, or prospects.

According to official statistics of the Turkish Statistics Institution, the unemployment rate in Turkey was 14.4% at the end of February 2010 with only a slight improvement in recent months. Due to systemic problems in Turkey's economic and political infrastructure, the unemployment rate is not expected to improve until 2011. However, there can be no assurance that the unemployment rate will in fact improve, or even that it will not increase in the future. Continuing high levels of unemployment may affect Akbank's retail customers, which could impair its business strategies and have a material adverse effect on its business, financial condition, results of operations, or prospects.

There is no assurance that Turkey will continue its current fiscal policy and remain economically stable. Akbank's business is significantly dependent upon its customers' ability to make payments and meet their other obligations. Despite Turkey's economic growth, it remains vulnerable to both external and internal shocks, including escalating oil prices and terrorist activity, as well as potential domestic political uncertainty. High government debt levels may also contribute to economic vulnerability. Future negative developments in the Turkish economy could impair Akbank's business strategies and have a material adverse effect on its business, financial condition or results of operations.

Akbank's business, results of operations, financial condition and prospects have been affected by liquidity risks in a volatile Turkish market, and would likely be affected by liquidity risks, particularly if financial market conditions deteriorate.

Liquidity risk comprises uncertainties in relation to Akbank's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of Akbank's liabilities reasonably in line with assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. Akbank's inability to meet its net funding requirements due to inadequate liquidity could materially adversely affect its business, financial conditions, results of operations, or prospects.

Akbank primarily relies on short-term liabilities in the form of deposits (typically, term deposits with terms of 30 days to three months) as its source of funding and has a mix of short, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems. Wholesale funding with longer maturities has been historically limited to less than 10% of Akbank's total liabilities, and was 3.57% as at 31 March 2010.

There can be no assurance that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay. An inability on Akbank's part to access funds or to access the markets from which it raises funds may put Akbank's positions in liquid assets at risk and lead Akbank to be unable to finance its operations and growth plans adequately. Akbank may be unable to secure funding in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate.

A rising interest rate environment could compound the risk of Akbank not being able to access funds at favourable rates. These and other factors could lead creditors to form a negative view of Akbank's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, Akbank's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which Akbank provides its loans. While Akbank's aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise could adversely affect Akbank's business, prospects, financial position and results of operations.

Despite Akbank's liquidity policies, there can be no assurance that Akbank will not experience liquidity issues in the future. In the event that Akbank experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. For example, in case of a liquidity crisis, wholesale funding becomes more difficult to obtain which may adversely effect borrowing using certain capital market instruments including asset-backed securities and Eurobonds. It is possible that Akbank would not be able to obtain additional funding on commercially reasonable terms as and when required, or at all. Akbank's inability to refinance or replace deposits and devalued assets with alternative funding could result in its failure to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse affect on Akbank's business, financial condition, results of operations, or prospects.

Akbank relies on short-term demand and time deposits as its primary source of funding, but primarily has medium- and long-term assets, which may result in asset-liability maturity gaps.

In common with other Turkish banks, many of the Bank's liabilities are demand and time deposits, whereas its assets are generally medium- to long-term (such as loans and mortgages). Although the Bank has accessed wholesale funding markets (through syndicated loans facilities and international capital markets) in order to diversify its funding sources, such short- to medium-term borrowings have not eliminated asset-liability maturity gaps.

As at 31 December 2009 approximately 94.2% of the Bank's funding (which includes amounts due to banks and financial institutions, customers' deposits and other borrowed funds) had remaining maturities of one year or less or were payable on demand. As at the same date, the Bank had a negative cumulative maturity gap (more short-term liability than short-term assets) of 27.9 TL billion for the 12 months ending 31 December 2009. See "Selected Statistical and Other Information".

If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Bank fails to refinance some of its large short- to medium-term borrowings, the Bank may need to access more expensive sources of financing to meet its funding requirements. No assurance can be given that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Bank's inability to refinance or replace such deposits with alternative funding could materially adversely affect the Bank's liquidity, business, results of operations, financial condition and prospects.

Market risks arising from open positions in interest rate, currency, and equity products would affect Akbank, particularly if economic conditions deteriorate.

Akbank is exposed to market risk as a consequence of its asset and liability management of its overall financial position, including its trading portfolio. Therefore, Akbank is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. Although the effect of the market risk arising from equity products would be very limited, if Akbank were to suffer substantial losses due to any such market volatility it would adversely affect Akbank's business, prospects, financial performance and results of operations.

Fluctuations in foreign currency exchange rates, to the extent they are not adequately hedged against, may adversely affect Akbank's financial position and cash flows.

Akbank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Akbank has a policy not to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives to balance against the foreign currency risk. Akbank manages foreign currency risk by using natural hedges that arise from offsetting foreign currency-denominated assets and liabilities. The remaining open foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board of Directors, taking into account the recommendations from the ERC, sets limits in relation to the size of foreign exchange exposure, which are closely monitored by the Assets and Liabilities Committee (the "**ALCO**"). However, Akbank's future exposure to foreign currency risks could lead to a material adverse effect on Akbank's business, financial condition, results of operations or prospects. There is also a risk that hedging counterparties may default.

Changes in interest rate levels may affect the value of Akbank's assets sensitive to interest rates and spread changes, as well as Akbank's net interest margins and borrowings costs.

Akbank's results of operations depend upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. The difference between average interest income and average interest expense is net interest margin. Net interest income contributed 71.6%, 85.1%, 86.9% and 83.8% of gross income in the first quarter of 2010 and for the years 2009, 2008 and 2007, respectively and net interest margin was 5.5%, 5.1%, 4.5% and 5.2% over the same periods.

Interest rates are highly sensitive to many factors beyond Akbank's control, including monetary policies pursued by the Turkish government, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect results of operations. An increase in interest rates, for instance, could cause interest expense on deposits (which are typically short-term and reset frequently) to increase more significantly and quickly than interest income from loans (which are short, medium and long-term), resulting in a reduction in net interest income. In addition, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could have a material adverse effect on the Bank's business, prospects, financial position and results of operations.

Akbank uses derivative instruments to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, Akbank applies hedge accounting for transactions that meet specific criteria. As at 31 March 2010 the Bank held TL2.545 billion in interest rate swaps to hedge against cash flow risk arising from TL floating rate borrowings. However, there is a risk that these hedging arrangements will not be adequate to protect Akbank from the risks of changing interest rates or that hedging counterparties may default.

Akbank faces intense competition in the Turkish banking sector against both private banks and government-owned financial institutions, which may result in reduced net interest margins and fee income and may materially and adversely affect the Bank's results of operations and prospects.

The Turkish banking sector is highly competitive and has in recent years undergone a period of consolidation. As at 31 March 2010, there were a total of 45 banks (excluding the Central Bank and four participation banks) licensed to operate in Turkey. A small number of these banks dominate the industry. According to their published annual reports, as at 31 March 2010, the top five banks in Turkey held approximately 54.3% of the banking sector's total loan portfolio and approximately 59.9% of the total bank assets in Turkey. The intense competition may increase the pressure for the Bank to expand the range and sophistication of its products and services currently offered as well as reducing its margins. Increased pricing competition in the Turkish banking markets through the offer of products at significantly low prices may also impact customer behaviour patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service could have a material adverse effect on the Bank's business, financial condition or results of operations.

International banks have shown an increased interest in the banking sector in Turkey. HSBC Bank plc acquired, through its 2002 acquisition of Demirbank A.Ş., a broad network of branches in Turkey. UniCredito Italiano acquired 50% of the holding company of Koçbank in 2002 and, in February 2005, BNP Paribas acquired 50% of the shares of TEB Mali Yatırımlar A.Ş., which owns 84.3% of the shares of Türkiye Ekonomi Bankası A.Ş. In 2005, the Koçbank holding company (50% owned by UniCredito Italiano, as described above) acquired 57.4% of the shares of Yapı ve Kredi Bankası A.Ş. with the merger being completed in 2006. In the same year, Fortis Bank acquired 89.3% of the share capital of Türk Dış, Ticaret Bankası A.Ş. and General Electric Financial Services acquired 25.5% of the shares of Türkiye Garanti Bankası A.Ş. In 2006, the National Bank of Greece announced its acquisition of 46% of Finansbank from Finansbank's founding shareholder owners and Zorlu Holding sold its 75% stake in Denizbank to Dexia. Also in 2006, Şekerbank's owners, Şekerbank Social Security Fund and Şekerbank Personnel Fund, signed a share purchase agreement with Kazakh Turan Alem regarding the acquisition by Kazakh Turan Alem of a 34% stake of Şekerbank while Arap Bank Plc and Bank Med participated in the acquisition of 91% of MNG Bank. In 2007, Eurobank EFG Holding (Luxembourg) S.A. acquired a 70% stake in Tekfenbank A.Ş. The sale of 100% of the shares of Oyakbank to ING Bank of The Netherlands was approved by BRSA at the end of 2007. In 2007, Citigroup acquired a 20% stake in Akbank. The entry of foreign-owned companies into the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market.

Akbank's increased exposure to intense competition in each of its key areas of operation, may, among other things, limit Akbank's ability to increase its client base and expand its operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurance, therefore, that the continuation of existing levels of competition or increased competition will not have a material adverse effect on Akbank's business, financial condition, results of operations or prospects.

Akbank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks.

There can also be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against all credit, liquidity, market and other risks. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate.

The Bank significantly revised its procedures for risk management in 2009, (see "Risk Management – Loan Approval Process") and such procedures may not yet be fully effective or consistently implemented in mitigating the Bank's exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Bank's methods of managing risk are based upon its use of historical market behaviour, which, as evidenced by the ongoing global financial crisis, may not always accurately predict future risk exposures that could be significantly greater than historical measures indicate. In addition, the credit bureaus responsible for surveying the credit histories of prospective Bank clients may not have access to, and may not accurately profile, such persons' credit histories. As a result, the behavioural scorecards that are used to appraise the credit risk of prospective Bank clients may not serve to adequately measure that risk. It is also possible that certain of the Bank's valuation models, including assets such as derivative contracts that are not publicly traded, may incorrectly value Bank assets, resulting in unanticipated losses if such assets are discovered to be incorrectly valued.

Other risk management practices, including "know your client" practices, depend upon evaluation of information regarding the markets in which the Bank operates, its clients or other matters that are publicly available or information otherwise accessible to the Bank. As such practices are less developed in Turkey than they are in other, non-emerging markets, and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up to date or properly evaluated in all cases.

The Bank also cannot give assurances that all of its staff have adhered or will adhere to its policies and procedures. The Bank is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders (see "– Akbank's business entails operational risks"). The Bank's risk management and internal control capabilities are also limited by the information tools and technologies available to it.

Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with debt securities admitted to the Official List.

Any failure or interruption in or breach of Akbank's information systems, and any failure to update such systems, may result in lost business and other losses.

Akbank relies heavily on information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing and/or loan origination systems. Although Akbank has developed back-up systems for cases of emergency, if Akbank's information systems failed, even for a short period of time, it could be unable to serve some customers' needs on a timely basis and could thus lose their business. Likewise, a temporary shutdown of Akbank's information systems could result in costs that are required for information retrieval and verification. No assurance can be given that such failures or interruptions will not occur or that Akbank will adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could have a material adverse effect on Akbank's business, financial condition, results of operations, or prospects.

Akbank's banking business entails operational risks.

Akbank is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. Akbank is susceptible to, among other things, fraud by employees or outsiders, including unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Given Akbank's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. An Operational Risk Management Framework is in place to ensure that operational risks within Akbank are properly identified, monitored, managed and reported in a structured, systematic and consistent manner. Key elements of this Framework include risk control points, continuous risk monitoring, internal loss data collection and internal audit. Moreover, a set of risk limits have been established to ensure the safety and soundness of the operating environment. Akbank also seeks to mitigate operational risk through the Bankers Blanket Bond insurance policy. However, there can be no assurance that Akbank will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, any inadequacy of Akbank's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on Akbank's business, financial condition, results of operations, or prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the Financial Services Authority.

The Bank may have difficulty in hiring and retaining qualified personnel.

The Bank's ability to successfully implement its strategy depends upon its ability to recruit and maintain suitably qualified and capable employees. Even though its human resources policy is aimed at achieving these goals, it is not possible to guarantee that constraints in this area will not arise in the future. An inability to attract and retain qualified and capable employees for each position may limit or delay the execution of the Bank's strategy, and could have a material adverse effect on its business, financial condition or results of operations.

Labour disputes or other industrial actions could disrupt operations or make them more costly to run.

The Bank is exposed to the risk of labour disputes and other industrial actions. Approximately 56% of the Bank's employees are members of labour unions and the Bank may experience strikes, work stoppages or other industrial actions in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on the Bank's business, financial condition or results of operations.

Future events may be different than those reflected in the management assumptions and estimates used in the preparation of Akbank's financial statements, which may cause unexpected losses in the future.

Pursuant to IFRS rules and interpretations in effect as at the present date, Akbank is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, Akbank may experience unexpected losses.

Akbank may not be able to fully comply with anti-money laundering regulations, which could result in governmental fines and reputational damage.

Although the Bank has implemented comprehensive anti-money laundering ("**AML**") and "know your customer" ("**KYC**") policies and procedures and seeks to adhere to all requirements under Turkish legislation aimed at preventing it being used as a vehicle for money laundering, there can be no assurance that these policies and procedures will be completely effective. If the Bank in the future fails to comply with timely reporting requirements or other AML or KYC regulations and/or is associated with money laundering and/or terrorist financing, its reputation, results of operations, financial condition or prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

US persons investing in the Notes may have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the U.S. Department of Treasury as a result of Akbank's investments in and business with countries on the sanctions list.

The Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (together "**Sanction Targets**"). As Akbank is not a Sanction Target, OFAC regulations do not prohibit US persons from investing in, or otherwise engaging in business with Akbank. However, to the extent that Akbank invests in, or otherwise engages in business with, Sanction Targets, US persons investing in Akbank may incur the risk of indirect contact with Sanction Targets. Akbank's current policy is not to engage in any business with Sanction Targets although it is not restricted from doing business in countries that are the subject of OFAC sanctions.

Risk factors relating to Turkey

Any claims against Akbank under the Notes and the Transaction Documents will be unsecured claims payable from, among other sources, Akbank's funds in Turkey. The ability of Akbank to make any such payments from Turkey will depend, among other factors, upon the Turkish government not having imposed any prohibitive foreign exchange controls, Akbank's ability to obtain Dollars in Turkey and Akbank's ability to secure any applicable necessary approval from the relevant authority, which could be affected by the circumstances described below. Any such restrictions or failure to obtain the necessary approval count affect the Bank's ability to make payment of interest and principal under the Notes.

Akbank is predominantly engaged in business in Turkey and its results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political stability in Turkey. Even though in recent years Turkey has undergone significant political and economic transformation which has resulted in increased stability and economic growth, Turkey has been affected by the global financial crisis and is still generally considered by international investors to be an emerging market.

In general, investing in the securities of issuers that have operations primarily in emerging markets like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union ("**EU**") or other similar jurisdictions. Summarised below are a number of risks relating to operating in Turkey and other emerging markets.

The level of inflation and the state of the current account deficit in Turkey could adversely affect Akbank's business, financial condition, results of operations or prospects.

In the past, Turkey has experienced high rates of inflation. As a result of the financial crises in November 2000 and February 2001, the Wholesale Price Index ("**WPI**") increased to 88.6% at the end of 2001 from 32.7% at the end of 2000 and the Consumer Price Index ("**CPI**") increased to 68.5% from 39.0%. Since 2001, pursuant to stand-by agreements with the IMF, the Turkish government has implemented measures to significantly reduce inflation. WPI decreased to 13.8% at the end of 2004. CPI decreased to 9.3% at the end of 2004 and 7.7% at the end of 2005. In January 2005, the WPI was replaced by the Producer Price Index ("**PPI**") which was approximately 2.7% at the end of 2005. Turkey's PPI and CPI for the December 2005 – December 2006 period was 11.58% and 9.65%, respectively, for the December 2006 – December 2007 period, 5.94% and 8.39%, respectively, for the December 2007 – December 2008 period, was 8.11% and 10.06%, respectively and for the December 2008 – December 2009 period, was 5.93% and 6.53%, respectively. In 2010, the CPI is expected to increase temporarily due to base year effect, whereby previous periods of low inflation make even a modest increase in CPI appear significant, and a rise in food and commodity prices. Though the Central Bank of Turkey has stated that current core inflation indicators remain in line with medium-term targets, and the rate of inflation has generally decreased since 2000, there can be no assurance that this trend will not reverse, particularly if the government fails to adhere strictly to current fiscal policies or due to other macroeconomic factors.

Prior to the economic downturn, the current account deficit ("**CAD**") widened considerably mainly due to the widening trade deficit. CAD increased from US$7.5 billion in 2003 (2.5% of GDP) to US$14.4 billion (3.7% of GDP) in 2004, US$22.2billion (4.6% of GDP) in 2005, US$32.2 billion (6.1% of GDP) in 2006, US$38.3 billion (5.9% of GDP) in 2007, US$41.9 billion (5.7% of GDP) in 2008 and decreased to US$14.0 billion (2.3% of GDP) in 2009. In January – March 2010, the current account produced a deficit of US$10.0 billion, as compared to a deficit of approximately US$2.0 billion in the same period in 2009. Because of slowing economic activity and falling energy prices, imports decreased at a more rapid pace than exports and the foreign trade deficit was narrowing in 2009. However, trade deficit increased from US$4.4 billion in the first quarter 2009 to approximately US$12 billion in the first quarter of 2010 which in turn caused the current account deficit to increase over the same period.

There can be no assurance that inflation will not increase further in Turkey in the near future. In particular, recent increases in prices, such as food prices, could cause an increase in inflation. Furthermore, certain actions taken by the Turkish government to combat inflation could have negative effects on the Turkish economy. This could in turn limit Akbank's access to credit markets and foreign financial markets and negatively impact its ability to comply with its obligations. There can be no assurance that inflation as well as government intervention that is harmful to Akbank's interests will not occur in the future.

Akbank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on Akbank's business.

Akbank is subject to a number of banking and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries where Akbank and its subsidiaries operate. Additionally, the implementation process of Directives of European Community numbered 2006/48/EC and 2006/49/EC ("**CRD**") and Basel II is still ongoing. In order to monitor the implementation process of the banks on CRD/Basel II, Progress Survey on Adaptation of CRD/Basel II is requested from the banks by the BRSA every six months.

The Turkish Banking Law was approved by the Turkish Parliament on 19 October 2005 and published in the Official Gazette on 1 November 2005 (the "**Banking Law**"). This new law replaces the previous Banking Law No. 4389 in line with the dynamic nature of the banking sector, international financial and economic developments and is parallel to the EU banking laws and regulations as well as international banking standards. Compared to its predecessor, the Banking Law is much more comprehensive and detailed. EU banking directives, international rules and standards as well as relevant country laws and applications were taken into account during the preparation phase of the Banking Law. The objective of the Banking Law is to regulate the principles and procedures applicable to the establishment of confidence and stability in financial markets, the sound operation of the credit system and the protection of the rights and interests of savers. Under the Banking Law, customers' rights are regulated with new principles; measures that are to be taken against systemic risk were introduced; honesty, competence, transparency, confidentiality and ethical principles were made legal obligations; and an extensive list of judicial offences was defined that may be subject to heavy penalties. For example, the following administrative fines may be imposed on the institutions covered by the Banking Law: up to 1% (not to be less than TL50,000) of any amount which exceeds and thus constitutes a violation of the loan limits set forth in the Banking Law; up to two per thousand of any provisions required to be set aside pursuant to the Banking Law in the event such provisions have not been set aside provided that such amount is not less than TL5,000 and an amount equal to 3% of the provisions not established if such default has not been remedied within a period to be granted by the BRSA provided that such period is not less than three months. Other measures include sentencing to imprisonment from one year to three years and a judicial fine from 1,000 days up to 2,000 days in the event of failure to comply with confidentiality obligations or sentencing to imprisonment from two to four years and a judicial fine from 1,000 days up to 5,000 days in the event of failure to take corrective, rehabilitating and restrictive measures.

The Banking Law also places a strong emphasis on remedial measures for banks in financial difficulty.

In addition, the BRSA has issued the following regulations:

- Regulation on credit operations of banks dated 1 November 2006 (as amended) setting out the relevant credit/lending limit principles;
- Regulation on measurement and assessment of capital adequacy of banks dated 1 November 2006 (as amended) setting out the capital adequacy ratio principles;
- Regulation No. 26333 on the principles and procedures relating to the loans and other receivables for which provisions shall be set aside by the banks dated 1 November 2006 (as amended) setting out mandatory cash reserve principles;
- Regulation No. 26333 on the procedures and principles for accounting practices and retention of documents by the banks dated 1 November 2006 setting out the accounting/statistical information principles; and
- Communiqué No. 26335 on the calculation of risk measurement models and market risk and evaluation of risk measurement models dated 3 November 2006 setting out investment test principles.

The CBRT has also issued Communiqué No. 2005/1 on Reserve Requirements dated 16 November 2005 (as amended) setting out the principles in relation to the compulsory deposits with the Central Bank.

An example of potential regulatory changes is the Bank Cards and Credit Cards Law (Law No. 5464) which was approved by the Turkish Parliament on 23 February 2006 (published in the Official Gazette dated 1 March 2006) and amended on 24 June 2009 by Law No. 5915 (published in the Official Gazette on 7 July 2009). The Bank Cards and Credit Cards Law aims at reducing the number of credit card consumers in default, and limiting the ability of a consumer to obtain a credit card line from an institution that would exceed two times such consumer's monthly income for the first year and four times for the second year. The Central Bank is entitled to determine the maximum contractual and default interest rates of credit cards. The cap is currently set at the same cap set by the Central Bank.

New laws and regulations may increase Akbank's cost of doing business or limit its activities. As some of the new banking laws and regulations issued from regulatory institutions have only recently been adopted, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Further new laws or regulations might be adopted, enforced or interpreted in a manner that could have an adverse effect on Akbank's business, financial condition, cash flows and/or results of operations. Any failure to adopt adequate responses to such changes in the regulatory framework may have an adverse effect on Akbank's business, financial condition, results of operations or prospects. Finally, non-compliance with regulatory guidelines could expose Akbank to potential liabilities and fines.

The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy as well as Akbank's business, financial condition, results of operations or prospects.

As at 31 March 2010, 35.5% of Akbank's assets are denominated in foreign currencies, of which 22.7% are in US dollars, 12.7% in Euro and 0.2% in other foreign currencies. 35.4% of Akbank's liabilities are denominated in foreign currencies, of which 19.1% is in US dollars, 15.1% is in Euro and 1.2% in other foreign currencies. Akbank translates such assets and liabilities, as well as gains/ losses realised on the sale of such assets, into TL in preparing its financial statements, as a result of which Akbank's reported income may be significantly affected by changes in the value of the TL with respect to such foreign currencies, particularly the US dollar.

The Bank manages foreign currency risk by using natural hedges that arise from offsetting foreign currency-denominated assets and liabilities, and the remaining foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that primarily include forward foreign exchange contracts and currency swaps. Although Akbank does not hold material foreign currency position, any significant depreciation of the TL against the US dollar or other major currencies could have a negative effect on Akbank's ability to repay its debt denominated in currencies other than the Turkish Lira, including the amounts due under the Notes.

As a result of the financial crises in Turkey in November 2000 and February 2001, the Turkish Lira depreciated from TL0.67500 per dollar on 31 December 2000 to TL1.44651 per dollar on 31 December 2001 and then further depreciated to TL1.64238 per dollar on 31 December 2002. As the Turkish government began implementing economic and financial reforms, the value of the Turkish Lira increased to TL1.39278 per dollar on 31 December 2003. The Turkish Lira further appreciated to TL1.34860 per dollar on 31 December 2004 and was TL1.34950 per dollar on 31 December 2005, TL1.4056 per dollar on 29 December 2006, TL1.1593 per dollar on 31 December 2007, TL1.5218 per dollar on 31 December 2008 and TL1.4873 per dollar on 31 December 2009. Due to market volatility, the Turkish Lira depreciated to TL1.4840 per dollar on 12 April 2010.

Future currency volatility could impair Akbank's business strategies and have a material adverse effect on its business, financial condition or results of operations, particularly if Akbank increasingly accesses the international capital markets for funding. Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL1,000,000 = TL1.00.

Akbank is subject to investigation by the Competition Board which may result in fines being imposed on the Bank.

Akbank, together with seven major banks operating in Turkey, is subject to investigation by the Competition Board.

Competition in Turkey is mainly regulated by Law No. 4054 on the Protection of Competition (the "**Competition Law**"). The Competition Law is enforced by the Competition Board, which has the power to investigate possible breaches and impose fines.

In August 2009, the Competition Board released a report announcing that it had initiated an investigation of eight major banks, including Akbank, Yapı ve Kredi Bankası, Garanti Bankası, Vakıfbank, Halkbank, Finansbank, İş Bank and Denizbank into allegations of collusion between such banks in relation to the provision of promotions to public and private corporate customers while providing payroll deposit services, in breach of the Competition Law. In connection with this investigation, the Turkish Competition Board has served a summary of its initial findings and the banks that are under investigation responded to this initial report. The Turkish Competition Board is currently in the process of preparing a detailed report in which it would be seeking a further response of each bank under investigation. To date, the investigation has not resulted in any fine being levied on any of the banks but it ultimately could result in substantial fines being imposed on the banks.

The government's influence over the Turkish economy could negatively impact Akbank's business.

Traditionally, the government has exercised, and continues to exercise, significant influence over many aspects of the Turkish economy. The government is also directly involved in the Turkish economy through its ownership and administration of State Economic Enterprises ("**SEEs**") which, despite the divestments undertaken in the government's privatisation programme, continue to represent a significant portion of the Turkish economy. SEEs and other such public enterprises operate in business segments in which Akbank operates or may operate in the future, including businesses in the financial services sector. Accordingly, any decisions taken by the government with respect to SEEs and other such public enterprises may significantly impact the Turkish economy, which could in turn have a material adverse effect on Akbank's business, financial condition, results of operations or prospects.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including Akbank's, which could adversely affect the market price of Akbank's Securities.

Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

Exchange controls implemented by the Turkish government could adversely affect the business, operations, or prospects of Akbank.

Turkish citizens were given limited rights to hold and trade foreign currency by Decrees 28 and 30 on the Protection of the Value of the Turkish Currency in 1983. Turkish exchange regulations strictly controlled exchange movements. After the establishment of a foreign exchange market in August 1988, the exchange rate of the Turkish Lira began to be determined by market forces, and banks in Turkey currently set their own foreign exchange rates independently of those announced by the Central Bank.

Pursuant to Decree 32, as amended, the government eased and ultimately abolished restrictions on the convertibility of the Turkish Lira for current account and non-resident capital account transactions. Such steps included facilitating exchange of the proceeds of transactions in Turkish securities by foreign investors, enabling Turkish citizens to purchase securities with foreign exchange, permitting residents and non-residents to buy foreign exchange without limitation and to transfer such foreign exchange abroad, and permitting Turkish companies to invest without limitation. With respect to export-related receipts, before Decree 32 was amended in January 2008, exporters had to bring the related foreign currency payment into Turkey and convert it into Turkish Lira within 180 days after the related goods were exported. This restriction has now been abolished. Turkish citizens are permitted to buy unlimited amounts of foreign currency from banks and to hold foreign exchange in commercial banks. Although Akbank's management believes that it is unlikely that additional exchange controls will be introduced in the near term, the implementation of any such exchange controls may adversely affect Akbank's business, financial condition or results of operations generally or its ability to make any payments required under the Notes.

Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility.

Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same twenty-eight criteria (or "**Chapters**") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Among these legislative reforms are, two new major laws: Turkish Commercial Code and Code of Obligations which will replace current Turkish Commercial Code No. 6762 and Code of Obligations No. 818, respectively. The new legislation is currently being considered by the Grand National Assembly of Turkey and is expected to be enacted but the timeline has not been determined yet.

Though Turkey has had a long relationship with the EU, that relationship has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and to the recognition of the Republic of Southern Cyprus. Following this, in December 2006, the EU decided that negotiations in eight Chapters should be suspended and that no Chapter be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership, nor that Turkey will be able to meet all the criteria applicable to becoming a member state, including the new chapters opened in 2009 relating to taxation and the environment.

Conflict and terrorism within Turkey or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on Akbank's business, financial condition, results of operations or prospects.

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring and nearby countries, such as Iran, Iraq, Georgia, Cyprus, Armenia and Syria has historically been one of the potential risks associated with an investment in Turkish securities. Political instability in the Middle East has increased since the terrorist attacks in the United States of 11 September 2001. The period since the commencement of military action by the United States and its allies in March 2003 has been characterised by frequent incidents of violence and sectarian conflict in Iraq and the heightened risk of terrorist acts against both the United States and its allies.

In recent years, Turkey has experienced a number of terrorist incidents, including four bombings in November 2003, a bombing in March 2004 in Istanbul, a series of bombings in 2006 which included bombings in each of Istanbul, Antalya and Marmaris, a bombing in Ankara in May 2007, bombings in Istanbul in July and December 2008 and two bombings in Ankara in April 2009. If additional attacks occur in the future, Turkey's capital markets, levels of tourism and foreign investment, among other things, may suffer, which could adversely affect Akbank's business, financial condition or results of operations.

Turkey is located in a high-risk earthquake zone.

On 17 August 1999, an earthquake measuring 7.6 on the Richter scale struck the area surrounding İzmit. On 12 November 1999, another earthquake measuring 7.2 on the Richter scale occurred in the city of Düzce, between Ankara and Istanbul. More recently, on 8 March 2010, an earthquake measuring 6.0 on the Richter scale struck the eastern province of Elazığ. Almost 45% of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes) and a number of Akbank's properties and projects in Turkey are located in high-risk earthquake zones.

Akbank maintains earthquake insurance, but does not have wider business interruption insurance or insurance for loss of profits, which are not generally available in Turkey. The occurrence of a severe earthquake could adversely affect one or more of Akbank's facilities, causing an interruption in, and an adverse effect on, its business. In addition, a severe earthquake could harm the Turkish economy in general, which could adversely effect Akbank's business, financial condition or results of operations.

Political developments in Turkey may have a material adverse effect on Akbank's business, financial condition, results of operations or prospects.

Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in the 87 years since its formation, Turkey has had 60 governments, with political disagreements frequently resulting in early elections. Furthermore, the Turkish military establishment has, historically, played a significant role in Turkish government and politics, intervening in the political process, and there can be no assurance that the Turkish military establishment will not intervene in the political process in the future.

A referendum on a number of changes to the constitution is due to be held in Turkey on 12 September 2010. Furthermore, in the recent amendment to the Parliamentary Election Law, it was envisaged that the next general election would be held in July 2011. A change in government however effected could lead to a change in economic policies, including a change in the government's fiscal policy and the rules governing banks and capital markets. Any dramatic changes in the government or political environment, including the failure of the government to devise or implement required or appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, Akbank's business, financial condition, results of operations or prospects. Furthermore, increased popular unrest, particularly labour unrest, could result in political instability and adversely affect the Turkish economy, which in turn could adversely affect Akbank's business, financial condition, results of operations, or prospects.

Akbank's credit ratings may not reflect all risks, and changes to Turkey's credit ratings may affect the Bank's ability to obtain funding.

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. Rating agencies regularly evaluate the Bank and their ratings of its long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally. As at 26 August 2009 the Bank was rated Baa1 by Moody's and BBB- by Fitch Ratings. One or more independent credit rating agencies may also assign credit ratings to the Notes. Any ratings of either the Bank or the Notes may not reflect the potential impact of all risks related to the Notes' structure, the global financial market and the Turkish banking sector, additional factors described in this "Risk Factors" section and any other factors that may affect the value of the Notes. In light of the difficulties in the financial markets, there can also be no assurance that the rating agencies will maintain the Bank's current ratings or outlooks. A downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception these agencies could have of the Bank's rating. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Risk factors relating to the Notes

Credit ratings may not reflect all risks and may be withdrawn at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Modification, waivers and substitution.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Adverse change of law may affect Notes.

The Conditions of the Notes are based on English law in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Turkish and English law or administrative practice after the date of this Offering Memorandum.

Exchange rate risks and exchange controls.

The Bank will pay principal and interest on the Notes in US dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Bank's or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes constitute unsecured obligations of Akbank.

Akbank's obligations under the Notes will constitute unsecured obligations of the Bank. Accordingly, any claims against Akbank under the Notes would be unsecured claims. The ability of Akbank to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by the circumstances described below.

Claims of Holders under the Notes are effectively junior to those of certain other creditors.

The Notes are unsecured and unsubordinated obligations of the Bank. Subject to statutory preferences, the Notes will rank equally with any of the Bank's other unsecured and unsubordinated indebtedness. However, the Notes will be effectively subordinated to all of the Bank's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Turkish law. As at 31 March 2010, the book value of Akbank's consolidated assets pledged as security in connection with its obligations was TL18 billion.

There may not be an active trading market for the Notes.

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Akbank. Although application has been made for the Notes to be admitted to listing and to trading on the Regulated Market of the London Stock Exchange, there can be no assurance that such application will be accepted or that an active trading market will develop. Accordingly, Akbank can give no assurance as to the development or liquidity of any trading market for the Notes.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or economic conditions in developed and other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including Akbank's, which could adversely affect the market price of Akbank's Securities.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in Akbank's operating results, actual or anticipated variations in the operating results of Akbank's competitors, adverse business developments, changes to the regulatory environment in which Akbank operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for Turkish Sovereign debt. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to Akbank's business, financial condition, results of operations or prospects.

The Bank will have the right to redeem the Notes upon the occurrence of certain legislative changes requiring it to pay additional taxes if the withholding increases above 15%.

The Bank will have the right to redeem the Notes, on any Interest Payment Date prior to the maturity date of the Notes, if: (a) upon the occurrence of such change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 22 July 2010, on the next Interest Payment Date: (i) the Bank would be required to pay additional amounts of Taxes (as defined in Condition 9); and (ii) the Bank would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of 15%, and such requirement cannot be avoided by the Bank taking reasonable measures available to it. The Bank cannot assure the noteholders that, upon such a redemption, they will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments (dollar) is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of the financial markets in which they participate; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Investors may have difficulty enforcing foreign judgments against the Bank or its management.

Substantially all of Akbank's directors and executive officers are residents of Turkey and a substantial portion of the assets of Akbank and such persons are located in Turkey. As a result, it may be difficult for investors to effect service of process upon Akbank or such persons outside Turkey, or to enforce judgments or arbitral awards obtained against such parties outside Turkey.

Transfer of the Notes will be subject to certain restrictions.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should read the discussion under the heading "Notice to Investors" for further information about these transfer restrictions. It is their obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

Investors in the Notes must rely on DTC, Euroclear procedures.

The Regulation S Notes will be represented on issue by a Regulation S Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the Regulation S Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Regulation S Global Certificate. While the Notes are represented by the Regulation S Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Rule 144A Notes will be represented on issue by a Rule 144A Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the Rule 144A Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Rule 144A Global Certificate. While the Notes are represented by the Rule 144A Global Certificate, investors will be able to trade their beneficial interests only through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. While the Notes are represented by the Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in either Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State (or to certain limited types of entities established in that other Member State). However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

USE OF PROCEEDS

The estimated total expenses relating to the admission of the Notes to trading are US$12,000. The Bank will use the net proceeds for general corporate purposes.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the period average and period-end buying rates for U.S. dollars for the periods indicated. The rates set forth below are provided solely for your convenience and were not used by the Bank in the preparation of the Bank's consolidated financial statements included elsewhere in this Offering Memorandum. No representation is made that Turkish Lira could have been, or could be, converted into U.S. dollars at that rate or at any other rate.

Period Average[(1)]	TL per US$	Period End[(2)]	TL per US$
2009	1.4971	31 December 2009	1.4873
2008	1.2616	31 December 2008	1.5218
2007	1.2786	31 December 2007	1.1593
2006	1.4027	31 December 2006	1.4150
2005	1.3207	31 December 2005	1.3750
2004	1.4027	31 December 2004	1.3697
2003	1.4694	31 December 2003	1.4275
2002	1.4921	31 December 2002	1.6550
2001	1.1688	31 December 2001	1.4466
2000	0.6233	31 December 2000	0.6674

Source: Central Bank of Turkey

(1) Represents the yearly averages of the monthly averages of the TL/US$ exchange rates for the relevant period, which monthly averages were computed by calculating the average of the daily TL/US$ exchange rates on the business days of each month during the relevant period. Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL1,000,000 = TL1.00.

(2) Represents the TL/US$ exchange rates for the purchase of U.S. Dollars determined by the Central Bank on the previous working day. Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL1,000,000 = TL1.00.

CAPITALISATION OF THE BANK

The following table, prepared in accordance with IFRS, sets forth the consolidated capitalisation of the Bank as at 31 December 2007, 2008 and 2009 and 31 March 2010, respectively. This table should be read in conjunction with the Annual Financial Statements and the Interim Financial Statements and the notes thereto appearing elsewhere in this Offering Memorandum. All Turkish Lira amounts in this section, unless otherwise indicated, are presented in thousands of Turkish Lira.

	As at (and for the years ended) 31 December			**As at (and for the three month period ended) 31 March**
	2007	**2008**	**2009**	**2010**
		(TL thousands)		
Long-term debt[(1)(2)]	5,664,372	6,559,614	5,367,703	5,125,050
Capital stock; legal reserves, retained earnings and other equity accounts	8,679,693	9,607,004	11,819,999	14,169,383
Current period net income attributable to Equity Holders of the Bank	2,011,243	1,818,978	2,733,661	1,023,155
Total shareholders' equity	10,690,936	11,425,982	14,553,660	15,192,538
Total capitalisation	**16,355,308**	**17,985,596**	**19,921,363**	**20,317,588**

Notes:

(1) See note 17 to each of the Interim Financial Statements and the Annual Financial Statements.

(2) Long-term debt includes the funds borrowed and debt securities in issue with an original maturity over one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains an analysis of the consolidated results of operations of Akbank as and for the three month periods ended 31 March 2010 and 2009 and for the years ended 31 December 2009, 2008, and 2007. The following discussion should be read in conjunction with the Interim Financial Statements and the Annual Financial Statements and reports and notes thereto included elsewhere in this Offering Memorandum. The Interim Financial Statements and Annual Financial Statements of Akbank have been prepared in accordance with IFRS as described in "Presentation of Financial Information." Certain information herein is derived from unaudited management accounting records. This discussion includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Risk Factors" appearing elsewhere in this Offering Memorandum.

Overview

Akbank is a full-service commercial bank with substantially all its business operations in Turkey, providing a comprehensive range of banking products to retail, SME, and corporate customers. As the recovery from Turkey's economic crisis in 2001 has continued, the consumption of banking services among the general population in Turkey has increased and the number of commercial banks has decreased, stimulating demand for the Bank's banking products. The Bank's management believes that its risk adjusted capital ratio of 20.12% as at 31 March 2010 (18.9% if calculated using Tier I capital only), its strong financials and its extensive branch network of 870 branches (as of 31 May 2010) have made strong contributions to the growth of the Bank's customer deposit base. As at 31 March 2010, customer deposits reached TL76.5 billion, representing 72% of total funding. Akbank achieved net profits of TL1.0 billion for the first quarter of 2010, an increase of 82% over the comparable period in 2009. In terms of profitability, the Bank's return on equity was 27.5% and its return on assets was 3.9% for the first quarter of 2010, as compared to 21.0% and 2.8% for fiscal year 2009. In addition to the Bank's cost of funding, management believes other key drivers of the Bank's profitability have been low non-performing loan ratios and improved cost of risk, effective cost control, and the positive contribution of the Bank's portfolio of Turkish government securities.

Although the Bank was negatively affected by adverse global financial markets, particularly with regard to reduced overall demand for its services and increased credit risk in its loan portfolio, the Bank has striven to maintain a consistent business strategy during the period of 2007 to present subject to making necessary adjustments. Management has concentrated on the development and growth of products that are innovative in the Turkish market and are tailored to individual customers' needs, as well as on customer growth in the SME business segment, although growth in the small business portion of this segment was temporarily limited by the Bank in 2009 in the belief that small business customers would be especially sensitive to weaker economic conditions. In support of these efforts to expand the customer base, the Bank has grown its branch network and its customer relationship management capabilities and has developed non-traditional delivery channels for its products. At the same time, management priorities have included increasing fee and commission income and promoting continued improvements in operational efficiency. Partnerships with prominent Turkish retail groups such as Boyner and Carrefoursa have helped to develop the Bank's credit card business market share and have had a positive effect on fee income.

Akbank believes that its reputation in Turkey significantly benefits from its association with the Sabancı group of companies, which includes a number of leading industrial and other enterprises. In addition, on 9 January 2007, Akbank concluded a transaction with Citigroup in which Citigroup acquired a 20% equity stake in Akbank. In 2009, the Bank established its Corporate Governance and Social Responsibility Committee which promotes the integration of ethical, environmental, and social policies with the Bank's lending and other activities.

Significant Factors Affecting Akbank's Results of Operations

Numerous factors affect Akbank's results of operations, some of which are outside of Akbank's control. The following identifies certain of such factors that have been significant to Akbank since 2007.

Turkish Economic and Political Environment

Akbank operates primarily in Turkey. Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange rates and interest rates.

The following table sets forth key Turkish economic indicators for the years 2007 to 2009.

	2007	**2008**	**2009**
GDP *in billion Turkish Lira*	843.2	950.5	954.0
GDP *in billion U.S. Dollars*	648.8	742.1	617.6
GDP growth (%)	4.7%	0.7%	(4.7)%
GDP per capita *in U.S. Dollars*	9,234	10,440	8,590
Unemployment (%)	10.3	11.0	14.0
CBRT policy rate (year-end, %)	15.75	15.00	6.50
Benchmark yield (year-end, %)	16.6	16.5	8.9
Inflation (%)	8.4%	10.1%	6.5%
Exports *in billion U.S. Dollars*	107.3	132.0	102.1
Imports *in billion U.S. Dollars*	170.1	202.0	140.9
Trade deficit *in billion U.S. Dollars*	62.8	69.9	38.8
Current account deficit *in billion U.S. Dollars*	38.3	41.9	14.0
Budget deficit *in billion Turkish Lira*	13.7	17.1	52.2

(Sources of macro-economic data: Central Bank of Turkey, Treasury, Turkish Statistical Institute and other public sources).

As economic activity generally remained strong in Turkey throughout 2007 and into 2008, the Turkish economy saw favorable results in terms of the GDP and trade volume. During the comparable period, Akbank achieved significant growth in its asset size from TL71.8 billion at 31 December 2007 to TL92.6 billion at 31 December 2008, as well as growth in its loan portfolio from TL40.2 billion at 31 December 2007 to TL49.5 billion at 31 December 2008. As economic activity slowed between 2008 and 2009, Turkish unemployment rose and the trade volume declined, while interest rates declined and the budget deficit increased sharply in a sign of the government-sponsored economic growth efforts. Akbank's loan portfolio declined to TL45.0 billion at the end of 2009, and the size of its securities portfolio (largely Turkish government securities) increased substantially from TL28.0 billion at 31 December 2008 to TL46.7 billion at 31 December 2009. As the Bank expanded its government securities holdings, it contributed to an increase in its asset size to TL102.3 billion by the end of 2009.

See "Risk Factors – Risk Factors Relating to Turkey."

Global Economic Conditions

Since mid-2008, the global banking industry has been severely impacted by the worldwide financial crisis, which has contributed to significant write-downs of asset values by financial institutions, including government-sponsored organisations and major commercial and investment banks. The effects of the global financial crisis in Turkey during this period have been relatively moderate compared to the effects in the United States and in certain other European countries. The primary effect of the global crisis on the Turkish banking system was an increase in loan delinquency rates. At the same time, the Turkish market experienced a shift in deposits to larger private financial institutions, such as Akbank, that were perceived as having greater financial stability. Accordingly, as at 31 March 2010 Akbank's consolidated customer deposits reached TL76.5 billion, an increase of 57.9% in TL terms from the level of TL48.4 billion as at 31 December 2007.

During this period, the Bank put in place enhancements to its risk management systems, tightened its small business lending criteria, and increased required collateral levels with a view to limiting the potentially adverse effects on its loan portfolio from the prevailing global economic conditions. As a result, although the Bank's NPL ratio increased to 3.8% at year-end 2009 from 2.3% at year-end 2008 and from 2.5% at year-end 2007, the NPL ratio decreased to 2.9% at 31 March 2010 and remains below the sector average of 4.9%. At the same time, the recent growth in the Bank's loan portfolio levelled off as the Bank's tighter lending policies came into effect. The Bank's changes in lending strategy affected mainly the Bank's lending to small business customers (those with annual revenue of up to TL10 million), due to the Bank's observation that many small business customers were seeing an increasing delay in payment of their own accounts receivable. To mitigate this risk, the Bank reduced exposure to small business customers who could not provide additional guarantees or collateral to offset the increased risk perceived by the Bank. Consequently small business loans decreased to 7.7% of the Bank's total loans at year-end 2009 from 20.7% at year-end 2007. Reductions in the growth of the loan book contributed to an increase in the Bank's securities portfolio, which grew from TL25.8 billion as at 31 December 2007 to TL46.7 billion as at 31 December 2009, an increase over the two-year period of 81%.

A favorable contributor to net income during the period of the recent global downturn has been fee income, which grew year-on-year at the rate of 14.9% as at 31 December 2009 and 15.5% as at 31 December 2008. Strong fee income was the result of certain initiatives commenced both before and during the downturn by the Bank including new developments in credit card issuance, asset management, and alternate banking channels. Credit card issuance, which also benefited from the Bank's collaborations with Boyner Holding in the "Fish" card and with CarrefourSA in the "Axess" card, accounted for 48.0% of the Bank's fee income in 2009 (as compared to 50.1% in 2008 and 50.5% in 2007). For the first quarter of 2010, this level remained steady at 48.3%. In addition, the Bank took active steps to reduce costs during 2009 and as a result there was no increase in operating costs in 2009 as compared to 2008 (TL2.3 billion for each year). As a result, Akbank's cost-to-income ratio was 40.7%, which was among the lowest in the sector. During the first quarter of 2010, Akbank's cost-to-assets ratio increased from the 2.3% level at year-end 2009 and reached a level of 2.6% (having been at 2.7% and 2.8% for 31 December 2008 and 2007, respectively) and due to the increase in net income during this period, the cost-to-income ratio came down to 34.7% from the previous levels of 40.7%, 54.0% and 45.2% for 31 December 2009, 2008 and 2007.

Although the effects of the 2007-2009 global financial crisis have begun to subside, the Bank and its customers operating in Turkey remain susceptible to some extent to other external financial and economic events such as the widespread concern with the levels of public sector debt around the world and the stability of numerous banks in certain European countries including Greece, Spain, Portugal, Italy and Ireland. Although Akbank holds no sovereign debt obligations from these countries, a lack of liquidity in the European banking sector in general could have an adverse effect on the Bank's customers by reducing export demand for their goods and services and constraining external sources of funding for the Bank's larger corporate customers. See "Risk Factors – Difficult macro economic and financial market conditions have affected and could continue to materially adversely affect Akbank's business, financial condition, results of operations, and prospects".

Loan Portfolio Growth

In recent years, since the end of Turkey's domestic financial crisis in 2001, the Bank has pursued a policy of increasing its loan portfolio, in particular with an emphasis on the higher-yielding business segments focused on commercial, small business, and retail customers. Particularly as the rate of inflation has decreased in Turkey and per capita income among the Bank's targeted customer base has increased, the demand for commercial, small business, and retail credit has grown. From the start of 2007 through to the present, this policy has resulted in an overall increase in the Bank's loan portfolio from TL30.6 billion as at 1 January 2007 to TL47.8 billion as at 31 March 2010, even though the Bank's decision to slow the growth of its loan portfolio in 2009, particularly in the small business segment, resulted in a decrease of 9.0% in net loans for the year.

However, since the beginning of 2010, Akbank has re-focused on increasing its lending growth in all areas where management believes the effects of the global economic downturn have begun to subside and the signs of economic recovery have strengthened. As a result of this strategy, Akbank's total loans reached TL47.8 billion as at 31 March 2010 from TL45.0 billion as at 31 December 2009, a TL2.7 billion increase. Akbank's budgeted loan balance for year-end 2010 is TL59 billion.

Interest Rates

In general, increases in interest rates allow the Bank to increase its revenue from loans due to higher rates that the Bank is able to charge. The Bank benefits from a higher return on its excess capital. However, such an increase may adversely affect the Bank's results of operations as a result of reduced overall demand for loans and greater risk of default by the Bank's customers. In addition, increased interest rates affect the Bank's funding costs and can adversely affect the Bank's net income if the Bank is unable to pass on the increased funding costs to its customers. On the other hand, a decrease in interest rates can reduce the Bank's revenue from loans as a result of lower rates on the Bank's loans. This reduction of revenue may however be offset by an increase in the volume of the Bank's loans resulting from increased demand for loans and by a decrease in the Bank's funding costs.

For Akbank, the recent low interest rate environment in Turkey has had a favourable effect on net income as the Bank was able to attract new customer deposits with low rates. On average, due to the short-term nature of the majority of the Bank's customers' time deposits, reductions in interest rates are repriced into the Bank's liabilities after approximately 40 days. At the same time, the repricing of its loans and securities is slower, at between 260 and 280 days, due to their longer maturities, resulting in a widening of the net interest margin earned by the Bank. The following table sets forth Akbank's net interest margin (computed as net interest income for the period as a percentage of average interest earning assets) for the quarterly periods from 1 January 2007 to and including 31 March 2010.

First Quarter 2007	5.1%	Third Quarter 2008	4.7%
Second Quarter 2007	5.2%	Fourth Quarter 2008	4.5%
Third Quarter 2007	5.1%	First Quarter 2009	5.1%
Fourth Quarter 2007	5.2%	Second Quarter 2009	5.3%
First Quarter 2008	5.1%	Third Quarter 2009	5.2%
Second Quarter 2008	4.9%	Fourth Quarter 2009	5.1%
		First Quarter 2010	5.5%

For further information, see "Selected Statistical and Other Information – Interest Earning Assets: Yield, Margin and Spread".

In addition, the Bank's government securities portfolio, composed primarily of Turkish government securities, has grown and has generated increased profits as a result of mark-to-market gains. During the first quarter of 2010, the Bank also benefited from its holdings of inflation-linked securities due to an increase in the rate of inflation.

A significant contributor to the Bank's net profit in 2009 and the first quarter of 2010 was, on the one hand, the low interest rate policy of the Turkish Central Bank coupled with the Bank's stable base of core depositors and, on the other hand, the Bank's deployment of its funds to a portfolio of fixed-rate Turkish government securities (including inflation-linked securities) and more recently to the higher-yielding segments of its loan customer portfolio.

The table below sets forth the Bank's total loans, total securities, and total deposits in Turkish Lira and foreign currency as at 31 March 2010 and 31 December 2009, 2008 and 2007.

	For the years ended 31 December											
	2007			2008			2009			31 March 2010		
	TL	FC	Total	TL	FC	Total	TL	FC	Total	TL	FC	Total
Total Loans	25,029,021	15,208,978	40,237,999	25,168,561	24,331,928	49,500,489	22,976,647	22,073,170	45,049,817	24,424,656	23,344,941	47,769,597
Total Securities	16,836,716	8,979,438	25,816,154	19,476,663	8,811,923	28,288,586	37,750,612	8,975,738	46,726,350	39,445,739	8,110,394	47,556,133
Total Deposits	29,733,459	18,684,841	48,418,300	37,265,095	28,912,792	66,177,887	47,120,542	27,580,742	74,701,284	49,096,651	27,367,210	76,463,861

Akbank's Provisioning for Impaired Loans

Akbank has a more conservative policy regarding provisions for non-performing loans ("**NPLs**") than required by the BRSA. Akbank provisions 100% of a loan once a payment thereunder has been overdue for more than 90 days, irrespective of the level of collateralisation for such loan. This policy is conservative as regulations allow for a period of up to 12 months for provisions to be made, depending on the level of collateralisation. Due to its conservative provisioning policy, Akbank believes that it benefits from strong recoveries from NPLs within shorter periods of time as such NPLs may also have strong collateralisation levels. See "Risk Management – Identification and Remediation of Problem Loans".

Critical Accounting Policies

The accounting policies adopted by the Bank are critical to understanding its results of operation and Financial Statements included elsewhere in this Offering Memorandum. These accounting policies are described in detail in the notes to the Bank's audited Annual Financial Statements. Certain of the Bank's accounting policies require significant managerial judgment on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on historical experience and other factors considered reasonable and significant by the Bank's management. The Bank has established policies and control procedures intended to ensure that stringent valuation methods are applied in accordance with applicable accounting principles during the preparation of its Financial Statements for the relevant period. The following is a brief description of the Bank's current accounting policies which require significant managerial judgment or otherwise are critical to the results of operations and financial condition presented in the Financial Statements.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair value of over-the-counter ("**OTC**") forward foreign exchange contracts and foreign exchange option contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. 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 interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost. Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

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

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included in dividend income.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading assets are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading income. Interest earned whilst holding trading assets is reported as interest income.

All purchases and sales of trading assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in "net income from financial instruments designated at fair value".

Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis. Commission income and fees for certain banking services such as import- and export-related services, issuance of letters of guarantee, clearing, brokerage and custody services are recorded as income at the time of effecting the transactions to which they relate.

Interest income and expense

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 judgement, collection becomes doubtful. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and advances to customers and provisions for loan impairment

Loans and advances granted are carried initially at cost and subsequently remeasured at the amortised cost value, less any provision for loan losses. All loans are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that all amounts due cannot be collected. 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. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

The provision made during the year is charged against the profit for the year. 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 provision for loan losses for the year.

Taxation on income

(i) Income taxes currently payable: Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Taxes other than on income are recorded within operating expenses.

(ii) Deferred income taxes: Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax. Deferred income tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilised.

Accounting Policy Changes

There have been no accounting policy changes since 2007.

Analysis of Results of Operations and Financial Condition For the Three Month Periods Ended 31 March 2009 and 2010

Results of Operations

The table below sets out the Bank's summary income statement for the quarterly periods ended 31 March 2010 and 2009.

	For the three month periods ended 31 March			
	2009	**2010/2009 Change (%)**	**2010**	**2010**
		(TL thousands)		*(US$ millions)*
Income Statement Data				
Interest income	2,628,983	(6.9%)	2,448,289	1,615
Interest expense	(1,478,463)	(29.2%)	(1,046,503)	(690)
Net interest income	**1,150,520**	**21.8%**	**1,401,786**	**925**
Less: Provision for possible loan losses	(317,469)	(95.3%)	(15,065)	(10)
Net interest income/(expense), after provision for possible loan losses	**833,051**	**66.5%**	**1,386,721**	**915**
Net fee and commission income	310,464	6.5%	330,508	218
Dividend income	885	(99.7%)	3	0
Other operating income	54,906	102.9%	111,402	73
Operating expenses (excluding provisions for possible loan losses and foreign exchange losses)	(537,723)	26.3%	(679,293)	(448)
Foreign exchange gains/(losses), net	18,950	(40.6%)	11,251	7
Profit on trading account, net	26,617	348.0%	119,245	79
Profit before income taxes	**707,150**	**81.0%**	**1,279,837**	**844**
Taxation charge	(144,364)	77.8%	(256,654)	(169)
Net income for the period	**562,786**	**81.8%**	**1,023,183**	**675**
Net income attributable to equity holders of the Group	562,776	81.8%	1,023,155	675
Non-controlling interest	10	180.0%	28	0

Akbank's net interest income increased to TL1.4 billion for the quarter ended 31 March 2010, compared to a net interest income of TL1.2 billion for the three month period ended 31 March 2009, an increase of 21.8% as interest income decreased by less than interest expense and due to an increase in Akbank's securities portfolio, and in particular inflation-linked Turkish securities. Akbank's interest expense decreased by 29.2% while its interest income decreased by 6.9% in the first quarter of 2010 compared to the same period last year. Akbank's consolidated interest income slightly decreased to TL2.4 billion in the first three months of 2010 from TL2.6 billion for the same period last year. Akbank's interest income from securities accounted for 57% of its total consolidated interest income, compared to 38% for the same period last year. Interest income from securities for the three month period ended 31 March 2010 was TL1.4 billion, compared to TL1.0 billion for the same period last year, as the Bank sought actively to increase the size of its fixed income securities portfolio over the periods under review given its goal of improving interest income in a declining rate environment. Akbank's remaining consolidated interest income mainly comes from interest obtained from loans, which amounted to TL1.0 billion for the three month period ended 31 March 2010, compared to TL1.5 billion for the same period in 2009. The Bank's net interest margin had a favorable effect on net income for the period, rising to 5.5% as compared to 5.1% for the first quarter of 2009.

The table below sets forth the components of Akbank's non-interest income for the three month periods ended 31 March 2010 and 31 March 2009.

	For the three month periods ended 31 March		
	2009	2010	% Change
		(TL thousands)	
Net fee and commission income	310,464	330,508	6.5%
Trading gains and losses (net)	26,617	119,245	348.0%
Foreign exchange gains and losses (net)	18,950	11,251	-40.6%
Dividend income	885	3	-99.7%
Other operating income	54,906	111,402	102.9%
Total non-interest income	411,822	572,409	39.0%
Operating expenses excluding provision for loan (losses)	537,723	679,293	26.3%

Net fee and commission income increased by 6.5% in the first quarter of 2010 compared to the same period in 2009, primarily as a result of Akbank continuing to focus on growing its credit card business. During the same period, operating expenses increased by 26.3% over the first quarter of 2009 as a result primarily of increased marketing costs over the prior period in 2009 (when economic activity was slow in general) and staff bonus payments returning to a more typical level for Akbank. The cost to income ratio decreased from 40.7% as at 31 December 2009 to 34.7% as at 31 March 2010 as net income grew at a more rapid rate than expenses.

Akbank had gross income of TL1.3 billion in the first quarter of 2010 compared to TL707 million for the same period in 2009. This was mainly due to the increase in net interest income and the decrease in provisions for possible loan losses as a result of improving economic conditions in Turkey and recoveries. Akbank recorded a tax provision expense of TL257 million in its unaudited Interim Condensed Consolidated Financial Statements as at 31 March 2010 (compared to TL144 million as at 31 March 2009).

Consequently, Akbank had a net income of TL1.0 billion for the first quarter of 2010 compared to a net income of TL563 million for the same period in 2009.

Financial Condition

The table below sets out the Bank's summary balance sheet data as at 31 December 2009 and 31 March 2010.

	31 December 2009	2009/2010 Change (%)	31 March 2010	
	(TL thousands)			(US$ millions)
Balance Sheet Data:				
Cash and due from banks	5,029,260	11.0%	5,583,448	3,684
Loans and advances to customers	45,049,817	6.0%	47,769,597	31,517
Securities	46,726,350	1.8%	47,556,133	31,376
Total assets	102,386,283	3.7%	106,196,100	70,064
Deposits	74,701,284	2.4%	76,463,861	50,448
Borrowings	9,692,912	7.9%	10,462,660	6,903
Total shareholders' equity	14,553,660	4.4%	15,192,538	10,023
Total liabilities and shareholders' equity	102,386,283	3.7%	106,196,100	70,064

Akbank had total assets of TL106.2 billion as at 31 March 2010, representing an increase of 3.7% compared to total assets as at 31 December 2009. The increase in Akbank's total consolidated assets in the first quarter of 2010 was primarily due to the increase in its loan portfolio, as the Bank started experiencing high demand for its loans as economic conditions began to improve. See "– Loan Portfolio Growth"

Net loans increased by 6% from TL45.0 billion as at 31 December 2009 to TL47.8 billion as at 31 March 2010. Marketable securities amounted to TL47.6 billion as at 31 March 2010, a 1.8% increase from TL46.7 billion as at 31 December 2009.

As at 31 March 2010, Akbank's consolidated deposits amounted to TL76.5 billion, representing an increase of 2.4% from TL74.7 billion as at 31 December 2009.

Akbank's total liabilities as at 31 March 2010 increased by 3.6% to TL91.0 billion from TL87.8 billion as at 31 December 2009. The increase in the first quarter of 2010 was primarily due to an increase in deposits and borrowed funds, mainly from international financial institutions, which rose to TL10.1 billion, a 9.7% increase from TL9.2 billion as at 31 December 2009. The increase in foreign bank borrowings reflected Akbank's strategy to achieve a lower cost of foreign currency funding with longer maturities and its intention to increase its leverage to achieve higher growth and profitability.

As a result of an increase in current year net income, total shareholders' equity, including retained earnings, amounted to TL15.2 billion as at 31 March 2010, increasing by 4.4% compared to TL14.6 billion as at 31 December 2009. In March 2010, Akbank established and announced a new dividend distribution policy. In accordance with this policy, Akbank intends to distribute up to 40% of its distributable profit to its shareholders identified in its Articles of Association, provided that there is no deterioration in the national and global economic environment, and that the capital adequacy ratio of Akbank meets or exceeds the level set by the Bank's Board of Directors. Previously, Akbank's policy was to distribute between 30% and 50% of distributable profit, but the upper limit was reduced in order to further support the Bank's capital base and to allocate more of the Bank's internally generated funds to growth opportunities. Accordingly, 19.8% of the Bank's unconsolidated net income for 2009 was distributed to Akbank's shareholders in March 2010.

Analysis of Results of Operations and Financial Condition For the Three Years Ended 31 December 2007, 2008 and 2009

Net Interest Income

Consolidated net interest income amounted to TL4.7 billion for the twelve month period ended 31 December 2009, an increase of 29.8% compared to TL3.6 billion for 2008. In 2008 consolidated net interest income increased by 7.8% compared to TL3.4 billion for 2007. The increase in net interest income in 2009 was primarily due to improved net interest margins from 4.8% to 5.58% during the low interest rate environment of 2009, when the Central Bank of Turkey reduced its policy rate from 15.0% on 31 December 2008 to 6.5% on 31 December 2009, making a favorable impact on the Bank's cost of funds. See "– Interest Rates".

The table below sets out the principal components of Akbank's net interest income for the twelve-month periods ended 31 December 2007, 2008 and 2009.

	For the years ended 31 December					
	2007	2007/2008 Change (%)	2008	2008/2009 Change (%)	2009	2009
		(TL thousands)				(US$ millions)
Interest Income – Interest Expense:						
Interest on loans	5,348,508	17.6%	6,287,641	(18.9%)	5,097,520	3,427
Interest on overdue loans	43,223	(4.1%)	41,439	(27.1%)	30,223	20
Interest on reserve requirements with the Central Bank	202,217	10.8%	223,962	(45.1%)	123,011	83
Interest on deposits with banks	120,254	(15.1%)	102,042	(59.2%)	41,604	28
Interest on interbank transactions	18,337	(45.8%)	9,938	(61.8%)	3,800	3
Interest on marketable securities	3,028,704	12.4%	3,404,452	24.0%	4,220,178	2,837
Other interest income	37,637	51.4%	56,983	(41.3%)	33,427	23
Total interest income	**8,798,880**	**15.1%**	**10,126,457**	**(5.7%)**	**9,549,763**	**6,421**
Interest on deposits	4,805,996	22.1%	5,867,270	(24.0%)	4,457,433	2,997
Interest on funds borrowed	573,697	(0.5%)	571,064	(46.3%)	306,937	206
Interest on interbank money market deposits	16,403	(7.0%)	15,257	0.7%	15,371	10
Other interest expense	26,946	20.5%	32,479	39.6%	45,332	31
Total interest expense	**5,423,042**	**19.6%**	**6,486,070**	**(25.6%)**	**4,825,073**	**3,244**
Net interest income	**3,375,838**	**7.8%**	**3,640,387**	**29.8%**	**4,724,690**	**3,177**

Akbank's cost of funding decreased by 25.6% between 2009 and 2008 and consolidated interest income decreased by 5.7% during the same time. Between 2008 and 2007, Akbank's cost of funding increased by 19.6% and consolidated interest income increased by 15.1%. The changes in net interest income result from both changes in the average amount of interest-earning assets and interest-bearing liabilities and the interest rates applicable thereto. For an allocation of changes in Akbank's consolidated net interest income as a result of these factors between 2007 and 2008 and between 2008 and 2009, see "Selected Statistical and other information – Analysis of Changes in Net Interest Income and Interest Expense."

Interest Income

Consolidated interest income amounted to TL9.5 billion for the twelve month period ended 31 December 2009, a decrease of 5.7% compared to TL10.1 billion for the same period in 2008 which however recorded an increase of 15.1% compared to TL8.8 billion in 2007.

Akbank strategically slowed down its loan growth in 2009 and increased its securities portfolio in reaction to the Bank's view of the effects of the global downturn on credit in Turkey, in particular among small businesses. See "– Global Economic Conditions". Consolidated interest income from loans amounted to TL5.1 billion in 2009, a decrease of 19% compared to TL6.3 billion in 2008, which however recorded an increase of 18% compared to TL5.4 billion in 2007. The decrease in Akbank's interest income in 2009 was primarily due to a decrease in loan volume compared to 2008, and the increase in Akbank's interest income in 2008 was mainly due to an increase in loan volume compared to 2007. See "– Loan Portfolio Growth".

Higher yielding Turkish Lira denominated loan products such as consumer loans and small business loans showed a noticeable decline of 8.3% beginning in the first quarter of 2009, with the loans to total assets ratio declining to 44% in 2009 from 53.4% in 2008 and 56% in 2007. This decline partly contributed to the decrease in Akbank's interest income from loans in 2009. However, higher yielding Turkish Lira denominated loan products such as consumer loans and credit card loans increased by 14.2% in 2008 compared to 2007. As a result of a decrease in interest rates and volume of total loans, interest income on loans decreased in 2009.

Akbank's interest income from securities amounted to TL4.2 billion in 2009, an increase of 24% compared to TL3.4 billion in 2008. This increase is due to a 65% increase in the size of the Bank's securities portfolio in 2009 (predominantly in the form of Turkish government obligations), which more than offset the impact of the decline in interest rates over the period, contributing to the growth of its interest income from securities in 2009. Akbank not only increased its interest income from marketable securities, but also realised significant trading gains as a result of the decline in interest rates in 2009. Interest income from securities increased by 12.4% in 2008 from TL3.0 billion in 2007 as a result of a 9.6% increase in the volume of the Bank's securities and an increase in interest rates. See "– Interest Rates".

Interest income on deposits with banks amounted to TL42 million for the twelve month period ended 31 December 2009, a decrease of 59.2% compared to TL102 million for the same period in 2008, which itself recorded a decrease of 15% compared to TL120 million in 2007. The decrease in Akbank's interest income in 2008 and 2009 was mainly due to Akbank's strategy aimed at shifting to higher yielding marketable securities and loans.

For an allocation of changes in Akbank's consolidated interest income between 2007 and 2008, and 2008 and 2009, see "Selected Statistical and Other Information – Analysis of Changes in Net Interest Income and Interest Expense."

Interest Expense

Although total deposits increased from TL66.2 billion to TL74.7 billion, interest expense for the twelve month period ended 31 December 2009 declined by 24% to TL4.5 billion from TL5.9 billion as a result of the decreasing interest rate environment in 2009. The decrease in 2009 was mainly due to an overall decrease in average interest rates paid by banks for TL and foreign currency time deposits. In comparison, however, interest expense on deposits increased in 2008 by 22% from TL4.8 billion in 2007 as a result of the increasing interest rate environment in 2008 and an increase in the Bank's deposit balance during the same period. See "– Interest Rates".

Outstanding average Turkish Lira denominated deposits, together with deposits (based on management accounts) provided under repo transactions, rose by 19.5% and 21.7% in 2009 and 2008, respectively. The average volume of foreign currency denominated deposits rose by 16.4% and 19.6% in 2009 and 2008, respectively.

In terms of average outstanding TL deposit balances (based on management accounts), 11.7% were TL demand deposits and 88.3% were TL time deposits in 2009, compared to 12.8% TL demand deposits and 87.2% TL time deposits in 2008 and 15.2% TL demand deposits and 84.8% TL time deposits in 2007. The annual average yield on TL demand deposits remained relatively constant in 2009, 2008 and 2007 at approximately less than 0.5%, whereas the annual average yield on TL time deposits fell to 11.5% in 2009 from 18.3% in 2008 and 18.4% in 2007.

Interest on funds borrowed decreased in 2009 to TL307 million, from TL571million in 2008. In 2009, lower interest expense was mainly due to a decrease in the volume of foreign currency borrowings from international banks and a decrease in interest rates. Interest expense on borrowings remained relatively constant in 2008 and 2007.

The changes in interest expense result both from changes in the average amount of interest-bearing liabilities and the interest rates payable thereon. For an analysis of changes in Akbank's consolidated interest expense and similar charges as a result of these factors between 31 December 2007 and 2008 and 31 December 2008 and 2009, see "Selected Statistical and Other Information – Analysis of Changes in Net Interest Income and Interest Expense."

Provision for Loan Losses

Akbank's provisions for loan losses in 2009 decreased by 7.6% to TL813 million from TL880 million in 2008, but increased in 2008 by 49% from TL592 million in 2007. These higher provisions in 2009 and 2008, as compared to 2007, were mainly due to rising NPLs related to the global economic crisis, as the Bank continued its policy of providing 100% provisioning.

Non-performing loans, as a percentage of total loans, remained at low levels relative to Turkish averages as published by the BRSA. This percentage increased to 3.8% in 2009 compared to 2.3% in 2008 and 2.5% in 2007. Akbank's non-performing loans (i.e. over 90 days past due) are fully provisioned in accordance with BRSA.

For additional information on Akbank's loan losses, see "– Akbank's Provisioning for Impaired Loans"; "Selected Statistical and Other Information – Non-Performing Loans; Provisioning; Loan Losses," and "– Allowance for Loan Losses."

Total Non-Interest Income

The table below sets forth the components of Akbank's non-interest income for the years ended 31 December 2007, 2008 and 2009.

INTEREST INCOME	For the years ended 31 December							
	2007	**% of Total non-interest income**	**% change y-o-y**	**2008**	**% of Total non-interest income**	**% change y-o-y**	**2009**	**% of Total non-interest income**
				(TL thousands)				
Fees and commissions (net)	1,006,485	80.93%	15.46%	1,162,042	81.36%	14.86%	1,334,737	81.44%
Trading gains and losses (net)	14,103	1.13%	96.40%	27,698	1.94%	-6.72%	25,838	1.58%
Foreign exchange gains and losses (net)	136,523	10.98%	-72.37%	37,719	2.64%	131.98%	87,501	5.34%
Dividend income	11,496	0.93%	-62.15%	4,351	0.30%	-68.03%	1,391	0.08%
Other operating income	75,005	6.03%	161.91%	196,443	13.76%	-3.58%	189,419	11.56%
Total non-interest income	**1,243,612**	**100.00%**	**14.85%**	**1,428,253**	**100.00%**	**14.75%**	**1,638,886**	**100.00%**

Total non-interest income increased by 14.7% in 2009 to TL1.6 billion from TL1.4 billion in 2008 and by 14.9% in 2008 from TL1.2 billion in 2007. Fee and commission income was primarily derived from credit cards, asset management and consumer credits. Akbank benefited from the rapid decrease in interest rates in 2009 by realising trading gains from securities amounting to TL263 million. Trading gains from securities compensated for losses from derivative instruments. As a result, the net profit from trading account amounted to TL26 million. Another component of non-interest income is foreign exchange gains and losses. Akbank's foreign exchange position was at a low level in 2007, 2008 and 2009. Therefore, foreign exchange income was not affected by the position carried but by the volatility in rates and Akbank's trading activities. Other operating income mainly consists of collections from receivables for which provisions were provided in prior periods.

Total Non-Interest Expense

The following table shows the components of Akbank's non-interest expense for the years ended 31 December 2007, 2008 and 2009.

	For the years ended 31 December							
	2007	**% of Total non-interest income**	**% change y-o-y**	**2008**	**% of Total non-interest income**	**% change y-o-y**	**2009**	**% of Total non-interest income**
				(TL thousands)				
Employee costs	650,901	35.72%	34.99%	878,643	38.84%	-1.78%	862,990	38.16%
Depreciation/Amortisation	106,962	5.87%	5.89%	113,266	5.01%	7.39%	121,634	5.38%
Marketing and advertisement expenses	105,953	5.81%	6.94%	113,304	5.01%	-14.32%	97,084	4.29%
Communication expenses	83,963	4.61%	21.18%	101,749	4.50%	-9.38%	92,204	4.08%
Saving deposits insurance fund	52,352	2.87%	40.06%	73,324	3.24%	-8.65%	66,981	2.96%
Repair and maintenance expenses	21,808	1.20%	54.59%	33,712	1.49%	-58.61%	13,953	0.62%
Sundry taxes and duties	96,413	5.29%	10.44%	106,476	4.71%	-43.92%	59,714	2.64%
Other expenses	703,995	38.63%	19.54%	841,537	37.20%	12.51%	946,783	41.87%
Total non-interest expense	**1,822,347**	**100.00%**	**24.13%**	**2,262,011**	**100.00%**	**-0.03%**	**2,261,343**	**100.00%**

Total non-interest expense in 2009 of TL2.3 billion remained stable compared to 2008 (TL2.3 billion) as a result of Akbank's emphasis on cost control during the economic crisis. In 2008 there was an increase of 24.1% compared to 2007 (TL1.8 billion). The increase in non-interest expenses in 2008 was mainly due to employee costs and communication expenses. The increase in employee costs was mainly due to the increase in the number of employees in 2008 as a result of Akbank's expansion into new products. In 2008, communication expenses increased by 21.2% in line with Akbank's growing loan and customer portfolio.

Income Taxes

Provisions for income taxes were TL555 million in 2009, compared to TL108 million in 2008 and TL194 million in 2007. Lower provisions in 2007 and 2008 were due to gains on tax cases. The Bank has filed three lawsuits against the Ministry of Finance regarding the correction of corporate tax paid in 2001, 2002, and 2003 with reference to the temporary article 4, added by the Law No. 4743 to the Banking Law No. 4389, which was annulled on 1 November 2005. The Bank has withdrawn these lawsuits and, according to the calculations made for the purpose of the settlement, the Bank's total amount of receivables from the Ministry of Finance related to those lawsuits was confirmed at TL495 million. Accordingly, TL225 million and TL270 million were recorded as income in 2008 and 2007, respectively.

Net Income

Akbank's consolidated net income for the twelve month period ended 31 December 2009 was TL2.7 billion, a 50.3% increase compared to TL1.8 billion for the same period in 2008, which itself recorded a 9.6% decrease compared to TL2.0 billion for 2007. Return on average total assets for 2009 was 2.8%, compared to 2.2% for 2008 and 3.0% for 2007. Return on average shareholders' equity for 2009 was 21%, compared to 16.4% for 2008 and 22.6% for 2007.

The following table sets out the principal components of Akbank's net income for the years ended 31 December 2007, 2008 and 2009.

	For the years ended 31 December			% change	
	2007	2008	2009	2007/2008	2008/2009
		(*TL thousands*)			
Interest and similar income	8,798,880	10,126,457	9,549,763	15.09%	(5.69%)
Interest expense and similar charges	(5,423,042)	(6,486,070)	(4,825,073)	19.60%	(25.61%)
Non-interest income(1)	1,243,612	1,428,253	1,638,886	14.85%	14.75%
Impairment losses on loans and credit related commitments, net	(591,625)	(879,622)	(813,194)	48.68%	(7.55%)
Operating expenses	(1,822,347)	(2,262,011)	(2,261,343)	24.13%	(0.03%)
Income tax benefit/(expense)	(194,466)	(108,001)	(555,338)	(44.46%)	414.20%
Net profit attributable to equity holders of the Group	2,011,243	1,818,978	2,733,661	(9.56%)	50.29%
Non-controlling interest	(231)	28	40	(112.12%)	42.86%
Net profit	**2,011,012**	**1,819,006**	**2,733,701**	**(9.55%)**	**50.29%**

(1) Non-interest income comprises fee and commission income, net gains on trading and investment securities, foreign exchange gains/losses, dividend income, and other operating income.

The increase in Akbank's net income for 2009 compared to 2008 was primarily due to an increase in net interest income, which resulted from increased margins between interest income and interest expense.

The decrease in net income for 2008 compared to 2007 was primarily due to an increase in the provisions for possible loan losses and an increase in operating expenses.

Assets – Total Assets

As at 31 December 2009, Akbank had total consolidated assets of TL102.4 billion, an increase of 10.5% from TL92.7 billion as at 31 December 2008 and 29.0% from TL71.8 billion as at 31 December 2007. The increase in Akbank's total consolidated assets in 2009 was largely due to both an increase in holdings of marketable securities and an increase in Akbank's loan portfolio, and the increase in 2007 was principally due to both an increase in holdings of marketable securities and an increase in Akbank's loan portfolio.

The table below sets out the Bank's summary balance sheet data for the twelve month periods ended 31 December 2007, 2008 and 2009.

	For the years ended 31 December		
	2007	2008	2009
		(TL thousands)	
Balance Sheet Data:			
Cash and due from banks	2,667,900	6,867,802	5,029,260
Loans and advances to customers	40,237,999	49,500,489	45,049,817
Securities	25,816,154	28,288,586	46,726,350
Total assets	71,828,390	92,683,514	102,386,283
Deposits	48,418,300	66,177,887	74,701,284
Borrowings	9,645,144	12,538,830	9,692,912
Total shareholders' equity	10,690,936	11,425,982	14,553,660
Total liabilities and shareholders' equity	71,828,390	92,683,514	102,386,283

Assets – Loans

Loans, net of provisions for loan losses ("**net loans**"), at the end of 2009 decreased by 9% to TL45.0 billion from TL49.5 billion as at 31 December 2008. Net loans at the end of 2008 increased by 23.0% from TL40.2 billion as at 31 December 2007. Akbank enhanced its risk management systems and collateral levels in 2008, the objective of which was to contain the effect of bad loans on its income in 2009. In 2009, Akbank adopted a strategy of slowing down its lending growth, specifically in the area of small business lending. See "– Global Economic Conditions".

Assets – Securities

Marketable securities amounted to TL46.7 billion as at 31 December 2009, which marked a 65% increase from TL28.3 billion as at 31 December 2008, which in turn represented a 9.6% increase from TL25.8 billion as at 31 December 2007. See "– Interest Rates".

Liabilities

Akbank's total liabilities of TL87.8 billion as at 31 December 2009 recorded an 8.1% increase from TL81.3 billion as at 31 December 2008 and a 32.9% increase from TL61.1 billion as at 31 December 2007.

The relatively lower increase in 2009 was the result of an increase in TL deposits that was offset by reductions in foreign currency deposits and wholesale funding. The higher growth rate in 2008 resulted from growth in both the deposit base and wholesale funding, which was achieved in order to support growth in the Bank's assets over the same period.

Shareholders' Equity

Shareholders' equity was TL14.6 billion as at 31 December 2009, TL11.4 billion as at 31 December 2008 and TL10.7 billion as at 31 December 2007, reflecting increases of 27.4% and 6.9% as at 31 December 2009 and 2008, respectively. The growth in 2009 was primarily due to the effect of the valuation changes of marketable securities and to the profitability level for the year 2009.

Liquidity and Funding

Akbank's principal sources of funding are deposits from retail and corporate customers, including other banks. Currently, the Bank's strategy is to fund itself using deposits from its extensive customer base approximately to the level of 80% of funding needs, and to use wholesale medium-term or long-term funding for the remaining 20%, although this approach is subject to change depending on market opportunities and changes in prevailing rates for deposits and other funding sources.

Akbank's consolidated customer deposits constituted in aggregate approximately 84.0%, 85.0%, 81.4% and 79.2% of its total liabilities as at 31 March 2010 and 31 December 2009, 2008 and 2007, respectively. As at 31 March 2010, Akbank's consolidated customer deposits amounted to TL76.5 billion, an increase of 2.36% from TL74.7 billion as at 31 December 2009, 12.9% from TL66.2 billion as at 31 December 2008 and 36.7% from TL48.4 billion as at 31 December 2007. For more information on Akbank's deposits, see "Selected Statistical and Other Information – Deposits."

The remaining sources of funds are substantially borrowings from foreign banks and the international capital markets. Such funds represented 11.1%, 10.5% and 15.2% of Akbank's total liabilities as at 31 March 2010 and 31 December 2009 and 2008, respectively. In March 2010, the Bank signed a syndicated loan for US$1.2 billion, bringing the total funds raised by the Bank in the syndicated loan market since August 2009 to US$2.5 billion.

Akbank has also been active from time to time in the cross-border, future-flow securitisation market since 1998, and initiated its ARTS Programme in November 1999. Akbank's ARTS Programme is backed by trade and diversified payment rights, including workers' remittances, cash against goods, cash against documents, letters of credit, cheque remittances and other third party payment orders. The total issuance under this programme reached US$3.6 billion as at 31 December 2009, and the principal amount outstanding under this programme was US$1.8 billion as at 31 March 2010. Akbank has recently announced its intention to issue a further US$300 million under the ARTS Programme in August 2010. In December 2005, the Bank entered into another structured finance transaction, issuing US$500 million in a transaction backed by receivables from MasterCard, VISA, and American Express, of which US$297 million was outstanding as at 31 March 2010.

As at the date of this Offering Memorandum, management of the Bank believes that the Bank's liquidity is sufficient for its present requirements for at least the next 12 months from the date of this Offering Memorandum.

For more information on Akbank's principal sources of funds, see "Selected Statistical and Other Information – Sources of Funds."

Off-Balance Sheet Arrangements

Akbank offers its customers products such as guarantees and letters of credit to meet its customers' needs for commercial banking services, frequently in connection with their customers' export and import activities. These products do not appear on the Bank's balance sheet.

As at 31 March 2010, Akbank had issued letters of credit amounting to TL2.1 billion, guarantees amounting to TL5.4 billion, acceptance credits amounting to TL54.9 million, and other guarantees and endorsements amounting to TL486.1 million.

The table below sets forth the Bank's total off-balance sheet arrangements as at 31 December 2007, 2008, 2009 and 31 March 2010.

	For the years ended 31 December			
	2007	**2008**	**2009**	**31 March 2010**
Letters of guarantee	3,778,733	4,671,603	5,467,212	5,411,301
Acceptance credits	46,857	65,349	59,050	54,914
Letter of credit	1,176,932	1,801,453	1,683,684	2,088,030
Other guarantees	177,362	236,124	525,207	486,117
	5,179,884	**6,774,529**	**7,735,153**	**8,040,362**

As at 31 March 2010, Akbank had forward, swap, futures, options purchases and sales contracts, amounting to TL32.3 million on a net basis. Akbank enters into forward and swap contracts to provide hedging services for itself and its clients.

The table below sets forth the Bank's total derivative transactions as at 31 December 2007, 2008, 2009 and 31 March 2010.

	For the years ended 31 December			
	2007	**2008**	**2009**	**31 March 2010**
Derivatives held for trading:				
Forward foreign currency buy/sell transactions	506,208	746,705	1,078,100	2,315,665
Swap transactions	13,562,803	10,060,445	18,571,822	15,803,635
Foreign currency, interest rate and securities options	837,294	1,041,507	6,923,561	8,852,623
Foreign currency futures	53,681	35,596	18,188	53,459
Other	25,212	—	178,691	137,587
Derivatives held for hedging:				
Interest Rate Swaps	—	8,605,358	5,090,000	5,090,000
Total derivative transactions, net	**14,985,198**	**20,489,611**	**31,860,362**	**32,252,969**

Guarantees issued represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its performance-related or financial obligations to third parties and thus carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a corporate customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, generally relate to trade and may be collateralised by the underlying shipments of goods to which they relate, by cash deposits or otherwise. The total outstanding contractual amount of letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Property, Plant and Equipment

The table below sets forth the components of Akbank's consolidated property and equipment for each of the years ended 31 December 2007, 2008 and 2009.

	For the years ended 31 December		
	2007	**2008**	**2009**
		(TL thousands)	
Land and Buildings	681,910	691,826	690,583
Equipment and vehicles	609,683	639,558	658,964
Constructions in progress	3,430	14,828	74,325
Leasehold improvements	40,113	74,785	76,469
Total	1,335,136	1,420,997	1,500,341
Depreciation	(604,623)	(605,598)	(694,884)
Net book value	**730,513**	**815,399**	**805,457**

Akbank's property, plant and equipment comprise expenditures made on acquiring buildings, renovations to leasehold property, leasing of equipment (such as IT equipment), acquiring furniture, fixtures and office equipment and leasing intangible assets (such as IT software). Akbank's consolidated property, plant and equipment in 2009 amounted to TL806 million. Akbank's budgeted property, plant and equipment amount for 2010 is TL1.0 billion.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for Akbank as at and for the periods indicated. The selected statistical information should be read in conjunction with the IFRS Financial Statements (including the notes thereto) presented in Appendix A, and the information included in "Management's Discussion and Analysis of Results of Operations and Financial Condition". All Turkish Lira amounts in this section, unless otherwise indicated, are stated in thousand Turkish Lira.

Average Balances and Interest Rates

The tables below (derived from Akbank's management accounts) show Akbank's consolidated average balances and interest rates for the years ended 31 December 2007 and 2008, and then for the year ended 31 December 2009 and the quarter ended 31 March 2010. In such tables average balances for interest earning assets are calculated from daily balances and average balances for all other assets are calculated from period-end balances. Average balances exclude interest accruals.

AVERAGE BALANCES AND INTEREST RATES	31 December 2007				31 December 2008			
	Average Balance	Share of Total %	Interest	Average Rate %	Average Balance	Share of Total %	Interest	Average Rate %
ASSETS								
Interest-earning deposits in banks & reserve requirements & interbank money market:[1]								
TL	1,428,886	2.15	189,080	13.23	1,806,199	2.26	211,892	11.73
Foreign currency	3,087,441	4.65	151,728	4.91	4,881,125	6.10	124,050	2.54
Total	4,516,327	6.80	340,808	7.55	6,687,324	8.36	335,942	5.02
Marketable securities:[2]								
TL	13,430,814	20.23	2,398,843	17.86	16,209,822	20.26	3,002,974	18.53
Foreign currency	10,658,368	16.05	629,861	5.91	7,670,193	9.58	401,478	5.23
Total	24,089,182	36.28	3,028,704	12.57	23,880,015	29.84	3,404,452	14.26
Loans:								
TL	20,982,278	31.60	4,595,110	21.90	25,693,287	32.11	5,184,539	20.18
Foreign currency	12,521,603	18.86	723,682	5.78	18,274,592	22.84	1,056,880	5.78
Total	33,503,881	50.46	5,318,792	15.88	43,967,879	54.95	6,241,419	14.20
Leasing receivables:								
TL	186,423	0.28	43,078	23.11	174,984	0.22	42,327	24.19
Foreign currency	365,779	0.54	29,861	8.16	572,292	0.72	45,334	7.92
Total	552,202	0.82	72,939	13.21	747,276	0.94	87,661	11.73
Total interest-earning assets:								
TL	36,028,401	54.26	7,226,111	20.06	43,884,292	54.85	8,441,732	19.24
Foreign currency	26,633,191	40.10	1,535,132	5.76	31,398,202	39.24	1,627,742	5.18
Total	62,661,592	94.36	8,761,243	13.98	75,282,494	94.09	10,069,474	13.38
Investments in affiliated companies:								
TL	3,125	—	—	—	3,125	—	—	—
Foreign currency	—	—	—	—	—	—	—	—
Total	3,125	—	—	—	3,125	—	—	—
Total earnings assets:								
TL	36,031,526	54.26	7,226,111	20.05	43,887,417	54.85	8,441,732	19.23
Foreign currency	26,633,191	40.10	1,535,132	5.76	31,398,202	39.24	1,627,742	5.18
Total	62,664,717	94.36	8,761,243	13.98	75,285,619	94.09	10,069,474	13.38
Cash and due from banks:								
TL	15,054	0.02	—	—	155,717	0.19	—	—
Foreign currency	1,445,317	2.18	—	—	1,509,479	1.89	—	—
Total	1,460,371	2.20	—	—	1,665,196	2.08	—	—
Allowance for possible loan losses:								
TL	952,565	1.43	—	—	1,250,204	1.56	—	—
Foreign currency	104,146	0.16	—	—	226,844	0.28	—	—
Total	1,056,711	1.59	—	—	1,477,048	1.84	—	—
Premises and equipment (TL)	754,068	1.14	—	—	807,378	1.01	—	—
Other non-interest-earning assets:								
Derivative financial instruments								
TL	30,659	0.05	—	—	57,311	0.07	—	—
Foreign currency	57,894	0.09	—	—	23,441	0.03	—	—
Total	88,553	0.14	—	—	80,752	0.10	—	—
Deferred taxes (TL)	18,420	0.03	—	—	106,466	0.13	—	—
Other assets and prepayments								
TL	304,687	0.46	—	—	543,116	0.68	—	—
Foreign currency	58,448	0.09	—	—	59,081	0.07	—	—
Total	363,135	0.55	—	—	602,197	0.75	—	—
Other interest income:	—	—	37,637	—	—	—	56,983	—
Total average assets:								
TL	38,106,979	57.38	7,263,748	19.06	46,807,609	58.49	8,498,715	18.16
Foreign currency	28,298,996	42.62	1,535,132	5.42	33,217,047	41.51	1,627,742	4.90
Total	66,405,975	100.00	8,798,880	13.25	80,024,656	100.00	10,126,457	12.65

Notes:

(1) Interest income from central bank deposits is included in total interest earning deposits in banks, but is not tracked as a separate statistic by the Bank.

(2) None of the Bank's marketable securities are tax-exempt.

AVERAGE BALANCES AND INTEREST RATES	31 December 2009				31 March 2010			
	Average Balance	Share of Total %	Interest	Average Rate %	Average Balance	Share of Total %	Interest	Average Rate %
ASSETS								
Interest-earning deposits in banks & reserve requirements & interbank money market:(1)								
TL	2,099,737	2.30	149,254	7.11	2,416,344	2.39	30,636	5.07
Foreign currency	4,753,125	5.21	19,161	0.40	4,373,632	4.32	1,973	0.18
Total	6,852,862	7.51	168,415	2.46	6,789,976	6.71	32,609	1.92
Marketable securities:(2)								
TL	25,170,269	27.57	3,767,237	14.97	35,238,431	34.83	1,302,178	14.78
Foreign currency	8,288,186	9.08	452,941	5.46	7,920,738	7.83	85,997	4.34
Total	33,458,455	36.65	4,220,178	12.61	43,159,169	42.66	1,388,175	12.87
Loans:								
TL	22,495,658	24.64	4,043,080	17.97	22,618,474	22.36	788,597	13.95
Foreign currency	21,247,957	23.27	986,151	4.64	21,017,942	20.77	209,991	4.00
Total	43,743,615	47.91	5,029,231	11.50	43,636,416	43.13	998,588	9.15
Leasing receivables:								
TL	130,265	0.14	34,316	26.34	120,504	0.12	7,075	23.48
Foreign currency	758,941	0.83	64,196	8.46	780,901	0.77	15,105	7.74
Total	889,206	0.97	98,512	11.08	901,405	0.89	22,180	9.84
Total interest-earning assets:								
TL	49,895,929	54.65	7,993,887	16.02	60,393,753	59.70	2,128,486	14.10
Foreign currency	35,048,209	38.39	1,522,449	4.34	34,093,213	33.69	313,066	3.67
Total	84,944,138	93.04	9,516,336	11.20	94,486,966	93.39	2,441,552	10.34
Investments in affiliated companies:								
TL	3,125	—	—	—	3,125	—	—	—
Foreign currency	—	—	—	—	—	—	—	—
Total	3,125	—	—	—	3,125	—	—	—
Total earnings assets:								
TL	49,899,054	54.65	7,993,887	16.02	60,396,878	59.70	2,128,486	14.10
Foreign currency	35,048,209	38.39	1,522,449	4.34	34,093,213	33.69	313,066	3.67
Total	84,947,263	93.04	9,516,336	11.20	94,490,091	93.39	2,441,552	10.34
Cash and due from banks:								
TL	336,034	0.37	—	—	350,837	0.35	—	—
Foreign currency	2,098,730	2.30	—	—	2,057,829	2.03	—	—
Total	2,434,764	2.67	—	—	2,408,666	2.38	—	—
Allowance for possible loan losses:								
TL	1,702,059	1.86	—	—	1,917,464	1.90	—	—
Foreign currency	288,211	0.32	—	—	265,584	0.26	—	—
Total	1,990,270	2.18	—	—	2,183,048	2.16	—	—
Premises and equipment (TL):	861,589	0.94	—	—	875,537	0.87	—	—
Other non-interest-earning assets:								
Derivative financial instruments								
TL	162,671	0.18	—	—	212,883	0.21	—	—
Foreign currency	—	—	—	—	—	—	—	—
Total	162,671	0.18	—	—	212,883	0.21	—	—
Deferred taxes (TL)	223,029	0.24	—	—	290,300	0.29	—	—
Other assets and prepayments								
TL	650,740	0.71	—	—	682,251	0.67	—	—
Foreign currency	37,613	0.04	—	—	27,496	0.03	—	—
Total	688,353	0.75	—	—	709,747	0.70	—	—
Other interest income:	—	—	33,427	—	—	—	6,737	—
Total average assets:								
TL	53,835,176	58.95	8,027,314	14.91	64,726,150	63.99	2,135,223	13.20
Foreign currency	37,472,763	41.05	1,522,449	4.06	36,444,122	36.01	313,066	3.44
Total	91,307,939	100.00	9,549,763	10.46	101,170,272	100.00	2,448,289	9.68

Notes:

(1) Interest income from central bank deposits is included in total interest earning deposits in banks, but is not tracked as a separate statistic by the Bank.

(2) None of the Bank's marketable securities are tax-exempt.

The tables below (derived from Akbank's management accounts) show Akbank's consolidated liabilities and stockholders' equity for the years ended 31 December 2007 and 2008, and then for the year ended 31 December 2009 and the quarter ended 31 March 2010. In such tables average balances for interest bearing liabilities are calculated from daily balances and average balances for all other liabilities are calculated from period-end balances.

LIABILITIES AND STOCKHOLDERS' EQUITY	31 December 2007				31 December 2008			
	Average Balance	Share of Total %	Interest	Average Rate %	Average Balance	Share of Total %	Interest	Average Rate %
TL saving deposits:								
Time	13,435,648	20.58	2,393,337	17.81	16,728,296	21.10	2,929,265	17.51
Demand	1,102,021	1.69	107	0.01	1,369,646	1.73	1,012	0.07
Total	14,537,669	22.26	2,393,444	16.46	18,097,942	22.83	2,930,277	16.19
TL other deposits:								
Time	3,286,682	5.03	686,625	20.89	4,604,729	5.81	973,814	21.15
Demand	1,891,039	2.90	6,426	0.34	1,760,813	2.22	4,963	0.28
Total	5,177,721	7.93	693,051	13.39	6,365,542	8.03	978,777	15.38
TL deposits:								
Time	16,722,330	25.61	3,079,962	18.42	21,333,025	26.91	3,903,079	18.30
Demand	2,993,060	4.59	6,533	0.22	3,130,459	3.95	5,975	0.19
Total	19,715,390	30.20	3,086,495	15.66	24,463,484	30.86	3,909,054	15.98
Foreign currency saving deposits:								
Time	12,375,917	18.95	536,797	4.34	12,932,533	16.31	573,714	4.44
Demand	1,965,402	3.01	23	0.00	2,576,786	3.25	81	0.00
Total	14,341,319	21.96	536,820	3.74	15,509,319	19.56	573,795	3.70
Other foreign currency deposits:								
Time	2,855,403	4.37	131,103	4.59	4,581,643	5.78	231,766	5.06
Demand	1,244,480	1.91	12,995	1.04	1,182,556	1.49	14,180	1.20
Total	4,099,883	6.28	144,098	3.51	5,764,199	7.27	245,946	4.27
Foreign currency deposits:								
Time	15,231,320	23.32	667,900	4.39	17,514,176	22.09	805,480	4.60
Demand	3,209,882	4.92	13,018	0.41	3,759,342	4.74	14,261	0.38
Total	18,441,202	28.24	680,918	3.69	21,273,518	26.83	819,741	3.85
Bank deposits:								
TL	1,465,676	2.24	265,571	18.12	1,377,678	1.74	226,364	16.43
Foreign currency	157,635	0.24	5,954	3.78	972,487	1.23	45,290	4.66
Total	1,623,311	2.48	271,525	16.73	2,350,165	2.97	271,654	11.56
Funds provided under repurchase agreements:								
TL	4,401,520	6.74	767,055	17.43	5,305,409	6.69	866,820	16.34
Foreign currency	—	—	2	—	—	—	—	—
Total	4,401,520	6.74	767,057	17.43	5,305,409	6.69	866,820	16.34
Borrowings:								
TL	198,864	0.30	45,202	22.73	331,519	0.42	62,874	18.97
Foreign currency	9,560,973	14.64	544,899	5.70	11,693,736	14.75	523,446	4.48
Total	9,759,837	14.94	590,101	6.05	12,025,255	15.17	586,320	4.88
Total interest-bearing liabilities: (1)								
TL	25,781,449	39.48	4,164,323	16.15	31,478,090	39.71	5,065,112	16.09
Foreign currency	28,159,810	43.13	1,231,773	4.37	33,939,741	42.81	1,388,477	4.09
Total	53,941,260	82.60	5,396,096	10.00	65,417,831	82.52	6,453,589	9.87
Other liabilities:								
Derivative financial instruments:								
TL	36,798	0.06	—	—	185,573	0.23	—	—
Foreign currency	48,590	0.07	—	—	24,376	0.03	—	—
Total	85,388	0.13	—	—	209,949	0.26	—	—
Income taxes payable (TL)	253,995	0.39	—	—	237,666	0.30	—	—
Deferred tax liabilities (TL)	1,563	0.00	—	—	—	—	—	—
Other liabilities:								
TL	1,839,915	2.82	—	—	2,140,104	2.69	—	—
Foreign currency	180,452	0.28	—	—	173,593	0.22	—	—
Total	2,020,367	3.10	—	—	2,313,697	2.91	—	—
Reserve for emp. termination benefits (TL)	37,952	0.06	—	—	45,867	0.06	—	—
Shareholders' equity	8,957,191	13.72	—	—	11,058,694	13.95	—	—
Profit	1,794,957	2.75	—	—	1,915,009	2.42	—	—
Other interest income:	—	—	26,946	—	—	—	32,481	—
Total average liabilities and shareholders:								
TL	36,908,864	56.53	4,191,269	11.36	45,145,994	56.94	5,097,593	11.29
Foreign currency	28,388,852	43.47	1,231,773	4.34	34,137,710	43.06	1,388,477	4.07
Total	65,297,716	100.00	5,423,402	8.31	79,283,704	100.00	6,486,070	8.18

LIABILITIES AND STOCKHOLDERS' EQUITY	31 December 2009				31 March 2010			
	Average Balance	Share of Total %	Interest	Average Rate %	Average Balance	Share of Total %	Interest	Average Rate %
TL saving deposits:								
Time	18,422,894	20.42	2,130,987	11.57	20,447,373	20.45	440,445	8.62
Demand	1,549,067	1.72	158	0.01	1,775,317	1.78	32	0.01
Total	19,971,961	22.14	2,131,145	10.67	22,222,690	22.23	440,477	7.93
TL other deposits:								
Time	6,473,587	7.17	727,317	11.24	10,134,167	10.14	227,619	8.98
Demand	1,762,355	1.95	12,612	0.72	2,041,123	2.04	3,441	0.67
Total	8,235,942	9.12	739,929	8.98	12,175,290	12.18	231,060	7.59
TL deposits:								
Time	24,896,481	27.59	2,858,304	11.48	30,581,540	30.59	668,064	8.74
Demand	3,311,422	3.67	12,770	0.39	3,816,440	3.82	3,473	0.36
Total	28,207,903	31.26	2,871,074	10.18	34,397,980	34.41	671,537	7.81
Foreign currency saving deposits:								
Time	14,926,692	16.54	516,705	3.46	15,371,497	15.37	87,018	2.26
Demand	2,310,671	2.56	55	0.00	1,431,314	1.43	8	0.00
Total	17,237,363	19.10	516,760	3.00	16,802,811	16.80	87,026	2.07
Other foreign currency deposits:								
Time	4,400,742	4.88	145,935	3.32	4,285,429	4.29	22,942	2.14
Demand	1,203,462	1.33	8,788	0.73	1,315,345	1.32	1,758	0.53
Total	5,604,204	6.21	154,723	2.76	5,600,774	5.61	24,700	1.76
Foreign currency deposits:								
Time	19,327,434	21.42	662,640	3.43	19,659,926	19.66	109,960	2.24
Demand	3,514,133	3.89	8,843	0.25	2,746,659	2.75	1,766	0.26
Total	22,841,567	25.31	671,483	2.94	22,403,585	22.41	111,726	1.99
Bank deposits:								
TL	987,423	1.09	105,771	10.71	1,212,565	1.21	21,083	6.95
Foreign currency	2,958,771	3.28	64,817	2.19	3,216,959	3.22	10,422	1.30
Total	3,946,194	4.37	170,588	4.32	4,429,524	4.43	31,505	2.85
Funds provided under repurchase agreements:								
TL	8,033,350	8.90	743,421	9.25	9,699,574	9.70	161,914	6.68
Foreign currency	84,881	0.09	866	1.02	776,662	0.78	2,002	1.03
Total	8,118,231	8.99	744,287	9.17	10,476,236	10.48	163,916	6.26
Borrowings:								
TL	467,202	0.52	54,093	11.58	490,986	0.49	12,149	9.90
Foreign currency	10,665,279	11.82	268,216	2.51	9,146,418	9.15	42,778	1.87
Total	11,132,481	12.34	322,309	2.90	9,637,404	9.64	54,927	2.28
Total interest-bearing liabilities:[(1)]								
TL	37,695,878	41.77	3,774,359	10.01	45,801,105	45.81	866,683	7.57
Foreign currency	36,550,498	40.50	1,005,382	2.75	35,543,624	35.56	166,928	1.88
Total	74,246,376	82.27	4,779,741	6.44	81,344,729	81.37	1,033,611	5.08
Other liabilities:								
Derivative financial instruments:								
TL	543,024	0.60	—	—	835,257	0.84	—	—
Foreign currency	—	—	—	—	—	—	—	—
Total	543,024	0.60	—	—	835,257	0.84	—	—
Income taxes payable (TL)	132,365	0.15	—	—	299,398	0.30	—	—
Deferred tax liabilities (TL)	—	—	—	—	—	—	—	—
Other liabilities:								
TL	2,055,620	2.29	—	—	2,339,033	2.33	—	—
Foreign currency	202,286	0.23	—	—	238,505	0.23	—	—
Total	2,257,906	2.52	—	—	2,577,538	2.56	—	—
Reserve for emp. termination benefits (TL)	56,109	0.06	—	—	60,137	0.06	—	—
Shareholders' equity	12,990,039	14.40	—	—	14,873,304	14.87	—	—
Profit	2,276,354	2.52	—	—	1,878,442	1.88	—	—
Other interest income:	—	—	45,332	—	—	—	12,892	—
Total average liabilities and shareholders:								
TL	53,473,035	59.27	3,819,691	7.14	67,208,234	64.21	879,576	5.48
Foreign currency	36,752,784	40.73	1,005,382	2.74	35,782,129	35.79	166,928	1.87
Total	90,225,819	100.00	4,825,073	5.35	99,990,363	100.00	1,046,503	4.19

Interest Earning Assets: Yield, Margin and Spread

The following table (derived from Akbank's management accounts) shows Akbank's net interest income, yield, margin and spread for each of the three years ended 31 December 2007, 2008 and 2009 and the quarter ended 31 March 2010.

	For the years ended 31 December			For the three months ended 31 March 2010
	2007	2008	2009	
Net Interest Income:				
TL	3,061,788	3,376,620	4,219,528	1,261,803
Foreign currency	303,360	239,264	517,067	146,139
Total	3,365,148	3,615,884	4,736,595	1,407,942
Yield on interest-earning assets(1):				
TL	20.06%	19.24%	16.02%	14.10%
Foreign currency	5.76%	5.18%	4.34%	3.67%
Total	13.98%	13.38%	11.20%	10.34%
Yield on interest-bearing liabilities(1):				
TL	16.15%	16.09%	10.01%	7.57%
Foreign currency	4.37%	4.09%	2.75%	1.88%
Total	10.00%	9.87%	6.44%	5.08%
Margin(2):				
TL	8.50%	7.69%	8.46%	8.36%
Foreign currency	1.14%	0.76%	1.48%	1.71%
Total	5.37%	4.80%	5.58%	5.96%
Spread(3):				
TL	3.90%	3.15%	6.01%	6.53%
Foreign currency	1.39%	1.09%	1.59%	1.79%
Total	3.98%	3.51%	4.77%	5.25%

Notes:

(1) Yield represents interest income/expense as a percentage of average interest earning assets/interest bearing liabilities.

(2) Margin represents net interest income as a percentage of average interest earning assets.

(3) Spread represents the difference between the average rate of interest earned on interest earning assets and the average rate of interest accrued on interest bearing liabilities.

Analysis of Changes in Net Interest Income and Interest Expense

The following table (derived from Akbank's management accounts) provides a comparative analysis of changes in net interest income and interest expense by reference to changes in average volume and rates for the three years ended 31 December 2007, 2008 and 2009 and for the quarter ended 31 March 2010. Net changes in net interest income are attributed to either changes in average balances (volume changes) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is received or paid. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. Average balances represent the average of the daily balances for the respective year. The Bank does not separately track short-term and long-term interest expense for purposes of calculating net interest income and interest expense.

ANALYSIS OF CHANGES IN NET INTEREST INCOME AND INTEREST EXPENSE	2008/2007 Increase/(decrease) due to changes in				2009/2008 Increase/(decrease) due to changes in			
	Volume	Rate	Net Change	Change %	Volume	Rate	Net Change	Change %
Interest Income								
Interest-earning deposits in banks & reserve requirements & interbank money market:								
TL	49,929	(27,117)	22,812	12.1	34,436	(97,074)	(62,638)	(29.6)
Foreign currency	88,148	(115,826)	(27,678)	(18.2)	(3,253)	(101,636)	(104,889)	(84.6)
Total	163,826	(168,692)	(4,866)	(1.4)	8,316	(175,843)	(167,527)	(49.9)
Marketable securities:								
TL	496,352	107,779	604,131	25.2	1,659,980	(895,717)	764,263	25.5
Foreign currency	(176,588)	(51,795)	(228,383)	(36.3)	32,347	19,116	51,463	12.8
Total	(26,298)	402,046	375,748	12.4	1,365,549	(549,823)	815,726	24.0
Loans:								
TL	1,031,709	(442,280)	589,429	12.8	(645,236)	(496,223)	(1,141,459)	(22.0)
Foreign currency	332,492	706	333,198	46.0	171,959	(242,688)	(70,729)	(6.7)
Total	1,661,176	(738,549)	922,627	17.4	(31,835)	(1,180,353)	(1,212,188)	(19.4)
Leasing receivables:								
TL	(2,643)	1,892	(751)	(1.7)	(10,817)	2,806	(8,011)	(18.9)
Foreign currency	16,859	(1,386)	15,473	51.8	14,785	4,077	18,862	41.6
Total	25,767	(11,045)	14,722	20.2	16,650	(5,799)	10,851	12.4
Total interest-earning assets:								
TL	1,575,633	(360,012)	1,215,621	16.8	1,156,419	(1,604,264)	(447,845)	(5.3)
Foreign currency	274,654	(182,044)	92,610	6.0	189,223	(294,516)	(105,293)	(6.5)
Total	1,764,634	(456,403)	1,308,231	14.9	1,292,302	(1,845,440)	(553,138)	(5.5)
Interest Expense								
TL deposits:								
Time	849,210	(26,093)	823,117	26.7	651,968	(1,696,743)	(1,044,775)	(26.8)
Demand	300	(858)	(558)	(8.5)	345	6,450	6,795	113.7
Total	743,327	79,232	822,559	26.7	598,326	(1,636,306)	(1,037,980)	(26.6)
YP deposits:								
Time	100,104	37,477	137,581	20.6	83,392	(226,233)	(142,841)	(17.7)
Demand	2,228	(984)	1,244	9.6	(930)	(4,488)	(5,418)	(38.0)
Total	104,580	34,245	138,825	20.4	60,422	(208,681)	(148,259)	(18.1)
Bank deposits:								
TL	(15,945)	(23,262)	(39,207)	(14.8)	(64,122)	(56,471)	(120,593)	(53.3)
Foreign currency	30,778	8,558	39,336	660.7	92,504	(72,977)	19,527	43.1
Total	121,578	(121,449)	129	0.1	184,484	(285,550)	(101,066)	(37.2)
Funds provided under repurchase agreements:								
TL	157,521	(57,756)	99,765	13.0	445,703	(569,101)	(123,399)	(14.2)
Foreign currency	0	(2)	(2)	0.0	866	0	866	0.0
Total	157,521	(57,758)	99,763	13.0	459,571	(582,103)	(122,532)	(14.1)
Borrowings:								
TL	30,152	(12,480)	17,673	39.1	25,734	(34,515)	(8,782)	(14.0)
Foreign currency	121,550	(143,003)	(21,453)	(3.9)	(46,037)	(209,194)	(255,231)	(48.8)
Total	136,972	(140,753)	(3,781)	(0.6)	(43,529)	(220,483)	(264,012)	(45.0)
Total interest-bearing liabilities:								
TL	920,144	(19,355)	900,789	21.6	1,000,499	(2,291,252)	(1,290,753)	(25.5)
Foreign currency	252,827	(96,120)	156,707	12.7	106,805	(489,902)	(383,096)	(27.6)
Total	1,148,076	(90,580)	1,057,496	19.6	870,952	(2,544,802)	(1,673,850)	(25.9)

ANALYSIS OF CHANGES IN NET INTEREST INCOME AND INTEREST EXPENSE	March 2010/2009 Increase/(decrease) due to changes in			
	Volume	**Rate**	**Net Change**	**Change %**
Interest Income				
Interest-earning deposits in banks & reserve requirements & interbank money market:				
TL	22,505	(49,215)	(26,710)	(17.9)
Foreign currency	(1,530)	(9,739)	(11,269)	(58.8)
Total	(1,545)	(36,434)	(37,979)	(22.6)
Marketable securities:				
TL	1,506,903	(65,428)	1,441,475	38.3
Foreign currency	(20,081)	(88,872)	(108,953)	(24.1)
Total	1,223,569	108,953	1,332,522	31.6
Loans:				
TL	22,073	(910,765)	(888,692)	(22.0)
Foreign currency	(10,675)	(135,512)	(146,187)	(14.8)
Total)	(12,325)	(1,022,554)	(1,034,879)	(20.6)
Leasing receivables:				
TL	(2,571)	(3,445)	(6,016)	(17.5)
Foreign currency	1,857	(5,633)	(3,776)	(5.9)
Total	1,351	(11,143)	(9,792)	(9.9)
Total interest-earning assets:				
TL	1,681,869	(1,161,812)	520,057	6.5
Foreign currency	(41,484)	(228,701)	(270,185)	(17.8)
Total	1,069,088	(819,216)	249,872	2.6
Interest Expense				
TL deposits:				
Time	652,688	(838,736)	(186,048)	(6.5)
Demand	1,948	(826)	1,122	8.8
Total	630,042	(814,968)	(184,926)	(6.4)
YP deposits:				
Time	11,297	(234,097)	(222,800)	(33.6)
Demand	(1,931)	148	(1,783)	(20.2)
Total	(12,876)	(211,707)	(224,583)	(33.5)
Bank deposits:				
TL	24,117	(45,556)	(21,439)	(20.3)
Foreign currency	5,656	(28,785)	(23,129)	(35.7)
Total	20,894	(65,462)	(44,568)	(26.1)
Funds provided under repurchase agreements:				
TL	154,195	(249,959)	(95,763)	(12.9)
Foreign currency	7,061	81	7,142	0.0
Total	216,184	(304,806)	(88,622)	(11.9)
Borrowings:				
TL	2,754	(8,249)	(5,495)	(10.2)
Foreign currency	(38,197)	(58,906)	(97,103)	(36.2)
Total	(43,286)	(59,312)	(102,598)	(31.8)
Total interest-bearing liabilities:				
TL	811,549	(1,119,173)	(307,624)	(8.2)
Foreign currency	(27,696)	(309,977)	(337,673)	(33.6)
Total	456,969	(1,102,266)	(645,297)	(13.5)

Return on Assets and Equity

The following table (derived from the IFRS Financial Statements) presents certain selected financial ratios of Akbank for the quarter ended 31 March 2010 and for the three years ended 31 December 2009, 2008 and 2007.

	For the years ended 31 December			For the three months ended 31 March
	2007	2008	2009	2010
	(TL thousands, except percentages)			
Net Profit (attributable to Equity Holders of the Group)	2,011,243	1,818,978	2,733,661	1,023,155
Average Total assets	67,163,972	83,091,323	95,520,550	104,291,192
Average shareholders' equity	9,177,628	10,929,621	12,811,755	14,873,099
Net Income as a percentage of:				
Average total assets	2.99%	2.19%	2.86%	3.92%
Average shareholders' equity	21.91%	16.64%	21.34%	27.52%
Average shareholders' equity as a percentage of average total assets	13.66%	13.15%	13.41%	14.26%
Dividend pay-out ratio	36.13%	21.15%	19.83%	—

Securities

Investment Securities

Akbank's portfolio of marketable securities consists primarily of Turkish government securities (including bonds and treasury bills) denominated in Turkish Lira, US Dollars and Euro.

Available-for-sale securities

The following table (derived from the IFRS Financial Statements) shows a breakdown of Akbank's available-for-sale securities as at the dates indicated.

	For the years ended 31 December						For the three months ended 31 March 2010	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Debt Securities[1]								
Government bonds	19,136,797	91.2	5,210,947	68.9	26,983,189	87.9	33,134,487	89.3
Treasury bills	—	—	219,525	2.9	808,211	2.6	4,119	0.0
Eurobonds	1,752,983	8.3	1,671,269	22.1	2,196,482	7.1	3,284,907	8.9
Mutual Funds	—	—	35,392	0.5	50,149	0.2	61,120	0.2
Other bonds	86,020	0.4	415,823	5.5	659,795	2.1	551,714	1.5
Equity securities								
Listed	19,170	0.1	8,195	0.1	21,681	0.1	27,736	0.1
Unlisted	7,333	0.0	3,742	0.0	7,293	0.0	7,293	0.0
Total	**21,002,303**	**100.0**	**7,564,893**	**100.0**	**30,726,800**	**100.0**	**37,071,376**	**100.0**

Note:

(1) All of Akbank's available-for-sale government bonds, treasury bills and most of its eurobonds are Turkish government securities, apart from a relatively small amount of Dutch government eurobonds.

The following tables (derived from the IFRS Financial Statements) set forth Akbank's available-for-sale securities and their effective average interest rates on a currency basis, excluding equity securities and mutual funds, by maturity as at 31 March 2010.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt Securities					
Government bonds	718,829	6,119,108	26,296,550	—	**33,134,487**
Treasury bills	—	4,119	—	—	**4,119**
Eurobonds	—	4,158	631,302	2,649,447	**3,284,907**
Other bonds	—	—	551,714	—	**551,714**
Total	**718,829**	**6,127,385**	**27,479,566**	**2,649,447**	**36,975,227**

	Average Interest Rates		
	TL	US$	EUR
Government bonds	13.13	2.52	2.87
Treasury bills	9.56	—	—
Eurobonds	—	5.48	5.27
Other bonds	—	—	3.61

Held-to-maturity securities

The following table (derived from the IFRS Financial Statements) shows a breakdown of Akbank's held-to-maturity securities as at the dates indicated.

	For the years ended 31 December						For the three months ended 31 March 2010	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Debt Securities(1)								
Government bonds	—	—	19,392,743	94.3	14,676,181	92.7	9,174,306	89.6
Treasury bills	—	—	2,716	0.0	—	—	—	—
Eurobonds	—	—	1,165,303	5.7	1,163,583	7.3	1,067,626	10.4
Total	**—**	**—**	**20,560,762**	**100.0**	**15,839,764**	**100.0**	**10,241,932**	**100.0**

The following tables (derived from the IFRS Financial Statements) set forth Akbank's held-to-maturity securities and their effective average interest rates on a currency basis, by maturity as at 31 March 2010.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt Securities					
Government bonds	1,161,022	3,093,783	4,919,501	—	**9,174,306**
Eurobonds	—	—	—	1,067,626	**1,067,626**
Total	**1,161,022**	**3,093,783**	**4,919,501**	**1,067,626**	**10,241,932**

	Average Interest Rates		
	TL	US$	EUR
Government bonds	13.41	2.84	3.01
Eurobonds	—	7.05	7.34

(1) All of Akbank's held-to-maturity government bonds, treasury bills and eurobonds are Turkish government securities.

As at 31 December 2009, the size of Akbank's investment portfolio increased by 65.6% to TL46.6 billion from TL28.1 billion as at 31 December 2008. The size of Akbank's investment portfolio as at 31 December 2008 increased by 33.9% from TL21.0 billion as at 31 December 2007. The increase in Akbank's investment portfolio over 2008 and 2009 was driven by interest rate reductions by the Central Bank of Turkey, which reduced the Bank's cost of funds, and the Bank's low inflation expectations, both of which signaled enhanced yield on the Bank's securities portfolio.

The reason for the decrease in available-for-sale securities and the increase in held-to-maturity securities as at 31 December 2008 was that the Bank reclassified government bonds with fair values of TL14.6 billion, US$2.3 billion and €317.3 million as financial assets held to maturity from the category of financial assets available for sale. This classification was made in accordance with amended IAS 39, published by the International Accounting Standards Board as a result of the change in the Bank's intention to hold such securities.

Trading Securities

Akbank also maintains a trading portfolio of marketable securities. The following table (derived from the IFRS Financial Statements) shows a breakdown of Akbank's trading securities as at the dates indicated.

	For the years ended 31 December						For the three months ended 31 March 2010	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Government bonds	4,594,085	95.4	116,570	71.6	86,224	54.0	157,582	65.0
Eurobonds	210,288	4.4	30,743	18.9	69,475	43.5	72,236	29.7
Treasury bills	3,590	0.1	5,862	3.6	2,350	1.5	5,914	2.4
Listed equities	4,637	0.1	9,685	5.9	387	0.2	6,803	2.8
Other	1,251	0.0	71	0.0	1,350	0.8	290	0.1
Total	**4,813,851**	**100.0**	**162,931**	**100.0**	**159,786**	**100.0**	**242,825**	**100.0**

The following tables (derived from the IFRS Financial Statements) sets forth Akbank's trading securities and their effective average interest rates on a currency basis, excluding equity securities, by maturity as at 31 March 2010.

	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Government bonds	10,420	20,825	126,326	11	**157,582**
Eurobonds	439	567	50,051	21,179	**72,236**
Treasury bills	—	5,914	—	—	**5,914**
Total	**10,859**	**27,306**	**176,377**	**21,190**	**235,732**

	Average Interest Rates		
	TL	**USD**	**EUR**
Government bonds	11.97	1.93	3.45
Treasury bills	7.18	—	—
Eurobonds	—	4.03	4.57

As at 31 March 2010, the size of Akbank's trading portfolio decreased to TL242.8 million from TL4.8 billion as at 31 December 2007. This reduction resulted from Akbank's decision to reduce the trading portfolio and make an increase in the available-for-sale portfolio in order to reduce potential fluctuations in profit and loss that could occur as a result of changes in mark-to-market values.

Equity Participations and Investment in Associates

As at 31 March 2010, all the companies in Akbank's investment portfolio are financial services companies.

The table below (derived from the IFRS Financial Statements) shows details relating to Akbank's equity participations and investment in associates as at 31 March 2010.

Equity participations	As at 31 March 2010	
	Share %	Carrying amount
Listed		
Ak Yatırım Ortaklığı A.Ş.	70.04	27,736
		27,736
Unlisted		
Akbank Dubai Ltd.	100.00	1,512
Ak Global Funding B.V.	100.00	34
Others		5,747
		7,293

Associated companies	As at 31 March 2010	
	Share %	Carrying amount
Bankalararası Kart Merkezi A.Ş.	9.98	1,301
KKB Kredi Kayıt Bürosu A.Ş.	9.09	1,824
		3,125

Akbank's equity participations are included in its available-for-sale investment portfolio. They are initially recognised at cost and subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash-flow models. Unrealised gains and losses arising from the changes in the fair value of securities classified as "available-for-sale" are recognised in the shareholders' equity as "other reserves", unless there is a continuous decline in the fair values of such assets, in which case they are charged to the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

Loan and Guarantee Portfolio

As at 31 March 2010, Akbank's total loans net of allowance for loan losses, equaled TL47.8 billion, or 44.99% of total assets. In addition to loans, Akbank had outstanding as at 31 March 2010 guarantees amounting to TL5.4 billion, acceptances amounting to TL54.9 million and letters of credit amounting to TL2.1 billion.

The table below (derived from the IFRS Financial Statements) sets forth the composition of Akbank's cash and non-cash credit exposure as 31 December 2009, 2008, 2007 and at 31 March 2010, respectively.

	For the years ended 31 December			For the three months ended
	2007	**2008**	**2009**	**31 March 2010**
Cash loans(1)	40,237,999	49,500,489	45,049,817	47,769,597
Non-cash loans				
Letters of guarantee(2)	3,778,733	4,671,603	5,467,212	5,411,301
Acceptance credits(2)	46,857	65,349	59,050	54,914
Letters of credit	1,176,932	1,801,453	1,683,684	2,088,030
Other guarantees	177,362	236,124	525,207	486,117
Total	**45,417,883**	**56,275,018**	**52,784,970**	**55,809,959**

(1) Includes overdue loans, net of allowance for loan issues.

(2) Includes TL440.4 million of guarantee and acceptance credits issued to related parties as at 31 March 2010, TL747.9 million as at 31 December 2009, TL460.2 million as at 31 December 2008 and TL487.2 million as at 31 December 2007.

Foreign Currency Exposure

The table below (derived from the IFRS Financial Statements) shows a breakdown of Akbank's loan and guarantee portfolios by currency exposure as 31 December 2009, 2008, 2007 and at 31 March 2010, respectively.

	For the years ended 31 December			For the three months ended
	2007	**2008**	**2009**	**31 March 2010**
Loans				
TL	25,029,021	25,168,561	22,976,647	24,424,656
Foreign Currency	15,208,978	24,331,928	22,073,170	23,344,941
US$	9,558,072	16,663,204	14,557,460	15,928,814
EUR	5,582,181	7,590,803	7,342,220	7,313,435
Other	68,725	77,921	173,490	102,692
Total	**40,237,999**	**49,500,489**	**45,049,817**	**47,769,597**
Non-cash loans				
Letters of guarantee				
TL	2,516,552	2,742,747	2,796,635	3,035,433
FC	1,262,181	1,928,856	2,670,577	2,375,868
Acceptance credits				
TL	15	15	723	496
FC	46,842	65,334	58,327	54,418
Letters of credit				
TL	16	16	893	10,831
FC	1,176,916	1,801,437	1,682,791	2,077,199
Other guarantees				
TL	155,462	185,445	246,799	266,081
FC	21,900	50,679	278,408	220,036
Total	**5,179,884**	**6,774,529**	**7,735,153**	**8,040,362**

Distribution of Loans by Type of Borrower

The following table (derived from the IFRS Financial Statements) sets forth Akbank's cash loans, excluding accrued interest and allowance for loan losses, by type of loan and the percentage contribution to the total loan portfolio, as at 31 December 2009, 2008, 2007 and 31 March 2010, respectively.

	For the years ended 31 December						For the three months ended 31 March 2010	
	2007	**%**	**2008**	**%**	**2009**	**%**		**%**
Public Sector Loans	1,778,918	4.3	2,699,500	5.3	1,673,979	3.5	995,468	2.0
Private Sector Loans	39,776,778	95.7	48,436,938	94.7	45,719,978	96.5	48,796,086	98.0
Total Loans	**41,555,696**	**100.0**	**51,136,438**	**100.0**	**47,393,957**	**100.0**	**49,791,554**	**100.0**

As at 31 March 2010, Akbank's loan portfolio comprised 39.2% corporate, 27.7% SME, 21.3% consumer and 11.9% credit card loans.

Loans to the public sector comprise mainly project finance loans representing long-term loans extended in relation to infrastructure construction under the management and guarantee of the Turkish Undersecretariat of the Treasury.

Akbank's strategy in lending is to emphasise consumer and SME banking while keeping its strong presence in the corporate banking market, maintaining its customer focused approach and serving its customers better by continuing to increase its operational efficiency; see "Business of Akbank – Strategy".

Akbank is within the limits imposed by Turkish banking regulations with respect to its exposure to any one borrower or group of borrowers, including to Sabancı Group companies, see "Business Transactions with Sabancı Group Companies." According to Banking Law No. 5411, published in the Official Gazette No 25983 dated 1 November 2005, the single exposure limit is set at 20% in the the case of a related party group and 25% in the case of a non-related party group.

Distribution of Loans by Sector

The following table (derived from the IFRS Financial Statements) shows the breakdown of the loan portfolio by sector as 31 December 2009, 2008, 2007 and at 31 March 2010, respectively.

	For the years ended 31 December						For the three months ended 31 March	
	2007	**%**	**2008**	**%**	**2009**	**%**	**2010**	**%**
Consumer loans and credit cards	12,593,857	31.1	14,379,083	28.8	14,999,229	32.9	15,655,110	32.4
Mortgage	*4,029,162*	*9.9*	*4,600,528*	*9.2*	*4,592,452*	*10.1*	*4,785,894*	*9.9*
Automobile	*1,340,669*	*3.3*	*1,086,442*	*2.2*	*554,982*	*1.2*	*499,057*	*1.0*
General Purpose	*3,394,218*	*8.4*	*3,923,429*	*7.9*	*4,097,731*	*9.0*	*4,589,561*	*9.5*
Retail Credit Cards	*3,829,808*	*9.4*	*4,768,684*	*9.5*	*5,754,064*	*12.6*	*5,780,598*	*12.0*
Financial institutions	3,059,598	7.5	3,219,640	6.4	3,083,112	6.8	2,846,547	5.9
Wholesaling	2,231,848	5.5	2,346,453	4.7	1,792,552	3.9	1,426,531	3.0
Retailers	3,451,238	8.5	4,014,687	8.0	2,835,799	6.2	2,807,969	5.8
Other manufacturing	2,044,254	5.0	2,494,137	5.0	1,595,640	3.5	1,847,140	3.8
Automotive	678,571	1.7	635,884	1.3	609,472	1.3	653,516	1.4
Steel and mining	1,643,620	4.1	2,220,099	4.4	1,376,300	3.0	1,419,260	2.9
Food and beverage	1,297,624	3.2	1,506,351	3.0	1,310,311	2.9	1,365,549	2.8
Chemicals	1,640,577	4.0	2,241,030	4.5	2,010,424	4.4	2,303,511	4.8
Textile	618,576	1.5	729,542	1.5	553,414	1.22	565,226	1.2
Telecommunication	792,557	2.0	1,462,301	2.9	1,423,678	3.1	1,901,003	3.9
Construction	2,984,575	7.4	4,778,083	9.6	5,367,363	11.8	5,776,398	12.0
Agriculture and forestry	760,626	1.9	747,547	1.5	189,678	0.4	189,536	0.4
Electronics	581,826	1.4	616,085	1.2	436,409	1.0	507,033	1.0
Tourism	516,599	1.3	723,841	1.4	614,085	1.3	647,715	1.3
Health care and social services	629,806	1.6	981,731	2.0	1,536,345	3.4	1,553,839	3.2
Other	4,356,376	10.7	5,957,269	12.1	4,869,933	10.9	5,915,703	12.2
Leasing receivables	652,325	1.6	904,847	1.8	965,921	2.1	944,971	2.0
Performing loans	**40,534,453**	**100**	**49,958,610**	**100**	**45,569,665**	**100**	**48,326,557**	**100**
Non-performing loans	1,021,243		1,177,828		1,824,292		1,464,997	
Total loans and advances to customers	**41,555,696**		**51,136,438**		**47,393,957**		**49,791,554**	
Allowance for loan losses	(1,317,697)		(1,635,949)		(2,344,140)		(2,021,957)	
Net loans and advances to customers	**40,237,999**		**49,500,489**		**45,049,817**		**47,769,597**	

The aggregate share of consumer and credit card loans in total loans increased throughout 2009 and the first quarter of 2010 from 32.9% to 32.4% in line with Akbank's lending strategy. Growth in consumer lending and credit card loans was 4.3% in 2009 and 4.4% in the first quarter of 2010, respectively. Akbank registered a sharp reduction in corporate and small business loans by 12.2% during 2009 due to the contraction in the economy and Akbank's conservative lending policy throughout this period. However, in the first quarter of 2010, corporate and small business loans increased by 5.7% and 9.7%, respectively, due to more aggressive lending targets based on Akbank's stronger economic growth expectations. For all periods shown, the share in total loans of domestic Turkish loans was approximately 98%. Of the remaining approximately 2% of total loans made to borrowers outside Turkey, borrowers were located predominantly in EU member countries with no material concentration in any one country over time.

Maturity Profile of the Loan and Guarantee Portfolios

The tables below (derived from the IFRS Financial Statements) set forth a breakdown of the maturity profile of Akbank's loan and guarantee portfolios as at 31 March 2010 and 31 December 2009, 2008 and 2007.

Loans

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Fixed Rate Loans %	Floating Rate Loans %
31 March 2010	16,892,927	9,867,449	16,534,267	4,474,954	**47,769,597**	41.8%	58.2%
31 December 2009	15,513,474	10,982,927	15,234,145	3,319,271	**45,049,817**	43.2%	56.8%
31 December 2008	17,183,499	13,781,398	14,582,716	3,952,876	**49,500,489**	46.2%	53.8%
31 December 2007	15,372,395	10,663,161	11,669,191	2,533,252	**40,237,999**	50.9%	49.1%

Guarantees[(1)]

	Up to 1 year	Over 1 year	Total
31 March 2010	1,829,756	6,210,606	**8,040,362**
31 December 2009	1,526,093	6,209,060	**7,735,153**
31 December 2008	1,731,185	5,043,344	**6,774,529**
31 December 2007	1,278,566	3,901,318	**5,179,884**

Note:

(1) Includes acceptance credits and export commitments.

Distribution of Loans by Size

The following table (derived from the management accounts) presents the distribution of Akbank's loan portfolio by size as at 31 December 2007, 2008, 2009 and at 31 March 2010, respectively.

	As at 31 December						As at 31 March	
	2007	%	2008	%	2009	%	2010	%
Over TL1,000,000	18,771,790	46.3%	28,763,640	57.6%	27,504,067	60.4%	29,574,344	61.2%
TL500,000 - 1,000,000	1,756,705	4.3%	1,426,404	2.9%	1,009,667	2.2%	1,090,866	2.3%
TL100,000 - 500,000	6,002,131	14.8%	4,790,615	9.6%	3,372,195	7.4%	3,601,228	7.5%
TL50,000 - 100,000	2,894,203	7.1%	2,911,733	5.8%	2,326,022	5.1%	2,343,860	4.9%
Less than TL50,000	11,109,624	27.5%	12,066,218	24.1%	11,357,714	24.9%	11,716,259	24.1%
Performing loans	**40,534,453**	**100.0%**	**49,958,610**	**100.0%**	**45,569,665**	**100.0%**	**48,326,557**	**100.0%**
Non performing loans	1,021,243		1,177,828		1,824,292		1,464,997	
Allowance for loan losses	(1,317,697)		(1,635,949)		(2,344,140)		(2,021,957)	
Net loans and advances to customers	**40,237,999**		**49,500,489**		**45,049,817**		**47,769,597**	

Geographic Distribution of Loans

The following table (derived from the management accounts) shows the geographic distribution of Akbank's loan portfolio (by location of the branch) as 31 December 2009, 2008, 2007 and at 31 March 2010, respectively. As noted above, only approximately 2% of Akbank's total loans for the periods shown were made to borrowers outside Turkey. Accordingly, loans shown below as booked by the Bank's foreign branches and subsidiaries are not necessarily made to borrowers in the jurisdictions where those foreign branches and subsidiaries are located.

	As at 31 December						As at 31 March	
	2007	**%**	**2008**	**%**	**2009**	**%**	**2010**	**%**
Istanbul Region	12,894,027	31.8%	10,751,224	21.5%	11,992,263	26.3%	15,170,636	31.4%
Trakya Region	579,163	1.4%	642,862	1.3%	495,760	1.1%	518,548	1.1%
Ankara Region	4,461,110	11.0%	5,380,324	10.8%	5,221,416	11.5%	4,763,805	9.9%
Bursa Region	1,020,006	2.5%	1,273,426	2.5%	1,056,161	2.3%	1,129,589	2.2%
Çukurova Region	2,704,843	6.7%	3,345,198	6.7%	2,950,640	6.5%	3,095,687	6.4%
Eastern Black Sea Region	987,537	2.4%	1,099,342	2.2%	943,594	2.1%	964,767	2.0%
Aegean Region	3,048,925	7.5%	3,700,945	7.4%	3,054,367	6.7%	3,119,413	6.5%
Eskişehir Region	271,589	0.7%	304,359	0.6%	286,231	0.6%	283,762	0.6%
Southeastern Anatolia Region	822,316	2.0%	1,176,641	2.4%	991,680	2.1%	1,113,780	2.3%
Samsun Region	1,273,858	3.2%	1,395,652	2.8%	1,169,501	2.6%	1,236,849	2.6%
Denizli Region	238,578	0.6%	333,572	0.7%	263,121	0.6%	296,034	0.6%
Foreign Branch and Subsidiaries	12,232,501	30.2%	20,555,065	41.1%	17,144,931	37.6%	16,633,687	34.4%
Total Performing Loans	**40,534,453**	**100%**	**49,958,610**	**100%**	**45,569,665**	**100%**	**48,326,557**	**100%**
Non-Performing Loans	1,021,243		1,177,828		1,824,292		1,464,997	
Total Loans	**41,555,696**		**51,136,438**		**47,393,957**		**49,791,554**	
Allowance for Loan Losses	(1,317,697)		(1,635,949)		(2,344,140)		(2,021,957)	
Total Net Loans	**40,237,999**		**49,500,489**		**45,049,817**		**47,769,597**	

Non-performing Loans; Provisioning; Loan Losses

If the collectibility of any loan or receivable is identified as limited or doubtful by Akbank management, Akbank provides general and specific provisions in accordance with the applicable law. Banks are required to set aside general reserves in varying amounts based on their outstanding volumes of cash and non-cash loans. To the extent a bank's volumes of outstanding cash and non-cash loans are equal to or less than such volumes as at 31 October 2006, a reserve rate of 0.5% of cash loans and 0.1% of non-cash loans applies. For the portion of a bank's cash and non-cash loans in excess of the outstanding volume as at 31 October 2006, a reserve rate of 1% of cash loans and 0.2% of non-cash loans applies. In addition, banks are required to set aside a general reserve for the close monitoring of loans in the amount of 2% of cash loans and 0.4% of non-cash loans. The amount of the specific provision required for non-performing loans depends in part on the type of collateral, but at a minimum 20% of the principal amount of a loan is required to be reserved for loans between three and six months overdue, 50% for loans between six and 12 months overdue, and 100% after one year.

Akbank has fully provided for all its non-performing loans. The provision made during the year is charged against the profit for the year. Loans that can not be recovered are written-off and charged the allowance for loan losses. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year.

Non-performing loans amounted to 2.9% of total loans as at 31 March 2010 and 3.8% of total loans as at 31 December 2009, the percentages were substantially lower than averages within the Turkish banking sector of 4.9% and 5.3% for 31 March 2010 and 31 December 2009, respectively, as published in the BRSA monthly bulletin.

The following table (derived from the management accounts) shows the geographic distribution of the non-performing loan loss portfolio (by location) as at 31 December 2009, 2008, 2007 and at 31 March 2010, respectively.

	As at 31 December						As at 31 March	
	2007	%	2008	%	2009	%	2010	%
Istanbul Region	492,843	48.3%	340,883	28.9%	507,047	27.8%	406,084	27.7%
Trakya Region	15,954	1.6%	20,366	1.7%	37,092	2.0%	28,819	2.0%
Ankara Region	166,613	16.3%	209,642	17.8%	293,676	16.1%	228,320	15.6%
Bursa Region	26,714	2.6%	52,353	4.4%	86,311	4.7%	68,280	4.7%
Çukurova Region	97,535	9.6%	151,751	12.9%	252,219	13.8%	206,359	14.1%
Eastern Black Sea Region	29,733	2.9%	57,016	4.8%	88,822	4.9%	72,237	4.9%
Aegean Region	105,649	10.3%	169,699	14.4%	281,481	15.4%	218,577	14.9%
Eskişehir Region	7,851	0.8%	13,244	1.1%	22,185	1.2%	15,282	1.0%
Southeastern Anatolia Region	31,562	3.1%	39,841	3.4%	80,240	4.4%	63,549	4.3%
Samsun Region	28,060	2.7%	76,158	6.5%	122,075	6.7%	104,622	7.2%
Denizli Region	4,987	0.5%	7,757	0.8%	13,371	0.8%	10,877	0.7%
Other	13,742	1.2%	39,118	3.3%	39,773	2.2%	41,991	2.9%
Total	**1,021,243**	100%	**1,177,828**	100%	**1,824,292**	100%	**1,464,997**	100%

For a discussion of Akbank's non-performing loans, see "Risk Management – Identification and Remediation of Problem Loans".

Allowance for Loan Losses

The following table (derived from the IFRS Financial Statements) shows movements in Akbank's allowance for loan losses including both specific and general loan losses for the years ended as at 31 December 2009, 2008, 2007 and for the quarter ended as at 31 March 2010, respectively. Akbank does not hold other interest-earning assets that would have fallen into the non-performing category other than assets that are classified as loans.

	For the years ended 31 December			For the three months ended
	2007	2008	2009	31 March 2010
Balance at beginning of year	795,722	1,317,697	1,635,949	2,344,140
Additions	947,096	1,464,507	1,459,437	188,234
Collections	(355,471)	(584,885)	(710,401)	(173,169)
Write-offs	(69,650)	(561,400)	(40,846)	(337,240)
Exchange differences	—	30	1	(8)
Balance at end of quarter year	**1,317,697**	**1,635,949**	**2,344,140**	**2,021,957**

Sources of Funds

Historically, customer deposits have been Akbank's principal source of funding, which has provided Akbank with a competitive advantage in cost of funds and has contributed to the liquidity in Akbank's balance sheet. Akbank's ability to obtain customer deposits is supported by its extensive branch network. With expansion of its deposit base and growth of the share of its demand deposits among the Bank's top priorities, deposits from individuals constitute 51.3% of Akbank's total customer deposits as at 31 March 2010.

Akbank's deposits increased by 4.0%, which was higher than the sector average, and topped TL76.5 billion in the first quarter of 2010. TL deposits increased by 10.2%, which was approximately twice the sector average.

The following table (derived from the IFRS Financial Statements) sets forth the principal sources of funds for Akbank's operations as at 31 December 2009, 2008, 2007 and 31 March 2010, respectively.

	For the years ended 31 December						For the three months ended 31 March	
	2007	%	2008	%	2009	%	2010	%
Customer TL deposits	29,733,459	51.2	37,265,095	47.3	47,120,542	55.8	49,096,651	56.5
Customer FC deposits	18,684,841	32.2	28,912,792	36.7	27,580,742	32.7	27,367,210	31.5
Interbank funds	154,023	0.3	227,819	0.3	483,572	0.6	357,445	0.4
Borrowings from financial institutions	9,491,121	16.3	12,311,011	15.7	9,209,340	10.9	10,105,215	11.6
Total	**58,063,444**	**100.0**	**78,716,717**	**100.0**	**84,394,196**	**100.0**	**86,926,521**	**100.0**

Deposits

As at 31 March 2010, total deposits were TL76.5 billion, compared to TL74.7 billion as at 31 December 2009, TL66.2 billion as at 31 December 2008 and TL48.4 billion as at 31 December 2007.

The table below (derived from the IFRS Financial Statements) gives the breakdown of the total deposit base by type as at the dates indicated.

	For the year ended 31 December 2007				For the year ended 31 December 2008			
	Demand	Time	Total	%	Demand	Time	Total	%
Saving deposits	3,307,696	26,768,405	30,076,101	62.1%	4,610,084	32,811,307	37,421,391	56.5%
Located in Turkey	2,703,754	26,269,667	28,973,421		2,728,666	31,637,056	34,365,722	
Located in foreign countries and foreign branches	603,942	498,738	1,102,680		1,881,418	1,174,251	3,055,669	
Funds deposited under repurchase agreements	—	4,783,679	4,783,679	9.9%	—	8,602,629	8,602,629	13.0%
Located in Turkey	—	4,414,565	4,414,565		—	8,074,537	8,074,537	
Located in foreign countries and foreign branches	—	369,114	369,114					
Commercial deposits	2,773,483	6,566,505	9,339,988	19.3%	3,155,073	11,579,253	14,734,326	22.3%
Located in Turkey	2,763,925	4,042,826	6,806,752		3,141,090	5,549,038	8,690,128	
Located in foreign countries and foreign branches	9,558	2,523,679	2,533,236		13,983	6,030,215	6,044,198	
Bank deposits	153,252	1,786,712	1,939,964	4.0%	376,928	3,471,614	3,848,542	5.8%
Located in Turkey	153,211	758,129	911,340		376,482	195,985	572,467	
Located in foreign countries and foreign branches	41	1,028,583	1,028,624		446	3,275,629	3,276,075	
Other	952,182	1,326,386	2,278,568	4.7%	373,930	1,197,069	1,570,999	2.4%
Located in Turkey	952,182	1,326,386	2,278,568		373,930	1,197,069	1,570,999	
Located in foreign countries and foreign branches	—	—	—		—	—	—	
Total	**7,186,613**	**41,231,687**	**48,418,300**	**100.0%**	**8,516,015**	**57,661,872**	**66,177,887**	**100.0%**

	For the year ended 31 December 2009				For the three months ended 31 March 2010			
	Demand	Time	Total	%	Demand	Time	Total	%
Saving deposits	3,185,461	35,404,228	38,589,689	51.7%	3,227,680	36,023,702	39,251,382	51.3%
Located in Turkey	3,184,956	32,685,412	35,870,368		3,226,123	33,365,364	36,591,487	
Located in foreign countries and foreign branches	505	2,718,816	2,719,321		1,557	2,658,338	2,659,895	
Funds deposited under repurchase agreements	—	13,747,009	13,747,009	18.4%	—	12,283,452	12,283,452	16.1%
Located in Turkey	—	13,230,254	13,230,254		—	11,948,539	11,948,539	
Located in foreign countries and foreign branches	—	516,755	516,755		—	334,913	334,913	
Commercial deposits	4,052,446	12,936,460	16,988,906	22.7%	4,163,863	14,945,938	19,109,801	25.0%
Located in Turkey	3,955,064	6,273,916	10,228,980		4,037,003	8,376,000	12,413,003	
Located in foreign countries and foreign branches	97,382	6,662,544	6,759,926		126,860	6,569,938	6,696,798	
Bank deposits	194,458	3,848,719	4,043,177	5.4%	147,733	4,218,076	4,365,809	5.7%
Located in Turkey	190,332	191,468	381,800		147,733	253,939	401,672	
Located in foreign countries and foreign branches	4,126	3,657,251	3,661,377		—	3,964,137	3,964,137	
Other	375,322	957,181	1,332,503	1.8%	416,996	1,036,421	1,453,417	1.9%
Located in Turkey	375,322	957,181	1,332,503		416,996	1,036,421	1,453,417	
Located in foreign countries and foreign branches	—	—	—		—	—	—	
Total	**7,807,687**	**66,893,597**	**74,701,284**	**100.0%**	**7,956,272**	**68,507,589**	**76,463,861**	**100.0%**

As at 31 March 2010 and in 2009, Akbank's customers in Turkey held more deposits with Akbank in Turkish Lira than in foreign currency. Akbank believes that the stable financial sector in Turkey, the Government's willingness to keep the budget deficit under control and the inflow of portfolio investments into Turkey have enhanced consumer confidence in Turkish Lira as a medium of investment. Akbank has benefited from this growth by raising its market share in TL Deposits from 10.3% to 10.3% and then to 10.6% in 2008, 2009 and the first quarter of 2010, respectively.

18.53% of Akbank's total deposits were denominated in US Dollars (51.76% of total foreign currency deposits) and 15.74% of total deposits were denominated in Euro (43.98% of total foreign currency deposits) as at 31 March 2010.

The interest rate for US Dollar deposits was 2.0% in 31 March 2010, compared to 1.8% in 2009, 4.6% in 2008 and 3.9% in 2007. Interest rates for TL deposits have ranged between 7% and 17% for the past three years.

The following table (derived from the IFRS Financial Statements) shows the maturities of deposits as at 31 March 2010 and 31 December 2009, 2008 and 2007.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
31 March 2010	73,120,209	2,489,799	727,745	126,108	76,463,861
31 December 2009	70,760,192	3,065,029	743,400	132,663	74,701,284
31 December 2008	62,608,172	3,012,102	332,763	224,850	66,177,887
31 December 2007	45,667,551	2,179,854	398,258	172,637	48,418,300

Business Transactions with Related Parties

Shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, associated companies, and other companies within the Sabancı Group are considered and referred to as related parties.

The following table shows the breakdown of the business transactions with related parties as at 31 December 2009, 2008, 2007 and 31 March 2010, respectively.

	For the years ended 31 December						For the three months ended 31 March 2010	*Percentage of Related Item*
	2007	*Percentage of Related Item*	2008	*Percentage of Related Item*	2009	*Percentage of Related Item*		
Cash loans	935,510	2.3%	870,542	1.8%	635,235	1.4%	838,725	1.8%
Non-cash loans	487,171	9.4%	460,241	6.8%	747,911	9.7%	440,400	5.5%
Cash and due from banks	5,045	0.2%	—		—		—	
Finance lease receivables	12,073	1.9%	13,401	1.5%	7,571	0.8%	10,956	1.2%
Deposits	5,100,378	10.5%	5,857,241	8.9%	6,191,548	8.3%	6,210,218	8.1%
Derivatives	151,126	1.0%	1,220,965	5.9%	2,005,471	6.3%	1,410,210	4.4%

Capital Adequacy

Akbank currently satisfies the capital requirements of the BRSA, which correspond to the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements (the "**Basel Guidelines**"). The BRSA also maintains a policy, on a bank-by-bank basis, of requiring a higher capital adequacy ratio for banks that are seeking to open new branches in Turkey, and the rate currently being applied to Akbank is 12%. The Basel Guidelines require a bank to have a ratio of capital to assets and certain off balance sheet items, determined on a risk-weighted basis, of at least 8%. As at 31 December 2007, 2008 and 2009, Akbank's total risk-based capital ratio (consisting principally of Tier 1 capital) was 18.02%, 16.98% and 21.04%, respectively. Akbank intends to maintain capital ratios in excess of those required by Turkish law and the Basel Guidelines.

The following table shows the risk-weighted assets and qualifying capital of Akbank as at 31 December 2007, 2008, 2009 and 31 March 2010, respectively.

	For the years ended 31 December			For the three months ended 31 March 2010
	2007	2008	2009	
Tier 1				
Share capital	6,605,892	6,605,892	6,605,892	6,605,892
Legal reserves	526,433	685,762	796,720	943,329
Extraordinary reserves	1,294,745	2,461,268	3,728,637	5,757,285
Other reserves	239	8,256	127,514	190,433
Retained earnings	2,024,136	1,807,121	2,786,293	1,057,917
Total Tier 1 capital	**10,451,445**	**11,568,299**	**14,045,056**	**14,554,856**
Tier 2				
General loans loss reserves	293,625	462,171	406,629	445,137
Subordinated loans		—		—
Other reserves	67,005	(122,501)	390,795	461,511
Deductions	-145,320	(293,719)	(272,536)	-324,723
Total qualifying capital	**10,666,755**	**11,614,250**	**14,569,944**	**15,136,781**
Risk-weighted assets				
With 20% risk	515,581	1,222,048	801,209	922,869
With 50% risk	588,466		—	
With 100% risk	48,614,965	57,511,725	55,449,778	59,221,264
With 150% risk		334,956	744,903	725,928
With 200% risk		8,296	57,436	74,406
Total risk-weighted assets	**49,719,012**	**59,077,025**	**57,053,326**	**60,944,467**
Market risk	2,589,763	1,656,663	3,568,963	4,591,988
Operational risk	6,884,540	7,672,195	8,621,035	9,710,271
Total risk-weighted assets and market risk	**59,193,315**	**68,405,883**	**69,243,324**	**75,246,726**
Risk-adjusted capital ratio	**18.02%**	**16.98%**	**21.04%**	**20.12%**

BUSINESS OF AKBANK

Overview

Akbank T.A.Ş. is a Turkish banking institution organised as a joint stock company with registration number 90418. Founded as a local bank in Adana in January 1948, Akbank was originally established with the core objective of providing funding for local cotton producers. The Bank opened its first branch in the Sirkeci district of Istanbul on 14 July 1950. The Bank's head office is currently located at Sabancı Center 4, Levent 34330, Istanbul, Turkey.

Akbank carries out its activities from its head office and 20 regional offices throughout Turkey. Its network of 870 domestic branches as at 31 May 2010 provides Akbank with the ability to reach a nationwide base of customers.

Akbank operates in five main business segments: (i) Retail Banking; (ii) Corporate and SME Banking (prior to the end of 2009, Corporate and Commercial Banking); (iii) Treasury; (iv) Private Banking; and (v) International Banking. It offers a wide range of consumer, SME, corporate and private banking services as well as international trade financing. Non-banking financial, capital market, brokerage and investment services are provided by Akbank's subsidiaries and/or sister companies including AkSecurities, Akbank (Dubai) Limited (investment banking and brokerage), AkInvestment Fund (a closed-end mutual fund), AkAssetManagement (portfolio management), AkLease, Aksigorta (insurance) and AvivaSA Pensions. Akbank does not have any subsidiaries that are not involved in financial services.

In addition to the Bank's traditional delivery channels such as its branches, Akbank offers customer services through its Retail and Corporate Internet Branches, the Telephone Banking Center, over 2,500 ATMs and more than 260,000 POS terminals, as well as other electronic channels.

Akbank has an international presence through its subsidiaries in The Netherlands (Akbank N.V.), Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited) and one branch in Malta.

Since its establishment, a majority of the shares in Akbank have been owned or controlled by the Sabancı family and the Sabancı Group, which is one of the two largest financial and industrial corporate groups in Turkey. Floated to the public in 1990, Akbank shares began trading on international markets and as American Depository Receipts ("**ADRs**") after its secondary public offering in 1998. On 9 January 2007, Akbank and Citigroup successfully completed a strategic partnership agreement according to which Citigroup acquired a 20% equity stake in Akbank.

As at 31 March 2010, 28.6% of Akbank's shares were publicly traded on the Istanbul Stock Exchange (the "**ISE**") and the Bank's Level 1 ADRs are traded on the OTC in the United States. Akbank's market capitalisation stood at TL31.2 billion as at 31 May 2010, making it the most valuable company by market capitalisation on the ISE.

For the three month period ended 31 March 2010, Akbank's net profit was TL1.0 billion compared to TL563 million for the same period in 2009. For the twelve month period ended 31 December 2009, Akbank's net profits were TL2.7 billion, an increase of 50.3% and 35.9% from TL1.8 billion in 2008 and TL2.0 billion in 2007, respectively. As at 31 March 2010, Akbank had total assets of TL106.2 billion, an increase of 3.7%, 14.6% and 47.8% from TL102.4 billion, TL92.7 billion and TL71.8 billion as at 31 December 2009, 2008 and 2007, respectively. As at 31 March 2010, Akbank had total shareholder's equity of TL15.2 billion, an increase of 4.4%, 33% and 42.1% from TL14.6 billion, TL11.4 billion and TL10.7 billion as at 31 December 2009, 2008 and 2007, respectively.

Business Segments – Overview

Akbank operates in five main business segments: (i) Retail Banking; (ii) Corporate and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. See "– Akbank's Business Segments". Following the change in early 2010 in the Bank's organisational structure, with small business banking being transferred from the Retail Banking Unit to the Corporate and SME Banking Unit, the Bank's classification of its business segments as at 31 March 2010 differs from the classification as at 31 December 2009, 2008 and 2007.

Retail Banking: includes retail services such as deposit accounts, consumer loans, credit cards, insurance products and wealth management services. The Bank's line of retail banking products and services also includes bank cards, mutual funds, bonds and t-bills brokerage, equity brokerage, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, ATM, telephone and internet banking. Gross profit from retail banking was TL205.2 million for the three month period ended 31 March 2010, an increase of 86.8% from TL109.8 million for the same period last year and TL566.7 million for the twelve month period ended 31 December 2009, a decrease of 42.7% and 61.1% from TL988.7 million and TL1.5 billion for the same periods in 2008 and 2007, respectively. At the beginning of 2010, Akbank changed its customer segmentation and formed the SME Banking Division (which is now part of the Corporate and SME Banking Unit) by merging the Commercial and Small Business Banking divisions in order to provide a closer, more specialised and efficient service to SMEs. Small Business Banking is therefore no longer part of the Retail Banking Unit, save for the business segment of small businesses with annual sales revenue of less than TL500,000 (categorised by the Bank as "micro business customers"), which is now covered by the Consumer Banking Division of the Retail Banking Unit. Gross profit for the Retail Banking Unit before 31 March 2010 took into account profit generated by Small Business Banking which was then part of Retail Banking. See "– Akbank's Business Segments – Retail Banking".

Corporate and SME Banking: provides financial solutions and banking services to large-scale and medium-sized corporate and commercial customers, including Turkish Lira and foreign currency denominated working capital loans, small business loans, medium-term financing for investments, foreign trade financing, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, the Bank provides working capital management solutions for corporate customers, delivering tailored cash management services based on customers' requests which include collection and payment services and liquidity and information management. Project finance loans are provided as part of the Bank's commercial banking activities. Gross profit from Corporate and SME Banking was TL198.0 million for the three month period ended 31 March 2010, an increase of 8.6% from TL182.3 million for the same period last year and TL669.9 million for the twelve month period ended 31 December 2009, an increase of 30.2% and 36.2% from TL514.3 million and TL491.8 million for the same period in 2008 and 2007, respectively. Gross profit for Corporate and SME Banking before 31 March 2010 did not take into account profit generated by Small Business Banking. See "– Akbank's Business Segments – Corporate and SME Banking".

Treasury: includes proprietary positioning in Turkish Lira and foreign currency instruments on a spot and forward basis, and proprietary positioning in treasury bills, bonds and other domestic securities together with foreign securities with AAA ratings. This business segment also includes marketing treasury products and derivative financial products for customers. Gross profit from Treasury was TL907.3 million for the three month period ended 31 March 2010, an increase of 125.6% from TL402.2 million for the same period last year and TL2.1 billion for the twelve month period ended 31 December 2009, an increase of 424.7% and 9,937.9% from TL396.9 million and TL20.8 million for the same period in 2008 and 2007, respectively. See "– Akbank's Business Segments – Treasury".

Private Banking: includes products and services for individuals with assets under management with Akbank exceeding TL500,000, such as investment, pension and insurance services. Gross profit from private banking was TL22.1 million for the three month period ended 31 March 2010, an increase of 28.5% from TL17.2 million for the same period last year and TL76.2 million for the twelve month period ended 31 December 2009, an increase of 266.3% from TL20.8 million in 2008 and a decrease of 52.9% from TL161.7 million in 2007. See "– Akbank's Business Segments – Private Banking".

International Banking: manages the Bank's international fund raising activities and correspondent banking relationships and sets credit limits and risk management policies for financial institutions. In addition to financing through structured finance transactions, syndicated loans and bilateral loans from institutional banks, the International Banking Unit has been able to secure long-term financing through various multilateral institutions to support SMEs and various projects for its customers. The Unit also offers products and services in trade finance, foreign exchange and Turkish Lira clearing. Gross profit from international banking was TL11.2 million for the three month period ended 31 March 2010, a decrease of 35% from TL17.3 million for the same period last year and TL61.7 million for the twelve month period ended 31 December 2009, a decrease of 8.1% and an increase of 59.9% from TL67.1 million and TL38.6 million for the same period in 2008 and 2007, respectively. See "– Akbank's Business Segments – International Banking".

Competitive Strengths

Akbank believes that it has the following competitive strengths:

- ***Robust Capital Structure; Strong Liquidity; Conservative Funding Policy.*** As at 31 March 2010, the Bank had a robust capital structure, as demonstrated by a capital adequacy ratio of 20.1% (under BRSA), Tier 1 ratio of 18.9%, leverage ratio of 7.0x and shareholders' equity of TL15.2 billion. Supporting its capital structure, Akbank maintains strong liquidity, with a liquid asset ratio (being the total amount of cash, deposits with the Central Bank of Turkey, overnight interbank deposits, the balances of Akbank's nostro accounts and statutory reserves divided by the Bank's total liabilities) of 9% and loan-to-deposit ratio of 70%, in each case as at 31 May 2010. In addition, on the funding side, Akbank has a policy of keeping customer deposits as a substantial percentage of of its liabilities. Although many of Akbank's deposits are short-term (with durations of less than 90 days), a majority of Akbank's deposits have been reinvested. Akbank has an immaterial exposure to sovereign debt, other than that of Turkey, as approximately 98.6% of its investment securities are composed of Turkish T-bills, government bonds and eurobonds. As a result, Akbank was less affected than many other global financial institutions by the reduction of liquidity and increased cost of funding that occurred during the global financial crisis. Accordingly, Akbank believes that its strong balance sheet has supported its ability to attract a strong deposit base and benefited from a "flight to quality" during difficult market conditions, with deposits having grown at a rate of 15.6% from TL66.2 billion as at 31 December 2008 to TL76.5 billion as at 31 March 2010.

- ***Prudent and Effective Risk Management; Superior Asset Quality.*** Akbank's management believes it has instilled a prudent and effective risk management culture at all levels of the Bank, beginning with careful customer selection to support a quality asset base and including establishing conservative provisioning policies. As a key element of risk management, Akbank focuses on ensuring it has a diversified asset base with no single exposure greater than 2% of its loan portfolio and no single group exposure greater than 5% of its total loans as at 31 March 2010 and high collateral levels, with an average loan-to-value ratio of 57.3%. Approximately half of Akbank's loan portfolio had a term of less than six months in duration as at 31 March 2010, thereby limiting Akbank's exposure to significant movements in interest rates. Akbank monitors credit quality on an on-going basis; as the global financial crisis impacted Turkey and Akbank's customers, Akbank introduced new risk management tools in 2008 and focused on reducing loans in sectors (primarily SMEs) that were particularly susceptible to the disruptions in global market conditions. Supporting Akbank's emphasis on building a quality asset base, Akbank has a long-standing policy of provisioning substantially in excess of regulatory requirements, with 100% of loans that are more than 90 days past due provisioned at a rate of 100%, regardless of level of collateral (compared to the BRSA regulatory requirement which permits provisioning after deductions of collateral and over a 12 month period). Despite Akbank's conservative provisioning policy, Akbank's NPL ratios have consistently been below the average of the Turkish banking sector, achieving an NPL ratio of 2.9% as at 31 March 2010 (compared to the average sector NPL ratio of 4.9%), 3.8% as at 31 December 2009 (compared to the average of 5.2%), 2.3% as at 31 December 2008 (compared to 3.6%) and 2.5% as at 31 December 2007 (compared to 3.5%). Collections have exceeded new NPL formation in the first quarter of 2010, with TL188.2 million new NPLs being recorded, but TL173.2 million previously provisioned NPLs being collected during the period.

- ***Strong Turkish Franchise with a Well-Known and Trusted Brand.*** Akbank believes it is one of the leading private banks in Turkey with a broad portfolio of retail and commercial products and well-established relationships with its client base. Akbank is Turkey's third largest private bank as measured by assets as at 31 May 2010, with 869 domestic branches and over five million active customers as at 31 May 2010 as well as a large network of alternative delivery channels, including a call centre with over 900 representatives, 260,000 point-of-sale terminals and 2,689 ATMs, in each case as at 31 May 2010. As at 31 March 2010, Akbank's general purpose loans' market share was 9.8%, auto loans' market share 11.9%, mortgage loans' market share 10.5% and credit card loans' market share 16%. In addition, Akbank had an aggregated 9.5% market share in corporate, commercial and small business loans. Akbank's stronger growth targets in the commercial, small business, and consumer segments, together with a growing demand for credit from customers from these segments, is expected to lead to an expansion of the Bank's loan portfolio. Akbank believes that its strong position in retail and commercial banking enables it to benefit from economies of scale and provides a strong platform for sustained profitability in the Turkish banking market. Akbank also believes that it has established itself as one of the most widely recognised banks in Turkey as result of its 62-year operating history in Turkey through often turbulent Turkish financial markets, its long-standing focus on prudent risk management and record of financial stability. As at 31 March 2010, over 95% of Akbank's assets are in Turkey as Akbank has focused virtually all of its businesses in a market it believes it understands well and in which it enjoys a competitive advantage. Akbank believes that the strength of its franchise is enhanced by the controlling shareholding (51.4% as at June 2010) of the Sabancı family, one of Turkey's most prominent families and its strategic partnership with Citigroup (with Citigroup having acquired 20% of Akbank's shares), which has allowed the Bank to enhance its international connectivity, expand its product offering and further establish its profile and reputation for excellence in the domestic market. The strength of Akbank's Turkish franchise has been recognised through numerous awards, including being named "Best Bank in Turkey" at Euromoney's 2009 Awards of Excellence, winning Global Finance Magazine's Best Emerging Market Bank in Turkey Award for each of the past five years and being named "Turkey's Best Local Bank" by EMEA Finance Magazine in 2009.

- ***Record of Innovation.*** Akbank has a strong track record of developing an innovative range of products and services, including innovative lending products and the ability to obtain a consumer loan by telephone (since 2005), on the internet (since 2006), via SMS or through a dedicated credit machine (since 2007) or via a standard ATM (since 2008). Akbank has also enhanced its distribution capabilities through developing a full-service call centre and embracing new technologies including developing mobile web and mobile branch applications since 2008. It has also expanded its investment product portfolio, including introducing Turkey's first mass market structured deposits and structured funds in 2007 as well as BRIC Fund in 2009.

Strategy

Akbank's corporate goals and strategy are closely aligned with its commitment to the development of the Turkish economy and the Turkish financial system by providing high-quality specialised banking products and services that are both innovative and comprehensive. Akbank's objective is to become the leading multi-specialist bank in Turkey. To achieve this objective, Akbank has identified the following strategic priorities.

- ***Focusing on Prudent and Sustainable Growth in Turkey.*** Akbank plans to continue to focus on the Turkish market where it has substantial local knowledge, enhancing its product and service offerings in the following ways:
  - *Grow Retail Loans and Mortgages.* Turkey's population has been growing at a rate of around 1% since 2000 and GDP has increased at a rate of 3.3% and inflation has averaged 19% over that period. As Turkey continues to develop, Akbank believes that consumer lending will become an increasingly important business for Akbank (although it has remained relatively stable for the past few years, with consumer loans accounting for 20.7% of the Bank's total loan book (compared to 20.58%, 19.4% and 21.8% as at 31 December 2009, 2008 and 2007, respectively). In addition, mortgages are a relatively new product in the Turkish market, having only been generally available within the last five years and representing only 5% of Turkey's GDP in 2009 (Source: BRSA). Management believes that Akbank will be able to attract new customers and increase its market share as a result of its large national network and strong brand, both of which will be promoted by its regional marketing teams. In addition, to support this growth, Akbank intends to continue to develop innovative products and services (similar to its recent application of the internet and mobile phone technologies to expand distribution channels for loans) and continue to emphasise service quality.
  - *Expand Branch Network.* Akbank intends to expand its branch network in Turkey in a manner consistent with ensuring that it is well-placed to benefit from the main areas of economic growth in Turkey, which is substantially concentrated in Istanbul. Currently, only 30.6% of Akbank's 870 domestic branches are located in the greater Istanbul area and Akbank intends to invest significantly to expand its presence in this area. In addition, in order to complement its Turkish franchise, Akbank intends to continue to increase the number of its representative offices in regions that have significant economic relationships with Turkey (such as the BRIC countries) to become a regional places in order to support the growth of its Turkish clients in these regions.

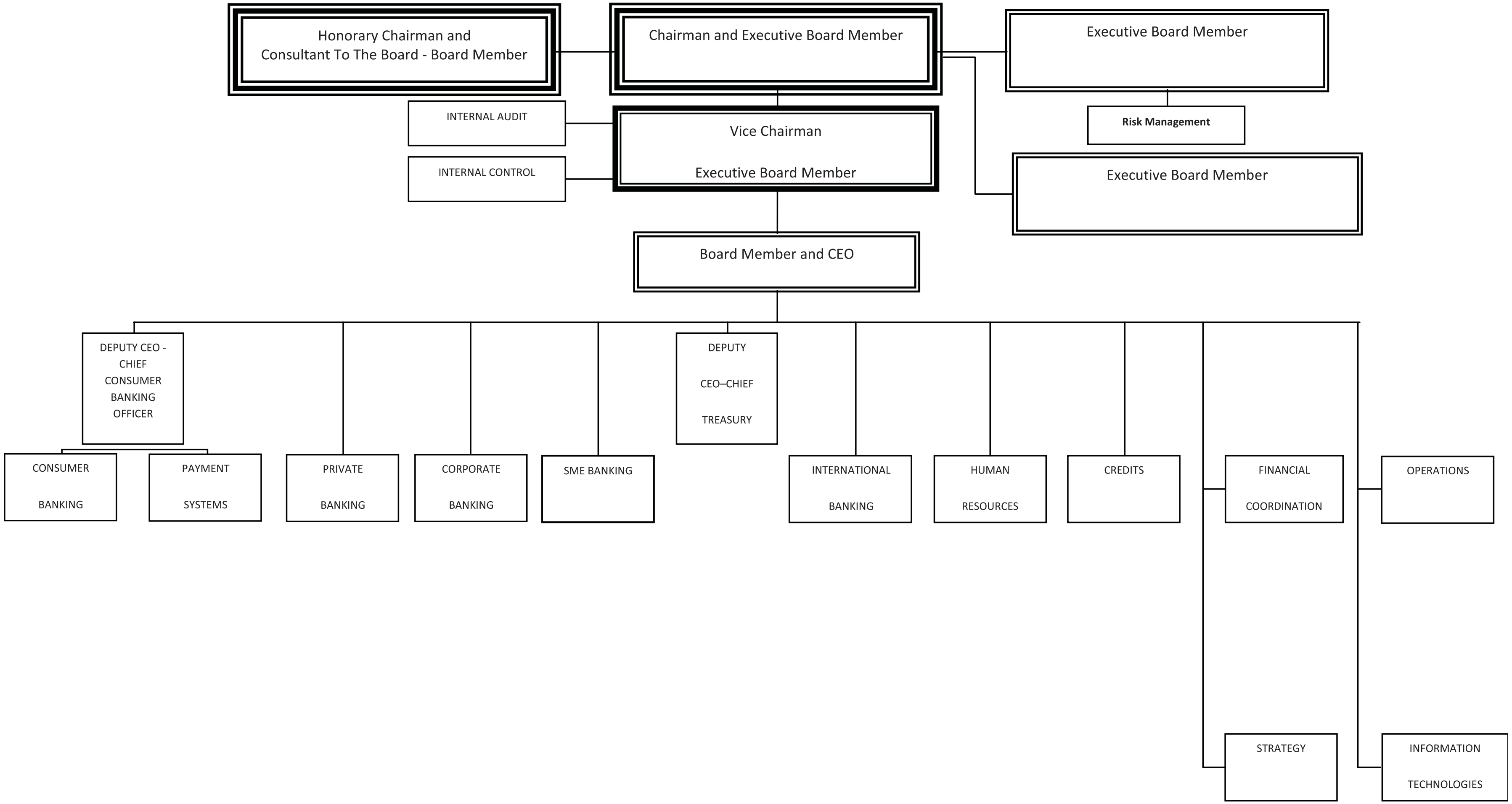
- *Increase New Deposits and Deposit Offerings.* Deposits in Turkey are primarily structured as short-term deposits, with terms of less than three months, which management believes is a result of high inflationary conditions in Turkey's recent history. However, with inflationary conditions having abated in recent years, Akbank's management believes that it will be able to profitably introduce new deposit products and gain market share from new customers as a result of its strong national branch network and brand. Examples of such products have included Akbank's new AUM products, including approximately 40 new asset management products, such as capital protected funds, as well as new monthly-fee account packages.
- *Develop Credit Card and Other Fee and Commission Income Businesses.* In line with the growing prosperity of the Turkish population, Akbank believes that Turkish retail customers are likely to use fee-based banking products more readily as the population becomes more familiar with such products. In particular, Akbank has focused on and expects to continue to focus on developing its credit card business, which has increased in absolute and relative terms over the period 2007-2009, from TL3.8 million to TL5.8 million. Akbank's market share in the credit card business has increased to 16% since 2008, supported by Akbank's partnerships with some of Turkey's leading retailers such as Boyner (with which it established an innovative co-branded "Fish" visa card that was based on continuous prize draws) and Carrefoursa (with which it established 19 credit express branches in existing Carrefoursa stores and introduced a co-branded "Axess" credit card).

- ***Continue to Focus on Commercial and Small Business Segments.*** During the global financial crisis, Akbank actively reduced its exposure to SME banking customers due to Akbank's view that such customers were particularly susceptible to adverse changes in the economy (with the aggregate amount and percentage of Small Business Banking loans decreasing from TL14.6 million as at 31 March 2009 to TL13 million as at 31 March 2010 (going from 32% of total loans to 28% over that period). However, as the Turkish economy begins to recover and given the increasing importance of the SME and commercial segments (those with annual revenues of between TL500,000 and TL85 million) to Turkey's developing economy, Akbank has re-focused its efforts on this segment. In early 2010, the Bank combined its Small Business and commercial banking activities into one segment to take advantage of synergies between these two segments and it restructured its branch network to extend specialised services from 44 to more than 180 branches and established 22 specialised commercial banking branches where account officers target commercial customers.
- ***Continue to Enhance Akbank's Operational Efficiency.*** Akbank has focused on improving its operational efficiency through its centralised operations centre located in Maslak, Istanbul which is in the process of relocating to Şekerpınar, İzmit. Operational functions have been concentrated and centralised in order for the branches to be dedicated service and marketing centres. The development of alternative delivery channels (such as internet banking, call centres and SMS banking) is currently an important focus for the Bank. This effort is designed to increase the efficiency of branches as well as to generate revenue through other customer centres. The Bank is enhancing the range of available delivery channels and alternative products in order to migrate more and more banking transactions away from traditional branches. As at 31 March 2010, approximately 3.6 million customers were actively using the Bank's alternative delivery channels, accounting for approximately 65% of the Bank's total consumer banking transactions. In addition, Akbank has taken steps to provide services to its corporate customers by providing them with specific contacts at the operations centre to monitor and manage the status of their transactions. This allows Akbank to gain the efficiency benefits of centralisation, while at the same time maintaining the ability to tailor its services to any particular customer's needs and improve the personal nature of its relationship with that customer.
- ***Continue to Upgrade IT Systems to Support Akbank's Growth.*** Akbank has initiated a complete overhaul of its IT infrastructure, which is expected to be completed by the end of 2010 in order to implement an integrated customer relationship management system, foster channel integration and support business intelligence systems with the objectives of being able to deploy new products at a faster rate and maximising cross-selling opportunities with its customers.

- ***Continue to Focus on Human Capital Recruitment and Development.*** Akbank believes that the quality of its staff is a key competitive advantage for the Bank and it has designed a comprehensive recruitment and training program. Targeting the best universities is the starting point for the new graduate recruitment process, followed by aptitude and personality tests, and competency based interviews. Recruitment for managerial positions is handled in cooperation with leading recruitment firms. Succession planning for the top management team (at the Vice President level) and the development programmes designed according to specific development needs of high potential managers are the key retention programs for top personnel, as well as the leadership mentoring programme applied within the company. In order to enhance its recruitment of top personnel and the brand value of the Bank, Akbank created the "Akbank Thinking Club" in 2008. The purpose of the club is to unite academically and socially successful young people under the brand and to create a platform for the exchange of opinions between Akbank's senior management and selected students from universities.

Organisational Structure

The following chart shows Akbank's organisational structure as at the date of this Offering Memorandum. Akbank's organisational structure consists of 13 Business Units. Each Business Unit is managed either by a deputy CEO or an Executive Vice President.



Distribution Network

Akbank has an extensive distribution network, consisting of traditional banking outlets, including branches, representative offices, ATMs, automated cash deposit machines, and point-of-sale credit and debit card terminals, and non-traditional distribution outlets such as home and office banking (through the use of the Internet, personal computers and screen-based telephones).

Other projects undertaken by Akbank to attract more customers to its branches include a branch renovation project. In line with this strategy, Akbank has also implemented a customer service representation system in each branch to further improve quality of service. The following table sets out Akbank's principal distribution outlets as at 31 May 2010:

	Total Number
Branches	870
Regional Offices	20
Foreign Representative and Branches	1
ATMs	2,689
BTMs	1,498
POS Terminals	260,000
Active Alternative Delivery Channels Customers (1)	3,564,703

Notes:

(1) Number of active customers using internet and telephone banking in March 2010. "Activation" refers to usage of these channels in a one month period.

Akbank's Business Segments

Retail Banking

The Retail Banking Unit is organised into Consumer Banking and Alternative Delivery Channels. Since the beginning of 2010, Small Business Banking has become part of the Corporate and SME Banking Unit. However, the business segment covering customers with less than TL500,000 in annual sales revenue (categorised by the Bank as "micro business customers"), which was part of Small Business Banking prior to 2010, remains part of the Retail Banking Unit and is now covered by Consumer Banking.

Consumer Banking

Consumer Banking's share of Akbank's overall business activity has remained fairly steady over the last three years. As at 31 March 2010, outstanding loans (including credit cards) to the consumer banking market represented 32.4% of Akbank's total loan portfolio (compared to 32.9%, 28.8% and 31.1% as at 31 December 2009, 2008 and 2007, respectively). On the deposit side, Akbank's consumer client base provides a significant portion of Akbank's activity, accounting for 51.3% of overall deposits and 46.8% of TL deposits as at 31 March 2010. As at 31 March 2010, Akbank had approximately 5.6 million individual customers. The Bank's market share of the highly competitive credit card business has increased from 14.5% in 2007 to 16% in 2009. This increase is in part due to new instalment plans that allow customers to pay down these cards in instalments, as well as use their cards for instant cash advances. By broadening the array of options available to credit card users, beyond what credit cards had traditionally been used for in Turkey, the Bank was able to accelerate its growth in terms of total sales volume and net receivables.

Akbank delivers its consumer banking products and services through its network of 815 retail branches. Akbank has centralised its operations so that back-office functions can be moved out of the branches, enabling Akbank's retail branches to focus on providing services and marketing products to retail customers.

Each retail branch consists of a branch manager and teams of two representatives, each being responsible for either a consumer or small business accounts portfolio. Through its profitability and performance measurement infrastructure, Akbank can generate statistics as to profitability and performance, differentiated according to product, customer, customer relations officer, and branch, which in turn supports Bank personnel in managing and monitoring individual customer relationships.

High Net Worth Customers

Akbank places particular emphasis on its high net worth customers (customers whose assets under management with Akbank exceed TL100,000 or who have a consumer credit volume greater than TL120,000), who account for 3% of the overall customer base of Akbank's retail business, by providing them with specialised banking products and enhanced relationship management services. Akbank recently set up a banking service model, named "One-to-One Banking" whereby dedicated relationship managers ("**RM**") provide tailored and specialised services to high net worth customers who have high asset portfolios and expect personal service for investment products. As at 31 March 2010, 215 One-to-One Banking RMs, in 183 branches, offered one-to-one services to 143,825 customers.

Youth Banking

Akbank has also focused on product development for Youth Banking. Such products include Youth Banking transactions conducted under the "exi26" brand and designed for the 16-26 age group and "campus cards" which combine the features of a university identification card and a debit card into one card for university students. Akbank aims to offer solutions to the financial and non-financial needs of Turkey's younger population. Under the exi26 brand, Akbank offers services and products custom-made for young people such as youth portals, university-specific smart cards, Axess exi26, Neo exi26, general-purpose loans and car loans to employed young people, as well as insurance products and services geared uniquely towards the youth market.

Micro-Businesses

In January 2010, the business segment of customers with less than TL500,000 of annual sales revenue (categorised by the Bank as "micro-business customers") was transferred from Small Business Banking to Consumer Banking. As at 31 March 2010, Akbank had approximately 251,406 micro customers. The micro business was formed so that commercial and personal banking services for the smallest level of business customers could be handled by the same division. By combining these activities, the Bank aimed to tailor product and service models more effectively to the precise needs of its different customer bases.

Retail Mortgages

The residential mortgage lending market is developing in Turkey, and Akbank's market share was 10.5% of the Turkish residential mortgage market at the end of March 2010 (according to BRSA). Akbank aims to increase its market share by being present at the point where customers buy their houses. Akbank was the first Turkish bank to start a strategic partnership with real estate agents. Akbank is extending mortgage loans to numerous residential construction projects and has started to invest in local projects in Anatolia. Akbank provides information and services about mortgage loans both in branches and through alternative delivery channels. Akbank's mortgage products and services are marketed under the "Big Red House" (Büyük Kırmızı Ev) brand. A mortgage dedicated website (www.buyukkirmiziev.com) and mortgage call centres serve as both information and application channel for Akbank's customers. As at 31 March 2010, Akbank had an aggregate amount of TL4.8 billion in outstanding mortgage loans, with an average term of 64 months and an average LTV of 65% (compared to TL4.6 billion, TL4.6 billion and TL4.0 billion as at 31 December 2009, 2008 and 2007, respectively).

Consumer Loans

In light of the growing demand for cars in Turkey, Akbank has concentrated its efforts on capturing a leading share of this market. Akbank has established key relationships with car manufacturers and distributors, which now cover over 40 brands and over 600 dealers. Akbank's share of this market, measured by the volume of loans outstanding, was estimated by management at 12.3% as at 31 March 2010.

Car loans have an average maturity of 36 months and an average LTV of 60% and amounted to TL499.0 million as at 31 March 2010, compared to TL555.0 million, TL1.1 billion and TL1.3 billion as at 31 December 2009, 2008 and 2007, respectively. Other general purpose consumer loans (excluding mortgages and car loans) have an average maturity of 34 months and amounted to TL4.6 billion as at 31 March 2010, compared to TL4.1 billion, TL3.9 billion and TL3.4 billion as at 31 December 2009, 2008 and 2007, respectively.

Credit Cards

Akbank considers credit cards as one of the most profitable consumer banking products and therefore a strategically important business. Credit cards products in Turkey have a "revolving" feature. With the advantage of cost of funding and the cash advance feature, which generates both commission and interest rate payments, credit cards generate profitability faster than other loan instruments, provided that the portfolio is properly managed in terms of cost of credit, NPL and other costs.

In recent years, the Bank has made important investments in the Bank's credit card business in terms of technology, human resources and marketing expertise. As a result of the Bank's investment, its credit card business accounted for 48.3% of the Bank's Retail Banking gross profit as at 31 March 2010, compared to 45.0%, 36.3% and 33.6% as at 31 December 2009, 2008 and 2007, respectively. The Bank's marketing of credit cards incorporating loyalty schemes has helped the Bank increase its market share over the last few years from 14.5% as at 31 December 2007 to 16.1% as at 31 March 2010.

The Axess card offers a loyalty schemes through which Akbank cardholders accrue points that are redeemable for products and services from participating vendors. As at 31 March 2010, Akbank had issued 9.2 million cards (4.6 million credit cards and 4.6 million debit cards), of which 4.6 million carry the Axess card label. Since introducing the Axess card label in November 2001, Akbank's share of the domestic credit card issuing business, based on the number of cards issued, has been fairly steady, from approximately 14.4% in 2007, down to 13.1% at the end of March 2010. The volume of outstanding credit card loans was TL5.9 billion as at 31 March 2010 (compared to TL5.8 billion, TL4.8 billion and TL3.9 billion as at 31 December 2009, 2008 and 2007, respectively).

In addition to issuing cards, Akbank has focused on the card voucher "acquiring" business, namely the reimbursement of merchants for charges they have accepted on credit or debit cards. For this purpose Akbank has invested extensively in POS machines, of which it now has over 205,000 installed with merchants throughout Turkey. Akbank's management estimates that Akbank has a 14.8% market share in the credit and debit card voucher acquiring business, and has fostered partnerships with most major retailers in order to build its card voucher acquiring volumes further (and to promote acceptance of Akbank's issued cards). Providing the card voucher acquiring service can be an important means of serving Akbank's commercial customer base and penetrating that market segment further.

As at 31 March 2010, Akbank had TL75.1 billion of retail customer assets under management ("**AUM**") (including time and demand deposits, t-bills, mutual funds, repos and stocks).

Alternative Delivery Channels

In addition to traditional branches, the Bank provides services to consumers through various alternative distribution channels and markets these services under the "Freedom Banking" label. Alternative delivery channels are currently an important focus for the Bank. The purpose of this effort is to increase the efficiency of branches as well as to generate revenue through new and current delivery channels. The Bank is enhancing the range of available delivery channels and alternative products in order to move more banking transactions away from traditional branches.

Akbank's alternative delivery channels include internet banking, telephone banking, voice-response systems, WAP banking, SMS banking, iPhone applications and banking kiosks. Akbank has also set up Freedom Banking areas in its retail branches with recently launched self-service non-cash ATMs and direct telephone banking lines for use by customers; from November 2003, all customers holding an Akbank debit card were automatically registered to use the Freedom Banking channels without completing an application. As at 31 March 2010, approximately 3.6 million customers (compared to 3.6 million, 3.3 million and 2.8 million as at 31 December 2009, 2008 and 2007, respectively) were actively using the Freedom Banking options, accounting for 54% of the Bank's total consumer banking transactions.

As at 31 March 2010, the Bank had 1,087 ATMs. The Bank has also established automated cash deposit machines known as "Beyond Teller Machines" or BTMs. The cash deposit option enables Akbank customers to make deposits 24 hours a day for immediate transfer to the customer's accounts. Currently, Akbank is extending the number of BTMs across its distribution network. With 1,498 BTMs in addition to its ATM coverage, Akbank has an 11% market share of the cash-in/cash-out machine network in Turkey (source: Turkish Bankers Association).

The total number of active telephone banking customers was 1.1 million as at 31 March 2010, with 27.4 million calls received between 1 January 2010 and 31 March 2010. The total number of active internet banking customers was 575,000 with around 27 million transactions per month. Akbank's internet site averaged 2.5 million visitors per month in the first quarter of 2010 with 8 million visits per month overall.

Corporate and SME Banking

Overview

The Corporate and SME Banking Unit encompasses two divisions: the Corporate Banking Division and the SME Banking Division. The Corporate Banking Division is responsible for customers with annual revenue in excess of TL85 million. The SME Banking Division covers those customers with the equivalent of between TL500,000 and TL85 million in annual revenue. In January 2010, in line with its strategy to focus on the SME segment, Akbank changed its customer segmentation and formed the SME Banking Division by merging the Commercial Banking Division and the Small Business Banking Division (previously, part of the Retail Banking Unit). The SME Banking Division comprises Commercial Banking, which deals with customers with an annual revenue of between TL10 million and TL85 million, and Small Business Banking which deals with customers with an annual revenue of between TL500,000 and TL10 million. The top ten customers for Corporate and SME Banking as at 31 March 2010 accounted for 11.6% of the Bank's total loan portfolio.

Corporate Banking

Overview

Akbank has more than 1,860 active corporate customers to which it offers a full range of products and services. Active customers are defined by the Bank as customers who currently use at least one product or service of the Bank. Akbank believes its competitive advantage is its long established relationships with its customers.

Akbank has seven corporate banking centres (dedicated branches for corporate customers): four in Istanbul and one in each of Ankara, İzmir and Adana. Each corporate banking centre consists of a branch manager and a number of relationship managers, depending on the complexity and density of the target market of the relevant corporate banking centre. The Corporate Banking Division at Akbank's head office monitors the activities of the corporate banking centres. A full range of products and services of the Akbank group is offered to corporate clients, in addition to conventional banking products and services, such as project finance, export/import finance, cash management, treasury and hedging services. Akbank Corporate Banking also has the advantage of being part of a full-service group and offers leasing, portfolio management, investment banking services, capital markets services and insurance services through synergies created with Akbank's subsidiaries. Within this framework, Akbank Corporate Banking manages its relationships through its branch coverage, while specialised services are offered by its centrally-located teams in the head office. In addition, thanks to its presence in Amsterdam, Frankfurt, Dubai and Malta, Akbank Corporate Banking has developed international commercial relationships with globally recognised, large multinational companies over the last few years, in order to differentiate its portfolio and take the first steps of its future growth into new markets.

Project Finance and Syndicated Loans

Since 1998, Akbank has been increasing its focus on the project, acquisition and real estate finance market in Turkey. Increases in domestic and foreign investments through privatisation and acquisition deals have fuelled the growth in this specialised loan market and the syndicated loan market. Akbank plans to increase its volume of project, acquisition, real estate finance loans and syndicated loans (collectively, "**Project Finance and Syndicated Loans**") as these products are typically high value-added products and offer cross-selling opportunities. Akbank extends these loans to a variety of sectors that include construction, transportation, telecommunications, energy and tourism. In addition, Corporate Banking monitors privatisation programmes closely and provides financing for large scale projects such as direct asset sales, transfers of companies' land use and development rights, share transfers, airport operation rights and hydroelectric power generation projects.

Akbank Corporate Banking believes that the Bank's risk exposure arising from this loan portfolio is reduced as the risks are being carefully measured, managed and backed up by strong collateral and control structures. As at 31 March 2010, Akbank's Project Finance and Syndicated Loans exposure under this category was TL7.6 billion (compared to TL6.9 billion, TL7.8 billion and TL4.3 billion as at 31 December 2009, 2008 and 2007, respectively). The compound annual growth rate ("**CAGR**") of Project Finance and Syndicated Loans in Dollar terms between the years 2007 and 2009 was 17%.

In addition to commercially oriented Project Finance and Syndicated Loans, Akbank has the ability to extend long-term ECA loans that are insured by international export credit agencies ("**ECA**").

Export/Import Finance

Akbank provides export/import companies with a variety of specialised loans, including foreign currency loans from its own sources as well as Eximbank loans. It also allocates the proceeds from syndicated loans raised in international markets to be used for financing exports. Other kinds of financial support, such as the Instalment-Based Export Credit, offer flexible reimbursements according to the specific needs of the different companies. Akbank's export factoring and forfeiting services are widely used by its corporate customers to facilitate their export operations.

Cash Management

Corporate Banking offers cash management services to its corporate customers in collaboration with the Transaction Banking Department. Closely monitoring developments in electronic banking and cash management and focusing on integration efforts with the corporate resources planning units of its customers, the Transaction Banking Department focuses on providing services to a broader array of corporate customers and developing solutions tailored to their needs. Conventional services offered include collection and payment products such as tax and social insurance ("**SSK**") premium collections, check clearing, collections for billing companies and collections from dealers and distributors with direct debit systems.

Treasury

Treasury services to corporate clients are offered in collaboration with the Treasury Marketing Division of the Treasury Unit. Treasury products offered include repos, mutual funds, bills, bonds and eurobonds to help companies utilise their idle funds more effectively.

Hedging

Hedging services to corporate customers are offered in collaboration with the Derivatives Division of the Treasury Unit. Akbank offers services in over-the-counter derivatives, organised derivatives and precious metal markets. Various products are developed to meet the needs of corporate customers by analysing their balance sheet risk and services are provided to help corporate customers manage their interest, term and currency risk.

Other services offered to corporate customers include leasing, portfolio management, investment services, capital markets services and insurance services through synergies with Akbank's subsidiaries.

Akbank's corporate loan balance, excluding Project Finance and Syndicated Loans was TL11.3 billion as at 31 March 2010 (compared to TL11.0 billion, TL12.3 billion and TL8.8 billion as at 31 December 2009, 2008 and 2007, respectively). The CAGR of corporate loans, excluding Project Finance and Syndicated Loans, in TL terms was 8% for the period between 2007 and 2009. Akbank's non-performing loans ratio for Corporate Banking has been 0% for the last three years, which management believes can be attributed to stringent selection criteria for corporate customers, a focus on lending to long term customers and strict risk monitoring. Akbank's Corporate Banking's total cash risk exposure, including the Project Finance and Syndicated Loans portfolio was TL18.9 billion as at 31 March 2010 (compared to TL17.9 billion, TL20.1 billion and TL13.1 billion as at 31 December 2009, 2008 and 2007, respectively). The 20 largest corporate customers accounted for 17.6% of the Bank's total loan portfolio as at 31 March 2010.

As at 31 March 2010, the Bank had approximately 1,860 corporate banking customers with at least TL80 million in gross sales per year.

Loans to corporate customers accounted for 39.2% of the Bank's total loan portfolio as at 31 March 2010 (compared to 39.4%, 40.3% and 32.4% as at 31 December 2009, 2008 and 2007, respectively).

SME Banking

The SME Banking Unit comprises Commercial Banking and Small Business Banking.

Commercial Banking

Commercial Banking offers financial solutions and banking services to medium-sized corporate customers, including hedging products such as interest rate swaps and cross-currency derivatives, export financing as well as working capital loans (which are based on length of relationship and financial capability). Through its customer relations and risk management programmes, Commercial Banking was able to minimise the effects of the global banking crisis in 2009, both for its customers and for the Bank. When pricing loans, Commercial Banking started using the "Risk Adjusted Pricing" infrastructure (a system adopted across various business segments of the Bank in 2009) which uses the Bank's internal rating system and the indemnity structure of the relevant loan. Akbank believes that this approach provides improved pricing on a client-by-client basis as it takes into account the credibility of the customer and the provided collateral. In addition, in order to improve customer data, Commercial Banking started applying the "Altman Z Score Model" which evaluates the financial status of the relevant customer and projects if such customer could face a severe financial downturn or a bankruptcy within the next two years.

The Commercial Banking branch organisation is administered by Akbank's head office and 20 regional head offices. Today, Akbank has 22 fully dedicated commercial banking branches which provide services to businesses with a minimum turnover of TL10 million. These branches are generally located in the developed regions of Turkey where there is high commercial activity and they report to Akbank's head office directly. There are another 162 branches where both commercial and SME customer relationship managers are located, in order to provide a better service to SMEs. These branches are located in 62 cities and report to Akbank's head office via regional head offices.

Account managers at the commercial banking branches are each assigned a portfolio of approximately 60 commercial customers. Account managers have more detailed specialised knowledge of commercial products and services than managers in Akbank's retail branches and offer additional expertise, particularly in the areas of export/import financing and foreign trade. Akbank's aim is to capture a greater share of the amount spent by each of its commercial customers on commercial banking through the further development of its product offerings to commercial customers and to increase its market share and number of customers in the long term.

Akbank's management believes that the diversity of its commercial products is a competitive advantage. Akbank offers a wide range of loan options to its commercial customers to meet their investment financing needs and to increase their competitiveness in local and foreign markets. The Bank provides its commercial customers with the same or similar products and services as are provided to its larger corporate customers. These products include specialised export-related loans, such as instalment-based export loans, loans for cash-against goods transactions, discounting of export receivables, export loans against letters of credit, factoring and forfeiting services.

Akbank also offers tailored solutions for commercial customers, including machinery and equipment financing, raw material procurement loans, truck fleet loans and tourism loans. The common characteristics of these loans are fixed interest rates, repayment in equal instalments, and relatively long-term financing periods (up to 36 months). Additionally, Akbank offers various commercial financing models to accommodate its customers' unique financial structures. For example, instead of providing loans directly to a customer, the Bank may provide loans directly to a customer's potential buyers, thereby increasing both the Bank's customer base and the volume of its loans.

Akbank's management aims to retain its existing customers and maintain a loyal customer base through the effective use of customer relationship management programmes, thorough monitoring of business generated, and devoting sufficient resources such as through a steady increase in the number of account managers. As at 31 March 2010, Akbank had 383 Commercial Banking account managers, compared to 233, 270 and 230 as at 31 December 2009, 2008 and 2007, respectively.

An increase in loan costs and a high volatility of exchange rates due to the recent global financial crisis have affected the Turkish economy and the Turkish loan market. As the demand for short-term working capital loans increased during 2008 and 2009 and the demand for long-term investment loans decreased, Akbank managed to respond to its customers' changing demands by offering its customers low cost loans funded by the International Finance Corporation ("**IFC**"), the European Investment Bank ("**EIB**"), KfW Bankengruppe ("**KFW**"), Proparco (*Promotion et Participation pour la Coopération Economique*, a French development agency) ("**Proparco**") and the European Bank for Reconstruction and Development ("**EBRD**").

The funding initiative with EBRD is focused on financing private sector sustainable energy. Financing is provided for energy efficiency projects such as industrial energy efficiency, thermal rehabilitation of buildings and small scale renewable investments in geothermal, solar, biomass and biogas energy. Loans funded by EBRD and EIB are designed for general SME lending purposes. Loans funded by IFC and KfW are also designed for general SME lending purposes but with a geographic focus, with 75% of the IFC funding being used to finance loans in regions outside the three main urban centres of Turkey (Istanbul, Ankara and Izmir) and KfW funding being focused on specific rural parts of Turkey and in particular the south-east region.

These loans have helped Akbank to keep its interest rates at a reasonable level. At the same time, Akbank has managed to keep a fairly low non-performing loans ratio throughout this period thanks to an advanced risk management system. See "Risk Management".

Commercial Banking's and Small Business Banking's prudent, risk-based approach to loan pricing allowed the division to expand its client portfolio whilst maintaining a low non-performing loan ratio for SME loans of 4.0% as at 31 March 2010 (compared to 5.5%, 3.1% and 3.2% as at 31 December 2009, 2008 and 2007, respectively).

Small Business Banking

Small businesses are classified as those with an annual revenue of between TL500,000 and TL10 million.

As at 31 March 2010, Akbank had approximately 94,443 small business customers, and of this total approximately 84,221 small business customers have established credit lines with Akbank.

As at 31 March 2010, Akbank had a total of approximately 721 relationship managers for small business banking.

Akbank provides customised products to its small business banking customers and these are tailored to their particular industry sector. Small Business Banking offers customised banking packages consisting of banking transactions for customers from different segments, sectors and regions, such as Tourism, Pharmacy, Food Wholesaler, Construction Contracting, Franchise, Stationery and Transport Sector support packages. These packages contain various products and services including, but not limited to, cash and non-cash loans, cheque books, POS devices for credit card transactions, salary payments, tax and social insurance payments, bill payments, automatic payment/collection systems, company credit cards, treasury bills, mutual funds and foreign trade transactions. For example, Akbank offers a tourism-linked product which links repayments to seasonal cashflows, as well as offering, among other products, special rates for credit card transactions (due to the large volume of tourism related payments made by credit card).

Loans are priced in accordance with the risk profiles of individual customers. In 2009, the loan pricing process was automated and a Risk Adjusted Pricing Model was adopted. As part of this model, creditworthiness and previous behaviour of customers were analysed and reflected in the calculation of credit scores, and loan pricing for each customer is based on this analysis. As the introduction of this model is relatively recent and as the economic situation has improved in 2010 compared to the two previous years, it is difficult at this stage to determine how (if at all) this model has contributed to the decrease in NPL ratios for this business segment. For more details, see "Risk Management".

In 2009, funding totalling €20 million was secured by Akbank from KfW under the SELP II loan program to finance SMEs in priority development provinces. The primary goal of this credit facility is to create employment. The credit is extended to small businesses that are located in priority development provinces such as Sınop and Tuncelı and meet the SELP II criteria. In addition, Akbank worked in cooperation with the Small and Medium-Sized Industry Development Organisation (KOSGEB), a semi-governmental institution affiliated to the Ministry of Industry and Trade of the Turkish Republic, on three models in order to increase the effectiveness and enhance the competitiveness of small and medium-sized firms. The first model provides interest-subsidised funding support up to TL25,000 for small and medium size firms and TL30,000 for female entrepreneurs. The second model offers interest-subsidised financing for machinery and equipment in the provinces that fall within the scope of the Southeast Anatolia Project (GAP). Small and medium-sized firms that meet the initial criteria for this loan can borrow up to TL300,000 with a maturity of 36 months. The last model in the KOSGEB protocol is designed to meet loan demands of up to TL100,000 for small and medium-sized firms that have been harmed by natural disasters in Turkey, with priority given for flood relief.

Treasury

Akbank's Treasury is based at Akbank's head office and provides central fund management services to all branches of Akbank. Treasury consists of the Assets and Liabilities and Fixed Income Securities Management Division, the Treasury Marketing Division, the Liquidity Management Division, the Derivative Products Division, the Trading Division and the Capital Markets Transactions Division. Akbank is active in both primary and secondary markets. Akbank's Treasury function engages in limited proprietary trading according to comprehensive limits on the product types and the notional daily value of risk that the Board sets for such trading.

Assets and Liabilities and Fixed Income Securities Management Division

The Assets and Liabilities and Fixed Income Securities Management Division focuses on managing the fixed income portfolio of the Bank according to interest rate risks and other limits by the Board. The Division increased its fixed income securities portfolio in 2009 by 67% to TL45.1 million, from TL26.9 million in 2008.

The Division engages in high volume transactions executed via the Istanbul Stock Exchange, over-the-counter markets, brokers and electronic trading channels. The Bank offers quotations to its retail and corporate customers through network channels along with product diversity in securities trading through its branches. In addition, online services are provided, such as internet banking, daily purchasing and selling of Turkish Eurobonds or Turkish sovereign debt securities to the Bank's retail and corporate customers through the Bloomberg platform and acrobat system (internationally and locally).

Treasury Marketing Division

The Treasury Marketing Division markets products produced by the Trading Division to corporate, commercial, and consumer banking customers. These products include spot and forward foreign currency transactions, fixed-income products, derivatives, Turkish Lira and foreign currency deposits, and repos. Competitive foreign currency pricing, in particular, has contributed to the steady rise in Akbank's market share in foreign trade business. Turkish government bills and bonds denominated in Turkish Lira account for a significant portion of the fixed income transactions. Most customer-related derivatives business includes foreign currency forwards, foreign currency options-based products (such as plain vanilla options, collars, and binary options), interest rate swaps, and currency swaps. The Treasury Marketing Division plays a central role in the pricing of both domestic and foreign large-volume currency time deposits. It also offers its customers yield-enhancing products such as dual currency deposits.

In addition to providing customers with regular updates on market movements and trends, the Treasury Marketing Division staff regularly visit current and potential customers in order to develop existing relationships and to acquire new customers. It believes that it offers its customers rapid transaction execution and competitive pricing. In recent years, its investment in technological infrastructure has allowed it to improve service quality.

Liquidity Management Division

The Liquidity Management Division manages the short-term and long-term foreign currency and Turkish Lira liquidity of the Bank. The Division engages in foreign currency and Turkish Lira borrowings through money market transactions, channels idle funds into investments and manages the Bank's funds, utilising various tools such as FX swaps and forwards.

The Division provides FX/TL quotations in the interbank market and engages in FX and Turkish Lira trading. In order to enhance service for Akbank's customers, the Division also publishes repo rates to Akbank's extensive branch network and other distribution channels such as internet banking and phone banking.

Derivative Products Division

The Derivative Products Division develops various products to meet the needs of corporate/commercial, consumer and private banking customers with a customer oriented approach and operates in the rapidly growing over-the-counter derivatives, organised derivatives and precious metals markets. The Derivatives Products Division analyses corporate/commercial customers' balance sheet risk and helps manage their interest, term and currency risk. The Division generates the risk/return profiles for private banking customers and, in accordance with these profiles, offers return enhancing products, such as dual currency deposits and loans, exotic options for generating further income along with predefined risks; it also develops hedging products for risk-averse investors such as zero cost option strategies and interest rate derivatives.

The Derivative Products Division aims to provide attractive pricing for customers in the fastest possible way, to further boost trading volume and to develop the foreign exchange options portfolio of the Bank. Provision of return-enhancing products offered to customers not only helps the Bank broaden its deposit base, but also offers alternatives for those wishing to obtain a higher return than the interest rate on deposits. The Division has completed infrastructure work for commodity and securities options and has developed products to offer to its customers to reflect its growing derivatives capabilities.

The Derivative Products Division provides brokerage services to domestic and foreign investors on the Turkish Derivatives Exchange ("**TurkDEX**") via organised derivatives market transactions. The Division also enhances market liquidity by taking positions in foreign exchange contracts on behalf of the Bank's portfolio in domestic and overseas markets. Akbank is in the short list of candidates TurkDEX is considering for the market-maker system that it plans to launch in its currency contracts. The Division also plans to launch brokerage services for overseas derivatives markets.

All the trades that are executed are entered into the internal system for immediate limit checking on volume, tenor and related parameters such as delta and gamma notionals to be approved by the middle office. Open positions and stop-loss levels are monitored daily on a mark-to-market basis and are reported regularly to upper management.

Trading Division

The Trading Division's function is to provide competitive pricing through all channels of the Bank for the products the Division is responsible for. The product range includes G-20 currency spot and forward, domestic and international bills and bonds, cross-currency and interest rate swaps and hard commodities. Relevant market information is gathered live in the prior instruments during the day and used to trade and feed the relevant channels of the Bank.

In domestic bills and bonds and in TL (local currency) pricing, liquidity and information services are provided to international banks in order to market-make the instruments more efficiently and to create counterflow to the local banks for the purpose of competitive pricing.

Propriety positions are taken in all of the listed instruments to meet the profit targets, to gather information and to create adverse liquidity.

Capital Markets Transactions Division

The Capital Markets Unit acts as an intermediary on the stock market on behalf of retail, private banking and corporate customers. The Capital Markets Unit's objective is to establish and develop the appropriate service model to increase the Bank's market share of equity and derivatives products. For this purpose, the Capital Markets Unit sets the strategies and goals for existing products while also engaging in product development efforts. Other responsibilities of the Capital Markets Unit include facilitating coordination between related business units and managing relations with external capital markets entities such as AKSecurities, the Capital Markets Board of Turkey ("**CMB**"), the ISE and the Central Registry Agency.

Private Banking

Akbank's Private Banking Unit was established in March 2001 to provide exclusive and customised banking and investment services for high net worth individuals. The minimum account-opening limit is TL500,000 of assets under management with Akbank for private banking customers. Akbank provides its private banking services through its nine dedicated branches (in the Etiler, Nişantaşı, Suadiye, Bakırköy and Kozyatağı districts of Istanbul as well as in Ankara, Izmir, Bursa and Adana) and the Unit is separated into a Marketing Group and an Investment Group. The Investment Group produces investment ideas, delivers new products designed in partnership with Akbank Treasury or Ak Asset Management and provides trade execution solutions to the Marketing Group. The Investment Group provides its clients with various financial and investment products and services both in local and international markets through customer relationship managers. Each customer relationship manager has a portfolio of up to 20 customers and, consequently, has the ability to provide high quality and effective service to each customer.

As at 31 March 2010, the total value of assets under the management of the Private Banking Unit amounted to approximately TL230 million, compared to TL246.0 million, TL348.0 million and TL85.0 million as at 31 December 2009, 2008 and 2007, respectively.

International Banking

Akbank's International Banking Unit manages the international fund raising activities of the Bank, as well as the Bank's correspondent banking relationships, and sets credit limits and risk management policies for financial institutions. The Foreign Borrowings Group arranges the Bank's cross-border financing transactions and the Financial Institutions Marketing Division manages the Bank's correspondent banking relationships and is responsible for short term fund raising activities, including syndications. Akbank's international borrowing activities are aimed at obtaining long-term funding at competitive rates by using different borrowing instruments and diversifying sources of funding by reaching new investors. The cost advantage is then transferred to Akbank's customer base. The Limit and Risk Management Division is responsible for establishing and monitoring credit lines and risks for financial institutions relating to their customers' trade finance business and their daily treasury activities. All syndicated loans, multilateral loans and remittance-backed financing undertaken by the Bank requires the approval of the Board of Directors.

In November 1999, the Bank raised US$400 million through its foreign currency denominated present and future remittances (worker remittances, cash against goods, cash against documents, letters of credits, cheque remittances and other third party payment orders). A further US$3.6 billion was raised between 2000 and December 2009. As at 31 March 2010, the outstanding amount was US$1.8 billion. The purpose of this transaction was for the Bank to obtain long-term funding at competitive cost and improve its investor base. The final maturity date for this financing is in June 2018.

In December 2005, the Bank raised US$500 million through its foreign currency denominated present and future remittances from credit card payment associations. As at 31 March 2010, the outstanding amount was US$297 million. The purpose of this transaction was for the Bank to obtain long-term funding at competitive cost and improve its investor base. The final maturity date for this financing is in October 2013.

The International Banking Unit manages the Bank's correspondent banking relations, which are essential to the Bank's processing of cross-border payments to its customers and other payees in Turkey. The Unit provides support to customers in their foreign trade transactions and investment projects in the form of letters of credit, letters of guarantee and promissory notes with its comprehensive network of international correspondent banking spanning 116 countries and long-standing correspondent banking relationship, and provides long-term financing through export credit agencies. On 25 June 2009, Akbank signed a framework agreement with the Export Credit Bank of China for a loan facility of US$100 million to be used for financing trade transactions with the People's Republic of China. On 20 August 2009, Akbank also secured the largest syndicated loan in the emerging markets in 2009 with the participation of 48 leading banks from 19 countries and consisting of two tranches, US$312 million and €681.5 million, for a total of €900 million, with a maturity of one year and an all-in cost of Libor + 2.5% and Euribor + 2.5%, respectively. At maturity, Akbank is aiming to review this facility at reduced cost. Akbank believes it will be able to obtain new short-term loans from its relationship banks when current short-term loans mature.

In 2008, Akbank signed a loan agreement with Proparco for €50 million to support the Turkish SME sector. Akbank also signed two separate loan agreements with KfW. The first agreement was for €77 million to support Turkish SMEs and the other for €20 million to provide finance to Turkish small and micro businesses and entrepreneurs.

In 2009, Akbank signed two separate loan agreements with EIB for €100 million and €150 million, with maturities of eight and seven years, respectively. As a result, the total funding Akbank has secured from EIB since 2007 reached €650 million.

In 2010 Akbank also signed separate loan agreements, one for US$75 million with IFC and the other for US$60 million with EBRD.

These facilities allow Akbank to provide low-cost loans to small and medium-sized firms. The agreement for these loans includes provisions on economic growth, social welfare and environmental protection consistent with Akbank's corporate social responsibility policies.

In March 2010, the Bank signed a syndicated loan for US$1.2 billion, bringing the total funds raised by the Bank in the syndicated loan market since August 2009 to US$2.5 billion. This loan has a maturity of one year. It includes the participation of 55 banks from 21 countries and consists of two tranches of €584.5 million and US$437.5 million and an all-in cost of Euribor + 1.5% and Libor + 1.5%, respectively. At maturity, Akbank is aiming to review this facility at reduced cost. Akbank believes it will be able to obtain new short-term loans from its relationship banks when the current short-term loans mature.

Akbank aims to roll over its syndicated loans in the future on terms to be determined by the Board of Directors.

As part of the Bank's international business development strategy, Akbank (Dubai) Limited, a wholly-owned subsidiary of Akbank T.A.Ş., was established in 2009 at the United Arab Emirates Dubai International Financial Center ("**DIFC**"). The banking license was obtained on 8 November 2009 from the Dubai Financial Services Authority ("**DFSA**"), the agency responsible for regulating and overseeing financial services at the DIFC. Based on this license, Akbank (Dubai) Limited is planning to undertake advisory services for financial products as well as brokerage services for credit and investment products and custody transactions. Through services such as intermediating in mergers and acquisitions, managing IPOs and dual listing of Turkish companies, selling Turkish equities and bonds, acting as placement agent or arranger for funds, raising debt for financing long and medium term projects in Turkey and providing private banking services in the GCC by using its expertise and knowledge, Akbank aims to expand its customer base in the region.

Capital Markets and Non-Banking Financial Activities

Akbank conducts its non-banking financial activities through its subsidiaries, namely AKSecurities, AKAssetManagement, AKInvestment Trust and AKLease. Product and service offerings of these subsidiaries are also marketed through Akbank branches.

AKSecurities

Founded in 1996 to provide brokerage services for capital markets, AKSecurities is a 99.8%-owned subsidiary of Akbank. At the end of 2009, all domestic custody accounts, together with all assets of investors of AKSecurities were transferred to Akbank. As at 1 January 2010, AKSecurities had transferred more than 200,000 domestic customer accounts to Akbank. The purpose of the transfer was primarily to improve cost efficiency by serving these customers using Akbank's existing infrastructure and create additional synergy by marketing other products of Akbank to these customers.

Domestic retail customers perform their transactions through Akbank's Private Banking branches, Akbank Capital Markets Unit and at more than 800 Akbank branches. In addition, customers have remote access for capital markets transactions on the internet 24 hours a day (www.akbank.com).

Through its International Institutional Sales Division, AKSecurities offers foreign institutional customers brokerage services for Turkish capital markets products.

With its team of experts, the Corporate Finance Department provides advisory services to domestic and foreign companies for public offerings, mergers and acquisitions and financial partnerships, as well as active advisory services on the buy-side or the sell-side in privatisation deals.

AKAssetManagement

Established in 2000 to provide asset management services for capital markets to institutional and individual investors, AKAssetManagement is a 99.99% owned subsidiary of Akbank.

As at 31 March 2010, AKAssetManagement handled the assets of 41 portfolios for three issuers, 19 mutual funds for Akbank, one mutual fund for AKSecurities, 18 funds for AvivaSA Pension, two funds for Akbank SICAV as well as the AKInvestment Trust. AKAssetManagement also provides discretionary asset management services for large individual investors as well as large institutional investors, tailored to their financial expectations and risk profiles. Total AUM increased from TL6.2 billion as at 31 December 2009 to TL6.8 billion as at 31 March 2010. Total AUM increased from TL4.6 billion as at 31 December 2007 to TL5.0 billion as at 31 December 2008 and increased from TL5.0 billion as at 31 December 2008 to TL6.3 billion as at 31 December 2009.

As at 31 March 2010, AKAssetManagement was Turkey's fourth largest mutual fund management company in terms of AUM according to the CMB. Total AUM of mutual fund portfolios managed by AKAssetManagement amounted to TL3.7 billion as at 31 March 2010 (compared to TL3.8 billion, TL3.4 billion and TL3.4 billion as at 31 December 2009, 2008 and 2007, respectively), representing a market share of 13%.

AKAssetManagement is the leader in terms of AUM in the Turkish pension investment fund management sector according to the CMB. Total AUM of the pension investment fund portfolios managed by AKAssetManagement amounted to TL2.1 billion as at 31 March 2010 (compared to TL2.0 billion, TL1.4 billion and TL1.1 billion as at 31 December 2009, 2008 and 2007, respectively), representing a market share of 22%.

Total AUM in the discretionary portfolio management business line amounted to TL930.6 million as at 31 March 2010 (compared to TL528.0 million, TL222.4 million and TL71.8 million as at 31 December 2009, 2008 and 2007, respectively), representing a segment market share of 24% (source: CMB).

AKAssetManagement aims to be a leader and pioneer in the Turkish asset management market through innovative product design such as the gold and precious metal investment fund and the capital protected funds issued by Akbank T.A.Ş. and managed by AKAssetManagement.

AKInvestment

Founded in 1998 to manage a portfolio of capital markets instruments in the domestic and international markets within the framework of the Capital Markets Law and Capital Markets Communiqués, AKInvestment is a 70.04% owned subsidiary of Akbank. As at 31 March 2010, AKInvestment ranked sixth and third, in terms of issued capital and AUM, respectively, among 27 investment trusts in Turkey. As at 31 December 2009, AKInvestment had a 7.5% market share (source: ISE) and had achieved a return of 37.5% over the period from 1 January 2009 to 31 December 2009.

AKLease

A 99.99% owned Akbank subsidiary founded in 1988, AKLease provides leasing solutions for goods and equipment investments for companies. AKLease's services cover all of Turkey through AKLease's 12 branches.

As part of its risk management approach, AKLease generally works with reputable businesses in various sectors and segments and, in generating new business, AKLease has been focusing on the energy, infrastructure, health, commercial real estate, education and logistics sectors to achieve a good level of diversity. This, together with a focus on risk management, has enabled AKLease to maintain a low NPL ratio which, as at 31 December 2009, was almost one third of the average NPL ratio throughout the Turkish leasing industry. AKLease's NPL ratio was 4.2% as at 31 March 2010 and 4.2%, 4.3% and 2.2% as at 31 December 2009, 2008 and 2007, respectively, compared to the Turkish industry's average NPL ratio of 13%, 12.2%, 6.4% and 3.7% as at the same dates.

As at 31 December 2009, AKLease ranked third in the sector in terms of gross transaction volume according to FIDER, the Turkish Leasing Association. AKLease's net lease receivables were TL945.0 million as at 31 March 2010 (compared to TL965.9 million, TL904.8 million and TL652.3 million as at 31 December 2009, 2008 and 2007, respectively).

In terms of net lease receivables, AKLease's rank in the Turkish leasing industry has been raised from the seventh position in 2008 to the fourth in 2009. AKLease's market share of the Turkish leasing industry increased from 5.7% in 2007, 6.5% in 2008 and 8.9% in 2009 to 9.3% in March 2010 (source: FIDER – Turkish Leasing Association).

AKLease constantly works on developing new products to meet its customers' needs as well as offering financial models tailored to the unique characteristics of each customer. For instance, in greenfield energy projects, AKLease provides grace period arrangements covering the construction and installation period.

AKLease has also extended its activities to the aviation industry, a niche area for leasing as in many other industries, and has generated the highest volume of transactions in the sector, both in 2008 and in 2009 (source: FIDER – Turkish Leasing Association). AKLease's leasing business in the aviation industry covers both new and second-hand aircraft leasing. AKLease intends to continue to be actively involved in the investments of those SME, commercial and corporate segment customers which make significant contributions to Turkey's economic growth.

Other Business Units

Overview

Akbank's other business units are Information Technologies, the HR and Support Unit, the Operations Unit, the Financial Coordination Unit, the Payment Systems Unit and the Strategy Unit.

Information Technologies

Akbank's Information Technologies Unit is divided into four divisions dealing with project management, application development, operations and technical support and hardware maintenance. Due to the Bank's "Technology Transformation Programme" (which is being developed to enable sales orientation in all banking systems), growth in ATMs and POS machines and the Bank's commitment to provide newly available technology to customers for the use of its products and services, IT has become a significant investment for Akbank. Overall expenditure on IT, including infrastructure as well as software projects and new distribution channels, amounted to TL86.5 million for the first three months of 2010 (compared to TL33.7 million for the same period last year) and TL94.7 million for the twelve month period ended 31 December 2009 (compared to TL107.4 million and TL78.6 million in 2008 and 2007, respectively). The figure budgeted for 2010 is approximately TL232.8 million.

Akbank's IT production environment, which is located in Istanbul, is supported by a disaster recovery system in the disaster recovery centre managed by IBM, located in Izmir, approximately 400 km from İstanbul. In a disaster recovery situation, the disaster recovery system would serve as the Bank's production system, using the latest available data through digital lines. System tests and banking application tests at the disaster recovery centre are carried out twice a year. There has been no reported attack to the main system (including identity theft) in the last three years.

Akbank's IT projects are designed to improve customer service by integrating the branch network with the central IT processes and by making the Bank's services and products conveniently available to its customers through means such as ATMs, internet banking technology, the call centre, interactive voice-response system, WAP and mobile banking, and kiosks.

Akbank has been ISO 9001:2000 certified since 1999 and has complied with the Control Objectives for Information and related Technology ("**COBIT**") set of best practices for information technology, a bi-annual BRSA requirement since 2006. The Bank's COBIT assessment for the years 2006 up to 2010 was carried out by PricewaterhouseCoopers. The Bank's COBIT assessment for the years 2010 to 2012 is being carried out by Ernst & Young.

HR and Support Unit

The HR and Support Unit consists of (i) five divisions: the HR and Organisation Division, the Personnel and Internal Services Division, the Legal Advisory Division, the Non-Performing Loans Follow-Up Division and the Procurement Division; and (ii) two groups, the Architecture Office and the Office of the Board of Directors. These divisions and groups handle the Bank's human resources, own purchasing, architectural functions such as branch design and remodelling, on-site security and other support functions.

Operations Unit

The Operations Unit consists of five separate divisions: the Branch Operations Division, the Call Centre Division, the Treasury and Capital Markets Operation Division, the Credit Card Operations Division and the Quality and Process Management Division. Akbank has undertaken a process of centralising its major operations functions. The rationale behind this process is to allow branches to run more efficiently and at lower cost and to focus on providing relationship management services by moving routine operations away from the branches. Centralised operations are located in three buildings in the Maslak district of Istanbul, which will soon be relocated to Şekerpınar, İzmit.

Financial Coordination Unit

The Financial Coordination Unit is divided into the Financial Coordination and International Reporting Division, the Budgeting and Management Reporting Division and the Investor Relations Division. The Financial Coordination Unit is mainly responsible for the preparation of statutory financial statements as well as reports to regulatory authorities, coordination of the Bank's financial accounting process, budget preparation, various management reports, coordination of relations with investors, analysts and rating agencies.

Payment Systems Unit

The Payment Systems Unit comprises the Debit and Credit Cards Division and the Merchant Relations Division.

The Debit and Credit Cards Division is in charge of managing the current card portfolio, improving the existing products and creating new products and/or product features. The Merchant Relations Division is responsible for the acquisition and relationship management of both key accounts and merchants.

Strategy Unit

The Strategy Unit consists of three separate divisions: the Strategy Division, the Product and Channel Development Division and the Customer Relationship Management Division (the "**CRM Division**").

Strategy Division

The Strategy Division comprises the Strategy Group and the Project Planning and Execution Group.

The Strategy Group manages the Bank's annual strategic planning cycle that starts in July and ends in January and involves all relevant parties and top management during the process as necessary. Outputs of the cycle include strategic priorities of the Bank and strategic initiatives to be implemented. Macroeconomic scenarios for the following year are set out by the Economic Research

Group in July and August and are presented at the September Annual Strategy Meeting. At the September Annual Strategy Meeting, workshops and directed discussions on the following year's priorities and targets take place. In mid-October, the Board of Directors signs off the results of the September Annual Strategy Meeting and provides any relevant feedback on points such as highlights of the following year's strategy and mid-term vision and list of strategic initiatives. Meanwhile, the Financial Coordination Business Unit, together with all relevant business units and top management, prepares the budget in line with the strategies identified. Also, the Strategy Group, the Channel Development Division, the Alternative Distribution Channels Division and all other relevant parties set out the distribution channel expansion strategies for the next three years and detailed plans for the following year. These measures are then translated into strategy maps and corporate scorecards which are approved by the Board of Directors in December. The global strategy for the Bank is then disseminated throughout the Bank in January. The Strategy Group also acts as an internal management consulting group and carries out consulting projects for the Bank's top management and all business units.

The Project Planning and Execution Group manages strategic initiatives that are identified as a result of the annual strategic planning cycle throughout the year. The Group is responsible for the planning, management and execution of the strategic projects. The Group organises workshops with the business units to set each project's scope, milestones and key performance indicators and to create a project plan. Through a project's lifecycle, the Group monitors and facilitates the implementation of project plans and reports progress to top management regularly. It also ensures that management consulting projects are executed in accordance with project contracts.

Product and Channel Development Division

The Product and Channel Development Division comprises the Channel Development Group and the Product Development Group.

The Channel Development Group is responsible for developing and overseeing expansion strategies for physical distribution channels (branches and ATMs) of the Bank. In the fourth quarter of each year, three-year branch and ATM expansion plans and high level investment budgets are determined based on three-year market forecasts, branch/ATM number market share targets and the strategic priorities of the Bank. City-by-city market share analyses of the Bank relative to the leading competitors are made in order to identify those cities where there is further expansion potential. More advanced studies, such as field visits, competition mapping, residential and industrial developments within the relevant city, are made for those target cities identified in the city-by-city market share analyses. More detailed city-by-city annual expansion plans and the related investment budgets are prepared and present to the Board of Directors. Upon approval, the branch expansion plan, including finding the branch location, coordination of the involved parties for rent negotiations, construction, human resources allocation, is implemented. The implementation of ATM expansion is executed by the Alternative Distribution Channel Division. The expansion strategies and the annual implementation performance are reviewed twice a year.

Banks increasingly focus on how well the new product development process is working within their institutions. This interest in the new product development results from the combined pressures of increased competition, a rapidly changing marketplace, technological advancements and pending legislative changes.

The Product Development Group is responsible for the launch of new products and services. The Group aims to strengthen the Bank's awareness of latest developments and trends in banking products and technologies, as well as customer trends and expectations. Product development process is a two-stage process: one involves idea generation, product design and detailed analysis; the other involves market research and marketing analysis. The Product Development Group identifies product areas with large market size and/or high growth potential and where the current market positioning of the Bank can be further improved. The new product development efforts are focused on those identified areas. All new product ideas generated either by the Product Development Group or by the other divisions are centralised and are prioritised according to profit, market share and image impact potential. Together with the Bank's marketing divisions (retail, commercial, private, corporate, alternative distribution channels, etc.), the Product Development Group prepares detailed marketing concepts and assesses the feasibility of the prioritised ideas. The product proposals are presented to the top management and the Board of Directors. Upon approval, detailed technical and business implementation of the selected concepts are executed in collaboration with the Bank's marketing divisions.

CRM Division

With a view to design a strategy aimed at creating competitive advantage in the market, the CRM Division comprises three groups in charge of setting up a comprehensive structure towards designing, planning, executing and monitoring customer relationship management systems. These groups are the CRM Strategic Development Group, the CRM Analytics and Automation Group, and the CRM Applications Group.

The CRM Strategic Development Group designs innovative CRM concepts and implements strategic CRM projects. The Group is also in charge of customer data quality management and the development and implementation of customer and portfolio oriented CRM applications.

The CRM Analytics Group concentrates on customer data mining, modelling and market segmentation. It also designs, implements and pilots new marketing and real time marketing automation systems, while enhancing existing applications according to business need.

The CRM Applications Group coordinates the CRM Adaptation Program and the training of the sales force. Sales force feedbacks are consolidated and evaluated, CRM systems are monitored for the continuous development of sales automation applications according to business strategies.

Human Resources

As at 31 May 2010, Akbank had 14,899 employees, 9,770 of whom were based in regional directorates and branches. The following table sets out the number of domestic regional directorate and branch employees over the last three years.

	Number of Employees
31 December 2007	8,103
31 December 2008	9,088
31 December 2009	8,653

Akbank places emphasis on ensuring that employees have the level of education suitable for operational effectiveness and a career at Akbank. Akbank's training centre is used for numerous training programmes designed for all levels of the Bank's staff. Akbank's employees received comprehensive orientation and training regarding Akbank's strategy in an effort to enable them to gain an understanding, sense of ownership, and proficiency in the business of the Bank. In 2003, Akbank began "career training" programmes, designed to equip all branch staff in the knowledge and skills required by their positions.

Throughout 2009, a total of 15,146 employees took part in Akbank's various training programmes. During this period, each employee received 63 hours of training on average, including in-class, e-learning and on-the-job training. As at 31 December 2009, Akbank had invested TL3.0 million in training programmes.

As at 31 May 2010, Akbank had 14,899 employees on its payroll. Of these, 4,979 were employed at the Bank's headquarters, 348 in regional offices, and 8,546 at the branches. Akbank also employs 1,026 security officers. The average age of Akbank's employees is 31.8 years and, excluding security personnel, 91% of them hold at least one university degree.

For 2009, Akbank provisioned TL81.0 million for incentive compensation and performance bonus payments to employees.

Akbank Staff Pension Fund Trust (the "**Trust**") has focused its activities concerning the current (employed) and retired members on the provision of healthcare services in 2009. Highlights of operations are as follows:

- total assets of the Trust increased from TL854.2 million as at 31 December 2009 to TL886.5 million as at 31 March 2010;
- the number of retired members with allocated pensions rose from 11,261 as at 31 December 2009 to 11,286 as at 31 March 2010;
- in 2009, TL135.6 million was paid out to pensioners, the disabled, widows and orphans (compared to TL122.3 million as at 31 December 2008); in the first three months of 2010, TL35.7 million (compared to TL33.4 million in the same period last year); and

- healthcare assistance increased from TL62.2 million in 2008 to TL71.9 million in 2009 and from TL10.1 million in the first three months of 2009 to TL12.8 million in the first three months of 2010.

The Trust is internally reviewed. There is currently no deficit in the Trust.

Subsidiaries and Affiliated Companies

The following table sets out Akbank's ownership interest in its subsidiaries and affiliates and the carrying value of those interests as at 31 March 2010:

	% of share	Carrying value in TL thousands	Business
Ak Yatırım Ortaklığı A.Ş. (Ak Investment Fund)	70.04	27,736	Investment
Ak Portföy Yönetimi A.Ş. (Ak Asset Management)	99.99	3,592	Portfolio Management
Ak Global Funding B.V.	100.00	34	Fund Management
Ak Finansal Kiralama A.Ş. (AkLease)	99.99	121,088	Leasing
Ak Yatırım Menkul Değerler A.Ş. (Ak Investment)	99.80	61,400	Brokerage
Akbank International N.V.	100.00	675,017	Banking
Akbank Dubai Limited	100.00	1,512	Banking

Akbank conducts overseas operations through its subsidiaries in the Netherlands (Akbank N.V.), Germany (Akbank AG) and Dubai (Akbank Dubai Limited) along with a branch in Malta.

Akbank N.V. a wholly-owned subsidiary of Akbank T.A.Ş., was established in 2001 as a Dutch bank under the Banking Law and Regulations of the Netherlands. Akbank N.V. is a commercial bank licensed to undertake all banking transactions under the supervision of the Dutch Central Bank and the Dutch Financial Markets Authority. In November 2008, Akbank N.V. relocated its head office from Rotterdam to Amsterdam. Akbank N.V. also covers the UK and Germany through its branches in London and Essen. Akbank N.V.'s core business areas include corporate, retail and private banking as well as treasury activities; the Bank is also an active player in trade finance. Akbank N.V. provides savings and deposit products for the Dutch, British and German retail markets.

Akbank AG is a wholly owned subsidiary of Akbank N.V. Akbank AG was initially founded as Akbank T.A.S. Niederlassung Deutschland, the German branch of the Bank. The branch received its full banking license in 1998 from BaFin and provided retail and corporate banking services. In 2005, the management of Akbank decided to terminate its retail banking activities in Germany and focus solely on corporate banking. In line with this decision, Akbank AG was transferred to Akbank N.V. in May 2007. Akbank AG's core business lines include corporate lending and factoring.

As part of the Bank's international business development strategy, Akbank (Dubai) Limited, a wholly-owned subsidiary of Akbank T.A.Ş., was established in 2009 at the DIFC. For more information on Akbank (Dubai) Limited, see "– International Banking".

Akbank has also conducted overseas activities through its branch in Malta since 2001, concentrating on corporate banking services, mainly project financing, investment and working capital loans.

Competition

The Turkish banking sector has been restructured substantially and has been harmonising its legislation in line with EU standards. Capital adequacy standards, setting of related lending limits, regulation on accounting practices and ensuring transparency of financial reporting are among the regulations that have been adopted and are in compliance with EU principles. With regard to the state guarantee on deposits, the unlimited deposit guarantee has been lifted.

During the restructuring, the sector has undergone a substantial consolidation as the number of banks has declined from 84 in 1999 to 45 currently. As the legal framework for mergers and acquisitions is developed, further consolidation in the banking sector is expected by Akbank's management in the coming years. Overall, the banking system capital base has been strengthened, fragmentation has been decreased and market risks have been reduced.

Out of 45 banks that operate in the market, state banks represent approximately 31% of the sector's assets, the four largest private banks 47%, other medium size banks 15% and the smallest 30 banks 6% of the sector assets. This implies that there is room for further consolidation in the banking sector.

The savings deposit guarantee, although the coverage has been reduced, is still high. Since 1 January 2001, the previously unlimited deposit insurance scheme has been limited to approximately €25,704. Thus, the maximum level of government support in case of a liquidity crisis is limited to €25,704 per account. Taking into account that the coverage limit is on average approximately €65,000 in Western European countries, the deposit insurance coverage limit in Turkey imposed by the Regulation on Deposits and Participation Funds hardly differs from the full deposit insurance coverage due to the low per capita income. As per capita income is lower, average savings per capita are lower and therefore the size of deposits is smaller and guarantee coverage is higher. According to the BRSA's March report, almost 98% of total depositors have deposits of less than €25,704.

Properties

As at 31 March 2010, the total book value of the properties of Akbank (comprising land and buildings) was TL456.1 million compared to TL459.4 million, TL469.5 million and TL470.9 as at 31 December 2009, 2008 and 2007, respectively). 423 branches are located on sites owned by Akbank, and the remainder are leased by Akbank. In addition, Akbank owns its head office, which is valued in excess of TL221.2 million.

Legal Proceedings

Akbank, together with seven major banks operating in Turkey, is subject to investigation by the Competition Board.

Competition in Turkey is mainly regulated by Law No. 4054 on the Protection of Competition (the "**Competition Law**"). The Competition Law is enforced by the Competition Board, which has the power to investigate possible breaches and impose fines.

In August 2009, the Competition Board released a report announcing that it had initiated an investigation of eight major banks, including Akbank, Yapı ve Kredi Bankası, Garanti Bankası, Vakıfbank, Halkbank, Finansbank, İş Bank and Denizbank into allegations of collusion between such banks in relation to the provision of promotions to public and private corporate customers while providing payroll deposit services, in breach of the Competition Law. In connection with this investigation, the Turkish Competition Board has served a summary of its initial findings and the banks that are under investigation responded to this initial report. The Turkish Competition Board is currently in the process of preparing a detailed report in which it would be seeking a further response of each bank under investigation. To date, the investigation has not resulted in any fine being levied on any of the banks but it ultimately could result in substantial fines being imposed on the banks.

Internal Control

Internal control is carried out by the Division of Internal Control ("**DIC**") which is independent of all business and management units and reports directly to the Audit Committee. The DIC is intended to ensure that Akbank is able to achieve its goals and long term profitability targets in a safe, prudent and controllable manner by ensuring that business operations are efficient and effective, recorded transactions are accurate, financial and management reportings are reliable and complete and the Bank complies with applicable laws and regulations, internal policies and procedures. The DIC carries out its activities from its headquarters in İstanbul and Akbank's 20 regional offices throughout Turkey.

The DIC consists of four teams, namely Branch Controls, Head Office Controls, Compliance Controls and Information Systems Controls. DIC personnel comprise one Chairman, three Vice Chairmen, five managers and controllers.

Branch controls are carried out by the controllers who are mainly located in the 20 regional offices of the Bank. Controls are mainly carried out on recent transactions and also examine the control environment and the control efficiency of the branch itself. Transaction controls cover all types of services carried out in the areas of deposits and loans, investment products and operational systems.

Head office controls consist of the establishment and execution of an effective audit environment for the processes of the Bank, risk recognition and assessment, control activities, monitoring and remediation. Head office controllers are located at head office divisions and control the following

Bank processes; deposit process, consumer/corporate credit process, accounting process, bank and credit cards process, financial reporting process, payment systems process, treasury/securities and fund management process. In addition to those processes, any amendment related to any work flow in Akbank is also audited by DIC controllers.

Compliance controls are currently carried out through controllers in head office divisions and compliance officers in the Bank's businesses abroad and the Malta branch. Compliance controls consist of monitoring compliance with legislation (other than anti-money laundering regulations), informing concerned units of any non-compliance and monitoring compliance process, performing legal compliance controls, forwarding compliance reports to the relevant units and to the Board of Directors, monitoring results, assessing internal circulars and new products and services.

The Information Systems Control Team carries out periodic controls on the information systems used by the Bank. These periodic controls are divided into two main categories: general audits and employee-based controls. General controls include reviewing critical changes on the Mainframe environment and checking the security settings of Windows servers. Employee-based controls, aimed to protect sensitive information, consist of monitoring email and internet traffic as well as scanning computers for unauthorised software. In addition to the periodic controls, detailed reviews of information systems or IT-related processes are performed in order to identify security weaknesses and assess compliance with laws and regulations.

The Board of Internal Audit

Overview

The Board of Internal Audit ("**BIA**") audits the Bank's head office units, domestic and foreign branches and the companies under its control, with respect to compliance with the Bank's mission, strategies and policies, as well as relevant laws and regulations. The BIA's function is to support the Bank and its subsidiaries by providing internal audit and consulting services in compliance with international standards and to ensure that the Board of Directors' objectives and policies prevail all over the organisation.

The BIA reports directly to the Board of Directors, through the Board Member in Charge of Internal Audit and Audit Committee, but also shares the findings of its audits with the top management and, unless confidential, with the audited units. The BIA also provides copies of auditor reports to the public authorities such as the BRSA. The BIA personnel comprise one Chief Audit Executive, five deputy heads, and 180 auditors.

The BIA evaluates risk management, internal control and governance processes in accordance with the BRSA directives and Audit Charter of Akbank.

Planning and performing its functions with a risk-oriented perspective, the BIA contributes to the Bank's operational and credit risk management, the conformity of activities with internal rules and regulations and the improvement of efficiency and service quality.

While auditing the Bank's branches in a risk-oriented manner, the Board of Internal Audit also examines many of the activities of the Bank's head office and subsidiaries. Additionally, the Central Auditing Unit identifies anomalies in the branches' accounts and transactions from the head office. The financial statements and accounting system are also reviewed through financial statement auditing. Furthermore, IT practices are audited through the evaluation of information and systems security.

The BIA is also responsible for conducting fraud investigations and inquiries. Additionally, physical inventory counts and reconciliations are undertaken in order to review the safeguarding of assets.

Evaluating the Loan Approval Processes

The audit procedures of the loan approval processes are as follows:

- *Process Audit*: the loans approval processes for corporate and SME loans approval and consumer loans and credit cards are evaluated and audited in terms of, among other things, policies and procedures, governance to human resources and organisation.
- *Department/Branch Audit*: departments and branches who are in charge of granting loans are evaluated and audited in terms of, among other things, governance, risk management, internal controls and the creditworthiness of the portfolio.

- *Model Audit*: scoring/rating models are evaluated and audited in terms of, among other things, managerial processes, strategy, policies, data collection, design, analysis, modeling, validation, calibration and reporting.
- *Portfolio Audit*: credit portfolio as a whole and/or sub-portfolios which have been broken down according to markets, regions, scores/ratings are evaluated and audited in terms of, among other things, credit worthiness, capability to be repaid and profitability.
- *Product and Campaign Audit*: products and campaigns which have been designed to promote the growth of loan portfolios are evaluated and audited based on the corresponding loan repayment schedules and compliance with existing criteria

Evaluation of Internal Models

Akbank is currently reviewing its evaluation of internal risk models, including credit scoring models for SME and corporate lending. It also plans to review the remaining business lines. The review of risk management models (covering such risks as market risk or asset liability risk) is scheduled to be audited by the end of 2010.

Allegations of Illegal Conduct

A separate team in the BIA, Customer Complaints Management, deals with customer and/or employee complaints and whistleblowings, which may also be reported via a specifically dedicated hotline. Complaints are processed according to their seriousness and importance. Independent of these, fraudulent activities and other forms of breaches of applicable rules and legislation are evaluated by internal auditors, after which point further investigations and enquiries may be made.

Significant Outstanding Matters

Significant outstanding matters are categorised in terms of importance and risk level. Findings from department and subsidiary audits are categorised as low, moderate or high risk. Findings from branch audits are rated on a scale of 1-5 from very low risk to very high risk.

Outstanding matters categorised as "high" or "5" are processed as follows: (i) results of department/ subsidiaries audits are reported via internal memorandum and executive summary to the Board of Directors; (ii) results of branch audits are reported, considering the control deficiencies and the importance of the findings, to the Board of Directors via executive summary; and (iii) results of investigations and enquires are reported to the Board of Directors via internal memorandum.

These matters are also uploaded to an internal network (intranet) (which is an IBM Lotus based program used by the BIA to send reports, collect responses and monitor actions being taken), and the action dates given and uploaded to this intranet system by the relevant business lines and their progress is closely monitored. If necessary measures have not been taken, the reasons for not taking such measures are questioned and additional information is requested.

Following the meeting of the Audit Committee which takes place each quarter, the Board of Directors is informed of any outstanding high risk findings. The results of the actions taken or to be taken for significant outstanding matters are discussed by the Audit Study Groups (which participants comprise the BIA and the business lines) in bimonthly or quarterly meetings.

RISK MANAGEMENT

General

Akbank's management believes that its assessment and control of risk is an essential component of the performance of the Bank. Akbank seeks to closely identify, measure, monitor and manage the risks arising from its operations. The principal risks inherent to its business are credit risk, liquidity risk, interest rate risk, market risk and operational risk. The objective of Akbank's asset and liability management and use of financial instruments is to limit Akbank's exposure to its inherent risks, whilst ensuring that Akbank has sufficient capital adequacy and is using its capital to maximise net interest income. In order to achieve this objective, Akbank monitors and manages the mismatch of maturities, the size and degree of its interest rate and exchange rate exposure and its counterparty credit quality. Akbank's system of risk control and risk management is designed to be fully integrated into its internal systems for planning, management and control.

The Board of Directors is responsible for Akbank's fundamental approach to risk, risk principles, and the determination of risk capacity. The Board of Directors manages risk through two committees, the Assets and Liabilities Committee (the "**ALCO**") and the Executive Risk Committee (the "**ERC**") supported by the Risk Management Division. Akbank's risk management function acts independently of the commercial business lines, but at the same time is integrated into the Bank's business processes.

Risk Management Organisation

The Board of Directors and senior management are responsible for developing risk management policies and strategies. The Board of Directors approves Akbank's general principles of risk control and risk management, its limits for all relevant risks and the procedures that the Bank applies in controlling and managing its risks. These policies are closely monitored and discussed during ALCO meetings, and are also reviewed periodically by the Board. Enforcement of these management strategies and policies is the responsibility of each Executive Vice President ("**EVP**"). The Chief Executive Officer ("**CEO**") of Akbank is responsible for ensuring that each EVP operates in line with policies and strategies determined by the Board of Directors. Additionally, Akbank has frequent internal control and periodic internal audit reviews to monitor compliance with risk management policies and procedures.

Executive Risk Committee

The ERC has ultimate responsibility for Risk Management and reports to the Board of Directors. The ERC meets periodically to review the Bank's position and other developments in the economy. The ERC is comprised of the three Executive Board Members and the CEO. The ERC establishes the policies, procedures, and rules for risk management of Akbank, and develops risk management strategies which are incorporated into the Bank's long-term strategy. Subject to the Board of Directors' approval, the ERC also sets risk limits for liquidity risk, credit risk, interest rate risk and currency risk. Through close monitoring of the markets and overall economy, the ERC changes such limits as necessary. Risk limits and the implementation of risk management policies are broken down to various levels of authority within relevant business units in order to enhance effectiveness. Akbank's risk positions are reported to the members of the ERC on a regular basis. Additionally, the ERC reviews the latest figures and projections for Akbank's profit and loss account and balance sheet, liquidity position, interest and foreign exchange exposures, as well as the latest analysis of yield and the macroeconomic environment.

Risk Management Division

The Risk Management Division, which directly reports to the Board of Directors, is responsible for identifying, measuring and managing credit risk, liquidity risk, interest rate risk, market risk and operational risk. The Division is also responsible for developing risk management systems and infrastructure, analysing results, and reporting on the management and integration of the risks. Additionally, the Division has responsibility for ongoing work within the framework of compliance with Basel II and for handling the Bank's relationships with the Turkish regulatory authorities, principally the BRSA and the Central Bank.

Assets and Liabilities Committee

The primary objective of Akbank's asset and liability management is to satisfy the dual requirements of controlling exposure to liquidity and market risks whilst maximising profitability by the appropriate holding of assets and liabilities. Akbank aims to maintain a structure of assets and liabilities that optimises both long-term and short-term profitability while minimising income volatility within the constraints of general market conditions. Akbank monitors and manages the mismatch of maturities in order to minimise the effect of these risks on profitability, while maintaining sufficient liquidity and capital adequacy. Through Akbank's asset and liability management, it structures its balance sheet taking into account interest rate, liquidity and foreign exchange risks as well as demands for credit, existing asset-liability positions, and general market conditions.

In order to achieve the primary objective of Akbank's asset and liability management, the ALCO manages the various departments of Akbank where risk limits apply to ensure that such limits are adhered to. The ALCO's responsibilities include developing investment, pricing and funding strategies and making decisions on day-to-day liquidity management. The ALCO consists of the CEO, the Deputy CEO in charge of Consumer Banking, the Deputy CEO in charge of Treasury, CFO and each of the EVPs in charge of Retail Banking, SME Banking and Corporate Banking. The ALCO meets twice a week to review the latest data on its liquidity position, interest rate risk exposures, credit exposures and developments in the macroeconomic environment.

Credit Committee

The Credit Committee is comprised of three members of the Board of Directors and the CEO and is responsible for lending processes at the Bank. The Credit Committee has ultimate authority to ratify lending decisions and to assess the compliance of approved loan applications with the legislation, banking principles and objectives and the Bank's internal lending policies. The Credit Committee is supported by an Appraisal Committee which conducts an initial assessment of loan applications submitted by the branches.

Credit Risk

Credit risk is the risk that counterparties may be unable to meet their obligations in accordance with the terms of their agreements with the Bank.

Akbank's exposure to credit risk is concentrated in Turkey, where the majority of the Bank's activities are carried out. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies, and industry. Credit risks are determined for each individual customer, enterprise and economic group separately. Credit risk is generally diversified due to the large number of entities comprising the customer base across the corporate and commercial and retail banking segments, and their diversification across different industries and geographic areas and by size.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral, corporate and personal guarantees, and other security where appropriate. For example, approximately 50% of Akbank's corporate portfolio and approximately 95% of its commercial and small business portfolios are collateralised, according to Akbank's management estimates.

Akbank has recently developed several rating models and behavioural scorecards which it uses internally to improve its loan evaluation and underwriting process. The models include a newly developed expert based corporate rating model and renewed statistic based commercial rating model, small business rating model, consumer rating model and credit cards rating model some of which have been supplemented by newly developed behavioural models, renewed application models and decision trees. In 2008, Akbank renewed its rating models to reflect the effects of the global financial crisis. The performance of the rating models is reviewed annually. Akbank believes that by using these models it can better assess the creditworthiness of its loan customers.

Akbank uses expected loss as a measurement of potential credit risk loss within a one-year period based on the historical loss experience. During the analysis stage of the credit risk model, all the components of the expected loss and unexpected loss are generated by detailed statistical measurements. These components are probability of default, loss given default, and exposure at default. When calculating the expected loss, risk characteristics are taken into account such as collateral types, maturities, and amounts of different credit exposures.

Credit risk statistics are based on long term statistical averages (five years) of Akbank's own default experience and collateral history. The resulting average figures are measured against external benchmarks. Akbank's credit risk model has been developed in line with Credit Metrics and Creditrisk+ methodologies. Economic capital calculations can also be used in risk based credit pricing for corporate, commercial, small business and retail customers.

See "Business of Akbank-Akbank's Segmented Customer Structure", "Business of Akbank – Credits: Credit Analysis Group, Credit Monitoring Group and Non-Performing Credits Group" and "Risk Factors – Credit Risks have materially adversely affected and could continue to materially adversely affect Akbank's business, financial conditions, results of operations and prospects."

Market Risk

Banks are exposed to market risk due to movements in foreign currency exchange rates, interest rates and market prices for stocks. Akbank believes that interest risk is the most important component of market risk that it faces.

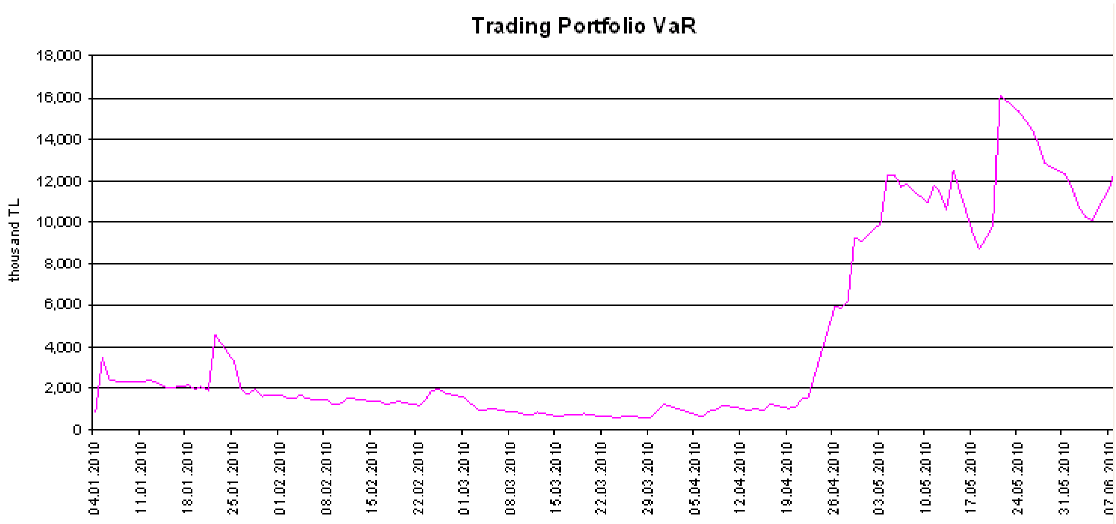
Akbank measures market risk according to both the "Internal Model" and "Standard Model" (also known as the regulatory model).

Internal Model

The internal model calculates market risk on the basis of the value at risk ("**VaR**") methodology. The VaR is a risk measure used in relation to the market risk. Akbank uses the VaR to measure the potential loss in value of a particular asset or portfolio from adverse market movements over a specified period for a given confidence interval. For example, when the VaR on an asset is US$100 million at a one-week, 95% confidence level, it means that there is only a 5% chance that the value of the asset will decrease more than US$100 million over any given week.

Akbank applies three different VaR methods including variance-covariance, historical simulation and Monte Carlo simulation methods. Akbank uses software that can perform calculations with an advanced yield curve and volatility models. Akbank's VaR model is based on the assumptions of a 99% confidence interval and a ten day retention period. VaR is reported to senior management on a daily basis in order to assess the possible expected loss. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which can have a significant impact. Retrospective tests of model outputs are performed regularly.

The Bank's trading portfolio VaR table below sets out the maximum loss that has been encountered by the Bank in one day at 99 % confidence level for the relevant period.



VaR methodology may not provide satisfactory results under severe crisis conditions. In order to calculate Akbank's economic capital under extreme market conditions and to limit the maximum risk carried by the Bank, Akbank's management relies upon historical stress-testing analyses, although there is no assurance that such VaR methodology or stress-testing will be adequate to account for all risks and contingencies in extreme or unusual market conditions.

Standard Model

For regulatory capital adequacy calculations, Akbank relies on its standard model which is, similarly to the capital adequacy framework commonly known as Basel I, designed to measure market risks on a monthly basis taking into account interest rate risks, currency risks, equity risks and specific risk.

The Risk Management Division prepares market risk analysis reports according to the standard model as required by the regulatory authority (BRSA).

Currency Risk

Foreign currency denominated assets and liabilities, together with forward purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities, and the remaining open foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board of Directors, taking into account the recommendations from the ERC, sets limits for the size of foreign exchange exposure, which are closely monitored by the ALCO.

Foreign exchange risk exposure is measured in terms of both aggregate foreign currency open position and foreign currency open position for each currency. There are separate limits for both these exposures set in conjunction with appropriate legal limits. According to the applicable regulatory limits, Akbank is required to maintain at all times a maximum limit of 20% net open position in each foreign currency and 20% of the aggregate net open position of all currencies relative to its capital base. However, since the beginning of 2009 Akbank's maximum level of open position has not exceeded 0.7% of its capital base.

The ERC sets the maximum foreign currency open position permissible (short or long). The ERC also determines under what circumstances the maximum amount can be utilised. This limit is generally broken down into two authority levels. Due to the market fluctuations a portion of the limit is used by the Deputy CEO in charge of Treasury in order to react to market movements; over that amount the ERC has the authority.

The table below summarises Akbank's exposure to foreign currency exchange rate risk as at 31 December 2007, 2008, 2009 and 31 March 2010. Included in the table are Akbank's assets and liabilities and shareholders' equity shown at carrying amounts, categorised by currency.

	As at 31 March 2010				
	US$	**EUR**	**GBP**	**Other[(1)]**	**Total**
	(thousands of Turkish Lira)				
Cash and due from banks	2,271,847	2,497,870	73,737	42,024	4,885,478
Trading and investment securities	5,539,026	2,571,368	—	—	8,110,394
Derivative financial instruments	—	—	—	—	—
Reserve requirements with the Central Bank of Turkey	327,650	1,037,022	—	—	1,364,672
Loans and advances to customers	15,928,814	7,313,435	17,060	85,632	23,344,941
Investment in associates	—	—	—	—	—
Property and equipment	2,526	3,879	88	—	6,493
Intangible assets	—	51	—	—	51
Deferred income tax assets	—	—	—	—	—
Other assets and pre-payments	2,878	27,982	210	1,711	32,781
Total assets	**24,072,741**	**13,451,607**	**91,095**	**129,367**	**37,744,810**
Customer deposits	14,165,487	12,036,000	897,518	268,205	27,367,210
Derivative financial instruments	—	—	—	—	—
Interbank money market deposits, funds borrowed and debt securities in issue	5,991,038	3,867,647	5,734	63,033	9,927,452
Income taxes payable	—	11,792	—	—	11,792
Other liabilities and accrued expenses	150,005	114,823	9,066	2,908	276,802
Employment benefit obligations	—	—	—	—	
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**20,306,530**	**16,030,262**	**912,318**	**334,146**	**37,583,256**
Net balance sheet position	**3,766,211**	**(2,578,655)**	**(821,223)**	**(204,779)**	**161,554**
Off-balance sheet derivative instruments net notional position	**(3,740,083)**	**2,809,744**	**805,318**	**206,006**	**80,985**

Note:

(1) "Other" includes JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

	As at 31 December 2009				
	US$	EUR	GBP	Other[1]	Total
	(*thousands of Turkish Lira*)				
Cash and due from banks	2,943,353	1,267,231	78,290	31,155	4,320,029
Trading and investment securities	5,910,034	3,065,704	—	—	8,975,738
Derivative financial instruments	—	—	—	—	—
Reserve requirements with the Central Bank of Turkey	423,821	924,680	—	—	1,348,501
Loans and advances to customers	14,557,460	7,342,220	13,900	159,590	22,073,170
Investment in associates	—	—	—	—	—
Property and equipment	2,593	4,298	96	—	6,987
Intangible assets	—	54	—	—	54
Deferred income tax assets	—	—	—	—	—
Other assets and pre-payments	7,507	10,932	77	1,835	20,351
Total assets	**23,844,768**	**12,615,119**	**92,363**	**192,580**	**36,744,830**
Customer deposits	14,641,328	11,919,870	786,360	233,184	27,580,742
Derivative financial instruments	—	—	—	—	—
Interbank money market deposits, funds borrowed and debt securities in issue	6,277,620	2,838,002	6,029	79,705	9,201,356
Income taxes payable	—	6,636	—	—	6,636
Other liabilities and accrued expenses	128,295	68,842	550	2,521	200,208
Employment benefit obligations	—	—	—	—	—
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**21,047,243**	**14,833,350**	**792,939**	**315,410**	**36,988,942**
Net balance sheet position	**2,797,525**	**(2,218,231)**	**(700,576)**	**(122,830)**	**(244,112)**
Off-balance sheet derivative instruments net notional position	**(2,883,008)**	**2,428,538**	**707,295**	**185,652**	**438,477**

Note:
(1) "Other" includes JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

	As at 31 December 2008				
	US$	EUR	GBP	Other[1]	Total
	(*thousands of Turkish Lira*)				
Cash and due from banks	2,336,990	3,797,104	137,938	98,977	6,371,009
Trading and investment securities	5,916,170	2,895,753	—	—	8,811,923
Derivative financial instruments	—	—	—	—	—
Reserve requirements with the Central Bank of Turkey	248,527	1,400,375	—	—	1,648,902
Loans and advances to customers	16,663,204	7,590,803	24,019	53,902	24,331,928
Investment in associates	—	—	—	—	—
Property and equipment	2,842	4,348	109	—	7,299
Intangible assets	—	101	—	—	101
Deferred income tax assets	—	—	—	—	—
Other assets and pre-payments	16,647	21,749	4,824	11,655	54,875
Total assets	**25,184,380**	**15,710,233**	**166,890**	**164,534**	**41,226,037**
Customer deposits	15,211,012	12,621,544	873,684	206,552	28,912,792
Derivative financial instruments	—	—	—	—	—
Interbank money market deposits, funds borrowed and debt securities in issue	6,679,815	5,411,742	11,292	17,864	12,120,713
Income taxes payable	—	10,754	—	—	10,754
Other liabilities and accrued expenses	131,368	57,436	3,456	12,104	204,364
Employment benefit obligations	—	—	—	—	—
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**22,022,195**	**18,101,476**	**888,432**	**236,520**	**41,248,623**
Net balance sheet position	**3,162,185**	**(2,391,243)**	**(721,542)**	**(71,986)**	**(22,586)**
Off-balance sheet derivative instruments net notional position	**(2,921,029)**	**2,105,851**	**738,685**	**102,958**	**26,465**

Note:
(1) "Other" includes JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

	As at 31 December 2007				
	US$	**EUR**	**GBP**	**Other(1)**	**Total**
	(thousands of Turkish Lira)				
Cash and due from banks	646,892	1,647,378	31,310	32,203	2,357,783
Trading and investment securities	6,790,937	2,188,501	—	—	8,979,438
Derivative financial instruments	28,891	17,991	—	—	46,882
Reserve requirements with the Central Bank of Turkey	—	1,545,654	—	—	1,545,654
Loans and advances to customers	9,558,072	5,582,181	26,165	42,560	15,208,978
Investment in associates	—	—	—	—	—
Property and equipment	2,603	3,207	160	—	5,970
Intangible assets	—	181	—	—	181
Deferred income tax assets	1,519	—	—	—	1,519
Other assets and pre-payments	13,559	49,389	307	32	63,287
Total assets	**17,042,473**	**11,034,482**	**57,942**	**74,795**	**28,209,692**
Customer deposits	9,833,476	8,128,418	556,896	166,051	18,684,841
Derivative financial instruments	19,658	29,093	—	—	48,751
Interbank money market deposits, funds borrowed and debt securities in issue	5,725,771	3,702,088	6,513	11,033	9,445,405
Income taxes payable	51	8,709	70	—	8,830
Other liabilities and accrued expenses	77,764	60,605	1,111	3,882	142,822
Employment benefit obligations	—	—	—	—	—
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**15,656,720**	**11,928,373**	**564,590**	**180,966**	**28,330,649**
Net balance sheet position	**1,385,753**	**(893,891)**	**(506,648)**	**(106,171)**	**(120,957)**
Off-balance sheet derivative instruments net notional position	**(1,443,589)**	**839,754**	**492,446**	**113,589**	**2,200**

Note:
(1) "Other" includes JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

Interest Rate Risk

Akbank is exposed to interest rate risk either through market value fluctuations of balance sheet items, for example, price risk, or the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, interest rates have been and may continue to be volatile. Therefore, interest rate risk is a key component of Akbank's asset and liability management. Interest rate risk is managed on a portfolio basis by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap, and sensitivity analysis are the main methods used to manage interest rate risks.

In 2008 and 2009, Akbank had a strategy of running a high level maturity mismatch in its TL portfolio with the expectation of falling interest rates. Consequently, Akbank has maintained a high level of interest income. Although Akbank continued to use this strategy throughout the first half of 2010, it expects TL maturity mismatch to decrease by gradually rebalancing the composition of the bond portfolio from 55/45% fixed/floating rate notes to 30/70%. In order to decrease TL maturity mismatch Akbank is considering selling bonds in TL portfolio instead of entering derivatives market because Akbank is of the view that interest rate swap costs make derivative hedging not commercially viable at this time.

The table below summarises Akbank's exposure to interest rate risks as at 31 December 2007, 2008 and 2009 and 31 March 2010, respectively. Included in the table are Akbank's assets and liabilities shown at carrying amounts classified in terms of periods remaining to contractual repricing dates.

As at 31 March 2010

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
			(thousands of Turkish Lira)			
Cash and due from banks	1,818,024	8,570	—	—	3,756,854	5,583,448
Trading and investment securities	11,308,498	18,451,239	13,954,892	3,738,262	103,242	47,556,133
Derivative financial instruments	163,329	16,506	811	—	—	180,646
Reserve requirements with the Central Bank of Turkey	3,220,505	—	—	—	—	3,220,505
Loans and advances to customers	25,588,567	13,290,981	7,944,456	945,593	—	47,769,597
Investment in associates	—	—	—	—	3,125	3,125
Property, plant and equipment	—	—	—	—	813,061	813,061
Intangible assets	—	—	—	—	67,106	67,106
Deferred tax assets	—	—	—	—	310,635	310,635
Other assets and pre-payments	196,064	—	—	—	495,780	691,844
Total assets	**42,294,987**	**31,767,296**	**21,900,159**	**4,683,855**	**5,549,803**	**106,196,100**
Customer deposits	65,163,937	2,563,965	668,268	111,419	7,956,272	76,463,861
Derivative financial instruments	466,821	372,223	54,121	5,605	—	898,770
Interbank money market deposits, funds borrowed and debt securities in issue	8,370,090	2,006,343	76,127	10,100	—	10,462,660
Income taxes payable	—	—	—	—	402,254	402,254
Other liabilities and accrued expenses	103,298	38,621	58,526	28,246	2,485,733	2,714,424
Deferred Tax Liability	—	—	—	—	36,033	36,033
Employment benefit obligations	—	—	—	—	61,388	61,388
Total liabilities	**74,104,146**	**4,981,152**	**857,042**	**155,370**	**10,905,647**	**91,003,357**
Net repricing period gap	**(31,809,159)**	**26,786,144**	**21,043,117**	**4,528,485**	**(5,355,844)**	**15,192,743**
Off-balance sheet derivative instruments net notional position	**2,668,945**	**1,713,289**	**(3,888,190)**	**(636,498)**	**—**	**(142,454)**

As at 31 December 2009

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
			(thousands of Turkish Lira)			
Cash and due from banks	1,257,990	—	2,380	6,856	3,762,034	5,029,260
Trading and investment securities	17,505,238	14,467,905	11,685,345	2,987,002	80,860	46,726,350
Derivative financial instruments	104,762	126,549	10,483	3,326	—	245,120
Reserve requirements with the Central Bank of Turkey	3,464,090	—	—	—	—	3,464,090
Loans and advances to customers	24,247,820	12,304,491	7,601,301	896,205	—	45,049,817
Investment in associates	—	—	—	—	3,125	3,125
Property and equipment	—	—	—	—	805,457	805,457
Intangible assets	—	—	—	—	65,449	65,449
Deferred income tax assets	—	—	—	—	269,965	269,965
Other assets and pre-payments	223,446	—	—	—	504,204	727,650
Total assets	**46,803,346**	**26,898,945**	**19,299,509**	**3,893,389**	**5,491,094**	**102,386,283**
Customer deposits	63,040,524	3,095,906	618,488	138,679	7,807,687	74,701,284
Derivative financial instruments	210,979	206,135	351,538	3,091	—	771,743
Interbank money market deposits, funds borrowed and debt securities in issue	7,702,680	1,876,151	101,545	12,536	—	9,692,912
Income taxes payable	—	—	—	—	196,541	196,541
Other liabilities and accrued expenses	100,670	45,750	56,451	66,811	2,141,370	2,411,052
Employment benefit obligations	—	—	—	—	58,886	58,886
Total liabilities	**71,054,853**	**5,223,942**	**1,128,022**	**221,117**	**10,204,484**	**87,832,418**
Net repricing period gap	**(24,251,507)**	**21,675,003**	**18,171,487**	**3,672,272**	**(4,713,390)**	**14,553,865**
Off-balance sheet derivative instruments net notional position	**1,864,937**	**2,443,944**	**(3,681,309)**	**(572,200)**	**—**	**55,372**

	As at 31 December 2008					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
			(thousands of Turkish Lira)			
Cash and due from banks	4,411,811	—	—	—	2,455,991	6,867,802
Trading and investment securities	8,291,526	8,483,898	9,174,688	2,281,389	57,085	28,288,586
Derivative financial instruments	58,225	21,874	20	102	—	80,221
Reserve requirements with the Central Bank of Turkey	6,265,872	—	—	—	—	6,265,872
Loans and advances to customers	26,467,271	15,329,268	6,761,787	931,799	10,364	49,500,489
Investment in associates	—	—	—	—	3,125	3,125
Property and equipment	—	—	—	—	815,399	815,399
Intangible assets	—	—	—	—	36,873	36,873
Deferred income tax assets	—	—	—	—	176,092	176,092
Other assets and pre-payments	75,173	—	—	—	573,882	649,055
Total assets	**45,569,878**	**23,835,040**	**15,936,495**	**3,213,290**	**4,128,811**	**92,683,514**
Customer deposits	54,092,157	3,012,102	332,763	224,850	8,516,015	66,177,887
Derivative financial instruments	209,049	101,798	1,332	2,126	—	314,305
Interbank money market deposits, funds borrowed and debt securities in issue	10,101,934	2,326,078	110,818	—	—	12,538,830
Income taxes payable	—	—	—	—	68,188	68,188
Other liabilities and accrued expenses	63,135	58,197	70,706	76,527	1,836,194	2,104,759
Employment benefit obligations	—	—	—	—	53,332	53,332
Total liabilities	**64,466,275**	**5,498,175**	**515,619**	**303,503**	**10,473,729**	**81,257,301**
Net repricing period gap	**(18,896,397)**	**18,336,865**	**15,420,876**	**2,909,787**	**(6,344,918)**	**11,426,213**
Off-balance sheet derivative instruments net notional position	**339,369**	**2,299,436**	**(1,833,853)**	**(804,898)**	**—**	**54**

	As at 31 December 2007					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
			(thousands of Turkish Lira)			
Cash and due from banks	873,666	734	—	—	1,793,500	2,667,900
Trading and investment securities	8,439,833	11,401,876	4,474,211	1,467,843	32,391	25,816,154
Derivative financial instruments	34,227	24,297	22,758	—	—	81,282
Reserve requirements with the Central Bank of Turkey	1,667,268	—	—	—	—	1,667,268
Loans and advances to customers	20,439,264	12,673,798	6,427,107	697,830	—	40,237,999
Investment in associates	—	—	—	—	3,125	3,125
Property and equipment	—	—	—	—	730,513	730,513
Intangible assets	—	—	—	—	31,971	31,971
Deferred income tax assets	—	—	—	—	36,839	36,839
Other assets and pre-payments	105,431	—	—	—	449,908	555,339
Total assets	**31,559,689**	**24,100,705**	**10,924,076**	**2,165,673**	**3,078,247**	**71,828,390**
Customer deposits	38,551,154	2,354,634	216,163	109,736	7,186,613	48,418,300
Derivative financial instruments	53,422	50,530	1,639	—	—	105,591
Interbank money market deposits, funds borrowed and debt securities in issue	8,022,992	1,366,840	255,312	—	—	9,645,144
Income taxes payable	—	—	—	—	407,144	407,144
Other liabilities and accrued expenses	44,128	70,295	69,555	17,409	2,321,248	2,522,635
Reserve for employment termination benefits	—	—	—	—	38,401	38,401
Total liabilities	**46,671,696**	**3,842,299**	**542,669**	**127,145**	**9,953,406**	**61,137,215**
Net repricing period gap	**(15,112,007)**	**20,258,406**	**10,381,407**	**2,038,528**	**(6,875,159)**	**10,691,175**
Off-balance sheet derivative instruments net notional position	**2,141,393**	**1,785,188**	**(3,757,529)**	**(153,281)**	**—**	**15,771**

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments as at 31 December 2007, 2008, 2009 and 31 March 2010, respectively:

	As at 31 March 2010		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks:			
Time deposits in foreign banks	0.16	0.24	—
Time deposits in domestic banks	0.33	—	9.00
Interbank money market placements	—	—	6.50
Reserve requirements with the Central Bank of Turkey	—	—	5.20
Trading securities – debt securities	3.87	4.18	11.64
Loans and advances to customers	3.98	4.30	13.78
Available for sale	4.98	4.38	12.88
Held to maturity	3.70	4.85	12.91
Investment securities	4.46	4.65	12.88
Liabilities			
Customer deposits	2.00	2.29	7.66
Funds borrowed	2.37	1.89	7.59
Debt securities in issue	1.39	—	—

	As at 31 December 2009		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks:			
Time deposits in foreign banks	0.08	0.22	—
Time deposits in domestic banks	0.25	—	12.75
Interbank money market placements	—	—	6.76
Reserve requirements with the Central Bank of Turkey	—	—	5.20
Trading securities – debt securities	4.63	3.74	9.21
Loans and advances to customers	3.89	4.31	14.61
Investment securities	5.02	4.81	11.07
Liabilities			
Customer deposits	1.81	2.16	7.83
Funds borrowed	2.51	2.18	6.72
Debt securities in issue	1.40	—	—

	As at 31 December 2008		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks:			
Time deposits in foreign banks	0.15	1.84	14.94
Time deposits in domestic banks	0.20	—	21.09
Interbank money market placements	—	—	15.00
Reserve requirements with the Central Bank of Turkey	—	—	12.00
Trading securities – debt securities	7.57	6.58	17.88
Loans and advances to customers	4.81	6.76	21.76
Investment securities	5.48	6.64	19.53
Liabilities			
Customer deposits	4.59	4.52	16.76
Funds borrowed	3.61	3.90	15.79
Debt securities in issue	3.56	—	—

	As at 31 December 2007		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks:			
Time deposits in foreign banks	4.13	3.55	17.50
Time deposits in domestic banks	—	—	17.28
Interbank money market placements	—	—	18.00
Reserve requirements with the Central Bank of Turkey	1.95	1.80	11.81
Trading securities – debt securities	6.94	6.43	17.43
Loans and advances to customers	6.49	5.90	21.13
Investment securities	5.66	6.26	18.81
Liabilities			
Customer deposits	3.86	3.40	14.97
Funds borrowed	5.79	4.94	15.56
Debt securities in issue	6.18	—	—

Liquidity Risk

Akbank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees as well as the Bank's own maturity exposures. A major objective of Akbank's asset and liability management is to ensure that sufficient liquidity is available at all times to meet Akbank's commitments to customers and to satisfy Akbank's own liquidity needs. Akbank maintains cash and near cash resources to meet all of these needs.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of liquidity risk. The ability to fund Akbank's existing and prospective debt requirements is managed by seeking to maintain sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and a broad deposit base, and the ability to close out market positions. Akbank maintains additional resources to provide liquidity when necessary through allocated limits including TL792.7 million at the Central Bank of Turkey, TL15,000 million at the ISE Money Market, TL250 million at the ISE Settlement and Custody Bank Money Market and other banks, and through a liquid marketable securities portfolio. Short term funding needs are provided using customer deposits. Long term funding is provided through deposits and long-term foreign funds. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of Akbank and its exposure to changes in interest rates and exchange rates.

Akbank has developed a policy that seeks to ensure strong liquidity levels and funds-management practices. In particular, the ERC sets limits on the maturity mismatch of assets and liabilities. For example, the limit for overnight FX holding is minimum US$800 million, and the actual position has been approximately US$1.1 billion as at 31 May 2010. Akbank also seeks to maintain a very diversified deposit base. Liquid asset ratio is approximately 9% and loan to deposit ratio is approximately 70% as at 31 May 2010.

The table below analyses assets and liabilities of Akbank into relevant maturity groupings based on the remaining period at the relevant balance sheet date to the contractual maturity dates.

	As at 31 March 2010					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
	(thousands of Turkish Lira)					
Cash and due from banks	5,574,878	8,570	—	—	—	5,583,448
Trading and investment securities	1,890,710	9,248,707	32,575,213	3,738,261	103,242	47,556,133
Derivative financial instruments	55,618	13,122	22,444	89,462	—	180,646
Reserve requirements with the Central Bank of Turkey	3,220,505	—	—	—	—	3,220,505
Loans and advances to customers	16,892,927	9,867,449	16,534,267	4,474,954	—	47,769,597
Property and equipment	—	—	—	—	813,061	813,061
Intangible assets	—	—	—	—	67,106	67,106
Other assets and pre-payments	478,520	—	208,289	—	5,035	691,844
Investment in associates	—	—	—	—	3,125	3,125
Deferred tax assets	—	—	—	—	310,635	310,635
Total assets	**28,113,158**	**19,137,848**	**49,340,213**	**8,302,677**	**1,302,204**	**106,196,100**
Customer deposits	73,120,209	2,489,799	727,745	126,108	—	76,463,861
Derivative financial instruments	87,391	88,944	615,144	107,291	—	898,770
Interbank money market deposits funds borrowed and debt securities in issue	1,279,310	5,344,556	2,585,258	1,253,536	—	10,462,660
Income taxes payable	—	—	—	—	402,254	402,254
Other liabilities and accrued expenses	2,291,638	38,621	58,526	28,246	297,393	2,714,424
Deferred Tax Liability	—	—	—	—	—	—
Employment benefit obligations	—	—	—	—	61,388	61,388
Total liabilities	**76,778,548**	**7,961,920**	**3,986,673**	**1,515,181**	**761,035**	**91,003,357**
Net liquidity gap	**(48,665,390)**	**11,175,928**	**45,353,540**	**6,787,496**	**541,169**	**15,192,743**

	As at 31 December 2009					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
	(thousands of Turkish Lira)					
Cash and due from banks	5,020,024	—	2,380	6,856	—	5,029,260
Trading and investment securities	7,297,266	10,175,768	26,185,454	2,987,002	80,860	46,726,350
Derivative financial instruments	101,036	59,549	25,704	58,831	—	245,120
Reserve requirements with the Central Bank of Turkey	3,464,090	—	—	—	—	3,464,090
Loans and advances to customers	15,513,474	10,982,927	15,234,145	3,319,271	—	45,049,817
Investment in associates	—	—	—	—	3,125	3,125
Property and equipment	—	—	—	—	805,457	805,457
Intangible assets	—	—	—	—	65,449	65,449
Deferred income tax assets	—	—	269,965	—	—	269,965
Other assets and pre-payments	396,666	—	—	—	330,984	727,650
Total assets	**31,792,556**	**21,218,244**	**41,717,648**	**6,371,960**	**1,285,875**	**102,386,283**
Customer deposits	70,760,192	3,065,029	743,400	132,663	—	74,701,284
Derivative financial instruments	100,799	52,840	168,234	438,455	11,415	771,743
Interbank money market deposits funds borrowed and debt securities in issue	2,031,373	3,634,700	2,723,162	1,303,677	—	9,692,912
Income taxes payable	—	196,541	—	—	—	196,541
Other liabilities and accrued expenses	2,186,078	108,116	28,110	66,811	21,937	2,411,052
Employment benefit obligations	—	—	58,886	—	—	58,886
Total liabilities	**75,078,442**	**7,057,226**	**3,721,792**	**1,941,606**	**33,352**	**87,832,418**
Net liquidity gap	**(43,285,886)**	**14,161,018**	**37,995,856**	**4,430,354**	**1,252,523**	**14,553,865**

	As at 31 December 2008					
	Demand and up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
			(thousands of Turkish Lira)			
Cash and due from banks	6,867,802	—	—	—	—	6,867,802
Trading and investment securities	277,696	6,737,793	16,176,960	5,039,052	57,085	28,288,586
Derivative financial instruments	54,356	19,727	2,748	3,390	—	80,221
Reserve requirements with the Central Bank of Turkey	6,265,872	—	—	—	—	6,265,872
Loans and advances to customers	17,173,135	13,781,398	14,582,716	3,952,876	10,364	49,500,489
Investment in associates	—	—	—	—	3,125	3,125
Property and equipment	—	—	—	—	815,399	815,399
Intangible assets	—	—	—	—	36,873	36,873
Deferred income tax assets	—	—	176,092	—	—	176,092
Other assets and pre-payments	372,300	—	—	—	276,755	649,055
Total assets	**31,011,161**	**20,538,918**	**30,938,516**	**8,995,318**	**1,199,601**	**92,683,514**
Customer deposits	62,608,172	3,012,102	332,763	224,850	—	66,177,887
Derivative financial instruments	39,992	35,076	136,387	102,850	—	314,305
Interbank money market deposits funds borrowed and debt securities in issue	2,170,009	6,251,359	2,827,275	1,290,187	—	12,538,830
Income taxes payable	—	68,188	—	—	—	68,188
Other liabilities and accrued expenses	1,844,780	113,106	70,346	76,527	—	2,104,759
Employment benefit obligations	—	—	53,332	—	—	53,332
Total liabilities	**66,662,953**	**9,479,831**	**3,420,103**	**1,694,414**	**—**	**81,257,301**
Net liquidity gap	**(35,651,792)**	**11,059,087**	**27,518,413**	**7,300,904**	**1,199,601**	**11,426,213**

	As at 31 December 2007					
	Demand and up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
			(thousands of Turkish Lira)			
Cash and due from banks	2,667,166	734	—	—	—	2,667,900
Trading and investment securities	143,041	12,046,947	9,227,462	4,366,313	32,391	25,816,154
Derivative financial instruments	31,837	12,527	33,880	3,038	—	81,282
Reserve requirements with the Central Bank of Turkey	1,667,268	—	—	—	—	1,667,268
Loans and advances to customers	15,372,395	10,663,161	11,669,191	2,533,252	—	40,237,999
Investment in associates	—	—	—	—	3,125	3,125
Property and equipment	—	—	—	—	730,513	730,513
Intangible assets	—	—	—	—	31,971	31,971
Deferred income tax assets	—	—	36,839	—	—	36,839
Other assets and pre-payments	466,900	8,291	—	—	80,148	555,339
Total assets	**20,348,607**	**22,731,660**	**20,967,372**	**6,902,603**	**878,148**	**71,828,390**
Customer deposits	45,667,551	2,179,854	398,258	172,637	—	48,418,300
Derivative financial instruments	21,460	7,405	71,405	5,321	—	105,591
Interbank money market deposits funds borrowed and debt securities in issue	1,632,892	4,199,919	2,755,417	1,056,916	—	9,645,144
Income taxes payable	—	407,144	—	—	—	407,144
Other liabilities and accrued expenses	2,168,667	242,308	94,251	17,409	—	2,522,635
Reserve for employment termination benefits	—	—	38,401	—	—	38,401
Total liabilities	**49,490,570**	**7,036,630**	**3,357,732**	**1,252,283**	**—**	**61,137,215**
Net liquidity gap	**(29,141,963)**	**15,695,030**	**17,609,640**	**5,650,320**	**878,148**	**10,691,175**

Management believes that in spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors, together with the past experience of Akbank, support management's view that these deposits will provide a long-term and stable source of funding for Akbank. The major part of mandatory cash balances with the Central Bank is included within the "up to three months" column, as the majority of liabilities to which these balances relate is also included in this category.

Operational Risk

The Basel committee defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Risk Management Division, Internal Audit, Internal Control, Compliance Unit and Operations Business Unit are responsible for the Bank's operational risk management framework. The Bank has implemented policies and procedures, control / check points in practice that have been developed by business units, internal audit department and internal control department.

The Bank uses Basel II definitions in identifying business lines and event types. The Bank's online internal data collection system was put into practice in September 2009.

For regulatory reporting, capital charge is calculated by the basic indicator approach based on the past three years' gross income. The table below sets out total risk weighted assets according to risk types. Operational risk is 13% of total risk weighted assets.

	For the three months ended 31 March 2010	
	(*thousands of Turkish Lira*)	%
Credit Risk	60,944,467	81%
Market Risk	4,591,988	6%
Operational Risk	9,710,271	13%
TOTAL	**75,174,726**	**100%**

Loan approval process

The credits approval group by which the credit approval process for a particular loan is managed depends largely on which segment the applicant falls under and the type of branch that prepares and submits the loan application to Akbank's headquarters.

Retail Banking

Loans to Individuals

The Consumer Credits Approval Group, a sub-division of the Consumer Credits and Credit Cards Approval Division is responsible for approval of loans to individuals. Loans to individuals comprise consumer loans, automotive loans and mortgage loans. For more information, see "Business of Akbank – Retail Banking – Consumer Banking."

Each application is reviewed in the first instance by the branch receiving the relevant application. Each applicant must provide information on his or her income and employment status and the purpose of the loan and, must submit various documents evidencing creditworthiness. The loan application is reviewed and verified by branch personnel.

The branch Relationship Manager enters information relating to the applicant into the loan application system. Applications are automatically assessed by the Strategyware decision support model. The system calculates the applicant's credit score using an application scorecard model and collects Central Bank and Central Credit Recording Bureau information. Finally, applications pass through a decision tree model. The decision tree model returns approve, decline or review (grey area) suggestions in line with Bank's policies. Consumer loans up to TL20,000 are automatically approved without manual evaluation if the suggestion of the decision model is "approve".

Branches can only grant car loans and mortgages that are approved by the decision model and within their approval authorities. Branch approval authority limits are TL40,000 for car loans and TL100,000 for mortgages.

All review applications and the ones that are over the branch authority limits are manually evaluated by the Consumer Credit Approval Group.

As a general policy, Akbank imposes a credit limit of 75% of the value of the asset for mortgages, but the LTV can reach up to 100% in certain circumstances. The average LTV for mortgages was 58%, 66%, 62% and 68% for loans granted in 2007, 2008, 2009 and the first quarter of 2010, respectively. The Bank imposes no limit on credit value, but the average size of Akbank's mortgages in as at 31 March 2010 was TL101,000. Maturity is generally between five to 10 years, 15 years being relatively uncommon. The average maturity as at 31 March 2010 was 78 months.

As a general policy, Akbank imposes a credit limit of 80% of the value of the vehicle for auto loans, but the LTV can reach up to 100% in certain circumstances. The average LTV for car loans was 63%, 67%, 60% and 64% for car loans granted in 2007, 2008, 2009 and the first quarter of 2010, respectively. There is no limit to the credit value but the average size of Akbank's car loans in the first quarter of 2010 was TL28,000. The maximum maturity is five years, with an average of 35 months. For both mortgages and car loans, the Bank requests full security over the relevant asset being financed. Consumer loans have a maximum maturity of 60 months, with an average maturity of 28 months. For consumer credits granted in the first quarter of 2010 the average limit was approximately TL10,000.

The collateral valuation processes for consumer loans depend on the nature of the loan.

For mortgages, branches request appraisal of collateral for loans of TL75,000 or above from the Appraisal Department. The Appraisal Department outsources real estate valuation to one of its contracted independent appraisal firms. It uses 72 appraisal firms, 41 of which have a valuation license from the Capital Markets Board of Turkey ("**CMB**"). The Appraisal Department employs 13 engineers who review all appraisal reports prepared by the contracted firms. These 13 engineers are also licensed by the CMB. All valuation reports are managed in the Bank's "EKON" digital system. All mortgage collateral values are fed from EKON into the control loan approval system. If the amount of the loan is below TL75,000 (or TL150,000 for the branches located in Istanbul, Ankara and Izmir), branches have the authority to prepare appraisal reports themselves.

For car loans, the value of the vehicle pledged as collateral is taken from the published "insurance value list" and sales value (for new cars, this is the "invoice value"; for second-hand cars the "notary public dealing value"). Whichever value is lower is taken as the collateral value.

All mortgages are fixed rate and all loans to individuals are denominated in Turkish Lira, since Turkish law prohibits the use of floating rate mortgages and foreign currency loans to individuals.

Akbank uses "behavioural" and "application" scorecard models for both credit cards and loans to individuals. The application scorecard model estimates the future performance of the applicant, based on the information obtained during the application and from other sources, such as the Central Credit Recording Bureau. The score by itself is not the sole deciding factor in the evaluation process. Akbank also uses a statistical behavioural scorecard model to provide early identification of borrowers considered to present a risk and to assess the ability of customers to maintain additional debt.

To maximise the efficiency of credit application decisions and to manage customer risk efficiently, Akbank uses internationally recognised decision making systems, such as "StrategyWare" and "Triad", designed by Fair Isaac Corporation.

Credit Cards

The Consumer Credits and Credit Cards Approval Division is responsible for assessment of Mastercard and Visa card credit card applications by individuals. Credit card applications are made either through the branch or alternative channels, such as the internet.

When applying at a branch, an applicant must fill a credit card application form and provide identification. Verification of the information is carried out by the Credit Card Operations Group at the Bank's centralised operation centre and the relevant data is then entered into an automated evaluation system.

Applications are subject to automatic evaluation by the decision support model (StrategyWare). If the applicant is an existing Akbank customer, the delinquency statuses of his or her credit products (such as credit cards, overdraft, loans) are checked. For all applicants, a Credit Bureau inquiry is made to check applicants' credit card, individual loan products usage and payment performance with other banks. An application score is then calculated using the credit card scoring model. If the score is above a certain threshold, applications pass through to the next stage of the decision process. In some cases the decision process requires verification of the applicant's occupation, length of employment and monthly net income by the Credit Card Operations Group. The decision process returns automatic approval or decline decisions and sends the remaining applications for final manual evaluation by the Credit Card Approval Group.

Applications can also be made through alternative delivery channels such as the internet. The approval process is similar to that carried out at branch level, although the scorecard system is not used. This is due to the fact that applications from alternative channels are processed with insufficient information to produce applicable scores. As a consequence, evaluation policies are mostly based on the Central Credit Recording Bureau information. These applications pass through another decision tree and are also automatically evaluated in line with bank's policies. In addition to Credit Bureau inquiry, if the applicant is an existing Akbank customer, his or her deposit and credit products are checked. Some applications require employment verification as part of the process. After verification, the decision tree model returns automatic approval or decline decisions.

Akbank also uses the Triad decision support tool for credit card limit management. Akbank reviews all cardholders' past behaviours (by using the credit card behaviour score model) on a monthly basis to decide whether to increase or decrease their current credit limits.

Loans to Micro Business Customers

The Micro Credits Approval Group, a sub-division of the Consumer Credits and Credit Cards Approval Division, is responsible for assessing credit applications submitted by branches.

Akbank uses scorecard and decision models to evaluate micro loan applications. Application scorecards are developed in conjunction with Experian Decision Analytics. The application scorecard evaluates application information using the Bank's data and relevant information from external sources in order to grade customers at the point of application. The scoring system takes into account both financial and non-financial factors, as well as the customer's relationship history with Akbank.

In addition to application scorecards, behavioural scorecards are used to manage existing customers. Behavioural scorecards are developed in conjunction with Oliver Wyman, an international management consulting firm.

Credit limits and collateral levels are set according to the outcome of these scoring models.

Regions have no authorisation limits for loans in the micro segment. The authorisation limits for Branch Managers are as shown below:

	Overdraft	Credit Cards	Cheque Credits	Overdraft Credit Cards Cheque Credits	Cash Collateral
			(Turkish Lira)		
Segment: Micro	5,000	3,000	30,000	30,000	100,000

Corporate and SME Banking

The SME Credits Approval Group has been responsible for assessing loan applications submitted by SME dedicated branches since January 2010. Applications by micro business customers are dealt with by the relevant credit approval group of the Retail Banking Unit (see "Retail Banking Unit – Consumer Loans Approval Process – Loans to Micro Business Customers"). Applications by corporate and commercial customers are mostly processed by the corporate and commercial branches and are therefore assessed by the Corporate and Commercial Credits Approval Group. However, in exceptional cases, when a loan application by a commercial customer is processed by an SME branch because of the geographic location of the applicant and/or at the applicant's request, the application is assessed by the SME Credits Approval Group.

Corporate and Commercial Loans Approval Process

In order to segregate credit analysis and approval processes from credit marketing activities and to provide more objective credit risk evaluation, the credit function for corporate and commercial customers is managed by the Corporate and Commercial Credits Approval Group.

All applications for commercial and corporate credits are initially submitted to a local Akbank branch. The relevant branch's customer relations managers undertake a detailed loan analysis, including feasibility studies, analysis of financial standing, reputation and experience of the potential borrower. A credit file based upon the results of the analysis is then prepared for each applicant. The credit file is then typically reviewed by the manager of the relevant branch, which prepares its opinion on each application in terms of overall risks related to the project, the borrower and the related industry. The application is reviewed by the relevant branch and, depending on the amount and the borrower, by the Corporate and Commercial Credits Approval Group.

Depending on the type of collateral and the amount of the loan, in general, applications for loans of more than TL700,000 without any tangible security and loans of more than TL1,500,000 with tangible security must be submitted to the review of the Corporate and Commercial Credits Approval Group.

Akbank uses different rating models to evaluate loan applications from customers in different segments within Corporate and SME Banking. For the SME segment, it uses a full statistical rating model with the aim of standardising and improving the consistency of credit rating processes for commercial borrowers. It is designed to rate standard commercial borrowers, defined by turnover and sector. For the Corporate segment, it uses an expert-based model that is designed to rate the standard Corporate borrowers, defined by turnover and sector.

If collateral is a land pledge, Akbank's internal policy requires that an outside firm make an independent assessment of the collateral being offered, including valuation, legality and enforceability. Akbank also engages independent legal advisers, from time to time, to review the loan agreements and other legal documentation involved in the lending process, although typically a review of the legal documentation is undertaken by Akbank's in-house legal department.

Akbank undertakes extensive credit analysis and uses conservative provisioning standards and credit scoring systems in order to maintain a high quality loan portfolio, and obtains collateral for a significant proportion of its cash loan portfolio in order to minimise the amount of non-performing loans.

The Corporate and Commercial Credits Approval Group is the main group under the Credits Division. The Group consists of three teams which are responsible for assessing credit applications submitted by corporate and commercial branches.

One of the three teams is responsible for assessing the applications sent by seven corporate branches. The other two teams are responsible for evaluating the credit applications sent by the 22 commercial branches. Every team is managed by a vice-president. The teams evaluate prospective customers in terms of their financial standing and credit history as well as their market position. Depending on the type of application (the term of the loan and the borrower's profile), the Group requests additional reports from its support groups, for instance a financial analysis report from the Credit Analysis Group or an intelligence report from the Intelligence Group. The teams within the Group are also responsible for monitoring the performance of borrowers in their portfolio based on the various reports, including notes, cheque performance reports and overdue repayment reports by the Credit Monitoring Group. After their assessment, the teams present the credit applications to the Bank's approval authorities or credit committees for final approval with their recommendations and views.

Authorisation limits for Branch Managers are summarised in the table below.

	Collateral[1]			
	Group I	**Group II**	**Group III**	**Group IV**
	(thousands of Turkish Lira)			
Authorisation Limit	3,000	1,500	700	300

Notes:

(1) Collaterals for each of the groups:

Group I: Cash Collateral, Treasury Bonds, L/G (Risk rating note would be at least A of S&P)

Group II: L/G (Risk rating note would be at least BBB of S&P), L/C, land pledges, stock (IMKB30), Private Sector bonds and notes (limited by policy), maritime lien

Group III: Car or machine pledges, other stock

Group IV: Leases, Letter of Comfort, Letter of Support

SME Loans Approval Process

The SME customer segment was redefined in January 2010 when Small Business Banking and Commercial Banking were merged to form The SME Banking Division. SME Credit Approval Division at HQ and Regional Directorates for Credit Approvals fulfil the credit allocation and monitoring functions for small and medium sized companies, having regard to their authorisation limits. Authorisation limits for Regional Managers are summarised in the table below.

	Collateral[1]		
	Group I	Group II	Groups III and IV
	(thousands of Turkish Lira)		
Regional Credit Manager and Regional Manager for Marketing	7,500	4,000	2,000
Regional Credit Manager	5,000	3,000	1,500

Note:

(1) Collaterals for each of the groups:

Group I: Cash Collateral, Treasury Bonds, L/G (Risk rating note would be at least A of S&P)

Group II: L/G (Risk rating note would be at least BBB of S&P), L/C, land pledges, stock (IMKB30), Private Sector bonds and notes (limited by policy), maritime lien

Group III: Car or machine pledges, other stock

Group IV: Leases, Letter of Comfort, Letter of Support

The credit application process begins at branch level, similar to the corporate and commercial loans approval process. However, after the branch phase, credit applications are transmitted to the relevant Regional Directorate or to the General Directorate depending on the authorisation limits and the proposed collateral.

The scorecard system for small enterprises is based on the same scorecard system as that used for loan applications by micro business customers (see "Retail Banking – Loans to Micro Business Customers"). For medium enterprises, the scorecard used is the same as that used for the Corporate and Commercial Credits Department.

There are two different scoring systems – "behavioural" and "application". The behavioural scorecard ranks current customers from 1 to 24 measuring customers' risk using the Bank's data. This model utilises historic business data and has several credit quality categories.

An application scorecard is used to evaluate application information, using the Bank's data and relevant third party information in order to grade customers at the point of application. This scorecard also ranks customers from 1 to 24. The scoring system takes into account both financial and non-financial factors, as well as the relationship history of the customer with Akbank. Branch Managers cannot override the application scores notified in policy documents.

In principle, the LTV ratio will be 100% if the Bank takes a land pledge as collateral for working capital credits, and 75% for investment loans. However, this principle can be varied according to the customer base under the authority of any level up to the maximum approval limits.

The distribution of "Secured Loans/Tangible Collateral" ratio for the Corporate, Commercial, SME and Micro segments, as at 31/03/2010, is shown below. It should be noted that the ratio includes collateralised cash and non-cash credits and the ratio does not accurately represent the "LTV" ratio.

Customer Segment	Secured Loans / Tangible Collateral[1]
Corporate	55%
Commercial	59%
SME	57%
Micro	46%

Note:

(1) Tangible collateral includes cash collaterals, land pledges and other pledges.

The SME Credits Approval Group comprises the SME Credits Monitoring Division, Sector Analysis Division and Intelligence Division. The SME Credits Monitoring Division is responsible for identifying possible problematic loans at an early stage, keeping the amount of problematic loans at a low level, reducing the Bank's Watch List Portfolio and/or preventing any increase of such portfolio. The Sector Analysis Division prepares reports on Turkish economy, foreign markets and different sectors. The Financial Analysis Group prepares reports on customers upon the request of a relevant credit group or department and The Intelligence Group collects information from the press and other sources about a particular client or segment.

Classification of Loans and Provisioning

Classification of Loans and Other Receivables

Akbank monitors loans and other receivables according to the categories set out below which reflect respective recovery capabilities and debtors' creditworthiness levels, having regard to the procedures and principles established by Turkish law:

- Group One – Loans of a Standard Nature and Other Receivables ("**Group One Loans**"): this group includes loans and other receivables showing no signs of weakness or deterioration.
- Group Two – Loans and Other Receivables Under Close Monitoring (Watchlist) ("**Group Two Loans**"): this group includes loans and other receivables which do not presently show any problems in terms of principal and/or interest payments but which require close monitoring due to reasons such as observation of negative trends in the debtor's payment capability or cash flow positions or where repayment is highly likely but capital and/or interest payments are delayed for more than 30 days.

  Akbank's current policy is more conservative than BRSA requirements in this respect and puts loans under watchlist when payment of principal and/or interest is overdue for more than five days for the Corporate and Commercial segment, 10 days for the SME segment and 15 days for the Retail segment.
- Group Three – Loans and Other Receivables with Limited Recovery ("**Group Three Loans**"): this group includes loans and other receivables with limited potential for total recovery of payments due thereunder either because the debtor's equity or guarantee are considered inadequate to cover payment or because payment is likely to be delayed by more than 90 days due to various reasons, such as problems encountered by the debtor over its operating capital, financing or ability to create additional liquidity.
- Group Four – Loans and Other Receivables with Suspicious Recovery ("**Group Four Loans**"): this group includes loans and other receivables for which repayment is considered unlikely or for which the delay of recovery of principal and/or interest exceeds 180 days but does not exceed one year.
- Group Five – Loans and Other Receivables Having the Nature of Loss ("**Group Five Loans**"): this group includes loans and other receivables for which repayment is considered impossible or for which the delay of recovery of principal and/or interest exceeds one year.

Provisioning

General provisions apply to Group One and Group Two Loans and special provisions to Group Three to Five Loans.

General Provisions (BRSA requirements)

In relation to Group One Loans, Akbank allocates general provisions at a rate of 1% of the total amount of cash credits of a standard nature and 0.2% of the total amount of letters of guarantee, sureties and other non-cash loans.

In relation to Group Two Loans, Akbank allocates general provisions at a rate of 2% of the total cash loans which are closely monitored and 0.4% of the total amount of letters of guarantee, sureties and other non-cash loans.

Special Provisions (BRSA requirements)

Under Turkish law, the minimum special provision rates applicable to Group Three to Five Loans are 20% from the date of inclusion into Group Three, 50% from the date of inclusion into Group Four and 100% from the date of inclusion into Group Five. These special provisions are calculated by reducing the amounts of the guarantees for these loans at the following rates:

- Group One guarantees: 100%;
- Group Two guarantees: 75%;

- Group Three guarantees: 50%; and
- Group Four guarantees: 25%.

In contrast, Akbank allocates a 100% provision rate for all Group Three to Five Loans from the date of inclusion into Group Three, irrespective of the amounts of the guarantees for these loans. See "Selected Statistical and Other Information-Loan and Guarantee Portfolio."

Identification and Remediation of Problem Loans

General

Identification and remediation of problem loans throughout the Bank's business units is organised according to classification of Loans.

1) Group Two – Loans and Other Receivables Under Close Monitoring (Watchlist) – is executed by three separate credit monitoring groups covering each of SME, Retail and Corporate/ Commercial.
2) Group Three, Four and Five are executed by the Non-Performing Loans Follow-Up Division covering all segments.

Credit Monitoring Groups

The Corporate/Commercial Credits Monitoring Group, SME Credits Monitoring Group and Retail Credits Monitoring Division are organised according to customers' segment division. Each group is responsible for the identification and remediation of loans of the relevant segments that have shown indications of potential problems, and are classified under Group Two. There are also regional monitoring teams who are principally responsible for monitoring SME credit clients.

A common monitoring system is used by the three Credit Monitoring Groups with parametric monitoring triggers in the system designed to take into account the peculiarities of each segment. Problem loans are identified automatically by Akbank's Monitoring computer system which monitors using internal or external data resources on a daily basis. Akbank's Credit Monitoring software monitors all overdue interest, commission and principal repayments, unpaid cheques, fraud records, sequestration records on a daily basis.

If a problem is identified, the input is classified by the system as pre-monitoring or close monitoring for each segment peculiarity. Pre-monitoring is considered to be an early indication of a potential problem and does not have any effect on the existing credit lines, except for limit increase and term renewal requests. Close monitoring – Group Two – indicates that the customer has internal or external credit problems and carries potential risk of default. These customers are blocked by the system from utilising any additional limits. In addition to the automatic identification of problem loans, exception reports are also reviewed daily by members of the Credit Monitoring Group, and customers on those exception reports are manually put on credit watch if necessary.

The Bank has a new system under development which is designed to enable limit blocking in pre-monitoring cases. This change is designed to have a positive effect on reserve allocation since it is expected to be possible to prevent additional limit utilisation without taking the customer into close monitoring (which requires additional capital reserve compared to pre-monitoring). Following the change, the definition for Group Two close monitoring is expected to be changed to 30 days delinquency which is the required maximum delinquency days under BRSA regulations. This means that the number of delinquency days mentioned in the classification section may be changed to 30 days for close monitoring for all segments.

All clients, regardless of the segment, are subject to the same risk controls. However because of the number of clients in the micro segment, the process is carried out at the Head Office by Retail Credits Monitoring and Call Centre. Branches are also involved in the process. In contrast, in SME Credit Monitoring, Regional Monitoring Teams support the Head Office in monitoring and work with the customers to ensure loan repayment and that the arrears are cleared in coordination with the related Akbank branches. A repayment plan is negotiated with the customer and set up if necessary. If this process is not successful in clearing the arrears, legal action is taken and the matter is referred to the Non-Performing Loans Follow-Up Group.

Non-Performing Loans Follow-Up Group

The Non-Performing Loans Follow-Up Group deals with non-performing loans. The Non-Performing Credits Group, together with the Legal Advisory Group, deals with Group Three to Five Loans ("**non-performing loans**"). The Non-Performing Loans Follow-up Group negotiates with the customer for repayment of the loan including possible restructuring of the debt, or if necessary, liaises with the Legal Advisory Group to have the collateral liquidated or to take other legal action. Amounts due below a certain threshold after taking into account associated legal costs may be written off in full.

Anti-Money Laundering Policies

Overview

Turkey has adopted anti-money laundering laws and regulations in compliance with the 40 Recommendations of the Financial Action Task Force (the "**FATF**"). Formed by the G-7 Economic Summit in 1989, the FATF comprises 26 countries, including the United States and Turkey, as well as international organisations such as the European Commission and the Gulf Cooperation Council. The FATF is dedicated to promoting the development of effective anti-money laundering controls and enhanced co-operation in counter-money laundering efforts among its membership and around the world. Its 40 recommendations issued in 1990 are designed to provide countries with a blueprint for the establishment and implementation of anti-money laundering laws and programmes.

Turkish anti-money laundering legislation requires financial institutions in Turkey to identify their customers when starting customer relationships, conducting transactions, including the transfer and receipt of money transfers in an amount equivalent to TL20,000 or more, to maintain and record certain official identification documents, to provide all relevant information and documents requested by the officers of the Turkish Financial Crimes Investigation Council (the "**FCIC**") for a period of eight years, and to gather available information on, and report to the FCIC, all transactions suspected of involving funds stemming from illegal activities. In addition to money transfers of TL20,000 and above, the Bank's policies on customer identification are applied to safe deposit box rentals, insurance and leasing transactions, and account openings. The principal requirements, obligations and penalties are contained in Law No. 5549 on Prevention of Laundering Proceeds of Crime and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism.

Akbank has established internal anti-money laundering programmes, policies and procedures pursuant to both domestic legislation and international anti-money laundering standards. All Akbank's branches and subsidiaries, regardless of their geographic location, must comply with such programmes, policies and procedures. Akbank has instituted procedures to "know your customer" ("**KYC**"), to record the identity of Akbank's customers when conducting transactions, to maintain copies or records of official identification documents for a period of eight years, to identify and report to the relevant Turkish authorities suspicious transactions, to co-operate with law enforcement agencies, and to establish internal training programmes for Akbank's employees. The Bank's policies require account officers to take into account the customer's background, country of origin, business activities, and other risk indicators. Akbank's anti-money laundering policies and procedures also include procedures to identify and verify the source of requests to make outgoing international funds transfers.

Akbank continues to seek new methods of improving its anti-money laundering standards. The Bank is developing a software solution designed to detect suspicious activity in customer accounts automatically. Akbank uses the "Actimise" software system (WLF Module) for all kinds of cross-border wire transfers. This software screens the Bank's customers and transactions according to watch lists of individuals, companies, or geographic locations issued by authorities such as OFAC, the UN, the EU or the HMT. If any party in a transaction falls within any of the watch lists, the system creates an alert and automatically forwards this transaction to the Bank's Compliance Department. In implementing this approach, the Bank drew on the experience provided by other available analytical models used by other banks in supporting European, US and Turkish anti-money laundering policies. As part of the pre-accession preparations for EU membership, Akbank is participating in a joint Italian-Turkish project to develop new techniques to combat money laundering and to prepare written guidelines for submission to the participating governments.

Scope of Akbank's Policies and Procedures

Akbank's anti-money laundering ("**AML**") and KYC standards policy is based on (i) compliance with AML and combating financing of terrorism ("**CFT**") laws and regulations, including local laws (Turkish AML Act and Criminal Act) and regulatory guidance, UN Security Council Resolutions, EU Directives and the USA Patriot Act; (ii) FATF recommendations for standards on AML and CFT as well as application methodology criteria; and (iii) evaluation of KYC principles and customer identification regulations, such as the Basel Principles (customer due diligence for banks), the Wofsberg Principles and the Turkish Banking Association Local Industry Guidance and Best Practices.

The objectives of the policy are to ensure that the Bank complies with obligations regarding the prevention of laundering proceeds of crime and financing of terrorism; to establish strategies to mitigate potential risks, as well as setting internal controls, measures and operating rules. The Bank aims to discharge its responsibilities through a risk-based evaluation of its customers, transactions, products and services. It also develops and raises awareness among its existing and new employees on matters relating to its AML and KYC standards policy.

AML/CFT Program and Applications

Akanke has put in place procedures designed to control activities to comply with applicable laws and regulations in Turkey as well as international standards and has put in place systems and controls to mitigate the risk of the Bank being used to facilitate financial crime. Akbank's AML/CFT program includes (i) having a designated AML compliance officer; (ii) written policies, procedures and guidelines; (iii) risk based controls, including an AML software program that monitors ongoing transactions and customer account activities and screens existing and prospective customers for AML and CFT purposes; (iv) procedures for reporting suspicious activity internally and to the relevant law enforcement authority; (v) record keeping obligations in accordance with local laws; (vi) ongoing training in order to improve existing and new employees' awareness of how the Bank's products and services may be used to facilitate money laundering or terrorist financing and to enhance existing and to raise new employees' awareness of their legal obligations; and (vii) internal audit and independent audit testing.

Customer Acceptance Policy

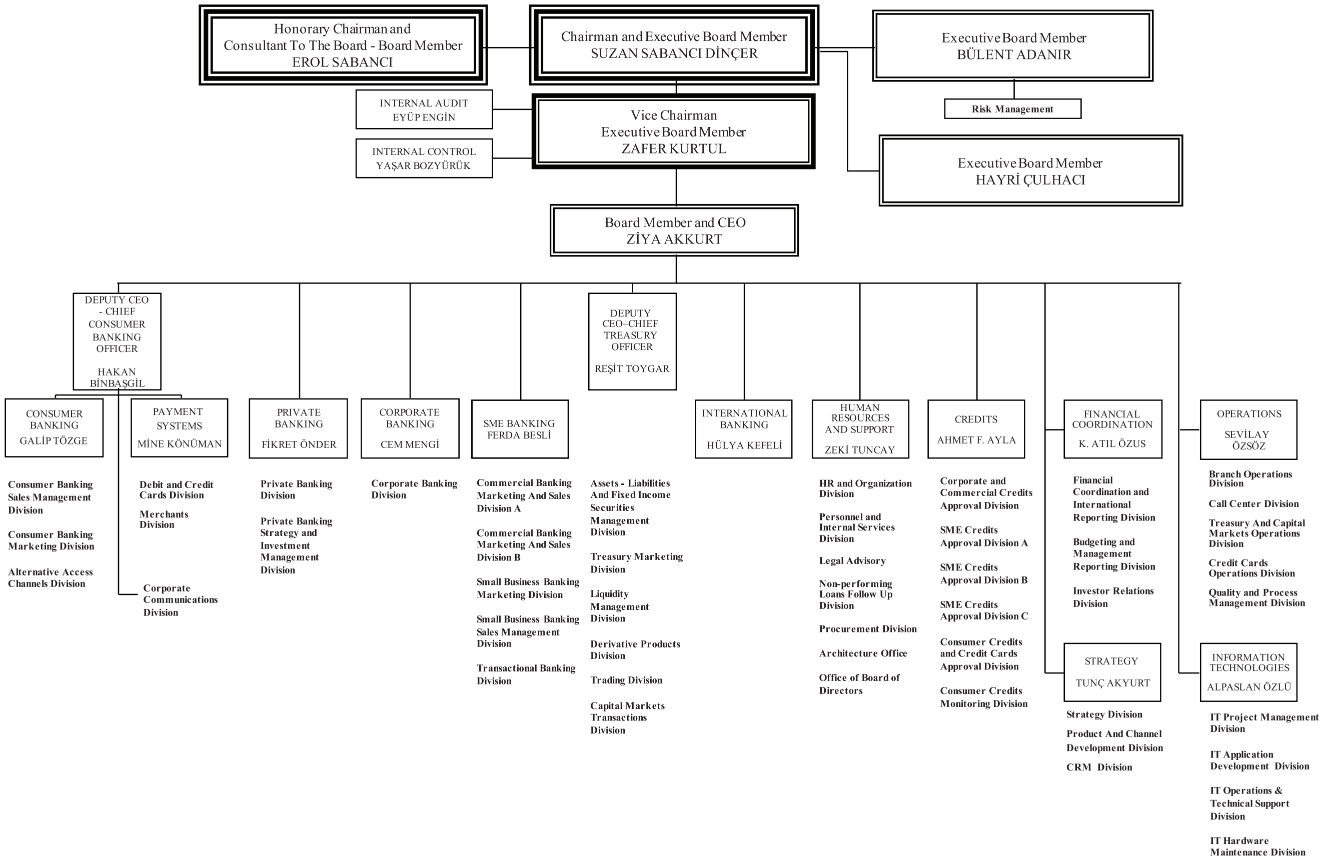
Akbank's customer acceptance policy contains KYC procedures meeting national and international regulations for compliance with prevention of money laundering and CFT. The Bank's KYC procedures require customers to provide identification when accepting or delivering cash. The Bank is also required to establish the ultimate beneficiary of an account and has defined record making and record keeping duties as well as internal security measures. It also has specific account opening requirements. In the case of an individual, the Bank will require an official identity document, as well as the individual's ID number. In the case of a corporation and other legal entities, the Bank will require the customer's name, details of its legal form, address, list of directors and shareholders, as well as the corporate bylaws, powers of attorney, any other reliable identifying information and their tax number.

Under the Bank's "Customer Acceptance Policy", it does not accept (i) customers who refuse to provide the required information and documentation; (ii) customers with businesses that make it impossible to verify the legitimacy of their activities or the source of funds; (iii) shell banks; (iv) anonymous accounts or accounts using fictitious names; (v) customers who are included in lists prepared by international institutions and organisations showing money launderers and supporters of terrorism financing, such as OFAC, the EU, the UN or the HMT; and (vi) customers who have a negative record in the Bank's internal intelligence system for money laundering, financing of terrorism and financial crimes, such as fraud, counterfeiting, organised crime and similar activities.

Within the framework of the Bank's risk-based approach, transactions are categorised into High Risk Products and Services; High Risk Customers; and High-Risk Geographical Locations. High Risk Products and Services include (i) funds transfers, electronic fund transfers, money transfer orders and international transfers; (ii) cash transactions, such as cash deposits and withdrawals; and (iii) "non-face-to-face banking services", such as transactions conducted via internet banking, ATM or telephone banking and credit allocation transactions. Enhanced due diligence procedures are applied to High Risk Customers at account opening. High Risk Customers include (i) associations, foundations, charities and other non-governmental organisations; (ii) off-shore banks; (iii) companies established in "risky" regions and countries; (iv) citizens of "risky" countries; (v) businesses dealing with high amounts of cash; (vi) private banking customers; (vii) correspondent banks; (viii) politically exposed persons; (ix) and persons or entities listed under Article 2 of Law No. 5549 on Prevention of Laundering Proceeds of Crime. Finally, High-Risk Geographical locations include (i) tax havens (according to FATF criteria); (ii) countries subject to partial or complete embargo by the EU; (iii) countries subject to embargo by OFAC; (iv) countries and regions included in the list of countries and regions denying cooperation with FATF; and (v) countries specified in the FINCEN list.

MANAGEMENT

An overview of the Bank's organisational structure is set out below:



The Board of Directors

Akbank is managed by its Board of Directors. The Board of Directors makes all major decisions affecting Akbank and acts as a supervisory body for Akbank's activities. It meets at least monthly according to the Bank's Articles of Association. The minimum number of directors required by Turkish Banking Law is five. The maximum number of directors is ten according to the Bank's Articles of Association. A meeting of the Board of Directors has a quorum if at least six of its members are present. Akbank's Board of Directors is also responsible for Akbank's vision, mission and short and long-term strategic targets. Pursuant to the shareholders' agreement between Sabancı and Citigroup, Citigroup has the right to nominate one non-executive director to Akbank's Board of Directors. The remaining nine directors are nominated by Sabancı.

The following individuals are currently members of the Board of Directors:

Name	Position	Year first appointed to the Board of Directors	Term expires
Suzan Sabancı Dinçer	Chairman of the Board of Directors and Executive Member of Board of Directors	1997	2013
Erol Sabancı	Honorary Chairman and .Consultant to the Board of Directors	1967	2013
Zafer Kurtul	Vice Chairman of the Board of Directors and Executive Member of Board of Directors	2000	2010
Bülent Adanır	Executive Member of Board of Directors	2007	2013
Hayri Çulhacı	Executive Member of Board of Directors and Vice Chairman of the Board of Directors from July 2010	2009	2013
Hikmet Bayar	Member of Board of Directors	1996	2013
Şakir Yaman Törüner	Member of Board of Directors	1998	2013
William J. Mills	Member of Board of Directors	2008	2013
Emre Derman	Member of Board of Directors	2010	2013
Ziya Akkurt	Member of Board of Directors and CEO	2009	2013

The address of the Board of Directors is Akbank T.A.Ş. Genel Müdürlüğü Sabancı Center 34330 4. Levent/İstanbul.

The following individuals have been members of the Board of Directors for the last three years: Suzan Sabancı Dinçer, Erol Sabancı, Zafer Kurtul, Bülent Adanır, Hayri Çulhacı, William Joseph Mills, Hikmet Bayar, Yaman Törüner, Emre Derman and Ziya Akkurt.

The following individuals are former members of the Board of Directors who left the office within the last three years: Akın Kozanoğlu, Sir Winfried Bischoff, Aydın Günter and Özen Göksel.

Set forth below is brief biographical information on the members of Akbank's Board of Directors.

Suzan Sabancı Dinçer (age 45): Suzan Sabancı Dinçer was elected Chairman of the Board of Directors on 28 March 2008. Suzan Sabancı Dinçer was appointed Senior Vice President of the Akbank Treasury Department in 1989, promoted to Executive Vice President in charge of Treasury in 1994, appointed to the Board of Directors as Executive Board Member in charge of Treasury and International Relations in 1997 and as Executive Board Member in charge of all matters of the Board of Directors in 2000. Suzan Sabancı Dinçer received her undergraduate degree in Finance and International Marketing from Richmond College in the United Kingdom and earned her MBA at Boston University in the United States. Suzan Sabancı Dinçer is the Honorary Consul of Luxembourg as well as a member of the Citigroup International Advisory Board, a member of the National Bank of Kuwait Advisory Board and a member of Chatham House Board of Trustees.

Erol Sabancı (age 72): Having served as a member of the Akbank Board of Directors since 1967, for a decade beginning from March 1998 Erol Sabancı served as the Chairman of the Board of Directors. Elected Honorary Chairman and Consultant to the Board on 28 March 2008, Erol Sabancı also serves as Vice Chairman of the Board of Directors of Sabancı Holding.

Zafer Kurtul (age 52): Zafer Kurtul joined Akbank in 1998 as Executive Vice President, served as CEO between November 2000 and June 2009 and was appointed Vice Chairman of the Board of Directors in June 2009. Previously, Zafer Kurtul served in executive positions at Citibank, BNP-Ak-Dresdner Bank and Societe Generale. Zafer Kurtul has an undergraduate degree from Istanbul University, Faculty of Business Administration and an MBA in finance from the University of Wisconsin-Madison. Accredited as a Chartered Financial Analyst (CFA), Zafer Kurtul is also a member of the Institut International d'Etudes Bancaires (Institute of International Bankers). Zafer Kurtul is leaving Akbank in July 2010 to join Sabancı Holding as its CEO.

Bülent Adanır (age 56): Serving on the Akbank Board of Directors as an Executive Board Member responsible for risk management and international operations since November 2007, Bülent Adanır is also in charge of all of Akbank's overseas subsidiaries and serves as the Chairman of the Board of Directors for these subsidiaries. Prior to joining Akbank, Bülent Adanır spent 26 years at Citigroup holding numerous international responsibilities, with the last ten years spent in Citigroup's London office as Portfolio Manager in charge of Europe, Middle East, and Africa. Bülent Adanır completed both his undergraduate and masters degrees in the United States and received a graduate degree in applied economics from Rutgers State University.

Hayri Çulhacı (age 54): Hayri Çulhacı has recently been appointed as the Vice Chairman of the Board of Directors and will take over from Zafer Kurtul from July 2010. Hayri Çulhacı joined Akbank in 1990 as an Executive Vice President after serving as a Public Accountant and Department Head in the Ministry of Finance. In June 2008, Hayri Çulhacı was appointed Adviser to the Chairman of the Board of Directors of Akbank and in March 2009 he was elected Executive Board Member in charge of Investor Relations, Corporate Communication and Corporate Social Responsibility. Hayri Çulhacı is a graduate of Ankara University, Faculty of Political Sciences and holds an MBA degree from Northeastern University in the US.

Hikmet Bayar (age 78): Hikmet Bayar joined the Akbank Board of Directors after retiring from the Turkish Armed Forces in 1996. Having served in various command positions until his retirement from the Turkish Army, Hikmet Bayar was Chief of the Turkish Land Forces between 1994 and 1996.

Ş. Yaman Törüner (age 61): Yaman Törüner became a member of the Board of Directors in March 1998. Having served as a Member of Parliament between 1995 and 1999, Ş. Yaman Törüner also served as a Minister of State in 1996. Between 1990 and 1994, Ş. Yaman Törüner served as the President of the Istanbul Stock Exchange and from 1972 until 1990 he worked in various administrative positions within the Central Bank of Turkey, also serving as the Governor of the Central Bank of Turkey.

William J. Mills (age 55): Citi Europe, Middle East and Africa (EMEA) region CEO William J. Mills previously served as CEO and member of the Board of Directors of Salomon Smith Barney Asia Pacific. With over 20 years experience in investment banking, Mr. Mills served as co-head of the Global Investment Banking Division of Citigroup based in New York between 1994 and 1999. On 28 March 2008 William J. Mills was elected as a member of the Akbank Board of Directors to fill the seat vacated by the resignation of Sir Winfried Bischoff. William J. Mills received his undergraduate degree in 1977 from Denison University.

Emre Derman (age 43): Emre Derman was elected to the Board of Directors in March 2010. A corporate lawyer by training, between 1989 and 2008 Emre Derman worked in the Istanbul, New York and London offices of White & Case LLP, and for a year in 1994 at the European Bank of Reconstruction and Development in London. In 2008 he resigned as the Executive Partner of the Istanbul Office of White & Case LLP and is now a freelance consultant. Emre Derman holds an LLB from the Istanbul University Law School and an LLM from Harvard Law School.

Ziya Akkurt (age 49): Ziya Akkurt joined Akbank in 1996 as Vice President of the Corporate Banking Department and was promoted as Executive Vice President in 1997. In 2008, Ziya Akkurt was appointed General Manager of AKInvestment, elected Deputy CEO in charge of the Corporate and Commercial Banking Business Units at Akbank in April 2009 and appointed Chief Executive Officer in June 2009. Before joining Akbank, Ziya Akkurt held managerial positions at various commercial banks including Osmanlı Bank and Banque Paribas/Paris. Ziya Akkurt is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences.

Senior Management

Each Corporate Management Unit and each Business Unit is managed by an Executive Vice President that reports to the CEO. Set forth below is brief biographical information regarding Akbank's Executive Vice Presidents:

The address of the Senior Management is Akbank T.A.Ş. Genel Müdürlüğü Sabancı Center 34330 4. Levent/Istanbul.

Ziya Akkurt: see "Management – the Board of Directors".

Hakan Binbaşgil (age 50): Deputy CEO – Consumer Banking and Corporate Communications: Hakan Binbaşgil joined Akbank as Executive Vice President in charge of Change Management in October 2002. He was appointed as Executive Vice President in charge of Retail Banking in October 2003, as Deputy CEO in charge of Retail Banking in May 2008 and as Deputy CEO in charge of Consumer Banking and Corporate Communications in January 2010. A graduate of Boğaziçi University, Faculty of Mechanical Engineering, Hakan Binbaşgil also has an MBA in management and finance from LSU-Baton Rouge. In addition to having worked as a management consultant in the London and Istanbul offices of Accenture and as Executive Vice President in charge of Retail Banking at Pamukbank, Binbaşgil also served on the board of directors of numerous companies.

Resit Toygar (age 49): Deputy CEO – Treasury : Reşit Toygar joined Akbank as a management trainee in 1990. Prior to his appointment as Executive Vice President in 1998, he served as Manager of the Treasury Department. Reşit Toygar is a graduate of Kingston Polytechnic, Faculty of Economics and holds an MS in economics from the London School of Economics.

Zeki Tuncay (age 55): Executive Vice President – Human Resources and Support Services: Zeki Tuncay joined Akbank in 1980 as an assistant internal auditor and, after serving as the Head of Personnel, was appointed as Executive Vice President in charge of Human Resources in 1994. Zeki Tuncay continues to serve as Executive Vice President in charge of Human Resources, Credit Follow-Up and Support Services. Zeki Tuncay is a graduate of the Academy of Economics and Commercial Sciences in Ankara.

M. Fikret Önder (age 57): Executive Vice President – Private Banking: M. Fikret Önder joined Akbank in July 2000 as Executive Vice President in charge of Private Banking, having previously held managerial positions at various banks abroad. Before joining Akbank, M. Fikret Önder served as Senior Portfolio Manager and Executive Vice President in charge of Private Banking at Bank Julius Baer & Co. in London. He is a graduate of the University of Bonn, Department of Economics.

Sevilay Özsöz (age 53): Executive Vice President – Operations: Sevilay Özsöz joined Akbank as an Adviser to the CEO in December 2001 and was subsequently appointed as Executive Vice President in April 2002. Before joining Akbank, Sevilay Özsöz held various managerial positions at Garanti Bank and Osmanlı Bank. Sevilay Özsöz is a graduate of Istanbul University, Faculty of Economics.

Alpaslan Özlü (age 55): Executive Vice President - Information Technologies: Alpaslan Özlü joined Akbank in March 2006 as Executive Vice President in charge of Information Technology. A graduate of Middle East Technical University, Faculty of Arts and Sciences, Alpaslan Özlü also holds an MSc in computer engineering from the same university. Before joining Akbank, Alpaslan Özlü served as an Executive Vice President at Yapı Kredi Bank.

Ferda Besli (age 52): Executive Vice President – SME Banking: Since joining Akbank in 1987, Ferda Besli has served in various positions including Internal Auditor and Branch Manager, followed by his position as Head of the Corporate Banking Department and as Senior Vice President in charge of Commercial Banking. Ferda Besli was appointed as Executive Vice President in charge of Commercial Banking in 2006 and as Executive Vice President in charge of SME Banking, a recently established business unit at Akbank in 2010. Ferda Besli is a graduate of Istanbul University, Faculty of Economics and also a member of TÜSİAD.

Ahmet Fuat Ayla (age 45): Executive Vice President – Credits: Ahmet Fuat Ayla joined Akbank as Corporate Branch Manager in 2002, became the Senior Vice President in charge of Corporate and Commercial Credits Approval Unit in 2005 and was appointed as Executive Vice President in charge of Corporate and Commercial Credits Approval in 2007. Ahmet Fuat Ayla is responsible for the approval of consumer, corporate, commercial and retail loans. Beginning his career in the management trainee program at Interbank, Ahmet Fuat Ayla later served as the Head of the Marketing Department at Finansbank and as Marketing Department Manager at Osmanlı Bank. Ahmet Fuat Ayla is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration.

Hülya Kefeli (age 50): Executive Vice President – International Banking: Hülya Kefeli has been with Akbank since 1983 and has held various positions in the Foreign Relations and International Banking Divisions of the Bank. In 2007, she was appointed as Executive Vice President in charge of International Banking. Hülya Kefeli is a graduate of Istanbul Technical University, Faculty of Business Administration and Engineering.

K. Atıl Özus (age 40): Executive Vice President – CFO: K. Atıl Özus joined Akbank in November 2000 as Vice President of Financial Control and Risk Management, after which he was promoted as Senior Vice President. In December 2007, he was appointed as Executive Vice President (CFO) in charge of Financial Coordination. Before joining Akbank, K. Atıl Özus was an audit manager at Ernst & Young. K. Atıl Özus is a graduate of Boğaziçi University, Department of Business Administration.

A. Galip Tözge (age 43): Executive Vice President – Consumer Banking : A. Galip Tözge joined Akbank in September 2002 as Senior Vice President in charge of Retail Banking Distribution Channels and was appointed as Executive Vice President in December 2007. Before joining Akbank, A. Galip Tözge served as Executive Vice President at Citibank, Turkey. A graduate of Marmara University, Department of Business Administration, A. Galip Tözge holds an MBA degree from the University of Missouri.

Cem Mengi (age 45): Executive Vice President – Corporate Banking: Cem Mengi joined Akbank in 2001 as Senior Vice President in charge of Corporate Banking and Project Finance and was appointed as Executive Vice President in 2008. Cem Mengi previously worked at Finansbank, Interbank, Körfezbank and finally as Executive Vice President at Rabobank International. Cem Mengi completed his A Levels in mathematics and physics in England and holds a degree in Management Information Systems (MIS) from International University. Cem Mengi continues to serve as a member of TÜSİAD and GYİAD.

Mine Könüman (age 52): Executive Vice President – Payment Systems: Mine Könüman joined Akbank in October 2003 as Senior Vice President in charge of Credit Cards and was appointed as Executive Vice President in charge of Payment Systems in August 2008. In addition to Credit Cards and Merchant Relations, Mine Könüman is also responsible for the management of Banking Cards. A graduate of Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Mine Könüman held various senior managerial positions at Yapı Kredi Bank, Alternatifbank and Bank Europa and was on the board of directors of various companies before joining Akbank.

Tunç Akyurt (age 39): Executive Vice President – Strategy, CRM and Product & Channel Development: Tunç Akyurt joined Akbank in February 2010 as Executive Vice President in charge of Strategy, CRM and Product & Channel Development. He is a graduate of the Industrial Engineering Department at Boğaziçi University and holds a masters degree in Management Systems Engineering at Virginia Tech. Before joining Akbank, Tunç Akyurt worked at Capital One Bank/USA; McKinsey & Company/Istanbul and Finansbank, holding various managerial positions.

Conflict of Interests

There is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors and the Senior Management team and their respective private interests or other duties.

Remuneration and Related Party Transactions

The members of the Board of Directors receive a fee for attending Board meetings. In addition, a maximum of 2% of the distributable profits remaining after taxes, legal reserves and a first dividend to shareholders may be distributed to members of the Board.

The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the quarter ended 31 March 2010 was approximately TL9,222,000. The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the year ended 31 December 2009 was approximately TL19,611,000.

Akbank does not have any loans outstanding to its Directors or officers. None of the Directors or executive officers has or has had any interest in any transaction effected by Akbank and which are or were unusual in their nature or conditions or significant to the business of Akbank and which were effected during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed.

Corporate Governance

The Bank recognises the importance of maintaining sound corporate governance practices. The relationship between Akbank's management, shareholders, employees and third parties including customers, legal authorities, suppliers and various other individuals and institutions with whom the Bank does business are based on fundamental governance principles including integrity, credibility, non-discrimination, compliance, confidentiality, transparency and sustainability.

Akbank complies with the Capital Markets Legislation and the regulations of the Capital Markets Board (CMB) and the Istanbul Stock Exchange (ISE) in the matter of public disclosure; expends maximum effort to implement the principles stipulated in the CMB Corporate Governance Principles. The Corporate Governance Principles stipulated by the CMB and consisting of four major sections are implemented by Akbank in general.

The Board has established an Executive Management Committee, an Audit Committee, a Corporate Governance and Social Responsibility Committee, a Credit Committee and an Executive Risk Committee.

Executive Management Committee

The Executive Management Committee evaluates the Bank's financial data, profitability of the business lines, the Bank's position in the industry and recent business developments. The time and agenda for the Committee meetings are arranged on an annual basis. The members of the Executive Management Committee include:

- Suzan Sabancı Dinçer, Chairman (Chairman and Executive Board Member)
- Zafer Kurtul, Member (Vice Chairman and Executive Board Member)
- Bülent Adanır, Member (Executive Board Member)
- Hayri Çulhacı, Member (Executive Board Member)
- Ziya Akkurt, Member (Board Member and CEO)

Audit Committee

Responsible for assisting the Board of Directors in its auditing and supervision activities, the Audit Committee is charged with overseeing the functioning and adequacy of the internal systems as well as the accounting and reporting systems. The members of the Audit Committee include:

- Bülent Adanır, Chairman (Executive Board Member)
- Hikmet Bayar, Member (Board Member)

Corporate Governance and Social Responsibility Committee

Akbank established the Corporate Governance and Social Responsibility Committee in 2009 to monitor the Bank's compliance with corporate governance principles and to oversee the administration of corporate social responsibility activities. The Committee meets at least twice a year. The members of the Corporate Governance and Social Responsibility Committee include:

- Hayri Çulhacı, Chairman (Executive Board Member)
- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Zafer Kurtul, Member (Vice Chairman and Executive Board Member)
- Ziya Akkurt, Member (Board Member and CEO)
- Hakan Binbaşgil, Member (Deputy CEO – Consumer Banking and Corporate Communications)
- Zeki Tuncay, Member (Executive Vice President – Human Resources and Support Services)
- Atıl Özus, Member (CFO)
- Cenk Göksan, Member (Senior Vice President – Investor Relations)
- Derya Bigalı, Member (Head of Akbank Art Center)

Credit Committee

The Credit Committee is the ultimate decision-making body for loan allocation and reviews loan applications over certain amounts to ensure that it conforms to legislation and regulations, banking principles and the Bank's goals and loan policies. The members of the Credit Committee include:

- Erol Sabancı, Chairman (Honorary Chairman and Consultant to the Board – Board Member)
- Zafer Kurtul, Member (Vice Chairman and Executive Board Member)
- Bülent Adanır, Member (Executive Board Member)
- Ziya Akkurt, (Board Member and CEO)

Executive Risk Committee

The Executive Risk Committee is responsible for developing risk policies, determining appropriate methods for measurement and management of risk, setting commensurate risk limits and monitoring their performance. All risk policies formulated are documented in writing and incorporated with the overall long-term strategy of the Bank. The members of the Executive Risk Committee include:

- Bülent Adanır, Chairman (Executive Board Member)
- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Zafer Kurtul, Member (Vice Chairman and Executive Board Member)
- Ziya Akkurt, Member (Board Member and CEO)

OWNERSHIP

Share Capital of Akbank

As at 31 May 2010, the issued and paid-in share capital of Akbank was TL4,000,000,000 consisting of 400,000,000,000 shares each with a nominal value of TL0.01. Consolidated total shareholders' equity as at 31 March 2010 amounted to TL15,192,538,000.

Pursuant to the Banks Act, shares are issued in registered form.

In April 1998, 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("**ADR**"). As at 31 March 2010, approximately 29% of the shares are publicly traded, including the ADRs. As at 31 May 2010, Akbank's market capitalisation was US$19,917 million.

Principal Shareholders

Registered ordinary shareholdings in Akbank as at 31 May 2010 are set forth below.

	Number of Ordinary Shares	Percentage of Outstanding Shares
Hacı Ömer Sabancı Holding A.Ş. (including affiliated companies) and the Sabancı family	2,054,937,774.06	51.37
Citibank Overseas Investment Corp.[(1)]	799,999,979.99	20.00
Other	1,145,062,245.95	28.63

Note:

(1) Citigroup Inc. and its subsidiaries and affiliates ("**Citigroup**") holds 799,999,979.99 registered ordinary shares of the Issuer (20% of the Issuer's total issued share capital) which are held through Citigroup's wholly-owned subsidiary Citibank Overseas Investment Corp. Citigroup is represented on the Issuer's management board by William J. Mills (see "Management – The Board of Directors"). All transactions entered into with Citigroup are on an arms-length basis.

Controlling Shareholders

The Sabancı family and the Sabancı Group (the "**Controlling Shareholders**") owned 51.37% of the outstanding share capital of Akbank as at 31 May 2010. The Controlling Shareholders have the power to elect all of Akbank's directors and to determine the outcome of most matters to be decided by a vote of shareholders of Akbank. There are no other parties who exercise or could exercise control over Akbank.

Related Party Exposure

Akbank primarily has four types of exposure to companies owned directly or indirectly by Sabancı Holding and the Sabancı Group: (i) loans that Akbank makes to Sabancı Group companies; (ii) guarantees that Akbank has assumed on behalf of Sabancı Group companies; (iii) deposits that Akbank receives from Sabancı Group companies; and (iv) derivative transactions made by Sabancı Group companies.

Turkish banking regulations limit exposure to related companies, and Akbank's exposure to Sabancı Group companies is within the limit permitted by the regulations as at 31 March 2010. See "Appendix C: Regulatory Environment". As at 31 March 2010 Akbank has not entered into any material transactions with any other member of the Sabancı Group except for certain cash and non-cash credits that Akbank has provided to members of the Sabancı Group as set out below. Akbank enters into credit transactions with other members of the Sabancı Group in the ordinary course of business and on an arm's-length basis and expects to continue to do so in the future. Akbank's loans and advances to related parties were TL838,725,000 and TL635,235,000 for 31 March 2010 and 31 December 2009, respectively. These amounts account for approximately 1.8% of Akbank's total loans for 31 March 2010 and 1.4% for 31 December 2009. Loans provided to employees were TL66,887,000 and TL67,005,000, respectively at 31 March 2010 and 31 December 2009, respectively.

The following table indicates the level of Akbank's relationships (on a consolidated basis) with other members of the Sabancı Group as at 31 December 2007, 2008, 2009 and 31 March 2010, respectively.

	For the years ended 31 December			31 March
	2007	2008	2009	2010
	(TL thousands except percentages)			
Cash loans	935,510	870,542	635,235	838,725
As a % of assets	1.30%	0.94%	0.62%	0.79%
As a % of total cash loans	2.32%	1.76%	1.41%	1.76%
As a % of shareholders' equity	8.75%	7.62%	4.36%	5.52%
Non-cash credits(1)	487,171	460,241	747,911	440,400
As a % of assets	0.68%	0.50%	0.73%	0.41%
As a % of non-cash loans	9.41%	6.79%	9.67%	5.48%
As a % of shareholders' equity	4.56%	4.03%	5.14%	2.90%
Total group exposure	**1,422,681**	**1,330,783**	**1,383,146**	**1,279,125**

Note:

(1) Non-cash credits consist primarily of letters of credit issued or confirmed and exposures under guarantees and performance bonds.

Akbank (on a consolidated basis) had deposits from members of the Sabancı Group as follows as at 31 December 2007, 2008, 2009 and 31 March 2010.

	For the years ended 31 December			31 March
	2007	2008	2009	2010
	(TL thousands)			
Deposits (including cash collateral)	5,100,378	5,857,241	6,191,548	6,210,218

THE SABANCI GROUP

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

Hacı Ömer Sabancı, the founder of many of the financial and industrial companies within the Sabancı Group, started business in the 1920s in the cotton trade. From this business, he expanded into various other sectors, including the food sector with the acquisition of Marsa in 1946, the financial services sector, with the establishment of Akbank in 1948, and the textile sector with the establishment and expansion of Bossa in the 1950s. After the death of Hacı Ömer Sabancı in 1966, his six sons continued his legacy through the establishment of Sabancı Holding in 1967. Sabancı Holding has become the principal vehicle through which the Sabancı family has acquired and holds interests in many sectors of the Turkish economy. Sabancı Holding has always been controlled by the Sabancı family, certain members of which as at 31 March 2010 owned in the aggregate 60.6% of its issued share capital.

The Sabancı Group is composed of 73 companies many of which are recognised market leaders in their respective sectors and 12 of which are listed on the Istanbul Stock Exchange. Sabancı Holding's main business ventures are widely diversified, encompassing financial services, which include banking and insurance, as well as energy, retail, cement, automotive, tire and tire reinforcement materials, paper and packaging materials, information technology, tourism and international trading.

The companies of the Sabancı Group currently operate in 11 foreign countries and market their products in various regions of Europe, the Middle East, Asia, North Africa and North and South America. Capitalising on its strong reputation and name recognition, in addition to its positive local relationships and knowledge of and experience in the Turkish market, the Sabancı Group has grown through the expansion of existing core businesses and the formation of joint ventures. Sabancı Holding's multinational business partners include such prominent companies as Bridgestone, Heidelberg Cement, Carrefour, Dia, Hilton International, Mitsubishi Motor Co., International Paper, Philip Morris and Verbund.

In addition to coordination of finance, planning and human resources functions, Sabancı Holding determines the Group's vision and strategies, thus creating shareholder value through synergies across the Group Companies. In 2009, the consolidated revenues of Sabancı Holding were US$12.2 billion and net income was US$813 million. The Sabancı family is collectively Sabancı Holding's major shareholder with 60.6% of the share capital. Sabancı Holding shares are traded on the Istanbul Stock Exchange with a free float of 39.4% and depository receipts are quoted on SEAQ International and PORTAL.

In addition to its interest in Akbank, Sabancı Holding's principal investments are listed below.

Financial Services

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

Avivasa. After completion of legal procedures following the merger of Ak Emeklilik and Aviva Hayat ve Emeklilik, announced to the public on 8 June 2007, Avivasa Emeklilik ve Hayat began operating as one of Turkey's leading individual pension and life insurance companies. According to the Pension Monitoring Center's 2009 data, Avivasa Emeklilik ve Hayat is the leader in the sector in terms of individual pension fund size and market share of 21.78%.

Other Financial Services Companies. The Sabancı Group's other financial services interests are held by Akbank and are described under "Business of Akbank – Subsidiaries and Affiliated Companies."

Tyres, Tyre Reinforcement Materials and Automotive

Brisá. Established in 1974, Brisa (formerly known as Lassa) began to produce tyres under the license by B.F. Goodrich of the USA. In 1988, Brisa was established as a 50-50 joint venture between the Sabancı Group and Bridgestone Corporation of Japan, a prominent tyre and rubber goods manufacturing company.

Temsa. Temsa, established in 1968, began its automotive sector business operations in 1984 by signing technical license and distributorship agreements with Mitsubishi Motors Corporation of Japan.

Kordsa. Kordsa Global is the world's leading producer of nylon and polyester yarns, cord fabric and single end cord and provides services to the tyre reinforcement and mechanical rubber markets. With its 11 facilities located in nine countries across five continents and a 4,500-strong workforce, the company has maintained its position as a global leader.

Food and Retailing

Carrefoursa. Carrefour, a global player in modern retailing, opened its first store in Turkey in 1993 in Içerenköy-Istanbul. Sabancı Holding combined forces with Carrefour through a joint venture in 1996, and Carrefoursa was established. Carrefoursa has differentiated itself from local retailers with its broad range of high quality products and lower prices.

Diasa. Spain's leading discount market chain Dia became part of Carrefour Group as a result of a globalmerger between Carrefour and Promodes in 2000. Immediately afterwards, Sabancı Holding signed a joint venture agreement with Dia in Turkey to establish Diasa and gain a foothold in the increasingly important discount food retailing segment.

Teknosa. Teknosa started its operations in 2000 to serve Turkish consumers in information technology, electrical appliances, home electronics, and optical products. In 2009, the company owned over 240 stores, with operations in 65 cities.

Energy

Enerjisa Power Generation (Genco). Enerjisa GenCo was founded in 1996 to explore new business opportunities in the energy sector and to operate as a reliable and competent supplier of energy to its customers. Enerjisa GenCo has a combined operating capacity of 456 MW and its licensed portfolio reached 3,200 MW including existing power plants, projects under construction and projects with ongoing engineering works at the end of 2009. In addition to this portfolio, projects with a total capacity of nearly 1,070 MW are at the license application stage.

Enerjisa Electricity Distribution (Disco). Enerjisa DisCo participated in the privatisation tender for the block sale of 100% of the shares in Başkent Electricity Distribution Company (Başkent EDAŞ) and won the tender offering the highest bid at US$1,225 million on 1 July 2008. Başkent EDAŞ builds, maintains and operates the electric distribution grid and provides electric retail services as well as additional services to 3.2 million customers.

Enerjisa Electricity Trading (TradeCo). Enerjisa TradeCo was founded in 2004 to operate in the electricity wholesale market. Enerjisa TradeCo trades in electricity and/or capacity in accordance with the limits set by market regulation.

Cement

Akçansa. Akçansa's history dates back to the founding of two companies, Akçimento and Çanakkale Çimento, in 1967 and 1974, respectively. Through the merger of these two entities in 1996, Akçansa became the leading cement producer in Turkey. Akçansa is currently a Sabancı Holding and Heidelberg Cement joint venture.

Çimsa. Çimsa was established in Mersin in 1972, with production beginning three years later. In 1990, Çimsa established one of the most modern white cement production lines in the world.

Chemicals and International Trade

Advansa. Sabancı Holding purchased Dupont's 50% stake in Dupontsa in 2004 and subsequently changed the Company's name to Advansa BV is Europe's leading integrated polyester manufacturer of polyester staple fiber and yarn with a shifting focus on specialty polymers and chemicals at its facilities in Turkey and Germany.

Exsa (UK) Limited. Established in London in 1988, Exsa (UK) Limited is a leader in international trading and business development.

Exsa. Established in Turkey in 1972, Exsa Export serves the foreign trade needs of many of the Sabancı Group companies in over 100 countries, including free trade zone operations in Mersin and Istanbul.

Textiles

Yünsa. Established in 1973, Yünsa is Turkey's largest worsted wool fabric producer/exporter and ranks among the world's top ten producers of worsted fabric.

TURKISH BANKING SYSTEM

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US$7,727 million at the end of 2001 from US$8,551 million for 28 banks at the end of 2000, according to the Central Bank.

The Turkish money markets and foreign exchange markets have stabilised since 2001. In order to enhance disclosure and require management to maintain adequate capital, the BRSA required banks to undergo a three-part audit during the end of 2001 and the first half of 2002. Following the audit, all private commercial banks were either found to be in compliance with the 8% minimum capital requirement (which was the case for Akbank, as declared by the BRSA in mid 2002), transferred to the Savings Depositary Insurance Fund (the "**SDIF**") or asked to increase their capital level. For further discussion, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy."

According to SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity. The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the private banking sector and resulted in a level playing field among banks. Unfair competition from state banks was diminished while the efficiency of the system increased in general as a result of consolidation. Efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

This restructuring in the Turkish financial sector has been significantly aided through the three-stage audit process referred to above. According to Provisional Article 11 of the Banking Law, Provisional Article 4 added to the Banking Law (Law No. 4389) (the "**Banks Act**") through Act No. 4743 will remain applicable until the collection of receivables and finalisation of procedures against the banks taken over by the SDIF. Pursuant to Provisional Article 4 mentioned above, privately-owned deposit banks (including Akbank) under the scope of the programme went through the above-mentioned three-stage audit process. Banks appointed their own independent audit companies of each bank to conduct the first audit. To ensure that the first audit was undertaken according to agreed-upon principles, a different independent audit company appointed by the BRSA carried out the second audit. The Sworn Bank Auditors of the BRSA conducted the third and final audit. This multi-phase auditing procedure was applied so as to minimise conflicts and increase reliability in the Turkish banking system. The "audit and assessment" phase of the programme was successfully completed through close cooperation with banks and independent audit institutions. The audit and assessment phase carried out within the framework of the programme not only increased the chances of success of the programme, but also brought about positive long-term effects on the Turkish banking system. First, the transparency of the banking sector increased. Announcements made by the BRSA regarding aggregate figures and the bank-specific information to be provided by banks after their general assemblies provided a platform for the sharing of reliable information, including group risks, open positions and in-kind credit risks. As a result, the true financial health of Turkish banks has become more transparent. Second, with the success of the audit and assessment phase, the ability of the Turkish public authorities to design and apply sound policies towards the establishment of a healthy and efficient banking sector was strengthened.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilisation Support Fund ("**RUSF**") applicable on short term foreign currency commercial loans lent by banks domiciled in Turkey to zero. However, the 3% RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers decreased RUSF charged on consumer credits (for non-commercial utilisation) to 10% with its decision numbered 2009/14803 which was published in the Official Gazette dated 16.03.2009 and numbered 27171.

In accordance with the regulations of the BRSA made in 2003, the practice of a full insurance guarantee over savings deposit was removed on 5 July 2004. Under the new limited deposit guarantee scheme that replaced the full insurance guarantee, Turkish Lira and foreign exchange-denominated savings deposits up to TL50,000 to be opened by any natural person customer in each bank are under the insurance guarantee of SDIF. Transition from full deposit insurance guarantee to limited deposit insurance guarantee in July 2004 was the result of the positive developments realised in the economy and the financial sector and it is considered a new stage for the improvement of the Turkish banking sector.

TURKISH REGULATORY ENVIRONMENT

Turkish banking legislation has changed substantially in the last decade and the Banking Law abolishing and replacing Banks Act No. 4389 (as amended by Laws No. 4491, 4672, 4743, 4842 and 5472) came into force upon publication thereof in the Official Gazette dated 1 November 2005. The purpose of enacting a new Banking Law is to establish confidence and stability in financial markets, to ensure efficient operation of the credit system and to protect the rights and interests of the depositers. The Banking Law should be regarded as a positive progress due to its provisions regarding capital adequacy, efficiency of the control and audit to be carried out by public authority, creation of a market discipline by prevention of the possible lack of control, and enforcement of the obligation of the liability insurance.

Turkish banks and also branches in Turkey of foreign banks established abroad are governed by two primary regulatory authorities in Turkey, the Banking Regulation and Supervision Agency ("**BRSA**") and the Central Bank.

The Role of BRSA

In June 1999, the Banks Act No. 4389 established the BRSA which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy, and its head office is in Ankara.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action which could jeopardise the rights of depositors and a regular and secure operation of banks and lead to substantial damages to the national economy and to ensure efficient functioning of the credit system.

By law, the BRSA has the responsibility for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, with information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and annual basis, depending on the nature of the information to be reported.

The BRSA conducts both on-site and off-site audit and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the regulation regarding the internal systems of banks, as issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, the banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems in line with the scope and structure of their organisations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose, provided that such departments report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

On 1 November 2006, the BRSA issued the final regulation on the new accounting standards to ensure that the year-end balance sheets of all banks comply with International Accounting Standards.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a Central Bank, including the issuance of bank notes, provision of price stability and its continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, as per the Turkish Central Bank Law, all banks which are operating in Turkey must provide the Central Bank their balance sheets and profit and loss accounts together with auditor's report within one month following their general assembly meeting, and audit reports to be prepared by independent audit companies within one month following their preparation. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported.

Finally, the Turkish Banks Association acts as an organisation with limited supervision and coordination. All banks in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims at examining, protecting and promoting its members' professional interests. However despite its regulatory and disciplinary functions, it does not possess any of the powers to regulate banking as the BRSA does.

Shareholding

The direct or indirect acquisition of shares, which represent 10% or more of the share capital of any bank, or the direct or indirect acquisition or transfer of shares resulting in the total number of shares held by a shareholder to increase above or fall below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to the authorisation of the BRSA. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares.

Lending Limits

In the context of the implementation of Article 48 of the Banking Law, cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans it will lend by depositing or otherwise, receivables arising from the future sales of assets, overdue cash credits, amounts of non-cash credits converted into cash and futures and options contracts and other similar contracts, partnership interests and shareholding interests are considered as a credit irrespective of the account through which they are traced. Credits directly or indirectly extended to, and avals and sureties accepted from, a real person or legal entity in excess of 10% of the bank's equity capital shall be considered major credits and the total of such major credits, except for the avals and sureties, cannot exceed eight times its equity capital.

The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities.

A natural person, his or her spouse and children and a partnership (i) in which he or she together with his or her spouse and children is a member of the board of directors or the general manager and (ii) that are directly or indirectly, controlled by any one of such persons, either individually or jointly with third parties or in which any one of such persons participate with unlimited liability constitutes a risk group. Furthermore, a bank, its shareholders holding 10% or more voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital.

Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1% of the share capital of the bank may not exceed 50% of its capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and financial institutions, transactions carried out with the central governments, central banks and banks of countries to be accepted by the

BRSA, as well as bills, bonds and similar capital market instruments issued and guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account by the framework for calculating loan limits set by the BRSA.

The following credits are exempt from the above-mentioned lending limits:

(a) transactions backed by cash, cash-like instruments, and precious metals;

(b) transactions made with the Treasury, the Central Bank, the Privatisation Administration and the Housing Development Administration of Turkey or against bonds and bills issued or payment of which is guaranteed by these institutions;

(c) transactions carried out in markets established by the Central Bank or pursuant to special laws;

(d) any increase in a credit resulting from an increase in the value of the respective currency and interests accrued and other charges on overdue credits provided that subsequently allocated credits in a foreign currency shall be taken into consideration at the exchange rate applied on the date of utilisation thereof for calculation of lines of credit in the event a new credit is allocated to the same person;

(e) equity participations acquired at no cost and any increase in the value of equity participations not requiring any payment;

(f) transactions carried out amongst banks on the basis set out by the BRSA;

(g) equity participations acquired through underwriting commitments in public offerings provided that such participations are disposed of in a manner and at a time determined by the BRSA;

(h) transactions which are taken into account as deductibles in calculation of own funds; and

(i) other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding: compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve adequate level of provisions against impairment in the value of other assets; receipt of guarantees and measurement of their value and reliability. In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans.

Procedures relating to loan loss reserves for non-performing loans are set out in regulations issued by the BRSA. Pursuant to the Regulation on the Principles and Procedures Related to the Determination of Qualifications of the Loans and other Receivables by Banks and the Provisions to be Set Aside in relation thereto published in the Official Gazette No. 26333 dated 1 November 2006, banks are required to classify their loans and receivables in one of the following groups:

I. Loans of a Standard Nature and Other Receivables – *This group involves loans and other receivables:*

  (1) which have been disbursed to natural persons and legal entities with financial creditworthiness;

  (2) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

  (3) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and which can be fully collected; or

  (4) for which no weakening of the creditworthiness of the debtor concerned has been found.

II. Loans and Other Receivables Under Close Monitoring – *This group involves loans and other receivables:*

  (1) which have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or, significant financial risk carried by the person utilising the loan;

  (2) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk;

(3) which are very likely to be repaid, but the due dates are delayed for more than 30 days but not more than 90 days in the collection of the principal and interest payments due to justifiable reasons; or

(4) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular cash flow which is difficult to control.

III. Loans and Other Receivables with Limited Recovery – *This group involves loans and other receivables:*

(1) with limited collectibility due to the resources of, or the securities furnished by, the debtor, being found insufficient to meet the debt on the due date, and in case the problems observed are not eliminated, they are likely to cause loss;

(2) the credibility of whose debtor has weakened and where the loan is deemed to have weakened;

(3) collection of whose principal and interest or both, has been delayed for more than 90 days but not more than 180 days from the due date; or

(4) in connection with which, the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

IV. Loans and Other Receivables with Suspicious Recovery – *This group involves loans and other receivables*:

(1) which seem unlikely to be repaid or liquidated under existing conditions;

(2) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable, under the terms stated in the loan agreement;

(3) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such other factors as merger, possibility of finding new financing or a capital increase; or

(4) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

V. Loans and Other Receivables Considered as Losses – *This group involves loans and other receivables*:

(1) which are deemed to be uncollectible;

(2) collection of whose principal or interest or both has been delayed by one year or more from the due date; or

(3) for which, although sharing the characteristics stated in the third and fourth categories, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness, due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Such Regulation requires Turkish banks to provide general provisions calculated at:

a. 1% of the loan cash portfolio plus 0.2% of the non-cash loan portfolio (letters of guarantee, aval, sureties and other non-cash loans classified in group I above); and

b. 2% of the closely monitored loan portfolio plus 0.4% of the non-cash loan portfolio (letters of guarantee, aval, sureties and other non-cash loans classified in group II above).

In addition, special provisions must be set aside for non-performing loans and receivables in groups III, IV and V described above, in the amounts of 20%, 50% and 100%, respectively, of the relevant loan or the receivable.

Pursuant to same regulation, all loans and receivables in groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the receivables have been refinanced, are defined as non-performing loans ("**NPL**"). If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a NPL, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such NPL. If a NPL is repaid in full, the other loans of the loan customer may be re-classified into the applicable group as if there were no related NPL.

However, pursuant to provisional Article 2 of the said Regulation, until 1 March 2011, banks have been authorised: (a) to choose whether or not to set aside special provisions for any loan of a loan customer which is classified as a NPL in respect of which that customer has not been in default but which is classified as a NPL purely on the basis that another loan (or loans) of such loan customer has been classified as a NPL; and (b) if an overdue amount under NPL and other receivables is collected, to treat other loans and receivables of the relevant customer within the concept of article 4 of the said Regulation and to classify them within group I after they are observed in group II for a period of at least six months; provided that no conditions that require such loans and receivables to be classified as NPL exist.

Banks must also monitor the following types of security based on their classification:

I. Category I Collateral –

   a. cash, deposit, profit sharing fund and gold deposit accounts provided that secured with pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatisation Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the Bank;

   b. transactions executed with the Treasury, Central Bank, the Privatisation Administration and the Mass Housing Administration and the transactions made against promissory notes, debenture bonds and similar securities issued directly or guaranteed by such institutions;

   c. securities issued directly or guaranteed by the central governments or central banks of countries that are members of OECD;

   d. guarantees and sureties given by the banks operating in OECD member states;

   e. securities issued directly or guaranteed by the European Central Bank; and

   f. sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits.

II. Category II Collateral –

   a. precious metals other than gold;

   b. shares quoted on a stock exchange and A-type investment profit sharing funds;

   c. asset-backed securities and private sector bonds except the ones issued by the borrower;

   d. credit derivatives providing protection against credit risk;

   e. the assignment or pledge of accrued entitlements of real and legal persons with public agencies;

   f. liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value;

   g. mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate provided that their appraised value is sufficient; and

   h. export documents appurtenant to bill of lading or carrier's receipt or insured within the scope of export credit insurance policy and negotiable instruments obtained from real and legal persons based on actual commercial relationships.

III. Category III Collateral –

   a. commercial enterprise pledges;

   b. other export documents;

   c. vehicle pledges;

   d. mortgages on aircraft or ships;

   e. sureties from creditworthy real or legal persons; and

   f. promissory notes of real and legal persons.

IV. Category IV Collateral – Any other security not otherwise included in Category I, II or III.

When calculating the special reserve requirements for non-performing loans, the value of collateral received from the borrower is deducted from the borrower's loans and receivables in Categories III, IV and V above in the following proportions in order to determine the amount of the required reserves:

	Discount Ratio %
Category I Collateral	100
Category II Collateral	75
Category III Collateral	50
Category IV Collateral	25

According to article 11 of such regulation, in the event of the borrower's failure to repay the loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, the bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan. Such loans and other receivables are required to remain in their current loan Categories III, IV or V for at least the next six-month period and within such period, it is continued to set aside provisions at the special provisions rate applicable to the group they are included. After the lapse of such six-months' period, if total collections reach at least 15% of the total receivables for restructured loans the remaining receivables are reclassified to the "Refinanced/Restructured Loans and Receivables" account. The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan, provided that 20% of the principal and other receivables are collected on a yearly basis.

Provisional article 3 of such Regulation, amends the application of the above-mentioned article 11 such that it may be applied as follows until 1 March 2011: the loans and other receivables classified as Closely Monitored Loans and Other Receivables (group II) could be restructured twice. Loans and other receivables subject to a new redemption plan may be classified Standard Loans and Other Receivables provided that at least 10% of the total sum of receivables has been repaid. In the event that loans and other receivables are subject to a redemption plan for the second time by extending new loans, then the relevant loans and receivables are classified as Loans and Other Receivables with Limited Collectability until 5% of the total sum of receivables has been repaid and it is in banks' discretion to set aside special provisions for those provided that the sum equivalent to the indicated portion of the payments foreseen in the redemption plan are made within the payment periods envisaged for Loans and Other Receivables with Limited Collectability. Pursuant to such provisional article 3, in the event of a borrower's failure to repay loans or any other receivables which are classified in groups III, IV, and V resulting from a temporary lack of liquidity, a bank is allowed to refinance the borrower with additional funding in order to strengthen borrower's liquidity position or to structure a new repayment plan up to three times until 1 March 2011, provided that the classification methods as set out in the applicable regulation are complied with. Any restructured loans and any other receivables may be transferred to "Account of Loans Restructured and Tied to a Redemption Plan" if the repayments are made in accordance with repayment plan and:

- 5% of the total sum of receivables in the first restructuring has been repaid and they have been monitored under the groups under which they have been monitored for a period of three months;
- 10% of the total sum of receivables in the second restructuring has been repaid and they have been monitored under the groups under which they have been monitored for a period of six months; and
- 15% of the total sum of receivables in the third restructuring has been repaid and they have been monitored under the groups under which they have been monitored for a period of one year.

Capital Adequacy

In November 2006 "Regulation on Measurement and Assessment of Capital Adequacy of Banks" was published in Official Gazette No. 26333. Article 45 of the Banking Law defines "Capital Adequacy" as having adequate equity against losses that could arise from the risks ancountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%. Despite the 8% capital adequacy ratio, the BRSA has declared in 2009 in the press that its approach is and will continue to be to prohibit banks having a capital adequacy ratio of less than 12% from opening new branches.

The BRSB is authorised to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise the risk weights of assets that are based on participation accounts, taking into account each bank's internal system as well as its asset and financial structure.

Under the Regulation on Equities of Banks published in the same Official Gazette No. 26333 dated 1 November 2006, subordinated loans are grouped as "primary subordinated loans" and "secondary subordinated loans" that are listed as one of the items that constitute supplementary capital (i.e., "Tier II" capital). The portion of primary subordinated loans equal to 15% of core capital is included in calculation of core capital.

Under such Regulation, credits obtained from certain institutions or debt instruments issued to certain institutions and registered to the CMB are considered as secondary subordinated loans and must meet the following qualifications:

(a) They must have an initial maturity of at least five years and within the first five years, there may be no repayment of principal or early repayment option;

(b) There may be no more than one repayment option before the maturity of the loan and if there is a repayment option before maturity, the date of exercising the option must be clearly defined;

(c) The lenders or investors must accept that such loan shall be paid prior to shares and primary subordinated loans and after all other loans in the event of liquidation of banks;

(d) If utilised as a loan they are utilised as one single payment, and wholly collected in cash if in the form of a debt instrument;

(e) It must be stated in writing that they are not related to any derivative operation or contract violating the condition stated in clause (c) or tied to a guarantee, in one way or another, directly or indirectly, and they cannot be assigned to affiliates and subsidiaries of bank; and

(f) Payment before maturity is subject to approval of the BRSA.

If the interest rates applied to secondary subordinated loans are not explicitly indicated in the credit agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, the BRSA may not authorise the inclusion of the loan or debt instrument in the calculation of "Tier II" capital.

In the event that the aggregate "Tier II" capital exceeds 100% of the core capital of a bank such excess is not taken into account in calculating the capital of such bank. In the event the aggregate secondary subordinated loans exceed 50% of the core capital and the portion of general reserves exceed of 125 per 10,000 of the total of the sum as a basis for credit risk, market risk and operational risk, such excess is not taken into consideration in calculating the Tier-II capital.

According to this regulation, banks may only consider "Tier III" capital for purposes of calculation of capital adequacy standard ratio. The concept of "Tier III" capital is defined to include: (a) the amount of supplementary capital that is above core capital; (b) loans or debt instruments which are issued by the banks and registered with the CMB having an original term of at least two years, and that are, except with respect to their maturity, carry all other specifications of secondary subordinated loans.

Banks will be entitled to use "Tier III" capital solely to support market risk. "Tier III" capital will be limited to 250% of a bank's capital that is used for market risk, and not credit risk.

Liquidity and Reserve Requirements

"Regulation on Measurement and Assessment of Liquidity Adequacy of Banks" is issued by the BRSA and announced in the Official Gazette dated 1 November 2006, No. 26333.

According to such regulation the liquidity adequacy ratio is the ratio of liquid reserves to liabilities of the bank. The banks are liable to maintain a weekly arithmetic average of 100% adequacy before the first maturity period (0-7 days before the maturity date of liabilities on a weekly average as defined by the Regulation) and second maturity period (0-30 before the maturity date of liabilities on a monthly average) for the aggregate liabilities and 80% adequacy for the foreign currency liabilities.

According to such regulation on foreign exchange net position/capital base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20% which shall be calculated on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and foreign exchange liabilities. For purposes of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank and its foreign branches, its foreign exchange indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank and its foreign branches, its subscribed foreign exchange indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, the bank is required to overcome the excess within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio once per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' board of directors shall establish audit committees for the execution of the audit and monitoring functions of board of directors. Audit committees shall consist of minimum two members and be appointed amongst the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and the relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and in case of parent undertakings covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidated and coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority, has the right to monitor compliance by banks with the relevant legislation.

As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation Regarding the Authorisation and Activities of Incorporations That Will Perform Independent Audit at Banks, published in the Official Gazette on 1 November 2006, numbered 26333 (as amended by the Regulation published in the Official Gazette dated 24 July 2007 and numbered 26592). Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for independent auditors, evaluators, rating agencies and certain other support services. Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas other quarters' consolidated interim financial statements are subject to only a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the ISE. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo annual and interim audits by the BRSA. Prior to the enactment of the Banks Act No. 4389, the supervision used to be carried out by the Treasury and the Central Bank. Annual audits encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off-site examinations.

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, the banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose, provided that such departments report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

Savings Deposit Insurance Fund

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held by banks. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, to restructure such banks and to transfer them to third persons, as well as other duties imposed on it.

The main powers and responsibilities of the SDIF pursuant to the Banking Law and the SDIF regulation published in the Official Gazette dated 18 March 2004 and numbered 25406, are as follows:

(a) to provide insurance for saving deposits at banks, to monitor deposits and to manage and evaluate the assets of the SDIF within the framework of the principles specified by the SDIF;

(b) to govern and supervise the banks whose licenses in respect of conducting banking activities and/or accepting deposits have been revoked;

(c) to request that the BRSA revoke the license of a bank (whose shares and/or management have been transferred to the SDIF) to conduct banking activities and/or accept deposits;

(d) to take action against the board of directors, the loan committee and/or officers of a bank who caused a bank to engage in transactions contrary to banking legislation or who are responsible for a bank's bankruptcy;

(e) under extraordinary circumstances and in the event that the resources of the SDIF are insufficient to satisfy its obligations, to obtain an advance from the Central Bank of Turkey; and

(f) to obtain advance payments from banks to be deducted from their future insurance premiums (up to the amount of the insurance premium paid by such banks in the previous year). Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code No. 5237 and other deposits, participation funds and accounts as determined by the BRSA are not covered by insurance.

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004 Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

In the event of the bankruptcy of a bank, holders of savings deposits shall have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

The resources available to the SDIF pursuant to the Article 130 of Banking Law are: (a) insurance premiums paid by banks; (b) deposits, custody accounts, contributions/funds and claims that have been prescribed; (c) contributions deposited by the founders of a bank in an amount equal to 10% of the minimum capital deposited within one year following the commencement of their activities; (d) if permission is granted by the BRSA for the acquisition of shares beyond the limits set forth in the Banking Law, 1% of the nominal or market value of all allocated shares; (e) 50% of judicial and 90% of administrative fines imposed on account of violation of the provisions of the Banking Law; (f) revenue from the assets of the SDIF and other revenues; and (g) the funds to be transferred to the SDIF and not sought by their owners for ten years following a voluntary liquidation of a bank in accordance with the Banking Law.

Under Article 131 of the Banking Law, the SDIF may, in extraordinary situations, borrow with the authorisation of the Treasury or it might borrow long-term government securities from the Treasury. Principles and procedures regarding government securities, including interest rates and terms and conditions of repayments to the Treasury, are determined jointly by the Treasury and the BRSA.

Cancellation of Banking License

If the results of consolidated and unconsolidated audits show that:

- the assets of a bank are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between the expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- the quality of assets of such bank have been impaired in a manner potentially weakening its financial structure;
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit; or
- imprudent acts of such bank's management materially increase the risks stipulated under Banking Law and relevant legislation or potentially weaken the bank's financial structure,

the BRSA may require the board of directors of such bank:

- to increase its equity capital;
- not to distribute dividends for a temporary period and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extention of loans to its shareholders,
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to limit its salary and other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions by re-evaluating its credit policy; and/or
- to take all actions to decrease any maturity, foreign exchange and interest rate risks,

for a period determined by BRSA and in accordance with a plan approved by BRSA.

In the event the aforementioned actions are not taken by that bank or its financial structure cannot be strengthened despite the fact that such actions have been taken, or BRSA determines that taking such actions will not lead to a result, then the BRSA may require such bank:

- to strengthen its financial structure, increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- to decrease its operational and management costs;
- to postpone its payments under any name whatsoever, excluding the regular payments to be made to its members;
- to limit or prohibit extention of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- to convene an extraordinary general assembly in order to change the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for incompliance with relevant legislation or increase of risks as stipluted above; and/or
- to implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing.

In the event the aforementioned actions are not taken by that bank or its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking these actions will not lead to a result, then the BRSA may require such bank:

- to limit or cease its business or its whole organisation by its field of activity for a temporary period as to include its relations with its local or foreign branches and correspondents;
- to apply various restrictions, including restrictions on rate ratio and maturity with respect to resource collection and utilisation;
- to remove from office (in whole or in part) its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace these;
- to make available long-term loans, provided that these will not exceed the amount of deposit or participation funds subject to insurance, and be served by the shares of other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or several banks;
- to provide new shareholders in order to increase its equity capital; and/or
- to cover its losses with its equity capital.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by such bank within a period of time set forth by the BRSA or in any case within twelve months; (b) it is not possible that the financial structure of such bank is strengthened despite the fact that such actions have been taken; (c) the BRSA determines that taking these actions will not lead to strengthen the bank's financial structure; (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system; (e) such bank cannot cover its liabilities as they become due; (f) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (g) the controlling shareholders or managers of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank for engaging in banking operations and/or accepting deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or merger thereof, provided that the loss is deducted from the share capital of current shareholders.

In the event that the license of a bank for engaging in banking operations and/or to accepting deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking license is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (that are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Banks cannot settle their balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements are misrepresented.

When presenting a bank's financial reports to the approval of the board of directors, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines. These reports include the following information: management and organisation structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

Regulation on Procedures and Principles of Preparation and Publication of Annual Activity Reports by the Banks regulates the procedures and principles regarding the annual activity reports of banks to be published at the end of each fiscal year. According to the regulation, among other things, a bank's financial performance and the risks that it faces need to be assessed in the annual activity report. The annual activity report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Each bank must keep a copy of such report in its headquarters and each branch and publish it on its website at the latest by the end of May following the end of relevant fiscal year.

Financial Services Fee

Pursuant to the Law on Duties No. 492, banks are required to pay a financial services fee for each of their branches each year.

TURKISH SECURITIES MARKET

Introduction

There has been an organised securities market in Turkey since 1866, although by the late 1970s the market had been substantially dormant for many years. In 1981, the Capital Markets Law was enacted, which established the CMB as the main regulatory body with responsibility for supervision and regulation of the Turkish securities markets. The Istanbul Stock Exchange was re-established in 1985 and recommenced operations in early 1986.

The Role of the CMB

The principal function of the CMB is to assist the development of the securities markets in Turkey and thereby contribute to the efficient allocation of financial resources in the Turkish economy and to ensure adequate protection for investors. The CMB supervises and regulates, among others, public companies, banks and other financial intermediaries, mutual funds, investment corporations, investment consulting firms and rating firms that offer their services to institutions operating in the capital markets. CMB is authorised to request any kind of information and documents to determine their compliance with the Capital Market Law, CMB's regulations, communiqués, decisions and other relevant legislation.

The Istanbul Stock Exchange

Governance

The Istanbul Stock Exchange is governed by a board of directors composed of five members. After nomination by the CMB, the Chairman of the board of directors, who also acts as the chief executive officer, is appointed by the Government. Four other members of the board of directors represent the three categories of the ISE members: the investment and the development banks; the commercial banks and the brokerage houses. The ISE is the only stock exchange in Turkey.

Turkish Derivatives Exchange (TurkDEX)

The Turkish Derivatives Exchange (TurkDEX) is the first and only private derivatives exchange in Turkey on which futures and option contracts are traded, with a licence from the CMB to trade derivative instruments. TurkDEX started its operation in 2001 following a resolution by the State Ministry and Cabinet. TurkDEX is based in İzmir. Currently there are 30 index contracts trading on TurkDEX.

The shareholders of TurkDEX are the Union of Chambers and Commodity Exchanges of Turkey, the Istanbul Stock Exchange, Izmir Mercantile Exchange, Yapi ve Kredi Bankası A.Ş. Akbank T.A.Ş. Vakıf Investment Securities, Türkiye Garanti Bankası A.Ş., Is Investment Securities, the Association of Capital Market Intermediary Institutions of Turkey, ISE Settlement and Custody Bank and the Industrial Development Bank of Turkey.

On TurkDEX, through "leveraging", an investor is able to take larger trading positions without having to invest the full amount of a contract by putting up the initial margin that is required for it. Investors on TurkDEX can make "short sales" (selling securities, commodities, etc. that they do not yet actually own), and contracts on TurkDEX have been subject to no withholding tax since 1 March 2007.

Public Disclosure Platform

All listed companies are required to disclose their financial statements, explanatory notes, material events and all other disclosures through the "Public Disclosure Platform" (valid from 1 June 2009) which is an electronic system developed jointly by the CMB, the ISE and TUBITAK (The Scientific and Technological Research Council of Turkey) that uses internet and electronic signature technologies. The system is operated and managed by the ISE.

The system enables all users to access both current and past notifications of a listed company, to obtain current announcements and up-to-date general information about listed companies in an open and timely manner and to make basic comparisons among and analysis of listed companies.

The internet address of the system is www.kap.gov.tr. While for the time being the website is only in Turkish, an English version is being developed.

Disclosure Requirements

Companies whose shares are listed on the ISE are required to comply with the information and disclosure requirements thereof. There are two types of disclosure requirements, one relating to financial statements and the other relating to material events.

Disclosure of Financial Statements

Disclosure requirements regarding financial statements are set out below:

- Financial statements must be presented on a quarterly basis according to CMB standards.
- Audited year-end financial statements and reports prepared in accordance with CMB accounting standards must be submitted to the ISE within a period of ten weeks following the end of the accounting period.
- Reviewed six-month results must be submitted to the ISE within eight weeks following the end of the accounting period.
- Unaudited first quarter and third quarter financial statements must be submitted within six weeks following the end of the accounting period.
- The CMB has issued Communiqué no. XI 29 "Communiqué on Principles on Financial Reporting in Capital Markets" which sets out a comprehensive set of accounting principles. In this Communiqué, the CMB stated that, accounting standards prescribed by the IASB and International Accounting Standards Consultancy shall be applied as CMB Accounting Standards.
- All listed companies are required to comply with the CMB regulations.

Disclosure of Material Events

Under Communiqué No. VIII/54 Regarding Public Disclosure of Material Events dated 6 February 2009, listed companies must disclose continuous information and insider information to the public.

Insider Information: Insider information is defined as "information which may affect investment decisions of investors and prices of capital market instruments and which has not yet been disclosed to the public". Under the Guidelines prepared in accordance with the respective Communiqué, insider information should:

- be related to an actual event;
- be material enough to be considered relevant by a reasonable investor when making its investment decisions;
- be related to the issues, which are not disclosed to public yet;
- provide advantages to its user as compared to those who are not aware of such information when used in purchase or sale of securities; and
- potentially affect the trading price of the relevant security or the investment decisions of the investors when disclosed to public.

A company may, at its own risk, choose to delay disclosure of insider information to protect its legitimate interests, provided that such delay does not mislead the public and the company remains able to keep such information confidential. As soon as the reason for delay in disclosure disappears, the company is obliged to disclose the insider information, as required by the Communiqué, stating the decision for delay and its grounds. These companies must prepare a list of persons who have access to insider information either as a result of their employment with the company or by other means, to deliver such list to the CMB and the relevant stock exchange if required and keep this list updated.

Pursuant to the new arrangement under the Communiqué on Principles Regarding Sale Methods of Capital Market Instruments through Public Offering which came into effect on 3 April 2010, the names of: (a) the managers of the issuer or any intermediary institution who is likely to have access to insider information that may affect the value of the offered shares and (b) shareholders of the issuer with at least 5% shareholding in the share capital shall be disclosed in the prospectus along with a list of persons or entities which have provided services to the issuer during the public offering process. The said Communiqué, prior to its amendment, had prohibited the chairman and board members, legal auditors, executive directors, chief executive officers and executive vice presidents and the employees of a company who have access to insider information (as well as those of intermediary institutions taking part in the public offering) and their respective spouses, next of kin and marital relatives to directly or indirectly purchase the capital market instruments offered to the public during an offering of shares of such company.

Continuous Information

Continuous information is defined as all information other than insider information subject to public disclosure as outlined under the provisions of the law (what constitutes continuous information is set out in the bullet points below). The requirement relating to the disclosure of continuous information to the market is borne by:

- shareholders (whether real persons or legal entities) in circumstances in which the shares or voting rights held by them (individually or with other real persons or legal entities acting in concert), directly or indirectly, equal, exceed or fall below (having previously exceeded) 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3, and 75% of the aggregate share capital or total voting rights; and
- the founding shareholders in circumstances in which the shares or voting rights of the investment funds of a founder, directly or indirectly, are equal to or exceed 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3, and 75% of the share capital or total voting rights or decrease below such ratios.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS

Until 1983, when Turkish citizens were granted limited rights to hold and trade foreign currencies, Turkish exchange regulations strictly controlled exchange movements. After the establishment of a foreign exchange market in August 1988, the exchange rate of the Turkish Lira began to be determined by market forces. Since August 1989, the methods applicable to determination of value of Turkish currency against foreign exchange are determined by the Central Bank. Pursuant to the Circular No.1 M issued by the Central Bank, banks can freely determine the value of convertible foreign currency. Accordingly, today, banks in Turkey set their own foreign exchange rates independently of those announced by the Central Bank. Pursuant to Decree 32, issued in August 1989, the Government abolished restrictions on the convertibility of the Turkish Lira by facilitating exchange of the proceeds of transactions in Turkish securities by foreign investors, enabling Turkish citizens to purchase securities on foreign securities exchanges, permitting residents and non-residents to buy foreign exchange without limitation and to transfer such foreign exchange abroad and permitting Turkish companies to invest abroad, without ministerial approval. However, such transfers should be notified to the Undersecreteriat of Treasury in accordance with the Circular on Capital Movements issued by Central Bank. Decree 32 also permitted persons not resident in Turkey to purchase and sell shares of Turkish companies, provided that such transactions were effected through a Turkish bank or broker as per applicable Turkish capital market legislation and the relevant gains and the purchase price were transferred via a bank or special financial institution licensed in Turkey.

Law No. 4875 on Direct Foreign Investments, effective as of 17 June 2003, defines foreign direct investment as, among other things, share acquisitions outside the stock exchange or through a stock exchange where the foreign investor owns 10% or more of the shares or voting power. Pursuant to Law No. 4875, foreign investment in Turkey is no longer subject to prior approval. Previously, foreign investors were required to invest a minimum amount of US$50,000 per foreign shareholder, submit a number of documents evidencing the status of the foreign investor and obtain the prior approval of the Foreign Investment Directorate. As a result of the adoption of Law No. 4875, and subject to the provisions of Decree 32, foreign investors are now subject to the same requirements as domestic investors when investing in a Turkish company.

However, Turkish companies with foreign shareholders are subject to certain restrictions imposed by various laws and regulations including, amongst others, the Title Deed Law (Law No. 2644). Pursuant to the Regulation on Acquisition of Real Estate by Companies with Foreign Share Capital and Circular numbered 2008/21 and dated 2 December 2008 issued by the General Directorate of Land Registry, companies with foreign capital are required to obtain the permission of the relevant governorship for the acquisition of or establishment of limited in rem rights over real estate.

Law No. 4875 provides that a non-resident person may freely repatriate dividends received and the proceeds from the sale of shares, and that such dividends and proceeds should be transferred through Turkish banks or special financial institutions.

Law No. 4875 requires a public Turkish company to notify the Foreign Investment Directorate in the event a non-resident holder acquires 10% or more of the share capital or voting rights of such public company. Also, the Capital Markets Law requires shareholders that become direct or indirect holders of 10% or more of the issued share capital or voting rights of a public company in Turkey to notify the CMB and the ISE of such acquisition. Such investors are also required to report subsequent transactions in the shares or voting rights of the company where the total number of shares or voting rights held in the traded company falls below or exceeds the statutory thresholds. The names and domicile of the investor and the number of shares or voting rights purchased by such investor must be provided to the CMB and the ISE. The identity of such investors is publicly disclosed in Turkey by the ISE.

Under Turkish law, Turkish citizens are permitted to buy and hold unlimited amounts of foreign currency. Capital transfers outside of Turkey for the purpose of setting up a representative office, branch or subsidiary or participating in an existing company are also permitted; however, notification to the relevant State Ministry is required.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on the Certificates issued in respect of the Notes:

The US$1,000,000,000 5.125% Notes due 2015 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Akbank T.A.Ş. (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated 22 July 2010 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**"), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**") and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the "**Paying Agents**") and the other agents named in it (together with the Fiscal Agent, the Registrar and the other Paying Agents, the "**Agents**"). The holders of the Notes (the "**Noteholders**") are entitled to the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 22 July 2010 and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and the Depository Trust Company ("**DTC**") of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of US$100,000 (referred to as the "**principal amount**" of a Note) and in integral multiples of US$1,000 thereafter. A note certificate (each a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar and at the registered office of the Issuer. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6267), the Capital Markets Law (Law No. 2499) and Articles 6 and 25 of the Communiqué Serial II, No. 22 of the Capital Markets Board on Registration and Sale of Debt Instruments.

The Notes are not issuable in bearer form.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the register of Noteholders.

For a description of the procedures for transferring title to book-entry interests in the Notes, see "Book-Entry Clearance Systems".

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 Delivery of new Certificates

Each new Certificate to be issued upon a transfer of the Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificates – Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of Rule 144A Notes, compliance with the Securities Act Legend.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes are senior direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant

Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of the Noteholders.

Nothing in this Condition 4 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to (i) the Turkish covered bond regime prescribed in "CMB Communiqué on Mortgage-Covered Bonds (Serial III, No: 33)" (in Turkish: *Seri III, No: 33 – İpotek Teminatlı Menkul Kıymetlere İlişkin Esaslar Hakkında Tebliğ*) and in "CMB Communiqué on Real Estate Finance Funds and Mortgage-Backed Securities (Serial III, No: 34) (in Turkish: *Seri III, No: 34 – Konut Finansmanı Fonlarına ve İpoteğe Dayalı Menkul Kıymetlere İlişkin Esaslar Hakkında Tebliğ*), or such other legislation which may in future come into force and govern the issue of covered bonds by banks in Turkey (any such bond, a "**Covered Bond**") or (ii) any securitisation of receivables, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged solely from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer), provided that the aggregate value of assets or revenues subject to any Security Interest created in respect of (A) an issuance of Covered Bonds and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities, does not, at any time, exceed 15% of consolidated total assets of the Issuer and its Subsidiaries (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

"**Direct Recourse Securities**" means securities issued in connection with any securitisation of receivables, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged solely from such assets or revenues, or by direct unsecured recourse to the Issuer; and

"**Relevant Indebtedness**" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and having a maturity in excess of 365 days or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction and (ii) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any Notes remain outstanding (as defined in the Agency Agreement), the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, for the avoidance of doubt, with the Capital Markets Board (in Turkish: *Sermaye Piyasasi Kurulu*) (the "**CMB**") and the Banking Regulatory and Supervisory Authority) (in Turkish: *Bankacilik Duzenleme ve Denetleme Kurumu*) (the "**BRSA**")) for (i) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (ii) the conduct by it of the Permitted Business.

5.2 Transactions with Affiliates

The Issuer shall not, and shall not permit any of its Subsidiaries to, in any twelve month period, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, or purchase any properties or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) which has or in the aggregate have a value in excess of US$30,000,000 with or for the benefit of, any Affiliate (each, an "**Affiliate Transaction**") unless such Affiliate Transaction is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person (as defined in the Agency Agreement).

5.3 Financial Reporting

So long as the Notes remain outstanding (as defined in the Agency Agreement), the Issuer shall deliver to the Fiscal Agent:

(a) not later than six months after the end of the Issuer's financial year, copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon;

(b) not later than 120 days after the end of the first six months of each of the Issuer's financial years, copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period; and

(c) in the case of every other item referred to below, not later than 20 days after their initial distribution to any of the persons referred to below, three copies in English of every balance sheet, profit and loss account or income statement and, to the extent permitted by applicable law, every report or other notice, statement or circular issued, or which legally should be issued, to all of the members or to holders of securities (generally) of the Issuer.

For the purposes of this Condition 5:

"**Affiliate**" in respect of any specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, "**control**", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "**controlling**", "**controlled by**" and "**under common control with**" shall have correlative meanings.

"**Permitted Business**" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Issue Date (as defined below).

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 22 July 2010 (the "**Issue Date**") at the rate of 5.125% per annum, payable semi-annually in arrear on 22 July and 22 January (each an "**Interest Payment Date**"). The first payment (for the period from and including 22 July 2010 to but excluding 22 January 2011 and amounting to US$25.625 per US$1,000 principal amount of each Note) shall be made on 22 January 2011.

6.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 13.

6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six-month interest period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by U.S. Dollar cheque drawn on a bank that processes payments in US Dollar mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's registered account means the US Dollar account maintained by or on behalf of it with a bank that processes payments in US Dollar, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second business day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

7.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9.

7.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

7.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, London and Istanbul and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

7.5 Partial Payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

7.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in a European city which so long as the Notes are admitted to official listing on the London Stock Exchange, shall be London or such other place as the UK Listing Authority may approve;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated; and

(e) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Issuer in accordance with Condition 13.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 22 July 2015.

8.2 Redemption for Taxation Reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 22 July 2010, on the next Interest Payment Date:

  (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 9; and

  (ii) the Issuer would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of 15%; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

8.3 Purchases

The Issuer or any of its Subsidiaries (as defined above) may at any time purchase Notes in any manner and at any price.

8.4 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, and accordingly may not be reissued or resold.

8.5 Notices Final

Upon the expiry of any notice as is referred to in paragraph 8.2 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in the Republic of Turkey; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 7).

9.2 Interpretation

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13; and

(b) **Relevant Jurisdiction** means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

9.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

10. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 9.

11. EVENTS OF DEFAULT

11.1 Events of Default

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (‘‘**Events of Default**’’) shall have occurred and be continuing:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of principal or seven days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or

(e) if the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made to a court for declaration of bankruptcy in relation to the Issuer or any of its Material Subsidiaries or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within l4 days; or

(g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings and Deposit Insurance Fund under the provisions of Banking Law (Law No. 5411).

11.2 Interpretation

For the purposes of this Condition:

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or

(b) any borrowed money; or

(c) any liability under or in respect of any acceptance or acceptance credit,

the aggregate principal amount of which exceeds US$50,000,000 (or its equivalent in any other currency or currencies).

"**Material Subsidiary**" means at any time a Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10% of consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited IFRS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, PROVIDED THAT:

(i) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries show negative assets at the end of the relevant financial period, the financial statements shall be read as if words "net assets" were substituted by the words "total assets", for the purposes of this definition; and

(ii) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this subparagraph (b) but shall cease to be a Material Subsidiary on the date of publication of its next audited IFRS financial statements unless it would then be a Material Subsidiary under (a) above; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represented (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, represent) not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in subparagraph (a) above), provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in subparagraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on the publication of its next audited IFRS financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"**Subsidiary**" means, in relation to the Issuer, any company (a) in which the Issuer holds a majority of the voting rights; or (b) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors; or (c) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

12. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

14.2 Modification

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein; or (b) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes are, and any non-contractual obligations arising therefrom will be, governed by and will be construed in accordance with, English law.

16.2 Jurisdiction of English courts

The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of London, England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

16.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the English courts according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes, any final judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the second sentence of Article 287 of the Civil Procedure Code of Turkey (Law No. 1086) and Article 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

16.4 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

16.5 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions of the Notes. Terms defined in the Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**)" (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Issuer or any of its Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. PAYMENTS

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Regulation S Notes will be credited, to the extent received by the Fiscal Agent, to DTC which is expected to credit the accounts of the specialised depositaries for Euroclear and Clearstream, Luxembourg, which in turn are expected to distribute such amounts to their participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Rule 144A Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant US tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. NOTICES

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 13. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to DTC.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate registered in the name of DTC or its nominee, notices to be given by such Noteholder must be given by such Noteholder in accordance with DTC's operational procedures.

5. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of DTC or its nominee will not be permitted unless DTC, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, DTC ceases to be a clearing agency registered under the US Securities Exchange Act of 1934, and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from DTC or becoming aware that DTC is no longer so registered. In these circumstances title to a Note may be transferred into the names of holders notified by DTC in accordance with the Conditions of the Notes, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

If only one of the Global Certificates (the ‘‘**Exchanged Global Certificate**’’) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

6. TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under ‘‘Clearing and Settlement Arrangements’’.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC and Euroclear currently in effect. The information in this section concerning DTC and Euroclear has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Initial Purchaser takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of DTC or Euroclear are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of DTC or Euroclear or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that Direct DTC Participants deposit with DTC. DTC also facilitates the settlement among Direct DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to Indirect DTC Participants.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of notes ("**DTC Notes**") among Direct DTC Participants on whose behalf it acts with respect to notes accepted into DTC's book-entry settlement system as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the SEC. Direct DTC Participants and Indirect DTC Participants with which actual purchasers of DTC Notes ("**DTC Beneficial Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective DTC Beneficial Owners. Accordingly, although DTC Beneficial Owners who hold DTC Notes through Direct DTC Participants or Indirect DTC Participants will not possess Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct DTC Participants will receive payments and will be able to transfer their interest with respect to the DTC Notes. Purchases of DTC Notes under the DTC system must be made by or through Direct DTC Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each DTC Beneficial Owner is in turn to be recorded on the relevant Direct DTC Participant's or Indirect DTC Participant's records. DTC Beneficial Owners will not receive written confirmation from DTC of their purchases, but DTC Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Direct DTC Participant or Indirect DTC Participant through which the DTC Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Direct DTC Participants acting on behalf of DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued. To facilitate subsequent transfers, all DTC Notes deposited by Direct DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; DTC's records reflect only the identity of the Direct DTC Participants to whose accounts such DTC Notes are credited, which may or may not be the DTC Beneficial Owners. The Direct DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct DTC Participants, by Direct DTC Participants to Indirect DTC Participants, and by Direct DTC Participants and Indirect DTC Participants to

DTC Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co.

If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct DTC Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct DTC Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct DTC Participants' accounts on the due date for payment in accordance with the final Report to Paying Agent, a report transmitted by DTC to Acupay prior to each Interest Payment Date setting forth each DTC Participant's position in the Notes. Payments by Direct DTC Participants to DTC Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name," and will be the responsibility of such Direct DTC Participant and not of DTC, the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct DTC Participants is the responsibility of DTC and disbursement of such payments to the DTC Beneficial Owners is the responsibility of Direct DTC Participants and Indirect DTC Participants. Under certain circumstances, DTC will exchange the DTC Notes for definitive Notes, which it will distribute to its Direct DTC Participants in accordance with their requests and proportionate entitlements and which, if representing interests in a Rule 144A Global Certificate, will be legended as described under "Transfer Restrictions." Since DTC may only act on behalf of Direct DTC Participants, who in turn act on behalf of Indirect DTC Participants, any DTC Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its participants.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear. In respect of the Global Certificates, which will be registered in the name of DTC's nominee, Euroclear will act only as an Indirect DTC Participant and not as a depositary or clearing agent.

Book-Entry Ownership of and Payments in Respect of Notes Represented by the Global Certificates

The Issuer has applied to DTC to have Notes represented by a Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Initial Purchaser. Ownership of beneficial interests in such a Global Certificate will be limited to Direct DTC Participants or Indirect DTC Participants, including Euroclear. Ownership of beneficial interests in a Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct DTC Participants) and the records of Direct DTC Participants (with respect to interests of Indirect DTC Participants).

Payments in US dollars of principal and interest in respect of a Global Certificate registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. The Issuer expects DTC to credit accounts of Direct DTC Participants on the applicable Interest Payment Date in accordance with the final Report to Paying Agent, and subject to the tax certification procedures contained in Annexes A, B and C to this offering memorandum. The Issuer also expects that payments by Direct DTC Participants to DTC Beneficial Owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Direct DTC Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar (as defined in "Terms and Conditions of the Notes"), or the Issuer. Payments of principal, premium, if any, and interest on the Notes to DTC is the responsibility of the Issuer. Transfers of Notes represented by the Global Certificates or transfers of any interests in Notes represented by a Global Certificate within DTC will be effected in accordance with applicable law and the operating procedures of DTC. Because DTC can only act on behalf of Direct DTC Participants in the DTC system who in turn act on behalf of Indirect DTC Participants, the ability of a person having an interest in Notes represented by a Global Certificate to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to effect such pledge or delivery through the national system for settlement and clearance in the United States. The ability of any holder of Notes represented by a Global Certificate to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct DTC Participant or Indirect DTC Participant in the DTC system. Subject to compliance with the transfer restrictions applicable to the Notes described under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and the custodian with whom the Global Certificates have been deposited ("**Custodian**"). On or after the Issue Date, transfers of Notes will generally have a settlement date three business days after the trade date (T+3).

Because of the time zone differences, the securities account of a Euroclear participant purchasing an interest in a Global Certificate from any other DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear) immediately following the DTC settlement date, and such credit of any DTC participant's interests in the Global Certificate settled during such processing day will be reported to the relevant Euroclear participant on such day. Cash received in Euroclear as a result of sales of interests in the Global Certificate by or through a Euroclear participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear cash account only as of the applicable business day following settlement in DTC. Transfers between holders of Regulation S Notes and Rule 144A Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Settlement between such a buyer and seller cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among participants and accountholders of DTC and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents (as defined in "Terms and Conditions of the Notes") and any Initial Purchaser will be responsible for any performance by DTC or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This is a general summary of certain United States federal, United Kingdom and Turkish income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of United States federal, United Kingdom and Turkish income tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Memorandum, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. **Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by a Note Owner of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

Certain US Federal Income Tax Consequences

PURSUANT TO IRS CIRCULAR 230 THE BANK HEREBY INFORMS YOU THAT THE DISCUSSION HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES IS NOT INTENDED OR WRITTEN BY THE ISSUER, THE BANK, THEIR RESPECTIVE COUNSEL OR THE US TAX COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER US TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. THE DISCUSSION IS LIMITED TO THE TAX ISSUES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UP ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

The following is a general summary of certain material US federal income tax consequences of the acquisition, ownership and retirement or other disposition of Notes by a holder thereof. This summary is not a complete analysis or description of all potential US federal income tax consequences to holders, and does not address state, local, foreign, or other tax laws. This summary does not address aspects of US federal income taxation that may be applicable to holders that are subject to special tax rules, such as US expatriates, "dual resident" companies, banks, thrifts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations or investors, dealers or traders in securities, commodities or currencies, or holders who own (directly, indirectly or by attribution) 10% or more of the Issuer's voting stock, or to holders that will hold a Note as part of a position in a "straddle" or as part of a "synthetic security" or as part of a "hedging", "conversion", "integrated" or constructive sale transaction for US federal income tax purposes or that have a "functional currency" other than the US dollar, or holders otherwise subject to special tax rules. Moreover, this summary does not address the US federal estate and gift or alternative minimum tax consequences of the acquisition, ownership, retiring or other disposition of Notes and does not address the US federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at the initial issue price (defined below). Each prospective purchaser should consult its tax adviser with respect to the US federal, state, local and foreign tax consequences of acquiring, holding, retiring or other disposition of Notes.

This summary is based on the US Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and existing and proposed US Treasury Regulations, in each case, as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretation, which could apply retroactively and affect the tax consequences described herein.

For purposes of this summary, a "**US Holder**" is a beneficial owner of Notes that (a) purchases Notes in the offering at the initial issue price; (b) holds Notes as capital assets; and (c) is, for US federal income tax purposes:

(i) a citizen or individual resident of the United States;

(ii) a corporation organised in or under the laws of the United States or any state thereof (including the District of Columbia);

(iii) an estate the income of which is subject to US federal income taxation regardless of its source; or

(iv) a trust (1) that validly elects to be treated as a United States person within the meaning of section 7701(a)(30) of the Code for US federal income tax purposes or (2) (a) over the administration of which a US court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds Notes, the US federal income tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax adviser as to the US federal income tax consequences of acquiring, holding, retiring or other disposition of Notes.

A "**Non-US Holder**" is a beneficial owner of Notes other than a US Holder.

The "initial issue price" of a Note will equal the initial offering price to the public (not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCE TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

It is anticipated and the following discussion assumes that the Notes will not be issued with more than a *de minimis* amount of original issue discount.

Interest paid on a Note and additional amounts (if any) will be included in a US Holder's gross income (without reduction for withholding taxes, if any) as ordinary interest income at the time it is received or accrued in accordance with the US Holder's usual method of tax accounting. Interest on the notes will be treated as foreign source income for US federal income tax purposes, including US foreign tax credit limitation purposes. The limitation on foreign taxes eligible for the US foreign tax credit is calculated separately with respect to specific "baskets" of income. Interest on the notes should generally constitute "passive category income", or in the case of certain US holders, "general category income." As an alternative to the tax credit, a US holder may elect to deduct any foreign taxes (the election would then apply to all foreign income taxes such US holder paid in that taxable year). The rules relating to foreign tax credits and the timing thereof are complex and US Holders should consult their own tax advisers regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Subject to the discussion below under "– US Backup Withholding Tax and Information Reporting", payments of interest on a Note to a Non-US Holder generally will not be subject to US federal income tax unless such income is effectively connected with the conduct by such Non-US Holder of a trade or business in the United States.

Sale, Exchange or Retirement

Upon the sale, exchange, retirement or other disposition of a Note, a US Holder will generally recognise taxable gain or loss equal to the difference, if any, between the amount realised on the sale, exchange or retirement (other than amounts attributable to accrued but unpaid interest, which will be taxable as such) and the US Holder's adjusted tax basis in such Note. A US Holder's adjusted tax basis in a Note generally will equal the US dollar cost of such Note to the US Holder less any principal payments received on the Note. Any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if such US Holder's holding period for such Notes exceeds one year. Certain US Holders (including individuals) are eligible for preferential rates of US federal income tax in respect of long-term capital gain. Any gain or loss realised on the sale, exchange, retirement or other disposition by a US Holder of a Note generally will be treated as US source gain or loss, as the case may be. The deductibility of capital losses is subject to substantial limitations.

Subject to the discussion below under "– US Backup Withholding Tax and Information Reporting," any gain realised by a Non-US Holder upon the sale, exchange, retirement or other disposition of a Note generally will not be subject to US federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-US Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-US Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met.

US Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of the notes that are US persons. The payor will be required to withhold back withholding tax on payments made within the United States, or by a US payor or US middleman, on a Note to a holder of a Note that is a US person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a US payor or US middleman, of principal, interest and proceeds of sale to a holder of a Note that is not a US person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding tax is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's US federal income tax liability provided the required information is furnished to the US tax authorities in a timely manner.

Beginning in 2011, recently enacted legislation may require individual U.S. Holders to report to the IRS certain information with respect to their beneficial ownership of the Notes not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

The above description is not intended to constitute a complete analysis of all US tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of their particulation situations.

Certain United Kingdom Tax Considerations

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of persons (such as dealers) to whom special rules may apply.

The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Notes

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax. However, Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs ("**HMRC**") has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (including fluctuations attributable to exchange rates) broadly in accordance with their statutory accounting treatment.

Taxation of Chargeable Gains

A disposal of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

Accrued Income Scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No stamp duty or SDRT is payable on the issue of the Notes or on a transfer of the Notes by delivery.

Certain Turkish Tax Considerations

The following taxation section describes the principal tax consequences of an investment in the Notes by a person who is not a resident of Turkey and will not hold the Notes or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment in Turkey. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Notes. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or with a fixed base or permanent establishment in Turkey.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its world-wide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or a permanent representative, or for the income sourced in Turkey otherwise. A natural person is a resident of Turkey if such person has established domicile in Turkey, or stays in Turkey more than six months in a calendar year. On the other hand, foreigners who stay in Turkey for six months or more for a specific job or business or particular purposes which are specified in the Income Tax Law are not treated as a resident of Turkey. A resident individual is liable for Turkish taxes on his world-wide income, while a non-resident individual is only liable for Turkish taxes on his income sourced in Turkey. Trading income is deemed as sourced in Turkey when it is provided through a permanent establishment or permanent representative. Income from movable capital investment is deemed as sourced in Turkey when capital is invested in Turkey. Capital gain is deemed as sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "**accounted for**" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains obtained by a non-resident individual/corporation may be subject to income tax/ corporate tax if the notes are sold to a resident of Turkey by the non-resident holder depending on the holding period of the notes before sale and the Double Tax Treaty status of the Noteholders. The current rate of corporate tax is 20%. The corporate profit remaining after-tax of the non-resident corporate tax payers would also be subject to 15% withholding tax when such profits are transferred from Turkey to abroad. Current income tax rate for individuals ranges between 15% and 35% depending on the level of income. The holding period criteria for taxation varies upon the Double Tax Treaties concluded between Turkey. If the notes are transferred between the non-residents regardless of the holding period there would be no taxation on the capital gains in Turkey.

Provision of Beneficial Owner Information

Under the current Turkish laws and regulations interest payments on the Notes by the Issuer to a non-resident holder will be subject to withholding at a rate of 10% in Turkey. All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in Condition 9), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. The Issuer may be required pursuant to a potential new tax legislation to make available to the tax authorities of Turkey or one of its administrative subdivisions, as the case may be ("**Turkish Tax Authorities**"), certain details relating to Beneficial Owners who receive payments of interest or income from the redemption or repayment of the Notes paid by the Issuer.

The Issuer has arranged certain procedures with Acupay, DTC and Euroclear that will facilitate the collection of information regarding the identity and tax residence of Beneficial Owners who are (a) direct participants in DTC ("**Direct DTC Participants**"), (b) hold their interests through securities brokers, dealers, banks, trust companies, or clearing corporations that clear through or maintain a direct or indirect custodial relationship with a Direct DTC Participant ("**Indirect DTC Participants**"), such as Euroclear, or (c) hold their interests through Direct DTC Participants. These procedures are set forth in Annexes A, B and C to this Offering Memorandum.

Clearstream has advised the Issuer and Acupay that it is an indirect DTC participant and currently intends to act in a manner which is substantially similar to that of other financial intermediaries which are indirect DTC participants. Accordingly, Clearstream is expected to transmit the requisite Beneficial Owner information in accordance with the procedures set forth in Annex A to this Offering Memorandum and to take any action required by the direct DTC participant through which Clearstream holds its customers' entitlements in the Notes.

Investors are cautioned that none of the Issuer, the Fiscal Agent or Acupay has a formal arrangement with Clearstream or with any other indirect DTC participant and the Issuer understands that Clearstream and all such other indirect DTC participants have not formally undertaken to facilitate the collection of the required Beneficial Owner information in respect of any other party and may modify their current procedures or discontinue the collection of the required Beneficial Owner information at any time.

Beneficial Owners, their custodians, or DTC participants with questions about the Turkish tax information reporting procedures, including the submission of tax documentation, may contact Acupay at one of the following locations. Please mention the CUSIP and/or the ISIN for the Notes when contacting Acupay. There is no cost for this assistance.

Via email: cnoble@acupay.com

By post or telephone:

In London:	In New York:
Acupay System LLC	Acupay System LLC
Attention: Aleksandra Süleyman	Attention: Constance Noble
28 Throgmorton Street – 1st Floor	30 Broad Street – 46th Floor
London EC2N 2AN	New York, N.Y. 10004
United Kingdom	USA
Tel. 44-(0)-207-382-0340	Tel. 1-212-422-1222

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State.

However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

CERTAIN ERISA CONSIDERATIONS

PURSUANT TO IRS CIRCULAR 230 THE BANK HEREBY INFORMS YOU THAT THE DISCUSSION HEREIN WITH RESPECT TO ERISA CONSIDERATIONS IS NOT INTENDED OR WRITTEN BY THE ISSUER, THE BANK, THEIR RESPECTIVE COUNSEL OR THE U.S. TAX COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. THIS DISCUSSION IS LIMITED TO THE TAX ISSUES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

The following description is general in nature, is not intended to be all-inclusive, and is based on the law and practice in force at the date of this document and is subject to any subsequent changes therein. In view of the individual nature of ERISA, Code and Similar Law consequences, each potential investor that is a Benefit Plan (as defined below) or any plan subject to Similar Law is advised to consult its own legal adviser with respect to the specific ERISA, Code and Similar Law consequences of investing in the Notes and to make its own independent decision with respect to any such investment. The following is merely a summary and should not be construed as legal advice.

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, as well as individual retirement accounts, Keogh plans and other plans covered by Section 4975 of the Code, as well as entities deemed to hold "plan assets" of any of the foregoing under the Plan Asset Regulation (each such entity, a "**Benefit Plan**"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

If the assets of the Issuer were deemed to be plan assets of Benefit Plans that purchased Notes: (a) if any such Benefit Plans are subject to ERISA, ERISA's fiduciary standards would apply to the Issuer and might materially affect the operations of the Issuer, and (b) any transactions involving the Issuer could be deemed a transaction with each Benefit Plan and may cause certain transactions into which the Issuer might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. Under the Plan Asset Regulation, the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquired an "equity interest" in the Issuer and none of the exceptions to holding plan assets contained in the Plan Asset Regulation were applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although there is little guidance on the subject, at the time of their initial issuance, the Notes should be treated as indebtedness under applicable local law without substantial equity features for this purpose. This determination is based in part upon the traditional debt features of the Notes, including the reasonable expectation of purchasers of the Notes that the Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, since the Plan Asset Regulation does not specify what constitutes a substantial equity feature, there can be no assurance that the Notes will be treated as indebtedness under applicable local law without substantial equity features for purposes of the Plan Asset Regulation.

However, without regard to whether the Notes are treated as an equity interest for purposes of the Plan Asset Regulation, the acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Initial Purchasers, the Fiscal Agent or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, as modified, regarding investments by insurance company general accounts; PTCE 91-38, as modified, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, as modified, regarding transactions effected by "qualified professional asset managers." In addition to the class exemptions listed above, there are statutory exemptions under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), provided that there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisers regarding the applicability of any such exemption.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee will be deemed to represent and warrant that: (a) either: (i) the funds used for such acquisition do not constitute the assets of any "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any plan to which Section 4975 of the Code applies, any entity whose underlying assets include "plan assets" of any of the foregoing under the Plan Asset Regulation, or a governmental, church or non-U.S. plan subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and employee benefit plans subject to non-US law are not subject to ERISA's requirements, although they may be subject to similar provisions under Similar Law. Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA considerations discussed above, subject to the provisions of Similar Law.

A FIDUCIARY OF A BENEFIT PLAN CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISERS REGARDING WHETHER THE ASSETS OF THE ISSUER WOULD BE CONSIDERED PLAN ASSETS, THE POSSIBILITY OF EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION RULES, WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE BENEFIT PLAN UNDER ERISA AND THE CODE AND OTHER ISSUES AND THEIR POTENTIAL CONSEQUENCES. A FIDUCIARY OF A PLAN SUBJECT TO SIMILAR LAW CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISERS REGARDING THE APPLICABILITY OF THE PROVISIONS OF SIMILAR LAW AND WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE PLAN UNDER SIMILAR LAW. THE SALE OF NOTES TO A BENEFIT PLAN OR TO A PLAN SUBJECT TO SIMILAR LAW IS IN NO RESPECT A REPRESENTATION BY THE ISSUER THAT THIS INVESTMENT MEETS ALL THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENT BY BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR BY ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW, OR THAT THIS INVESTMENT IS APPROPRIATE FOR BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR FOR ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the Initial Purchasers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement dated 20 July, 2010 (the "**Subscription Agreement**"), among the Initial Purchasers and the Issuer, each of the Initial Purchasers has severally agreed to purchase, and the Issuer has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name below.

Initial Purchasers	**Principal Amount of Notes**
Banc of America Securities LLC	$250,000,000
Citigroup Global Markets Limited	$250,000,000
J.P. Morgan Securities Ltd.	$250,000,000
Standard Chartered Bank	$250,000,000
TOTAL	$1,000,000,000

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Issuer has been informed that the Initial Purchasers propose to resell the Notes at the offering prices set forth on the cover page of this Offering Memorandum within the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to non-U.S. persons outside the United States in reliance upon Regulation S. See "Transfer Restrictions". The prices at which the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Initial Purchasers or their affiliates that are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions".

Accordingly, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of Akbank with no established trading market. The Bank cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Bank cannot assure you as to the liquidity of or the trading market for the Notes.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include overallotment, syndicate covering transactions and stabilising transactions. Overallotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the Initial Purchasers in this offering, which creates a short position for the Initial Purchasers. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Issuer expects that delivery of the Notes will be made against payment therefor on the closing date specified on the cover page of this Offering Memorandum, which will be the fifth New York business day following the date of this Offering Memorandum (this settlement cycle being referred to as "T+5"). Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Offering Memorandum or the next succeeding New York business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of this Offering Memorandum or the next succeeding New York business days should consult their own adviser.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received customary fees and expenses. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. For information on Citibank Overseas Investment Corp. as a principal shareholder in Akbank, see "Ownership – Principal Shareholders".

The Issuer has agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of those liabilities.

SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF TURKEY

THE INTERNATIONAL OFFERING OF THE NOTES WILL ONLY BE REGISTERED WITH THE CMB UNDER THE PROVISIONS OF DECREE 32, BANKING REGULATIONS, THE CAPITAL MARKETS LAW AND THE COMMUNIQUÉ FOR THE PURPOSE OF SALE OF THE NOTES OUTSIDE TURKEY. THE NOTES (OR BENEFICIAL INTERESTS THEREIN) WILL NEITHER BE OFFERED OR SOLD TO TURKISH RESIDENTS IN ACCORDANCE WITH THE DECISION OF THE BRSA NOR WILL THEY BE OFFERED OR SOLD WITHIN TURKEY UNDER CURRENT CAPITAL MARKETS REGULATIONS.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

In the United Kingdom, this Offering Memorandum is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) high net worth bodies corporate falling within Article 49(2) of the Order and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Each Initial Purchaser has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (b) it has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes.

The Bank has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to persons reasonably believed to be "**qualified institutional buyers**" (as defined in Rule 144A under the Securities Act), commonly referred to as "**QIBs**", in compliance with Rule 144A under the Securities Act and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act.

If you purchase the Notes, you will be deemed to have acknowledged, represented and agreed with the Initial Purchasers and the Bank as follows:

(1) You understand and acknowledge that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not an "**affiliate**" (as defined in Rule 144 under the Securities Act) of Akbank and you are not acting on the Bank's or their behalf and you are either (i) a QIB and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB or (ii) not a "**U.S. person**" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(3) You acknowledge that none of Akbank or the Initial Purchasers, or any person representing Akbank or the Initial Purchasers, has made any representation to you with respect to Akbank or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning Akbank and the Notes as you have deemed necessary in connection with your decision to purchase the Notes, including an opportunity to ask questions of and request information from Akbank and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x), the date which is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of the Notes and the last date on which the Bank or any affiliate of the Bank was the owner of such Notes (or any predecessor thereto), or (y), such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date"), only (a) to Akbank, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A, (d) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in

each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. You acknowledge that the Bank reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) or (e) above, to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT PRIOR TO (X), THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE THEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (Y), SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTICE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER AND THE ISSUING AND PAYING AGENT SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER AND THE ISSUING AND PAYING AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes shall not be made by you to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act.

(6) If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(7) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Bank and the registrar that the restrictions set forth herein have been complied with.

(8) You acknowledge that:

  (a) Akbank, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify Akbank and the Initial Purchasers promptly in writing; and

  (b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

    (i) you have sole investment discretion; and

    (ii) you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(9) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by Akbank or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to Akbank or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Transfer Restrictions" and "Selling Restrictions".

Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any plan, individual retirement account or other arrangement subject to section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable similar law.

LEGAL MATTERS

The validity of the Notes and certain other matters relating to the issuance of the Notes will be passed upon for the Bank by Baker & McKenzie LLP, as to matters of U.S law, and by Cerrahoğlu Law Firm as to matters of Turkish law. Certain matters as to U.S. and English law will be passed upon for the Initial Purchasers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Initial Purchasers by Paksoy Ortak Avukat Bürosu.

GENERAL INFORMATION

Authorisation

The issuance and sale of the Notes by the Issuer and the execution and delivery by the Issuer of the Transaction Documents have been authorised pursuant to the authority of the officers of the Issuer under resolutions of its Board of Directors dated 18 June 2010 and 16 July 2010.

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to listing on the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that admission to the Official List and to trading on the London Stock Exchange's Regulated Market will be granted on or about 23 July 2010, subject only to the issue of the Notes. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Clearing Systems

The Global Certificates have been accepted into DTC's book-entry settlement system and the applicable systems used by Euroclear and Clearstream (CUSIP number 00971YAA8, ISIN code US00971YAA82 and Common Code number 052801869 with respect to the Rule 144A Note, and CUSIP number M0300LAA4, ISIN code USM0300LAA46 and Common Code number 052795427 with respect to the Regulation S Note).

Interest Payments

The Issuer has been advised by DTC that through DTC's accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based on DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "**New York Business Day**" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorized or required by law or executive order to close.

Significant or Material Change

There has been no significant change in the financial or trading position and no material change in the prospects of the Bank since 31 March 2010, being the end of the last financial period for which the Bank's Interim Financial Statements have been published and there has been no material adverse change in the prospects of the Bank since 31 December 2009, being the date of the Bank's last published audited financial statements.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

Accounts and Auditors

The Annual Financial Statements as at 31 December 2008 and 2009 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.S, a member of PricewaterhouseCoopers ("**PwC**"), independent certified public accountants in Turkey, located at PricewaterhouseCoopers, Süleyman Seba Cad. BJK Plaza No:48 B Blok, Kat 9 Akaretler 34357 Besiktas, Istanbul, as stated in the report appearing herein. PwC is an institution authorised by the BRSA to conduct independent audits of banks in Turkey. Ernst & Young ("**E&Y**"), independent certified public accountants in Turkey, located at Ernst & Young Büyükdere Cad. Beytem Plaza Kat 9-10 Istanbul 34381 Turkey, is an institution authorised by BRSA to conduct independent audits of banks in Turkey. E&Y issued a review report dated 2 July 2010 on the Unaudited Interim Condensed Consolidated Financial Statements as at 31 March 2010. Akbank's accounts are prepared on a quarterly, semi-annual and annual basis in accordance with BRSA and on a semi-annual and annual basis in accordance with IFRS. The Unaudited Interim Condensed Consolidated Financial Statements as at 31 March 2010 were prepared in accordance with IFRS.

Litigation

Save as disclosed in this Offering Memorandum (see ''Business of Akbank – Legal Proceedings'' and ''Risk Factors – Akbank is subject to investigation by the Competition Board which may result in fines being imposed on the Bank'') there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Offering Memorandum, a significant effect on the Bank's consolidated financial position.

Documents

The Bank produces audited consolidated annual and unaudited consolidated and unconsolidated quarterly interim financial statements. Copies of the latest audited annual and unaudited quarterly interim reports of the Bank (in English) delivered by the Bank pursuant to Condition 5 may be obtained and copies (with certified English translations where the documents at issue are not in English) of the Bank's articles of association and of its audited financial statements as at and for the years ended 31 December 2007 , 2008 and 2009, and copies of the Transaction Documents referred to herein (including the forms of the Notes) will be available for inspection, at the offices of the Issuer and the Fiscal Agent.

Material Contracts

Save as disclosed in this Offering Memorandum under ''Business of Akbank'', the Bank has not entered into any material contract outside the ordinary course of its business, which could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

This page is intentionally left blank

APPENDIX

FINANCIAL STATEMENTS

AKBANK T.A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2008
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone +90 (212) 326 6060
Facsimile +90 (212) 326 6050

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Akbank T.A.Ş.

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

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

4. In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Cansen Başaran Symes, SMMM
Partner

Istanbul, 27 February 2009

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

AKBANK T.A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER
(Amounts expressed in thousands of Turkish lira ("TL"))

	Notes	2008	2007
ASSETS			
Cash and due from banks	6	6,867,802	2,667,900
Trading securities	7	162,931	4,813,851
Derivative financial instruments	8	80,221	81,282
Reserve requirements with the Central Bank of Turkey	9	6,265,872	1,667,268
Loans and advances to customers	10	49,500,489	40,237,999
Investment securities:			
- Available-for-sale	11	7,564,893	21,002,303
- Held-to-maturity	11	20,560,762	-
Investment in associates	12	3,125	3,125
Property and equipment	13	815,399	730,513
Intangible assets	14	36,873	31,971
Deferred income tax assets	18	176,092	36,839
Other assets and pre-payments	15	649,055	555,339
Total assets		**92,683,514**	**71,828,390**
LIABILITIES			
Customer deposits	16	66,177,887	48,418,300
Interbank money market deposits	17	227,819	154,023
Derivative financial instruments	8	314,305	105,591
Funds borrowed	17	8,331,238	6,493,467
Debt securities in issue	17	3,979,773	2,997,654
Income taxes payable	18	68,188	407,144
Other liabilities and accrued expenses	19	2,130,460	2,522,635
Retirement benefit obligations	20	27,631	38,401
Total liabilities		**81,257,301**	**61,137,215**
EQUITY			
Capital and reserves attributable to the equity holders:			
- Share capital	21	3,000,000	3,000,000
- Adjustment to share capital	21	2,029,151	2,029,151
Total paid-in share capital	21	5,029,151	5,029,151
Share premium		1,709,098	1,709,098
Translation reserve		18,723	(25,947)
Other reserves		(244,103)	174,467
Retained earnings		4,913,113	3,804,167
		11,425,982	**10,690,936**
Minority interest		**231**	**239**
Total equity		**11,426,213**	**10,691,175**
Total liabilities and equity		**92,683,514**	**71,828,390**
Commitments, contingent liabilities and assets	28		

The consolidated financial statements as at and for the year ended 31 December 2008 have been approved for issue by the Board of Directors on 27 February 2009 and signed on its behalf by Zafer Kurtul, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A. Ş..

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

AKBANK T.A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira (“TL”))

	Notes	2008	2007
Interest income	23	10,126,457	8,798,880
Interest expense	23	(6,486,070)	(5,423,042)
Net interest income		**3,640,387**	**3,375,838**
Fee and commission income	24	1,406,387	1,234,092
Fee and commission expense	24	(244,345)	(227,607)
Net fee and commission income		**1,162,042**	**1,006,485**
Impairment losses on loans and credit related commitments, net	10	(879,622)	(591,625)
Foreign exchange gains and losses, net		37,719	136,523
Trading gains and losses, net	25	27,698	14,103
Dividend income		4,351	11,496
Other operating income		198,234	75,005
Operating income		**4,190,809**	**4,027,825**
Operating expenses	26	(2,263,802)	(1,822,347)
Profit before income taxes and tax case		**1,927,007**	**2,205,478**
Income taxes	18	(332,710)	(464,467)
Gain on tax case	18	224,709	270,001
Profit for the year		**1,819,006**	**2,011,012**
Attributable to:			
Equity holders of the Group		1,818,978	2,011,243
Minority interest		28	(231)
		1,819,006	**2,011,012**
Earnings per share (expressed in TL, full amount, per share)	2 (u)	0.0061	0.0067

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

AKBANK T.A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira ("TL"))

	Notes	2008	2007
Cash flows from operating activities:			
Net profit for the year		1,818,978	2,011,243
Adjustments for:			
Depreciation of property and equipment	13	100,405	97,785
Amortisation of intangible assets	14	12,715	9,177
Provision for loan losses	10	1,464,507	947,096
Employment termination benefits and other short-term employee benefits	20	16,158	13,366
Liquidation of subsidiary		-	2,726
Minority interest		(8)	(14,791)
Add back dividend income		(4,351)	(11,496)
Add back income taxes		332,710	464,467
Add back gain on tax case	18	(224,709)	(270,001)
Remeasurement of derivative financial instruments at fair value		209,775	54,947
Unearned commission income		80,431	42,057
Interest income, net		(3,640,387)	(3,375,838)
Interest paid		(6,289,197)	(5,419,164)
Interest received		10,423,372	8,076,521
Other reserves		(418,570)	310,017
Translation reserve		44,670	9,034
Operating profit before changes in operating assets and liabilities		**3,926,499**	**2,947,146**
Net (increase)/decrease in reserve requirements with the Central Bank of Turkey		(4,584,554)	1,030,644
Net increase in loans and advances to customers		(10,424,230)	(10,506,313)
Net decrease/(increase) in trading securities		4,517,632	1,651,184
Net increase in other assets and prepayments		(93,716)	(383,498)
Net (decrease)/increase in other liabilities and accrued expenses		(274,825)	1,218,283
Net increase in customer deposits		17,601,526	7,224,643
		10,668,332	**3,182,089**
Income taxes paid		(810,919)	(199,411)
Net cash from operating activities		**9,857,413**	**2,982,678**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment, net	13	(185,291)	(107,654)
Purchase of other intangible assets, net	14	(17,617)	(16,141)
Net (increase)/decrease in investment securities		(7,597,426)	(5,739,139)
Liquidation of subsidiary, net of cash disposed		-	(54,256)
Dividends received from investment securities		4,351	11,496
Net cash used in investing activities		**(7,795,983)**	**(5,905,694)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities, net		2,854,874	(331,716)
Dividends paid		(720,511)	(660,495)
Addition to scope of consolidation		10,479	-
Share issue	2 (u)	-	1,900,000
Net cash from financing activities		**2,144,842**	**907,789**
Net increase/(decrease) in cash and cash equivalents		**4,206,272**	**(2,015,227)**
Cash and cash equivalents at the beginning of the year	6	**2,671,409**	**4,686,636**
Cash and cash equivalents at the end of the year	6	**6,877,681**	**2,671,409**

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

AKBANK T.A.Ş.

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

(Amounts expressed in thousands of Turkish lira ("TL"))

	Attributable to equity holders of the Group								
	Share capital								
	Share capital	Adjustment to share capital	Total paid-in share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Minority interest	Total
Balance at 1 January 2007	**2,200,000**	**2,325,154**	**4,525,154**	**9,098**	**(34,981)**	**(135,550)**	**2,757,416**	**102,070**	**7,223,207**
Net unrealised market value gains from available-for-sale portfolio ("AFS")	-	-	-	-	-	326,389	-	-	326,389
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(16,372)	-	-	(16,372)
Effect of liquidation of subsidiary	-	-	-	-	57,304	-	-	(99,160)	(41,856)
Translation reserve	-	-	-	-	(48,270)	-	-	-	(48,270)
Net income recognised directly in equity	-	-	-	-	9,034	310,017	-	(99,160)	219,891
Profit for the period	-	-	-	-	-	-	2,011,243	(231)	2,011,012
Total recognised income for the period	-	-	-	-	9,034	310,017	2,011,243	(99,391)	2,230,903
Capital increase:									
- Cash increase (Note 2-u)	200,000	-	200,000	1,700,000	-	-	-	-	1,900,000
- Transfer from retained earnings	600,000	(296,003)	303,997	-	-	-	(303,997)	-	-
Cash dividends	-	-	-	-	-	-	(660,495)	(2,440)	(662,935)
Balance at 31 December 2007	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**(25,947)**	**174,467**	**3,804,167**	**239**	**10,691,175**
Balance at 1 January 2008	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**(25,947)**	**174,467**	**3,804,167**	**239**	**10,691,175**
Net unrealised market value gains from AFS portfolio	-	-	-	-	-	(244,860)	-	-	(244,860)
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(43,875)	-	-	(43,875)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio (Note 11)	-	-	-	-	-	15,465	-	-	15,465
Cash flow hedges, net of tax	-	-	-	-	-	(145,300)	-	-	(145,300)
Translation reserve	-	-	-	-	153,025	-	-	-	153,025
Gains on hedges of a net investment in a foreign operation	-	-	-	-	(108,355)	-	-	-	(108,355)
Effect of addition to scope of consolidation (Note 2-c)	-	-	-	-	-	-	10,479	-	10,479
Net income recognised directly in equity	-	-	-	-	44,670	(418,570)	10,479	-	(363,421)
Profit for the period	-	-	-	-	-	-	1,818,978	28	1,819,006
Total recognised income for the period	-	-	-	-	44,670	(418,570)	1,829,457	28	1,455,585
Cash dividends	-	-	-	-	-	-	(720,511)	(36)	(720,547)
Balance at 31 December 2008	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**18,723**	**(244,103)**	**4,913,113**	**231**	**11,426,213**

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

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Bank" or "Akbank" or together with its subsidiaries referred to as "the Group" in these consolidated financial statements) was formed in 1948 and is a member of the Sabancı Group of companies which is incorporated and domiciled in Turkey. The Bank's head offices are located at Sabancı Center 4. Levent, Istanbul/Turkey. As of 31 December 2008, the Bank has 867 branches dispersed throughout the country and 1 branch operating outside the country (2007: 715 branches and 1 branch operating outside the country). As at 31 December 2008, the Group employed 15,464 people (2007: 13,820 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş.. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management) (Note 5).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Index to significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of presentation of these financial statements

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, trading securities and all derivative contracts.

The consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Amendments to published standards and interpretations effective 1 January 2008

The application of the amendments and interpretations listed below did not result in substantial changes to the Group's accounting policies:

Standard	Description	Effective Date
IAS 39 Amendment	Financial Instruments: Recognition and measurement, and IFRS 7 Financial Instruments: Disclosures, on the Reclassification of financial assets	1 July 2008
IFRIC 11 - IFRS 2	Group and treasury share transactions	1 January 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14 - IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interpretations issued but not yet effective

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2008:

Standard	Description	Effective Date
IAS 1 Revised	Presentation of financial statements	1 January 2009
IAS 16	Property, plant and equipment	1 January 2009
IAS 19	Employee benefits	1 January 2009
IAS 23 Revised	Borrowing costs	1 January 2009
IAS 27	Consolidated and separate financial statements	1 January 2009
IAS 27 Amendment	Consolidated and separate financial statements	1 July 2009
IAS 29	Financial reporting in hyperinflationary economies	1 January 2009
IAS 32	Financial Instruments: Presentation	1 January 2009
IAS 36	Impairment of assets	1 January 2009
IAS 38	Intangible assets	1 January 2009
IAS 39	Financial instruments: Recognition and measurement	1 January 2009
IAS 40	Investment property	1 January 2009
IFRS 2 Amendment	Share-based payment	1 January 2009
IFRS 5	Non-current assets held for sale and discontinued operations	1 July 2009
IFRS 8	Operating segments	1 January 2009

The application of these new interpretations will not have a material impact on the Group's financial statements in the period of initial application.

(b) Consolidation

Subsidiary undertakings (including special purpose entities "SPEs"), over which the Group has the power to govern the financial and operating policies are generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The list of consolidated subsidiary undertakings is set out below:

Name of subsidiary	Country of incorporation	Shareholding % 2008	Shareholding % 2007
Ak Yatırım Menkul Değerler A.Ş.	Turkey	99.80	99.80
Akbank N.V.	The Netherlands	100.00	100.00
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Ak Portföy Yönetimi A.Ş.	Turkey	99.99	99.99
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivable Corporation	Cayman Islands	-	-
Sabancı Bank plc (Finsbury Pavement Ltd under liquidation)	England	-	-

The principal activities of Ak Yatırım Menkul Değerler A.Ş. are related to brokerage, investment banking and mutual fund management.

Akbank N.V. was established in 2000 for banking operations in the Netherlands.

The Bank's Frankfurt Branch was established on 5 April 1998 for banking operations abroad. As of 1 September 2006, the Frankfurt Branch has been converted to a 100% subsidiary of the Bank. As of 31 May 2007, shares of Akbank AG were transferred to Akbank N.V. resident in the Netherlands, which is 100% subsidiary of the Parent Bank.

Ak Finansal Kiralama A.Ş. is a financial leasing company incorporated in Turkey.

Ak Portföy Yönetimi A.Ş, which is included in the scope of consolidation in 2008, was established on 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş., pension funds of AvivaSA Emeklilik ve Hayat A.Ş. and portfolio of the Ak Yatırım Ortaklığı A.Ş..

Ak Receivable Corporation was established in July 1998 in connection with the issue of floating-rate notes amounting to US$250 million. A.R.T.S. Ltd. was established in November 1999 in connection with raising long-term financing amounting to US$400 million. Both entities have lent the funds raised to the Group, which controls the SPEs (Note 17).

Sabancı Bank plc., based in London was established in 1983 with the purpose of engaging in banking activities abroad, and all its assets and liabilities related to banking transactions were transferred to the London Branch of Akbank N.V., the Bank's subsidiary in the Netherlands, as of 6 September 2007. The income statement of Sabancı Bank plc. was included in the Bank's consolidated financial statements between 1 January and 6 September 2007. Following the transfer of all its assets and liabilities, Sabancı Bank plc., was renamed as Finsbury Pavement Limited. The liquidation procedures of the related institution are ongoing.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Investment Hedge

The Group hedges the net investment risk of foreign investments with the foreign exchange differences of the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences of the foreign currency denominated financial liabilities in this extent has been accounted in the "Translation reserve" account under shareholders' equity.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Turkish lira, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity under translation reserve.

(d) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair value of over-the-counter ("OTC") forward foreign exchange contracts and foreign exchange option contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2008. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

value of the consideration given or received). Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Cash flow hedge

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of derivative financial instruments are recorded in 'net trading gains and losses'.

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

The Bank is hedged against cash flow risk arising from local and foreign currency floating rate borrowings through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under "Other reserves" within equity.

(ii) Derivatives that do not qualify for hedge accounting

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

Embedded derivatives are separated from the host contract and accounted for as a derivative in accordance with IAS 39, if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

If an embedded derivative is separated, the host contract shall be accounted for under IAS 39 if it is a financial instrument, and in accordance with other appropriate standards if it is not a financial instrument. IAS 39 does not address whether an embedded derivative shall be presented separately on the face of the financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. 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 interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost. Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

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

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/from the Group.

(f) Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. At 31 December 2008, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading assets are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading income. Interest earned whilst holding trading assets is reported as interest income.

All purchases and sales of trading assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/by the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in "net income from financial instruments designated at fair value".

(g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective yield method (Note 28).

(h) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis. Commission income and fees for certain banking services such as import and export-related services, issuance of letters of guarantee, clearing, brokerage and custody services are recorded as income at the time of effecting the transactions to which they relate.

(i) Interest income and expense

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. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(j) Loans and advances to customers and provisions for loan impairment

Loans and advances granted by the Group are carried initially at cost and subsequently remeasured at the amortized cost value, less any provision for loan losses. All loans are recognized when cash is advanced to borrowers.

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. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

The provision made during the year is charged against the profit for the year. 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 provision for loan losses for the year (Note 10).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial liabilities

Financial liabilities including customer deposits, debt securities in issue and funds borrowed are recognised initially at cost net of transaction costs. Subsequently, financial liabilities are stated at amortised cost including transaction costs and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

(l) Property and equipment

All property and equipment carried at cost less accumulated depreciation and permanent impairment if any. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	50 years
Equipment	5 years
Leasehold improvements	7 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realisable value and value in use"), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Expenditure for the repair and renewal of property and equipment is charged against income. It is, however, capitalised if it results in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily of the capitalised branch refurbishment costs and are amortised on a straight-line basis over the corresponding lease terms or their estimated useful lives, whichever is shorter.

(m) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (not exceeding a period of five years).

(n) Accounting for leases

(i) A group company is the lessee

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) A group company is the lessor

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

(o) Impairment of assets

At each reporting date, the Group evaluates whether there is any impairment indication on the asset. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in the consolidated income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the consolidated financial statements.

(p) Taxation on income

(i) Income taxes currently payable

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Taxes other than on income are recorded within operating expenses (Note 26).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the difference between the carrying value and tax base of property and equipment, valuation difference on trading and investment securities, remeasurement of financial assets and liabilities at fair value, reversal of country risk provision, provision for loan losses and provision for employment termination benefits. Deferred income tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilised (Note 18).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

(q) Retirement benefit obligations

(i) Pension and other post-employment obligations

Akbank T.A.Ş. Tekaüt Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognised by an official decree, providing all qualified Bank employees with pension and post-retirement benefits. This scheme is funded through payments of both the employees and the employer as required by Social Security Law Numbered 506 and are as follows:

	2008 (%)	**2007 (%)**
Retirement benefit contributions-employer	13	13
Retirement benefit contributions-employee	9	9
Medical benefit contributions-employer	8.5	8.5
Medical benefit contributions-employee	5	5

Retirement benefit contributions-employer includes 2% additional contribution provided by the Bank above the requirement of the related law.

The Group's obligation in respect of the Fund has been determined as the total of the following:

(1) Obligation for post-employment benefits transferrable to Social Security Institution ("SSI")

The Group's obligation regarding post-employment benefits transferrable to SSI has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the "Law regarding the changes in Social Insurance and General Health Insurance Law ("New Law") and other related laws and regulations" (Note 20). The disclosures set out in Note 20 for post-employment benefits transferrable to SSI therefore reflect the actuarial parameters and results in accordance with the New Law provisions.

(2) Obligation for other benefits

The present value of the Group's obligation regarding pension benefits which are not transferrable to SSI in accordance with the New Law is calculated using the projected unit credit method.

The obligation for pension benefits transferrable to SSI and other benefits are calculated annually by an independent actuary who is registered with the Turkish Undersecretariat of the Treasury.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve for the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 20).

(iii) Short-term employee benefits

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with IAS 19, "Employee benefits".

(r) Provisions, contingent assets and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(s) Offsetting

Financial assets and liabilities are offset and the net amount is 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 to realise the asset and settle the liability simultaneously.

(t) Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

The Bank has not issued any share attributable to transfers to share capital from retained earnings during 2008 (31 December 2007: 60,000,000,000).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The earnings attributable to ordinary shares for each year are as follows:

	2008	**2007**
Profit attributable to equity holders of the Group	1,818,978	2,011,243
Weighted average number of ordinary shares in issue (1 Kr each)	300,000,000,000	300,000,000,000
Earnings per share (expressed in TL, full amount, per share)	**0.0061**	**0.0067**

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue.

There are no diluted shares and accordingly there are no diluted earnings per share for any class of shares.

(u) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

(v) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

When shares are issued, the excess of contributions received over the nominal value of the shares issued is recorded as share premium in equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Acceptances

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as commitments and contingent liabilities (Note 28).

(x) Other credit-related commitments

In the normal course of business, the Group enters into other credit-related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as loans and receivables. Specific provisions are therefore established when losses are considered probable and recorded as other liabilities (Note 28).

(y) Reporting of cash flows

For the purposes of cash flow statement, cash and cash equivalents include cash, due from banks, trading securities and investment securities with original maturity periods of less than three months (Note 6).

(z) Cash and cash equivalents

The cash and cash equivalents comprise balances with less than 90 days’ maturity including cash and balances with the central banks excluding reserve requirements and amounts loans and advances to banks (Note 6).

(aa) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments (Note 5).

(ab) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

(ac) Turkish Lira

In accordance with the Article 1 of the Law numbered 5083 concerning the “Currency of the Republic of Turkey” and according to the Decision of The Council of Ministers dated April 4, 2007 and No: 2007/11963, the prefix “New” used in the “New Turkish Lira” and the “New Kuruş” has been removed as of January 1, 2009. When the prior currency, New Turkish lira (“YTL”), values are converted into TL and Kr, one YTL (YTL1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. In this extent, consolidated financial statements and notes as of 31 December 2008 and prior periods’ figures for comparison purposes have been presented in “TL”.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS

Index to use of financial instruments

(a) Strategy in using financial instruments

By nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances but also entering into guarantees and other commitments such as letters of credit. The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in the bond markets and in currency and interest rates.

The Group's risk management is under the responsibility of the "Executive Risk Committee ("the ERC")" which reports to the Board of Directors. The ERC is comprised of the Chairman and Managing Director, Managing Director and the Chief Executive Officer. The ERC establishes policies, procedures, parameters and rules for risk management of the Bank and develops risk management strategies. The ERC also sets critical risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are changed as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Bank's risk positions are reported to the ERC members on a regular basis. Additionally, the ERC reviews the latest figures and projections for the Bank's profit and loss accounts and balance sheet, liquidity position, interest and foreign exchange exposures, as well as yield analysis and the macroeconomic environment.

In addition to the limits set by the ERC, the Board of Directors also sets some limits and parameters for the transactions and areas having significant and critical implications on the Bank's operations.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Bank where risk limits apply to ensure that these limits are adhered to. ALCO consists of the Chief Executive Officer and each of the Executive Vice Presidents in charge of the Bank's marketing, lending, treasury, and financial coordination departments. ALCO meets weekly to review the latest figures on liquidity position, interest rate risk exposures, foreign exchange risk exposure, capital adequacy and the macroeconomic environment.

The objective of the Group's asset and liability management and use of financial instruments is to limit the Group's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Group has sufficient capital adequacy and is using its capital to maximise net interest income.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit risk management and control are centralised in credit risk management team of Group and reported to the Board of Directors and head of each business unit regularly.

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

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

There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

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

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

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

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

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Bank's credit risk measurement techniques and information on the rating of securities and loan portfolio are as follows:

Bank's rating system:

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

The default probabilities of counterparties are calculated by using scoring tools tailored to various categories of counterparty and are derived credit rating for corporate and commercial, SME, consumer and credit card loan portfolios. Both behavioral and application scorecards are taken into consideration in default probability estimations.

Collateral structure of each portfolio is considered in order to determine the realized loss in case default occurs. Default probabilities and realized loss values are combined in order to account for expected loss and unexpected loss values over time and to encourage risk adjusted pricing.

Risk limits are set both at customer and group level and monitored by ERC in terms of sectors, tenor and concentration. ERC regularly follow up risk limits and make limit updates when required.

The Bank's rating tool concentration by risk classes as of 31 December 2008 is as follows:

	2008	2007
Above average	36.34%	31.66%
Average	43.62%	49.98%
Below average	17.61%	13.90%
Unrated	2.43%	4.46%

The Group has an effective credit risk policy for the leasing receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Loans and advances to customers:

The internal rating systems explained in the bank's rating system focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. The credit risk classification of the Group with the outstanding balances of each asset class is as the following:

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
Standard loans	32,806,173	12,599,851	887,431	46,293,455
Close monitoring loans	1,797,393	1,850,346	17,416	3,665,155
Loans under follow up	702,639	436,228	38,961	1,177,828
Gross	**35,306,205**	**14,886,425**	**943,808**	**51,136,438**
Provisions	**(1,028,664)**	**(572,374)**	**(34,911)**	**(1,635,949)**
Net	**34,277,541**	**14,314,051**	**908,897**	**49,500,489**

	2007			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
Standard loans	26,277,310	11,789,207	595,739	38,662,256
Close monitoring loans	953,145	862,466	56,586	1,872,197
Loans under follow up	526,434	481,194	13,615	1,021,243
Gross	**27,756,889**	**13,132,867**	**665,940**	**41,555,696**
Provisions	**(691,209)**	**(610,044)**	**(16,444)**	**(1,317,697)**
Net	**27,065,680**	**12,522,823**	**649,496**	**40,237,999**

The details of the loans and under close monitoring are as follows:

	2008			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
Past due up to 30 days	1,340,597	1,287,556	5,800	2,633,953
Past due 30-60 days	288,456	403,017	3,774	695,247
Past due 60-90 days	168,340	159,773	2,327	330,440
Leasing payment receivables (Uninvoiced)	-	-	5,515	5,515
	1,797,393	**1,850,346**	**17,416**	**3,665,155**

	2007			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
Past due up to 30 days	689,030	433,745	1,367	1,124,142
Past due 30-60 days	167,522	316,105	3,318	486,945
Past due 60-90 days	96,593	112,616	1,112	210,321
Leasing payment receivables (Uninvoiced)	-	-	50,789	50,789
	953,145	**862,466**	**56,586**	**1,872,197**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Group's main policy is holding appropriate collateral for each loan according to its specified risk. The collateral strategy is differentiating the collateral type based on the customers' rating and term of the loan. As the risk level of loan increased, the collateralized portion of loan should also be increased. The Group follows similar strategies when collateralizing consumer, commercial and corporate loans.

The estimated fair values of collaterals held for standard loans, close monitoring loans and loans under follow up are as follows:

	2008			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
Standard loans	25,602,637	5,071,665	61,539	30,735,841
Close monitoring loans	2,220,363	568,335	44,612	2,833,310
Loans under follow up	949,304	273,059	24,569	1,246,932
	28,772,304	**5,913,059**	**130,720**	**34,816,083**

	2007			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
Standard loans	22,934,472	5,876,799	86,420	28,897,691
Close monitoring loans	1,988,969	658,559	56,337	2,703,865
Loans under follow up	437,187	190,813	7,556	635,556
	25,360,628	**6,726,171**	**150,313**	**32,237,112**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Debt securities, treasury bills and other eligible bills:

For debt securities and other bills, external rating such as Moody's rating or their equivalents are used by Group Treasury for management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

	2008			
Moody's Rating	**Trading**	**Available-for-sale**	**Held-to-maturity**	**Total**
Aaa	-	7,583	-	7,583
A1;A2;A3	-	135,992	-	135,992
Baa1;Baa2;Baa3	-	57,119	-	57,119
Ba1	-	-	-	-
Ba3 (*)	153,175	7,094,158	20,560,762	27,808,095
C	-	6,946	-	6,946
	153,175	**7,301,798**	**20,560,762**	**28,015,735**

(*) Government bond and t-bills of Turkish Treasury.

	2007			
Moody's Rating	**Trading**	**Available-for-sale**	**Held-to-maturity**	**Total**
Aaa	-	6,072	-	6,072
A1;A2;A3	-	46,344	-	46,344
Baa1;Baa2;Baa3	-	23,260	-	23,260
Ba1	-	-	-	-
Ba3 (*)	4,807,963	20,900,124	-	25,708,087
	4,807,963	**20,975,800**	**-**	**25,783,763**

(*) Government bond and t-bills of Turkish Treasury.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Maximum exposure to credit risk:

	2008	2007
Credit risk exposures relating to on-balance sheet assets:	**83,595,369**	**68,140,871**
Loans and advances to banks	5,449,849	1,572,712
Loans and advances to customers	49,500,489	40,237,999
- Commercial loans	34,277,541	27,065,680
- Consumer loans and credit cards	14,314,051	12,522,823
- Financial lease receivables	908,897	649,496
Trading assets:	162,931	4,813,851
- Government debt securities	153,175	4,807,963
- Share certificates	9,685	4,637
- Other marketable securities	71	1,251
Derivative financial instruments	80,221	81,282
Investment securities	28,125,655	21,002,303
- Government debt securities	27,662,503	20,889,780
- Equity securities	11,937	26,503
- Other marketable securities	451,215	86,020
Other assets	276,224	432,724
Credit risk exposures relating to off-balance sheet items:	**6,774,529**	**5,179,884**
- Financial guarantees	4,671,603	3,778,733
- Loan commitments and other credit related liabilities	2,102,926	1,401,151
	90,369,898	**73,320,755**

The above table represents a worse case scenario of credit risk exposure to the Group at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Industry sectors:

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Loans and advances to banks	**5,449,849**	**-**	**-**	**-**	**-**	**-**	**5,449,849**
Loans and advances to customers	**4,054,005**	**2,674,066**	**6,301,207**	**10,220,300**	**11,936,860**	**14,314,051**	**49,500,489**
- Commercial loans	3,145,108	2,674,066	6,301,207	10,220,300	11,936,860	-	34,277,541
- Consumer loans and credit cards	-	-	-	-	-	14,314,051	14,314,051
- Financial lease receivables	908,897	-	-	-	-	-	908,897
Trading assets:	**9,756**	**153,175**	**-**	**-**	**-**	**-**	**162,931**
- Government debt securities	-	153,175	-	-	-	-	153,175
- Share certificates	9,685	-	-	-	-	-	9,685
- Other marketable securities	71	-	-	-	-	-	71
Trading derivative financial instruments	**68,990**	**-**	**-**	**10,538**	**-**	**693**	**80,221**
Investment securities	**300,776**	**27,662,503**	**-**	**-**	**162,376**	**-**	**28,125,655**
- Government debt securities	-	27,662,503	-	-	-	-	27,662,503
- Equity securities	11,937	-	-	-	-	-	11,937
- Other marketable securities	288,839	-	-	-	162,376	-	451,215
Other assets	**213,130**	**-**	**-**	**-**	**-**	**63,094**	**276,224**
As at 31 December 2008	**10,096,506**	**30,489,744**	**6,301,207**	**10,230,838**	**12,099,236**	**14,377,838**	**83,595,369**
As at 31 December 2007	**7,293,424**	**27,428,258**	**5,657,125**	**6,253,826**	**8,982,313**	**12,525,925**	**68,140,871**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Geographical Distribution:

	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	**553,568**	**1,057,846**	**3,825,268**	**13,167**	**5,449,849**
Loans and advances to customers	**48,361,535**	**2,502**	**768,491**	**367,961**	**49,500,489**
- Commercial loans	33,138,587	2,502	768,491	367,961	34,277,541
- Consumer loans and credit cards	14,314,051	-	-	-	14,314,051
- Financial lease receivables	908,897	-	-	-	908,897
Trading assets:	**162,931**	**-**	**-**	**-**	**162,931**
- Government debt securities	153,175	-	-	-	153,175
- Share certificates	9,685	-	-	-	9,685
- Other marketable securities	71	-	-	-	71
Trading derivative financial instruments	**36,130**	**1,180**	**28,582**	**14,329**	**80,221**
Investment securities	**27,674,330**	**110**	**451,215**	**-**	**28,125,655**
- Government debt securities	27,662,503	-	-	-	27,662,503
- Equity securities	11,827	110	-	-	11,937
- Other marketable securities	-	-	451,215	-	451,215
Other assets	**245,133**	**-**	**31,091**	**-**	**276,224**
As at 31 December 2008	**77,033,627**	**1,061,638**	**5,104,647**	**395,457**	**83,595,369**
As at 31 December 2007	**65,729,336**	**437,958**	**1,466,452**	**507,125**	**68,140,871**

(c) Market risk

The major measurement techniques used to measure and control market risk are outlined below.

(i) Value-at-risk

The market risk related to the trading portfolio is measured through the Value at Risk (VaR) approach, which takes into consideration diverse risk factors. To calculate the VaR, the Bank uses the variance-covariance, historical simulation and Monte Carlo simulation methods. The software used for this purpose is able to make calculations based on forward efficiency curves and volatility models.

The VaR model is based on the assumption of a 99% confidence interval and a 10-day retention period. VaR analyses are reported daily to senior management and are also used as a risk parameter and limit management tool for the bond portfolio. Reinforced with scenario analyses and stress testing, VaR analyses also take into consideration the impact of events and market fluctuations that are unexpected and highly improbable but engender great consequences. The outputs of the model are regularly checked by back-tests.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(ii) Stress tests

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

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

Regulatory reports for market risk in capital adequacy calculations are prepared using standard model. According to the "standard method", market risk is measured on securities portfolio basis in a way that includes the Group's exchange risk daily and weekly, and reported to the senior management. Results for current and previous period are given below:

	31 December 2008			**31 December 2007**		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest rate risk	154,327	188,238	97,312	173,305	193,594	167,506
Share certificate risk	787	686	1,211	1,445	954	598
Currency risk	29,610	19,730	34,010	51,996	62,026	39,077
Total amount subject to risk	**184,724**	**208,654**	**132,533**	**226,746**	**256,574**	**207,181**

Asset and liability risk is managed in accordance with decisions made at ALCO's daily/weekly meetings. Repricing and duration gap analysis, market value of equity, income simulations are used to monitor asset and liability risk. The ALCO develops hedging strategies to respond to unexpected and adverse changes.

(d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities and the remaining foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board, taking into account the recommendations by the ERC, sets a limit for the size of foreign exchange exposure, which is closely monitored by ALCO.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table overleaf summarizes the Group's exposures to foreign currency exchange rate risk at 31 December 2008. Included in the table are the Group's assets and liabilities and equity at carrying amounts, categorised by currency.

	2008						
	Foreign currency						
	US$	**EUR**	**GBP**	**Other**	**Total**	**TL**	**Total**
Cash and due from banks	2,336,990	3,797,104	137,938	98,977	6,371,009	496,793	6,867,802
Trading and investment securities	5,916,170	2,895,753	-	-	8,811,923	19,476,663	28,288,586
Derivative financial instruments	-	-	-	-	-	80,221	80,221
Reserve requirements with the Central Bank of Turkey	248,527	1,400,375	-	-	1,648,902	4,616,970	6,265,872
Loans and advances to customers	16,663,204	7,590,803	24,019	53,902	24,331,928	25,168,561	49,500,489
Investment in associates	-	-	-	-	-	3,125	3,125
Property and equipment	2,842	4,348	109	-	7,299	808,100	815,399
Intangible assets	-	101	-	-	101	36,772	36,873
Deferred income tax assets	-	-	-	-	-	176,092	176,092
Other assets and pre-payments	16,647	21,749	4,824	11,655	54,875	594,180	649,055
Total assets	**25,184,380**	**15,710,233**	**166,890**	**164,534**	**41,226,037**	**51,457,477**	**92,683,514**
Customer deposits	15,211,012	12,621,544	873,684	206,552	28,912,792	37,265,095	66,177,887
Derivative financial instruments	-	-	-	-	-	314,305	314,305
Interbank money market deposits, funds borrowed and debt securities in issue	6,679,815	5,411,742	11,292	17,864	12,120,713	418,117	12,538,830
Income taxes payable	-	10,754	-	-	10,754	57,434	68,188
Other liabilities and accrued expenses	131,368	57,436	3,456	12,104	204,364	1,926,096	2,130,460
Reserve for employment termination benefits	-	-	-	-	-	27,631	27,631
Equity and minority interest	-	-	-	-	-	11,426,213	11,426,213
Total liabilities and equity	**22,022,195**	**18,101,476**	**888,432**	**236,520**	**41,248,623**	**51,434,891**	**92,683,514**
Net balance sheet position	**3,162,185**	**(2,391,243)**	**(721,542)**	**(71,986)**	**(22,586)**	**22,586**	**-**
Off-balance sheet derivative instruments net notional position	**(2,921,029)**	**2,105,851**	**738,685**	**102,958**	**26,465**	**(26,411)**	**54**

TL(3,893) of net forward currency, swap currency and interest rate swap purchase transactions outstanding at 31 December 2008 have been made with related parties (Note 28).

At 31 December 2008, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL1.5218 =US$1 and TL2.1333 =EUR1.

Since the Bank's exposure to foreign currency exchange rate risk is at an immaterial level, the fluctuations in exchange rates do not have material impact on the Bank's financial statements.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2007						
	Foreign currency						
	US$	EUR	GBP	Other	Total	TL	Total
Cash and due from banks	646,892	1,647,378	31,310	32,203	2,357,783	310,117	2,667,900
Trading and investment securities	6,790,937	2,188,501	-	-	8,979,438	16,836,716	25,816,154
Derivative financial instruments	28,891	17,991	-	-	46,882	34,400	81,282
Reserve requirements with the Central Bank of Turkey	-	1,545,654	-	-	1,545,654	121,614	1,667,268
Loans and advances to customers	9,558,072	5,582,181	26,165	42,560	15,208,978	25,029,021	40,237,999
Investment in associates	-	-	-	-	-	3,125	3,125
Property and equipment	2,603	3,207	160	-	5,970	724,543	730,513
Intangible assets	-	181	-	-	181	31,790	31,971
Deferred income tax assets	1,519	-	-	-	1,519	35,320	36,839
Other assets and prepayments	13,559	49,389	307	32	63,287	492,052	555,339
Total assets	**17,042,473**	**11,034,482**	**57,942**	**74,795**	**28,209,692**	**43,618,698**	**71,828,390**
Customer deposits	9,833,476	8,128,418	556,896	166,051	18,684,841	29,733,459	48,418,300
Derivative financial instruments	19,658	29,093	-	-	48,751	56,840	105,591
Interbank money market deposits, funds borrowed and debt securities in issue	5,725,771	3,702,088	6,513	11,033	9,445,405	199,739	9,645,144
Income taxes payable	51	8,709	70	-	8,830	398,314	407,144
Other liabilities and accrued expenses	77,764	60,065	1,111	3,882	142,822	2,379,813	2,522,635
Reserve for employment termination benefits	-	-	-	-	-	38,401	38,401
Equity and minority interest	-	-	-	-	-	10,691,175	10,691,175
Total liabilities and equity	**15,656,720**	**11,928,373**	**564,590**	**180,966**	**28,330,649**	**43,497,741**	**71,828,390**
Net balance sheet position	**1,385,753**	**(893,891)**	**(506,648)**	**(106,171)**	**(120,957)**	**120,957**	**-**
Off-balance sheet derivative instruments net notional position	**(1,443,589)**	**839,754**	**492,446**	**113,589**	**2,200**	**13,571**	**15,771**

TL(2,517) of net forward currency, swap currency and interest rate swap purchase transactions outstanding at 31 December 2007 have been made with related parties (Note 28).

At 31 December 2007, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL1.1593 =US$1 and TL1.7059 =EUR1.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(e) Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Interest rate risk is the key component of the Group's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimize the effects of changes in interest rates as explained in detail in Note 2 (e-(i)). Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analysis are the main methods used to manage the risks.

The tables below summarise the Group's exposure to interest rate risks at 31 December. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	2008					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks	4,411,811	-	-	-	2,455,991	6,867,802
Trading and investment securities	8,291,526	8,483,898	9,174,688	2,281,389	57,085	28,288,586
Derivative financial instruments	58,225	21,874	20	102	-	80,221
Reserve requirements with the Central Bank of Turkey	6,265,872	-	-	-	-	6,265,872
Loans and advances to customers	26,467,271	15,329,268	6,761,787	931,799	10,364	49,500,489
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	815,399	815,399
Intangible assets	-	-	-	-	36,873	36,873
Deferred income tax assets	-	-	-	-	176,092	176,092
Other assets and pre-payments	75,173	-	-	-	573,882	649,055
Total assets	**45,569,878**	**23,835,040**	**15,936,495**	**3,213,290**	**4,128,811**	**92,683,514**
Customer deposits	54,092,157	3,012,102	332,763	224,850	8,516,015	66,177,887
Derivative financial instruments	209,049	101,798	1,332	2,126	-	314,305
Interbank money market deposits, funds borrowed and debt securities in issue	10,101,934	2,326,078	110,818	-	-	12,538,830
Income taxes payable	-	-	-	-	68,188	68,188
Other liabilities and accrued expenses	63,135	58,197	70,706	76,527	1,861,895	2,130,460
Reserve for employment termination benefits	-	-	-	-	27,631	27,631
Total liabilities	**64,466,275**	**5,498,175**	**515,619**	**303,503**	**10,473,729**	**81,257,301**
Net repricing period gap	**(18,896,397)**	**18,336,865**	**15,420,876**	**2,909,787**	**(6,344,918)**	**11,426,213**
Off-balance sheet derivative instruments net notional position	**339,369**	**2,299,436**	**(1,833,853)**	**(804,898)**	**-**	**54**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2007					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and due from banks	873,666	734	-	-	1,793,500	2,667,900
Trading and investment securities	8,439,833	11,401,876	4,474,211	1,467,843	32,391	25,816,154
Derivative financial instruments	34,227	24,297	22,758	-	-	81,282
Reserve requirements with the Central Bank of Turkey	1,667,268	-	-	-	-	1,667,268
Loans and advances to customers	20,439,264	12,673,798	6,427,107	697,830	-	40,237,999
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	730,513	730,513
Intangible assets	-	-	-	-	31,971	31,971
Deferred income tax assets	-	-	-	-	36,839	36,839
Other assets and pre-payments	105,431	-	-	-	449,908	555,339
Total assets	**31,559,689**	**24,100,705**	**10,924,076**	**2,165,673**	**3,078,247**	**71,828,390**
Customer deposits	38,551,154	2,354,634	216,163	109,736	7,186,613	48,418,300
Derivative financial instruments	53,422	50,530	1,639	-	-	105,591
Interbank money market deposits, funds borrowed and debt securities in issue	8,022,992	1,366,840	255,312	-	-	9,645,144
Income taxes payable	-	-	-	-	407,144	407,144
Other liabilities and accrued expenses	44,128	70,295	69,555	17,409	2,321,248	2,522,635
Reserve for employment termination benefits	-	-	-	-	38,401	38,401
Total liabilities	**46,671,696**	**3,842,299**	**542,669**	**127,145**	**9,953,406**	**61,137,215**
Net repricing period gap	**(15,112,007)**	**20,258,406**	**10,381,407**	**2,038,528**	**(6,875,159)**	**10,691,175**
Off-balance sheet derivative instruments net notional position	**2,141,393**	**1,785,188**	**(3,757,529)**	**(153,281)**	**-**	**15,771**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments at 31 December:

	2008		
	US$(%)	**EUR(%)**	**TL(%)**
Assets			
Cash and due from banks:			
-Time deposits in foreign banks	0.15	1.84	14.94
-Time deposits in domestic banks	0.20	-	21.09
-Interbank money market placements	-	-	15.00
Reserve requirements with the Central Bank of Turkey	-	-	12.00
Trading securities - debt securities	7.57	6.58	17.88
Loans and advances to customers	4.81	6.76	21.76
Investment securities	5.48	6.64	19.53
Liabilities			
Customer deposits	4.59	4.52	16.76
Funds borrowed	3.61	3.90	15.79
Debt securities in issue	3.56	-	-

	2007		
	US$(%)	**EUR(%)**	**TL(%)**
Assets			
Cash and due from banks:			
- Time deposits in foreign banks	4.13	3.55	17.50
- Time deposits in domestic banks	-	-	17.28
- Interbank money market placements	-	-	18.00
Reserve requirements with the Central Bank of Turkey	1.95	1.80	11.81
Trading securities - debt securities	6.94	6.43	17.43
Loans and advances to customers	6.49	5.90	21.13
Investment securities	5.66	6.26	18.81
Liabilities			
Customer deposits	3.86	3.40	14.97
Funds borrowed	5.79	4.94	15.56
Debt securities in issue	6.18	-	-

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees. A major objective of the Group's asset and liability management is to ensure that sufficient liquidity is available to meet the Group's commitments to customers and to satisfy the Group's own liquidity needs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. The ERC sets limits on the maturity mismatch of assets and liabilities and these limits are changed as necessary.

In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks" published in the Official Gazette dated 1 November 2006 No. 26333, beginning from 1 June 2007 liqudity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratios as at 31 December 2008 and 2007 are presented below:

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
31 December 2008	**Foreign Currency**	**Foreign Currency and TL**	**Foreign Currency**	**Foreign Currency and TL**
Average (%)	320.6	253.9	155.3	149.6
Maximum (%)	637.4	306.9	230.6	174.9
Minimum (%)	204.5	201.5	100.3	130.3

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
31 December 2007	**Foreign Currency**	**Foreign Currency and TL**	**Foreign Currency**	**Foreign Currency and TL**
Average (%)	541.3	311.2	192.8	158.7
Maximum (%)	876.8	486.1	292.6	205.3
Minimum (%)	404.4	192.2	138.2	115.9

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

	2008					
	Demand and up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and due from banks	6,867,802	-	-	-	-	6,867,802
Trading and investment securities	277,696	6,737,793	16,176,960	5,039,052	57,085	28,288,586
Derivative financial instruments	54,356	19,727	2,748	3,390	-	80,221
Reserve requirements with the Central Bank of Turkey	6,265,872	-	-	-	-	6,265,872
Loans and advances to customers	17,173,135	13,781,398	14,582,716	3,952,876	10,364	49,500,489
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	815,399	815,399
Intangible assets	-	-	-	-	36,873	36,873
Deferred income tax assets	-	-	176,092	-	-	176,092
Other assets and pre-payments	372,300	-	-	-	276,755	649,055
Total assets	**31,011,161**	**20,538,918**	**30,938,516**	**8,995,318**	**1,199,601**	**92,683,514**
Customer deposits	62,608,172	3,012,102	332,763	224,850	-	66,177,887
Derivative financial instruments	39,992	35,076	136,387	102,850	-	314,305
Interbank money market deposits funds borrowed and debt securities in issue	2,170,009	6,251,359	2,827,275	1,290,187	-	12,538,830
Income taxes payable	-	68,188	-	-	-	68,188
Other liabilities and accrued expenses	1,844,780	113,106	96,047	76,527	-	2,130,460
Reserve for employment termination benefits	-	-	27,631	-	-	27,631
Total liabilities	**66,662,953**	**9,479,831**	**3,420,103**	**1,694,414**	**-**	**81,257,301**
Net liquidity gap	**(35,651,792)**	**11,059,087**	**27,518,413**	**7,300,904**	**1,199,601**	**11,426,213**

The most important funding resources of the Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for the Bank. The major part of mandatory cash balances with the Central Bank of Turkey are included within the "up to three months" column as the majority of liabilities to which these balances relate are also included in this category.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2007					
	Demand and up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and due from banks	2,667,166	734	-	-	-	2,667,900
Trading and investment securities	143,041	12,046,947	9,227,462	4,366,313	32,391	25,816,154
Derivative financial instruments	31,837	12,527	33,880	3,038	-	81,282
Reserve requirements with the Central Bank of Turkey	1,667,268	-	-	-	-	1,667,268
Loans and advances to customers	15,372,395	10,663,161	11,669,191	2,533,252	-	40,237,999
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	730,513	730,513
Intangible assets	-	-	-	-	31,971	31,971
Deferred income tax assets	-	-	36,839	-	-	36,839
Other assets and pre-payments	466,900	8,291	-	-	80,148	555,339
Total assets	**20,348,607**	**22,731,660**	**20,967,372**	**6,902,603**	**878,148**	**71,828,390**
Customer deposits	45,667,551	2,179,854	398,258	172,637	-	48,418,300
Derivative financial instruments	21,460	7,405	71,405	5,321	-	105,591
Interbank money market deposits funds borrowed and debt securities in issue	1,632,892	4,199,919	2,755,417	1,056,916	-	9,645,144
Income taxes payable	-	407,144	-	-	-	407,144
Other liabilities and accrued expenses	2,168,667	242,308	94,251	17,409	-	2,522,635
Reserve for employment termination benefits	-	-	38,401	-	-	38,401
Total liabilities	**49,490,570**	**7,036,630**	**3,357,732**	**1,252,283**	**-**	**61,137,215**
Net liquidity gap	**(29,141,963)**	**15,695,030**	**17,609,640**	**5,650,320**	**878,148**	**10,691,175**

Undiscounted cash flows of the liabilities of the Group is as follows:

	2008				
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	56,713,208	6,521,939	3,619,294	379,251	250,712
Funds borrowed and debt securities in issue	591,754	1,376,626	6,260,902	2,901,999	1,409,101
Interbank money market deposits	353,575	5,355	78	-	-
	57,658,537	**7,903,920**	**9,880,274**	**3,281,250**	**1,659,813**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2007				
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	37,804,589	8,863,951	2,215,426	399,852	173,637
Funds borrowed and debt securities in issue	1,033,553	527,091	4,484,262	3,219,340	1,198,374
Interbank money market deposits	51,315	102,707	-	-	-
	38,889,457	**9,493,749**	**6,699,688**	**3,619,192**	**1,372,011**

Undiscounted cash flows of derivative financial instruments of the Group is as follows:

	2008				
Derivatives held for trading:	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Foreign exchange derivatives:	95,591	18,073	140,098	(65,506)	(7,008)
- Inflow	2,357,060	551,111	1,273,689	50,796	110,367
- Outflow	(2,261,469)	(533,038)	(1,133,591)	(116,302)	(117,375)
Interest rate derivatives:	7,652	(1,327)	(30,785)	(40,819)	15,258
- Inflow	28,604	48,491	380,755	1,009,075	364,007
- Outflow	(20,952)	(49,818)	(411,540)	(1,049,894)	(348,749)
Derivatives held for hedging:					
Interest rate derivatives:	(10,245)	(22,158)	(14,787)	(184,256)	(58,794)
- Inflow	51,376	34,199	377,725	4,836,539	618,021
- Outflow	(61,621)	(56,357)	(392,512)	(5,020,795)	(676,815)
Total inflow	**2,437,040**	**633,801**	**2,032,169**	**5,896,410**	**1,092,395**
Total outflow	**(2,344,042)**	**(639,213)**	**(1,937,643)**	**(6,186,991)**	**(1,142,939)**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2007				
Derivatives held for trading:	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Foreign exchange derivatives:	19,825	(26,093)	4,601	16,345	-
- Inflow	1,511,018	627,322	816,785	88,422	-
- Outflow	(1,491,193)	(653,415)	(812,184)	(72,077)	-
Interest rate derivatives:	23,691	74,716	(125,375)	(134,954)	(34,003)
- Inflow	120,119	199,574	566,983	2,608,563	112,373
- Outflow	(96,428)	(124,858)	(692,358)	(2,743,517)	(146,376)
Derivatives held for hedging:					
Interest rate derivatives:	-	-	-	-	-
- Inflow	-	-	-	-	-
- Outflow	-	-	-	-	-
Total inflow	**1,631,137**	**826,896**	**1,383,768**	**2,696,985**	**112,373**
Total outflow	**(1,587,621)**	**(778,273)**	**(1,504,542)**	**(2,815,594)**	**(146,376)**

(g) Operational risk

The "Basic indicator method" is used in the operational risk calculation of the Group. The amount subject to the operational risk is calculated through the use of the gross income of the Group in 2007, 2006, and 2005 in accordance to the "Calculation of the Operational Risk" applicable from 1 June 2007, which is the 4th part of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.26333 dated 1 November 2006. Not all of the TL7,672,195 used in the calculation of operational risk in the scope of "Capital adequacy standard ratio", but only the TL613,776, corresponding to the 8%, represents the operational risk to be exposed to. TL613,776 also represents the minimum capital amount required to remove the related risk.

(h) Fair value of financial instruments

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

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

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated balance sheets at their fair values at 31 December:

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008		2007	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and due from banks	6,867,802	6,867,802	2,667,900	2,667,900
Loans and advances to customers	49,500,489	48,483,574	40,237,999	40,640,463
Investment securities	28,125,655	28,128,690	21,002,303	21,002,303
Financial liabilities				
Customer deposits	66,177,887	65,979,605	48,418,300	48,145,497
Interbank money market deposits, funds borrowed and debt securities in issue	12,538,830	11,976,225	9,645,144	9,645,144

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

(i) Financial assets

The fair values of certain financial assets carried at cost, including cash and balances with the Central Bank of Turkey, due from other banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of investment securities has been estimated based on market prices at balance sheet dates.

(ii) Financial liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount of repayable on demand.

The estimated fair value of interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Financial liabilities including due to other banks, debt securities in issue and funds borrowed are recognised initially at cost net of transaction costs. Subsequently, financial liabilities are stated at amortised cost including transaction costs and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

The estimated fair values of due to other banks, debt securities in issue and funds borrowed represents the discounted amount of future cash flows expected to be paid.

(iii) Derivative financial instruments

The fair values of forward foreign exchange contracts, currency/interest rate swaps and foreign exchange option contracts have been estimated based on quoted market rates prevailing at the balance sheet date (Notes 8 and 28).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(i) Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk, market risk and operational risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Bank's and its affiliates' regulatory capital position on a consolidated basis at 31 December 2008 and 31 December 2007 were as follows:

	31 December 2008	**31 December 2007**
Tier I capital	11,568,299	10,451,445
Tier II capital	339,670	360,630
Deductions	(293,719)	(145,320)
Total regulatory capital	11,614,250	10,666,755
Risk-weighted assets (including market and operational risk)	68,405,883	59,193,315
Capital adequacy ratio (%)	**16.98%**	**18.02%**

(j) Fiduciary activities

The Group provides custody services to third parties which involve the Group in the making of allocation, purchase and sale decisions. Assets held in a fiduciary capacity are not included in these financial statements. At 31 December 2008, the Group has custody accounts amounting to TL22,231,105 in nominal value (2007: TL19,877,702).

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

(c) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(e) Pension obligation

The Group determines the present value of funded benefit obligations transferrable to SSI in accordance with New Law by using several critical actuarial assumptions, including the discount rate, mortality rate, and medical costs as disclosed in Note 20. This approach recognises the obligations of the Group to make payments to SSI in respect of the benefits which will be transferred to SSI rather than an obligation to make benefit payments to individuals.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTE 5 - SEGMENT ANALYSIS

The Group operates in five main business segments including retail banking, corporate and commercial banking, treasury activities, private banking and international banking.

(i) Retail banking - The Group offers a variety of retail services such as deposit accounts, consumer loans, small business loans, credit cards, insurance products and wealth management services. The Group's line of retail banking products and services also includes bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

(ii) Corporate banking - Corporate and commercial banking serves financial solutions and banking services to large scale corporate and commercial customers. Among the products and services offered to corporate and commercial customers are Turkish lira and foreign currency denominated working capital loans, medium-term financing for investments, foreign trade financing, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, the Group provides timely and permanent solutions for corporate customers' working capital management, delivering cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities.

(iii) Private banking - Private banking serves the members of the upper-income groups who have expectations for utmost service quality both in banking and investment transactions.

(iv) Treasury activities - Treasury activities are performed by the Treasury Unit. The Treasury Unit trade in Turkish Lira and foreign currency instruments on a spot and forward basis, and trade in treasury bills, bonds and other domestic securities together with foreign securities with AAA rating. The Marketing Group carries out marketing activities of treasury products and derivative financial products for customers.

(v) International banking - International Banking activities are managed by the International Banking Unit. The Group provides services for foreign trade financing, foreign currency and Turkish lira clearances, and money transfers through agent financial institutions. The international banking unit serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 5 - SEGMENT ANALYSIS (Continued)

(vi) Other - Other activities include leasing services provided by Ak Finansal Kiralama A.Ş. and other financial services of brokerage and portfolio management provided by Ak Yatırım Menkul Değerler A.Ş. and Ak Portföy Yönetimi A.Ş. which are the consolidated subsidiaries of the Bank.

Segment information at 31 December is as follows:

	2008						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	23,574,302	30,505,585	348,181	34,026,801	363,445	727,222	89,545,536
Equity securities							11,937
Unallocated assets							3,126,041
Total assets							**92,683,514**
Segment liabilities	39,112,972	12,183,787	6,198,733	12,083,016	9,235,894	230,798	79,045,200
Unallocated liabilities							2,212,101
Equity							11,426,213
Total liabilities and equity							**92,683,514**
Segment information regarding the income statement:							
Segment revenue	3,444,501	768,095	39,624	612,967	85,217	115,676	5,066,080
Segment result	988,680	514,338	20,794	396,949	67,135	(65,240)	1,922,656
Dividend income							4,351
Total profit from operations before tax and minority interest							1,927,007
Income taxes							(332,710)
Gain on tax case							224,709
Minority interest							(28)
Profit for the year							**1,818,978**
Other segment items:							
Capital expenditure	(125,719)	(1,611)	(11,573)	(714)	(6)	(12,704)	(152,327)
Depreciation and amortisation	(71,966)	(6,429)	(597)	(529)	(239)	(33,360)	(113,120)
Other non-cash expenses	(356,239)	(536,093)	(88)	(488)	(40)	-	(892,948)

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 5 - SEGMENT ANALYSIS (Continued)

	2007						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	18,184,736	22,652,049	85,348	27,441,082	333,404	666,822	69,363,441
Equity securities							26,503
Unallocated assets							2,438,446
Total assets							**71,828,390**
Segment liabilities	33,221,902	7,338,767	2,603,875	7,586,358	7,146,669	292,671	58,190,242
Unallocated liabilities							2,946,973
Equity							10,691,175
Total liabilities and equity							**71,828,390**
Segment information regarding the income statement:							
Segment revenue	3,460,632	742,370	288,171	25,219	46,447	45,115	4,607,954
Segment result	1,456,556	491,760	161,709	20,750	38,610	24,597	2,193,982
Dividend income							11,496
Total profit from operations before tax and minority interest							2,205,478
Income taxes							(464,467)
Gain on tax case							270,001
Minority interest							231
Profit for the year							**2,011,243**
Other segment items:							
Capital expenditure	(90,397)	(4,379)	-	-	-	-	(94,776)
Depreciation and amortisation	(96,033)	(9,065)	(724)	(855)	(285)	-	(106,962)
Other non-cash expenses	(241,986)	(360,784)	(77)	(348)	(35)	-	(603,230)

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 6 - CASH AND DUE FROM BANKS

	2008	2007
Cash funds:		
Cash on hand	605,745	515,620
Cash in transit	4,519	-
Purchased cheques	276	161
	610,540	**515,781**
Current accounts and demand deposits:		
Central Bank of Turkey	807,413	579,407
Foreign banks	1,038,038	690,331
Domestic banks	-	7,984
	1,845,451	**1,277,722**
Time deposits:		
Foreign banks	3,858,242	866,645
Domestic banks	552,153	5,205
	4,410,395	**871,850**
Interbank money market placements	**1,416**	**2,547**
Total cash and due from banks	**6,867,802**	**2,667,900**

At 31 December 2008, time deposits with domestic banks include securities obtained through agreements to resell (reverse repos) in the amount of TL1,416 (2007: TL2,547).

At 31 December 2008, assets pledged as off-shore cash reserve (Note 9), payment accounts in connection with the issue of floating-rate notes (Note 17) and demand and time deposits in foreign banks amount to TL726,495 (2007: TL608,723) (Note 27).

Cash and cash equivalents included in the statements of cash flows for the year ended 31 December are as follows:

	2008	2007
Cash and due from banks excluding accrued interest	6,866,460	2,657,794
Trading and investment securities with original maturities of less than three months excluding accrued interest	11,221	13,615
	6,877,681	**2,671,409**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	2008	2007
Government bonds denominated in foreign currency	11,406	4,551,710
Eurobonds	30,743	210,288
Government bonds	105,164	42,375
Share certificates	9,685	4,637
Treasury bills	5,862	3,590
Other	71	1,251
	162,931	**4,813,851**

There is no security pledged under repurchase agreements with financial institutions (2007: TL(-)).

Trading securities amounting to TL7,610 (2007: TL829,475) have been pledged as collateral with financial institutions.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

"Currency forwards" represent commitments to purchase or to sell foreign and domestic currency, including undelivered spot transactions. "Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the future contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency options" are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. The Group's "credit risks" represent the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held at 31 December are set out in the following table.

	2008 Fair values		2007 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	43,014	(81,656)	46,128	(92,177)
Forward currency purchases and sales	18,774	(11,849)	10,498	(5,637)
Currency and interest rate futures purchases and sales	8,717	(2,928)	20,243	(2,996)
Currency options purchases and sales	9,716	(9,804)	4,413	(4,781)
Derivatives held for hedging:				
Interest rate swap purchases and sales	-	(208,068)	-	-
Total derivative assets/(liabilities)	**80,221**	**(314,305)**	**81,282**	**(105,591)**

The notional amounts of derivative transactions are explained in detail in Note 28.

NOTE 9 - RESERVE REQUIREMENTS WITH THE CENTRAL BANK OF TURKEY

The reserve requirements are promulgated by communiqués issued by the Central Bank of Turkey ("the Central Bank").

The amounts of the reserve requirements are computed on the basis of the liabilities identified and at the rates prescribed in the related regulations. The Group is in conformity with the following reserve requirements at 31 December 2008 and 31 December 2007.

	Reserve requirement rate
Turkish lira liabilities	6%
Foreign currency liabilities	9%

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 9 - RESERVE REQUIREMENTS WITH THE CENTRAL BANK OF TURKEY (Continued)

The reserve requirements are to be maintained as cash in special Turkish lira accounts for Turkish lira liabilities and in special US$ and EUR accounts for respective foreign currency liabilities with the Central Bank. Turkish lira reserves maintained with the Central Bank earn interest on a quarterly basis at rates determined by the Central Bank.

In addition, as from 15 November 2007, the Bank's Malta Branch is required to maintain reserve deposits with the Central Bank of Malta in terms of Directive 1 of Malta Act. The Bank's Malta Branch holds reserve requirement amounting to TL365,681 as of 31 December 2008 (2007: TL386,060).

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

Distribution of the loan portfolio of the Bank by nature is as the following:

	2008	2007
Consumer loans	9,610,399	8,764,049
- Mortgage	4,600,528	4,029,162
- Automobile	1,086,442	1,340,669
- General purpose	3,923,429	3,394,218
Credit cards	4,839,798	3,887,624
- Retail	4,768,684	3,829,808
- Corporate	71,114	57,816
Corporate, commercial and small business loans	35,508,413	27,882,780
- Export financing loans	3,055,272	3,240,416
- Loans to financial institutions	2,110,299	2,379,974
- Import financing loans	1,223,861	204,888
- Leasing receivables	904,847	652,325
- Discount and purchase notes	224,578	439,222
- Other	27,989,556	20,965,955
Performing loans	49,958,610	40,534,453
Non-performing loans	1,177,828	1,021,243
Total loans and advances to customers	51,136,438	41,555,696
Provision for impairment	(1,635,949)	(1,317,697)
Net loans and advances to customers	**49,500,489**	**40,237,999**

Total amount of loan loss provision provided by the Group, which amounts to TL1,635,949, is calculated in line with IAS 39 and represents the total amount of provision calculated for impaired and non-impaired portfolios separately.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Project finance loans represent long-term loans extended in relation to the infrastructural constructions.

The loans and advances to customers include finance lease receivables, as shown below:

	2008	2007
Gross investment in finance leases	1,122,722	784,525
Less: Unearned finance income	(178,914)	(118,585)
Total investment in finance leases	943,808	665,940
Provision for impairment	(34,911)	(16,444)
Net investment in finance leases	**908,897**	**649,496**

Gross lease rentals receivable and the net investment in direct financing leases have the following collection schedules:

	2008		2007	
Period ending	Gross investment in finance leases	Total investment in finance leases	Gross investment in finance leases	Total investment in finance leases
2008	-	-	404,275	334,085
2009	453,529	379,004	196,388	168,083
2010	272,084	229,753	115,321	102,630
2011	151,033	128,039	41,514	36,883
2012	82,897	69,848	14,282	12,908
2013	45,778	37,778	12,745	11,351
2014	117,401	99,386	-	-
	1,122,722	**943,808**	**784,525**	**665,940**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements in the provision for loan losses are as follows:

	2008			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2008	691,209	610,044	16,444	1,317,697
Additions	883,356	551,982	29,169	1,464,507
Collections	(260,585)	(313,598)	(10,702)	(584,885)
Write-offs	(285,346)	(276,054)	-	(561,400)
Exchange differences	30	-	-	30
	1,028,664	**572,374**	**34,911**	**1,635,949**

In 2008, the Bank disposed some part of its non-performing loan portfolio amounting to TL669,207 for an amount of TL135,116.

	2007			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2007	359,167	430,015	6,540	795,722
Additions	469,421	466,014	11,661	947,096
Collections	(116,721)	(237,312)	(1,438)	(355,471)
Write-offs	(20,658)	(48,673)	(319)	(69,650)
	691,209	**610,044**	**16,444**	**1,317,697**

Loans and advances to related parties are as follows:

	2008	**2007**
Loans and advances to related parties	877,544	1,011,482
Less: Cash collateral obtained	(7,002)	(75,972)
Net loans and advances to related parties	**870,542**	**935,510**

Loans and advances to related parties were negotiated on the same basis as loans to unrelated customers.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Loans and advances to the public sector and private sector are as follows:

	2008	2007
Public sector (including State Economic Enterprises)	2,699,500	1,778,918
Private sector	48,436,938	39,776,778
Total loans and advances to customers	**51,136,438**	**41,555,696**

NOTE 11 - INVESTMENT SECURITIES

(a) Securities available-for-sale:

	2008	2007
Debt securities		
- Government bonds	5,173,283	16,758,470
- Government bonds denominated in foreign currency	37,664	2,378,327
- Eurobonds	1,671,269	1,752,983
- Treasury bills	219,525	-
- Other bonds	451,215	86,020
Equity securities		
- Listed	8,195	19,170
- Unlisted	3,742	7,333
Total securities available-for-sale	**7,564,893**	**21,002,303**

As explained in Note 2 (f) unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognised as "other reserves" in the equity unless there is a permanent decline in the fair values of such assets which are charged to the income statement.

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

	Share (%)		Carrying amount		
Listed:	**2008**	**2007**	**2008**	**2007**	**Business**
Ak Yatırım Ortaklığı A.Ş.	65.04	64.94	8,195	19,170	Investment trust
			8,195	**19,170**	
Unlisted:					
Ak Portföy Yönetimi A.Ş.	99.99	99.99	-	3,592	Portfolio management
Ak Global Funding B.V.	100.00	100.00	34	34	Finance
Finsbury Pavement Ltd (previously Sabancı Bank plc)	65.00	65.00	2	2	Finance
Others			3,706	3,705	
			3,742	**7,333**	

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 11 - INVESTMENT SECURITIES (Continued)

Ak Yatırım Ortaklığı A.Ş., Ak Global Funding B.V. and Finsbury Pavement Ltd have not been consolidated due to immateriality. As explained in the Note 2 (c), Finsbury Pavement Ltd is in the process of liquidation.

Ak Portföy Yönetimi A.Ş. has been added to the scope of consolidation in the consolidated financial statements at 31 December 2008.

The movement of available-for-sale securities is as follows:

	2008	**2007**
Balance at 1 January	**21,002,303**	**14,516,467**
Additions	14,585,920	12,789,971
Disposals	(4,349,524)	(227,223)
Change in fair value	(1,250,919)	775,130
Redemptions	(3,907,713)	(6,852,042)
Transfers	(18,515,174)	-
Balance at 31 December	**7,564,893**	**21,002,303**

In accordance with "Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures" dated October 2008 and effective from 1 July 2008, published by International Accounting Standards Board ("Amendment to IAS 39"), due to change in the intention to hold such securities, the Bank reclassified its government bonds with fair values US$91,820,730 and EUR17,129,244 into the category of financial assets available-for-sale which were classified under the category of financial assets held-for-trading before. As of the balance sheet date, fair values of these reclassified government bonds are US$93,496,750 and EUR16,526,760. Had these financial assets not been reclassified, an unrealized valuation gain of US$218,657 and an unrealized valuation loss of EUR893,619 would have been recognised in the income statement.

(b) Securities held-to-maturity

	2008	**2007**
Debt securities		
- Government bonds	13,948,585	-
- Government bonds denominated in foreign currency	5,444,158	-
- Eurobonds	1,165,303	-
- Treasury bills	2,716	-
Total securities available-for-sale	**20,560,762**	**-**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 11 - INVESTMENT SECURITIES (Continued)

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

	2008	**2007**
Balance at 1 January	-	-
Additions	21,180,469	-
Addition due to change in amortised cost	754,430	-
Redemptions	(1,374,137)	-
Exchange differences	-	-
Balance at 31 December	**20,560,762**	**-**

The investment securities amounting to TL5,830,734 have been pledged as collateral with various institutions at 31 December 2008 (2007: TL870,230) and securities amounting to TL8,696,017 (2007: TL4,712,504) are pledged under repurchase agreements.

In accordance with "Amendment to IAS 39", due to change in the intention to hold such securities, the Bank reclassified its government bonds with fair values TL104,306, US$962,377,327 and EUR419,021,064 into the category of financial assets held-to-maturity which were classified under the category of financial assets held-for-trading before. As of the balance sheet date, fair values of these reclassified government bonds are TL108,083, US$918,898,900 and EUR401,715,000. Had these financial assets not been reclassified, an unrealized valuation gain of TL2,832 and an unrealized valuation loss of US$57,018,344 and EUR25,610,892 would have been recognised in the income statement.

Due to change in the intention to hold such securities, the Bank reclassified its government bonds with fair values TL14,584,774, US$2,253,694,608 and EUR317,349,371 into the category of financial assets held to maturity which were classified before under the category of financial assets available for sale.

NOTE 12 - INVESTMENTS IN ASSOCIATES

The Group's interest in its principal associates, which are unlisted, are as follows:

Title	**Address (City / Country)**	**Amount**	**Bank's share percentage- If different voting percentage (%)**	**Bank's risk group share percentage (%)**
Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	3,125	9.98	9.98
KKB Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	3,125	9.09	9.09

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 13 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2007					
Cost	681,910	609,683	3,430	40,113	1,335,136
Accumulated depreciation	(174,412)	(405,773)	-	(24,438)	(604,623)
Net book amount	**507,498**	**203,910**	**3,430**	**15,675**	**730,513**
Opening net book amount	507,498	203,910	3,430	15,675	730,513
Additions	11,643	129,098	11,398	34,673	186,812
Disposals	(354)	(1,167)	-	-	(1,521)
Depreciation charge (Note 26)	(13,090)	(81,048)	-	(6,267)	(100,405)
Closing net book amount	**505,697**	**250,793**	**14,828**	**44,081**	**815,399**
At 31 December 2008					
Cost	691,826	639,558	14,828	74,785	1,420,997
Accumulated depreciation	(186,129)	(388,765)	-	(30,704)	(605,598)
Net book amount	**505,697**	**250,793**	**14,828**	**44,081**	**815,399**

At 31 December 2008, total impairment on property and equipment amounts to TL11,799 (2007: TL11,799). The recoverable amount of these assets represents the net selling price, determined by market price reference.

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2006					
Cost	639,359	622,588	4,982	31,440	1,298,369
Accumulated depreciation	(161,555)	(394,559)	-	(21,611)	(577,725)
Net book amount	**477,804**	**228,029**	**4,982**	**9,829**	**720,644**
Opening net book amount	477,804	228,029	4,982	9,829	720,644
Additions	42,950	60,080	11,314	8,673	123,017
Disposals	(256)	(2,241)	(12,866)	-	(15,363)
Depreciation charge (Note 26)	(13,000)	(81,958)	-	(2,827)	(97,785)
Closing net book amount	**507,498**	**203,910**	**3,430**	**15,675**	**730,513**
At 31 December 2007					
Cost	681,910	609,683	3,430	40,113	1,335,136
Accumulated depreciation	(174,412)	(405,773)	-	(24,438)	(604,623)
Net book amount	**507,498**	**203,910**	**3,430**	**15,675**	**730,513**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 14 - INTANGIBLE ASSETS

	2008	2007
Cost	103,758	86,141
Accumulated depreciation	(66,885)	(54,170)
Net book amount	**36,873**	**31,971**

Movement of intangible assets is as follows:

	Cost	Accumulated amortisation
Opening balance at 1 January 2008	86,141	(54,170)
Disposals	(177)	-
Additions	17,794	-
Charge for the period (Note 26)	-	(12,715)
Closing balance at 31 December 2008	**103,758**	**(66,885)**
Opening balance at 1 January 2007	70,000	(44,993)
Disposals	(112)	-
Additions	16,253	-
Charge for the year (Note 26)	-	(9,177)
Closing balance at 31 December 2007	**86,141**	**(54,170)**

NOTE 15 - OTHER ASSETS AND PRE-PAYMENTS

The principal components of other assets and pre-payments are as follows:

	2008	2007
Pre-payments	248,483	74,601
Receivables from cheques in clearance	161,265	331,920
Fund management fee accruals	51,865	10,270
Receivables from credit card payments	12,760	6,742
Other	174,682	131,806
	649,055	**555,339**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 16 - DEPOSITS FROM BANKS AND DUE TO CUSTOMERS

The breakdown of deposits according to type and maturity is as follows:

	2008			2007		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	4,610,084	32,811,307	37,421,391	3,307,696	26,768,405	30,076,101
Commercial deposits	3,155,073	11,579,253	14,734,326	2,773,483	6,566,505	9,339,988
Funds deposited under repurchase agreements	-	8,602,629	8,602,629	-	4,783,679	4,783,679
Bank deposits	376,928	3,471,614	3,848,542	153,252	1,786,712	1,939,964
Other	373,930	1,197,069	1,570,999	952,182	1,326,386	2,278,568
	8,516,015	**57,661,872**	**66,177,887**	**7,186,613**	**41,231,687**	**48,418,300**

The Group's commitments for resale and repurchase of marketable securities (government bonds, treasury bills and Eurobonds) at 31 December 2008 is TL8,716,961 (2007: TL4,791,905).

At 31 December 2008, deposits of TL5,857,241 (2007: TL5,100,378) were from Sabancı Holding Group companies and other related parties. The total interest expense paid to related party deposits is TL642,336 (2007: TL605,097) for the year ended 31 December 2008.

NOTE 17 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	2008	**2007**
Interbank money market deposits in TL	**227,819**	**154,023**
Domestic banks		
- TL	146,243	159,085
- Foreign currency	356,843	262,494
Foreign institutions	7,828,152	6,071,888
Funds borrowed	**8,331,238**	**6,493,467**

Interbank money market deposits represent borrowings from the interbank money market regulated by the Central Bank of Turkey.

Funds borrowed from domestic banks mainly represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations.

As of 31 December 2008, there are three outstanding syndicated loan facilities; the first is for EUR1,000 million, with an all in cost interest rate of Euribor+0.75% provided by 53 international banks with West LB AG London Branch acting as agent, which consists of two equal parts amounting to EUR500 million with maturity dates 21 August 2009 and 25 September 2009; the second is for US$600 million, comprising of two facilities, US$200 million and EUR288 million, with an all in cost interest rate of Libor+2% and Euribor+2% respectively, provided by 16 international banks with West LB AG London Branch acting as agent, which matures on 24 December 2009; the third is for EUR500 million, with an all in cost interest rate of Euribor+0.75% provided by 21 international banks with UFJ Bank Limited acting as agent, which matures on 26 June 2009.

NOTE 17 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE(Continued)

Debt securities in issue

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

In December 2005, the Group finalised another structured finance deal with a total amount of US$500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). The interest rates vary between Libor+0.16% and Libor+1.01%. As of 31 December 2008, the outstanding principal amount of the securitization deal amount to US$373 million after the repayment of US$53 million during the year 2008, US$48 million during the year 2007 and US $26 million during the year 2006.

The repayment schedule of the total floating-rate notes in issue is as follows:

	2008		**2007**	
	US$ (000)	**TL**	**US$ (000)**	**TL**
2008*	-	-	370,858	429,936
2009*	379,162	577,008	372,399	431,722
2010	379,220	577,097	379,220	439,630
2011	383,769	584,019	383,769	444,903
2012	454,581	691,781	394,039	456,809
2013	451,006	686,341	390,463	452,664
2014	261,422	397,833	200,880	232,880
2015	107,601	163,747	47,059	54,555
2016	107,601	163,747	47,059	54,555
2017	60,542	92,133	-	-
2018	30,271	46,067	-	-
Total	**2,615,175**	**3,979,773**	**2,585,746**	**2,997,654**

(*) As of 31 December 2008, repayments in 2009 include accrued interest payables in the amount of US$6,774 thousand (31 December 2007: US$10,025 thousand) for US$ balances, and the TL equivalent of the total amount as of 31 December 2008 is TL10,308 (31 December 2007: TL11,621).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 18 - TAXATION

	2008	2007
Income taxes currently payable	361,805	416,831
Prepaid taxes	(293,617)	(9,687)
Income taxes payable	**68,188**	**407,144**
Deferred income tax assets	230,799	98,951
Deferred income tax liabilities	(54,707)	(62,112)
Deferred income tax assets/(liabilities), net	**176,092**	**36,839**

(a) Income taxes currently payable

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

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated 21 June 2006, corporation tax is payable at the rate of 20% effective from 1 January 2006 on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances. 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, dividends paid are 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 are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations are 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.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with the New Corporate Tax Law.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 18 - TAXATION (Continued)

The reconciliation between the expected and the actual taxation charge is stated below:

	2008	**2007**
Profit before income taxes and minority interest	1,927,007	2,205,478
Theoretical tax charge at the applicable tax rate 20%	385,401	441,096
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(89,894)	(56,476)
Non-deductible expenses	37,203	79,847
	332,710	**464,467**

(b) Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method using enacted tax rates of 20% and 30% (31 December 2007: 20% and 40%).

The deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return, in accordance with the applicable tax law. The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

	Cumulative temporary differences		**Deferred income tax assets/(liabilities)**	
	2008	**2007**	**2008**	**2007**
Provision for loan losses	(477,363)	(293,625)	95,473	58,725
Valuation difference on trading and investment securities	(280,475)	-	56,095	-
Remeasurement of financial derivatives at fair value	(137,782)	(57,603)	27,557	11,521
Other provisions	(80,366)	(41,200)	16,073	8,240
Employment termination benefits	(27,631)	(38,401)	5,526	7,679
Impairment on property and equipment	(11,799)	(15,475)	2,360	3,095
Other temporary differences	(138,576)	(48,457)	27,715	9,691
Deferred income tax assets			**230,799**	**98,951**
Reversal of country risk provision	141,453	99,360	(42,437)	(39,744)
Difference between carrying value and tax base of property and equipment	21,257	54,637	(4,251)	(10,927)
Valuation difference on trading and investment securities	-	4,052	-	(810)
Other temporary differences	40,094	53,156	(8,019)	(10,631)
Deferred income tax liabilities			**(54,707)**	**(62,112)**
Deferred income tax assets, net			**176,092**	**36,839**

(Amounts expressed in thousands of Turkish lira (“TL”)

NOTE 18 - TAXATION (Continued)

(c) Gain on tax case

The Bank had filed three lawsuits, total of which amounted to TL754,303, against the Ministry of Finance regarding the correction of corporate tax paid in 2001, 2002, and 2003 with reference to the temporary article 4, added by the Law No.4743 to the Banking Law No.4389, which was annulled on 1 November 2005. Considering the status of legal and administrative process, the Board of Directors decided to settle with the Ministry of Finance in scope of the article 3 of the “Act on collection of some public receivables through settlement” published in the Official Gazette No.26800 dated 27 February 2008. Accordingly, the Bank has withdrawn the lawsuits explained in the first paragraph and according to the calculations made for the purpose of the settlement, the Bank’s total amount of receivables from the Ministry of Finance related to those lawsuits is confirmed as TL494,710. The remaining amount of TL224,709 after deducting the amount of TL270,001, which was accepted by the Ministry of Finance to be offset against various tax debt of the Bank and recognized in the financial statements of the year 2007, is recorded as income in the year 2008 financial statements.

NOTE 19 - OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2008, principal components of the other liabilities are payable to point of sale acquiring merchants, payables on cheques in clearance, non-income related taxes and withholdings, unearned commission income and bonus liability to customers.

Payable to point of sale acquiring merchants includes amounts owed to merchants related with credit card transactions in which the transacted amount will be paid to the merchants on a term basis.

At 31 December 2008, payable to point of sale acquiring merchants of TL102,509 were from Sabancı Holding Group companies and other related parties.

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS

	2008	**2007**
Balance sheet obligations for:		
- Post-employment benefits (pension and medical)	-	-
- Reserve for employment termination benefits	27,631	38,401
- Reserve for unused vacation (*)	25,701	24,982
	53,332	**63,383**

(*) Reserve for unused vacation has been included in other liabilities and accrued expenses in the financial statements.

There is no amount recognized in the balance sheet for post-employment benefits since fair value of the Fund’s plan assets compensate defined benefit obligations for the years ended 2008 and 2007.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	2008	**2007**
Income statement charge for:		
- Post-employment benefits (pension and medical) (Note 26)	(87,580)	(76,275)
- Reserve for employment termination benefits (Note 26)	(13,326)	(11,605)
- Reserve for unused vacation	(2,832)	(1,761)
	(103,738)	**(89,641)**

The charge for the post-employment benefits representing the cash contributions to the Fund by the Group, and reserve for employment termination benefits and unused vacation have been included in employee costs under operating expenses (Note 26).

(a) Post-employment benefits (pension and medical)

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

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

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

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette No 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the Grand National Assembly on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The main opposition party appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. There is no resolution adopted by the Constitution Court related to mentioned issue as of the publication date of the financial statements.

The New Law requires that present value of post-employment benefits at the balance sheet date regarding the members of the fund to be transferred shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Under secretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using technical discount rate of 9.8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. The transfer is required by the New Law to be completed in three years beginning from 1 January 2008.

According to the New Law, following the transfer of the members of the fund, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

In this extent, according to the technical balance sheet report dated 31 December 2008 prepared considering the related articles of the New Law regarding the transferrable benefit obligations and in accordance with IAS 19 for the non-transferrable social benefits and payments which are included in the articles of association and audited within the framework stated in the first paragraph above; the fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group's obligation related to other non-transferrable benefits has been calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TL69,181 (31 December 2007: TL68,529), the surplus of the Fund amounts to TL212,099 as of 31 December 2008 (31 December 2007: TL12,814).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The movement in the defined benefit obligation over the year is as follows:

	Defined benefit pension plans		Post-employment medical benefits	
	2008	**2007**	**2008**	**2007**
Beginning of year	**(601,307)**	**(526,678)**	**(23,728)**	**(28,608)**
Current service cost	(53,670)	(46,637)	(33,910)	(29,638)
Interest cost	(58,928)	(51,614)	(2,325)	(2,804)
Contributions by plan participants	(41,725)	(33,039)	(21,195)	(16,981)
Actuarial losses/(gains)	92,176	(51,950)	52,651	(3,341)
Benefits paid	122,304	108,611	62,178	57,644
End of year	**(541,150)**	**(601,307)**	**33,671**	**(23,728)**

The principal actuarial assumptions used were as follows:

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

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

The movement in the fair value of plan assets of the year is as follows:

	2008	**2007**
Beginning of year	**706,378**	**655,608**
Actual return on plan assets	116,363	90,730
Employer contributions (Note 26)	87,580	76,275
Employee contributions	62,920	50,020
Benefits paid	(184,482)	(166,255)
End of year	**788,759**	**706,378**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Plan assets are comprised as follows:

	2008		2007	
Bank placements	730,571	93%	638,488	90%
Premises and equipment	32,897	4%	30,044	4%
Equity securities	17,147	2%	34,625	5%
Other	8,144	1%	3,221	1%
	788,759	**100%**	**706,378**	**100%**

Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are TL175,000.

(b) Employment termination benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL2,173.18 in full TL amount (31 December 2007: TL2,030.19 in full TL amount) for each year of service.

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

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

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2008	2007
Discount rate (%)	6.26	5.71
Turnover rate to estimate the probability of retirement (%)	7.80	8.07

Additionally, the principal actuarial assumption is that the maximum liability of TL2,087.92 in full TL amount, for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2,260.05 in full TL amount (1 January 2008: TL 2,087.92), effective from 1 January 2008, has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Movements in the reserve for employment termination benefits during the year are as follows:

	2008	2007
1 January	38,401	37,503
Paid during the year	(24,096)	(10,707)
Increase during the year (Note 26)	13,326	11,605
	27,631	**38,401**

NOTE 21 - SHARE CAPITAL

The historic amount of share capital of the Group is TL3,000,000 (2007: TL3,000,000) and consists of 300,000,000,000 (2007: 300,000,000,000) authorised shares with a nominal value of Kr 1 each.

At 31 December, the issued and fully paid-in share capital held is as follows:

	2008		2007	
	Share (%)	**TL**	**Share (%)**	**TL**
Sabancı Group, family and related companies:				
Hacı Ömer Sabancı Holding A.Ş. and related companies	40.85	1,225,525	31.38	941,384
Sabancı family	14.61	438,327	14.20	425,865
Total Sabancı Group, family and related companies	55.46	1,663,852	45.58	1,367,249
Citibank Overseas Investment Corporation	20.00	600,000	20.00	600,000
Other	24.54	736,148	34.42	1,032,751
Historical share capital	100.00	3,000,000	100.00	3,000,000
Adjustment to share capital	-	2,029,151	-	2,029,151
Total paid-in share capital		**5,029,151**		**5,029,151**

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004 after elimination of the accumulated deficit.

Following the BRSA approval and in line with the resolution of the General Assembly of the Shareholders of the Bank, which was held on 17 July 2002, in the inflation-adjusted statutory financial statements, the Bank eliminated accumulated deficit and the corresponding amount of legal and extraordinary reserves and adjustment to share capital. Accordingly, the effects of this elimination transaction have also been reflected in these financial statements, which have been prepared on the basis of IFRS and; accumulated deficit of TL1,464,503 has been eliminated against the adjustment to share capital.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 22 - RETAINED EARNINGS AND LEGAL RESERVES

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

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders. In accordance with the Articles of Association, bonuses to the chairman and members of the Board of Directors are limited to a maximum of 2% of the remaining balance; the average percentage of such distributions in the last five years was 0.02%.

In 2003, the Bank established and announced a dividend distribution policy, and in accordance with this policy the Bank distributes a minimum 30% and maximum 50% of the distributable profit to its shareholders identified in the Articles of Association provided that there is no deterioration in the national and global economic environment and that the capital adequacy ratio of the Bank meets or exceeds the targeted level.

NOTE 23 - NET INTEREST INCOME

	2008	**2007**
Interest income on:		
Loans and advances to customers	6,329,080	5,391,731
Interest on investment and trading securities	3,404,452	3,028,704
Interest on deposits with banks	335,942	340,808
Other interest income	56,983	37,637
Total interest income	**10,126,457**	**8,798,880**

	2008	**2007**
Interest expense on:		
Interest on deposits	5,867,270	4,805,996
Interest on funds borrowed and debt securities in issue	571,064	573,697
Interest on interbank money market deposits	15,257	16,403
Other interest expenses	32,479	26,946
Total interest expense	**6,486,070**	**5,423,042**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 24 - NET FEE AND COMMISSION INCOME

	2008	2007
Fee and commission income on:		
Credit cards	767,897	685,083
Retail banking operations	237,791	120,551
Mutual fund management fee (Note 29)	165,503	117,748
Non-cash loans	51,775	46,720
Brokerage commission	35,919	47,137
Insurance intermediary	33,842	35,670
Money transfers	25,732	22,220
Other	87,928	158,963
	1,406,387	**1,234,092**
Fee and commission expense on:		
Credit cards	(207,146)	(195,405)
Other	(37,199)	(32,202)
	(244,345)	**(227,607)**
Net fee and commission income	**1,162,042**	**1,006,485**

NOTE 25 - NET TRADING INCOME/(LOSS)

	2008	2007
Derivative financial instruments	(34,013)	(29,723)
Trading and available for sale securities	61,711	43,826
	27,698	**14,103**

NOTE 26 - OPERATING EXPENSES

	2008	2007
Employee costs	876,765	650,901
Credit card and banking services	344,388	273,822
Marketing and advertisement expenses	113,304	105,953
Depreciation charges of property and equipment (Note 13)	100,405	97,785
Sundry taxes and duties	108,424	96,413
Communication expenses	101,758	83,963
Computer maintenance and support expenses	82,570	53,997
Consultancy expenses	74,982	42,624
Saving deposits insurance fund	73,324	52,352
Repair and maintenance expenses	33,712	21,808
Heating, lighting and water expenses	30,193	22,840
Amortisation of other intangible assets (Note 14)	12,715	9,177
Stationery expenses	9,845	8,202
Other	301,417	302,510
	2,263,802	**1,822,347**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 26 - OPERATING EXPENSES (Continued)

Post-employment benefits (pension and medical) paid, reserve for employment termination benefit and reserve for unused vacation rights for the year ended 31 December 2008 which amounts to TL87,580 and TL16,158, respectively are included in the employee costs.

NOTE 27 - ASSETS PLEDGED

	2008		2007	
	Assets	**Related liability**	**Assets**	**Related liability**
Balances with the Central Bank of Turkey (*)	6,265,872	43,478,093	1,667,268	41,786,888
Balances with other banks (Note 6)(**)	726,495	22,244,578	608,723	15,104,406
Trading securities (Note 7)				
- repurchase agreements	-	-	-	-
- other legal requirements	7,610	-	829,475	-
Investment securities (Note 11)				
- available-for-sale				
- repurchase agreements	1,089,370	1,077,671	4,712,504	4,783,679
- other legal requirements	621,063	-	870,230	-
- held-to-maturity				
- repurchase agreements	7,606,647	7,524,958	-	-
- other legal requirements	5,209,671	-	-	-
Total	**21,526,728**	**74,325,300**	**8,688,200**	**61,674,973**

(*) Assets pledged in the Central Bank of Turkey are pledged for the Group's reserve requirement which is explained in Note 9.

(**) Assets pledged in the balances with other banks include the reserve requirement of Malta Branch which is explained in Note 9.

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated balance sheets, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

(a) Legal proceedings

As of 31 December 2008 there are a number of legal proceedings outstanding against the Group, for which a TL44,042 (2007: TL35,651) provision has been made.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

(b) Commitments under derivative instruments:

The breakdown of notional amounts of derivative transactions at 31 December is as follows:

	2008					
	US$	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	102,696	135,029	1,641	-	137,338	376,704
Swap transactions	780,812	3,338,406	733,837	111,342	62,388	5,026,785
- Currency rate swaps	296,070	2,292,266	733,837	111,342	62,388	3,495,903
- Interest rate swaps	484,742	1,046,140	-	-	-	1,530,882
Spot transactions	70,476	29,902	4,423	4,211	61,377	170,389
Currency option transactions	200,683	64,648	37,119	-	218,163	520,613
Future transactions	-	-	-	-	18,037	18,037
Derivatives held for hedging:						
Swap transactions	1,757,679	-	-	-	2,545,000	4,302,679
- Interest rate swaps	1,757,679	-	-	-	2,545,000	4,302,679
Total purchases	**2,912,346**	**3,567,985**	**777,020**	**115,553**	**3,042,303**	**10,415,207**
Derivatives held for trading:						
Currency forward transactions	126,333	71,673	-	2,574	169,421	370,001
Swap transactions	3,634,700	1,275,798	-	7,529	115,633	5,033,660
- Currency rate swaps	3,149,641	229,975	-	7,529	115,633	3,502,778
- Interest rate swaps	485,059	1,045,823	-	-	-	1,530,882
Spot transactions	93,014	49,222	1,216	2,492	24,416	170,360
Currency option transactions	204,325	65,206	37,119	-	214,244	520,894
Future transactions	17,324	235	-	-	-	17,559
Derivatives held for hedging:						
Swap transactions	1,757,679	-	-	-	2,545,000	4,302,679
- Interest rate swaps	1,757,679	-	-	-	2,545,000	4,302,679
Total sales	**5,833,375**	**1,462,134**	**38,335**	**12,595**	**3,068,714**	**10,415,153**
Off-balance sheet net notional position (Note 3)	**(2,921,029)**	**2,105,851**	**738,685**	**102,958**	**(26,411)**	**54**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

	2007					
	US$	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	36,683	99,473	-	49,278	75,766	261,200
Swap transactions	1,385,614	2,711,453	505,556	133,201	2,037,669	6,773,493
- Currency rate swaps	63,973	1,709,976	505,556	131,751	72,669	2,483,925
- Interest rate swaps	1,321,641	1,001,477	-	1,450	1,965,000	4,289,568
Spot transactions	151,212	11,941	8,128	12,270	25,616	209,167
Currency option transactions	147,132	78,889	985	396	190,849	418,251
Future transactions	-	3	-	-	27,574	27,577
Total purchases	**1,720,641**	**2,901,759**	**514,669**	**195,145**	**2,357,474**	**7,689,688**
Derivatives held for trading:						
Currency forward transactions	18,750	100,258	-	48,975	82,833	250,816
Swap transactions	2,925,795	1,749,363	21,062	30,488	2,040,165	6,766,873
- Currency rate swaps	1,604,078	747,969	21,062	29,031	75,165	2,477,305
- Interest rate swaps	1,321,717	1,001,394	-	1,457	1,965,000	4,289,568
Spot transactions	51,532	133,313	1,161	1,758	23,317	211,081
Currency option transactions	142,080	79,044	-	335	197,584	419,043
Future transactions	26,073	27	-	-	4	26,104
Total sales	**3,164,230**	**2,062,005**	**22,223**	**81,556**	**2,343,903**	**7,673,917**
Off-balance sheet net notional position (Note 3)	**(1,443,589)**	**839,754**	**492,446**	**113,589**	**13,571**	**15,771**

The above tables summarizes the Group's derivative transactions. Each derivative transaction represents a simultaneous receivable and payable to be received and paid, on a future date, in respective currencies. Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Group with respect to commitments arising from these transactions.

The related party balances in forward currency purchase/sale and swap transactions are as follows:

	2008			2007		
	TL	**Foreign currency**	**Total**	**TL**	**Foreign currency**	**Total**
Currency forward purchases	31,303	2,623	33,926	8,565	69,287	77,852
Currency forward sales	-	(38,229)	(38,229)	(18,391)	(59,960)	(78,351)
Currency swap purchases	-	265,174	265,174	-	14,201	14,201
Currency swap sales	-	(264,782)	(264,782)	-	(16,219)	(16,219)
Interest rate swap purchases	-	268,163	268,163	-	60,437	60,437
Interest rate swap sales	-	(268,163)	(268,163)	-	(60,437)	(60,437)
Currency option purchases	17,706	16,849	34,555	-	-	-
Currency option sales	(17,706)	(16,849)	(34,555)	-	-	-
Spot purchases	4,599	2,119	6,718	-	-	-
Spot sales	-	(6,700)	(6,700)	-	-	-
Net position	**35,902**	**(39,795)**	**(3,893)**	**(9,826)**	**7,309**	**(2,517)**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

(c) Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group at 31 December:

	2008			**2007**		
	Up to 1 year	**Over 1 year**	**Total**	**Up to 1 year**	**Over 1 year**	**Total**
Letters of guarantee issued by the Group						
- Turkish lira	179,839	2,562,908	2,742,747	308,661	2,207,891	2,516,552
- Foreign currency	271,278	1,657,578	1,928,856	133,630	1,128,551	1,262,181
Acceptance credits						
- Turkish lira	-	15	15	-	15	15
- Foreign currency	51,495	13,839	65,334	40,563	6,279	46,842
Letter of credit						
- Turkish lira	16	-	16	16	-	16
- Foreign currency	1,192,782	608,655	1,801,437	773,994	402,922	1,176,916
Other guarantees						
- Turkish lira	625	184,820	185,445	5,381	150,081	155,462
- Foreign currency	35,150	15,529	50,679	16,321	5,579	21,900
	1,731,185	**5,043,344**	**6,774,529**	**1,278,566**	**3,901,318**	**5,179,884**

Included in the letters of guarantee and acceptance credits are guarantees amounting to TL460,241 (2007: TL487,171) for related parties at 31 December 2008.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The economic sector risk concentrations for outstanding credit related commitments of the Group are as follows:

	2008	2007
Financial institutions	1,305,171	811,702
Wholesaling	830,938	589,614
Small-scale retailers	650,890	668,232
Chemicals	636,539	585,638
Construction	617,794	369,846
Steel and mining	585,085	366,202
Electricity, gas, water	342,977	191,871
Automotive	304,645	243,670
Other manufacturing	234,122	138,069
Agriculture and forestry	179,831	119,827
Electronics	176,654	228,273
Food and beverage	175,894	108,324
Textile	93,448	74,743
Transportation	83,405	73,794
Tourism	43,455	32,218
Telecommunications	7,057	26,535
Other	506,624	551,326
	6,774,529	**5,179,884**

NOTE 29 - MUTUAL FUNDS

At 31 December 2008, the Group manages 21 (2007: 16) mutual funds and 19 (2007: 19) mutual pension funds ("Funds") which were established under Capital Markets Board Regulations. At 31 December 2008, the Funds' investment portfolio includes government bonds, treasury bills and share certificates amounting to TL4,815,568 (2007: TL4,548,184). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0.000275% to 0.001357%. At 31 December 2008, management fees earned by the Group amounted to TL165,503 (2007: TL117,748).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 30 - RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties in the normal course of business.

(a) Balances with related parties:

	2008	2007
Loans and receivables, net	870,542	935,510
Due from banks	-	5,045
Finance lease receivables	13,401	12,073
Assets	**883,943**	**952,628**
Due to customers	5,857,241	5,100,378
Due to banks	-	-
Liabilities	**5,857,241**	**5,100,378**
Credit related commitments	460,241	487,171
Commitment under derivative instruments (Note 28)	1,220,965	151,126
Commitments and contingent liabilities	**1,681,206**	**638,297**

As at 31 December 2008, the Group has repurchase commitments amounting to TL22,797 (2007: TL8,311) with Sabancı Holding Group companies and other related parties.

(b) Transactions with related parties:

	31 December 2008	31 December 2007
Interest income on loans	74,496	86,230
Interest income	**74,496**	**86,230**
Interest expense on deposits	642,336	605,097
Interest expense	**642,336**	**605,097**

(c) Balances with directors and other key management personnel:

	2008	2007
Due to customers	683,039	590,183

For the period ended 31 December 2008, total remuneration of the senior management and Board of Directors of the Bank amounted to TL13,100 (31 December 2007: TL10,438).

As at 31 December 2008, other balances with directors and other key management personnel are immaterial.

NOTE 31 - EVENTS AFTER THE BALANCE SHEET DATE

(a) At the meeting of the Board of Directors on 27 January 2009, it was decided that the Ordinary General Assembly Meeting of the Bank will be held on 27 March 2009 at 14:30 at the Sabancı Center, 4. Levent/Istanbul Headquarters.

(b) At the meeting of the Board of Directors on 18 February 2009, it was decided that at the General Ordinary Assembly Meeting the distribution of a TL360,550 cash dividend over TL1,704,553 stand-alone net income on statutory financial statements on 2008 operations to the Bank's shareholders, Chairman and Members of the Board of Directors, would be proposed. The decision was also made at the Board of Directors meeting to propose the transfer of TL9,284 to capital reserves and the allocation of TL1,334,719 as legal and extraordinary reserves.

……………..

AKBANK T.A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Akbank T.A.Ş.

1. We have audited the accompanying consolidated financial statements of Akbank T.A.Ş. ("the Bank") and its subsidiaries (together, "the Group") which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Cansen Başaran Symes, SMMM
Partner

Istanbul, 24 February 2010

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish lira (“TL”))

	Notes	2009	2008
ASSETS			
Cash and due from banks	6	5,029,260	6,867,802
Trading securities	7	159,786	162,931
Derivative financial instruments	8	245,120	80,221
Reserve requirements with the Central Bank of Turkey	9	3,464,090	6,265,872
Loans and advances to customers	10	45,049,817	49,500,489
Investment securities:			
- Available-for-sale	11	30,726,800	7,564,893
- Held-to-maturity	11	15,839,764	20,560,762
Investment in associates	12	3,125	3,125
Property and equipment	13	805,457	815,399
Intangible assets	14	65,449	36,873
Deferred income tax assets	18	269,965	176,092
Other assets and pre-payments	15	727,650	649,055
Total assets		**102,386,283**	**92,683,514**
LIABILITIES			
Customer deposits	16	74,701,284	66,177,887
Interbank money market deposits	17	483,572	227,819
Derivative financial instruments	8	771,743	314,305
Funds borrowed	17	5,881,999	8,331,238
Debt securities in issue	17	3,327,341	3,979,773
Income taxes payable	18	196,541	68,188
Other liabilities and accrued expenses	19	2,411,052	2,104,759
Employment benefit obligations	20	58,886	53,332
Total liabilities		**87,832,418**	**81,257,301**
EQUITY			
Capital and reserves attributable to the equity holders:			
- Share capital	21	3,000,000	3,000,000
- Adjustment to share capital	21	2,029,151	2,029,151
Total paid-in share capital	21	5,029,151	5,029,151
Share premium		1,709,098	1,709,098
Translation reserve		23,435	18,723
Other reserves		505,752	(244,103)
Retained earnings		7,286,224	4,913,113
		14,553,660	**11,425,982**
Minority interest		205	231
Total equity		**14,553,865**	**11,426,213**
Total liabilities and equity		**102,386,283**	**92,683,514**
Commitments, contingent liabilities and assets	28		

The consolidated financial statements as at and for the year ended 31 December 2009 have been approved for issue by the Board of Directors on 24 February 2010 and signed on its behalf by Ziya Akkurt, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A.Ş..

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

AKBANK T.A.Ş.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish lira ("TL"))

	Notes	2009	2008
Interest income	23	9,549,763	10,126,457
Interest expense	23	(4,825,073)	(6,486,070)
Net interest income		**4,724,690**	**3,640,387**
Fee and commission income	24	1,542,129	1,406,387
Fee and commission expense	24	(207,392)	(244,345)
Net fee and commission income		**1,334,737**	**1,162,042**
Impairment losses on loans and credit related commitments, net	10	(813,194)	(879,622)
Foreign exchange gains and losses, net		87,501	37,719
Trading gains and losses, net	25	25,838	27,698
Dividend income		1,391	4,351
Other operating income		189,419	196,443
Operating income		**5,550,382**	**4,189,018**
Operating expenses	26	(2,261,343)	(2,262,011)
Profit before income taxes and tax case		**3,289,039**	**1,927,007**
Income taxes	18	(555,338)	(332,710)
Gain on tax case	18	-	224,709
Profit for the year		**2,733,701**	**1,819,006**
Attributable to:			
Equity holders of the Group		2,733,661	1,818,978
Minority interest		40	28
		2,733,701	**1,819,006**
Earnings per share (expressed in TL, full amount, per share)	2 (t)	0.0091	0.0061

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

AKBANK T.A.Ş.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish lira ("TL"))

	2009	2008
Net profit for the period	**2,733,701**	**1,819,006**
Other comprehensive income:		
Gains/losses recognised directly in equity:		
Available-for-sale financial assets	1,373,079	(306,075)
Foreign exchange differences on translation of foreign operations	7,205	153,025
Loss from cash flow hedges (effective part of fair value changes)	(318,541)	(181,625)
Loss from net foreign investment hedges (effective part of exchange difference on borrowings)	(3,116)	(135,444)
Tax related to gains and losses recognized directly in equity	(210,284)	124,629
Effect of addition to scope of consolidation	-	10,479
	848,343	**(335,011)**
Net gains/losses transferred to income statement:		
Available-for-sale financial assets, net of tax	(186,701)	(43,875)
Cash flow hedges, net of tax	43,995	-
Other, net of taxes	48,930	15,465
	(93,776)	**(28,410)**
Other comprehensive income	**754,567**	**(363,421)**
Total comprehensive income	**3,488,268**	**1,455,585**
Attributable to:		
Equity holders of the Group	3,488,228	1,455,557
Minority interest	40	28
	3,488,268	**1,455,585**

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish lira ("TL"))

	Notes	2009	2008
Cash flows from operating activities:			
Net profit for the year		2,733,661	1,818,978
Adjustments for:			
Depreciation of property and equipment	13	105,850	100,405
Amortisation of intangible assets	14	15,784	12,715
Provision for loan losses	10	1,459,437	1,464,507
Employment benefit obligations	20	15,045	16,158
Minority interest		(26)	(8)
Add back dividend income		(1,391)	(4,351)
Add back income taxes	18	555,338	332,710
Add back gain on tax case	18	-	(224,709)
Remeasurement of derivative financial instruments at fair value		292,539	209,775
Unearned commission income		(36,926)	80,431
Interest income, net		(4,724,690)	(3,640,387)
Interest paid		(5,068,848)	(6,289,197)
Interest received		8,065,117	10,423,372
Other reserves		749,855	(418,570)
Translation reserve		4,712	44,670
Effect of exchange rates on cash and cash equivalents		38,693	(545,650)
Operating profit before changes in operating assets and liabilities		**4,204,150**	**3,380,849**
Net decrease/(increase) in reserve requirements with the Central Bank of Turkey		2,762,718	(4,584,554)
Net decrease/(increase) in loans and advances to customers		2,523,829	(10,424,230)
Net (increase)/decrease in trading securities		(2,128)	4,517,632
Net increase in other assets and prepayments		(78,595)	(93,716)
Net increase/(decrease) in other liabilities and accrued expenses		333,728	(274,825)
Net increase in customer deposits		8,698,236	17,601,526
		18,441,938	**10,122,682**
Income taxes paid		(520,858)	(810,919)
Net cash from operating activities		**17,921,080**	**9,311,763**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment, net	13	(95,908)	(185,291)
Purchase of other intangible assets, net	14	(44,360)	(17,617)
Net (increase)/decrease in investment securities		(16,520,228)	(7,597,426)
Dividends received from investment securities		1,391	4,351
Net cash used in investing activities		**(16,659,105)**	**(7,795,983)**
Cash flows from financing activities:			
(Repayments of)/ Proceeds from borrowed funds and debt securities, net		(2,776,982)	2,854,874
Dividends paid		(360,550)	(720,511)
Addition to scope of consolidation		-	10,479
Net cash from financing activities		**(3,137,532)**	**2,144,842**
Effect of exchange rates on cash and cash equivalents		**(38,693)**	**545,650**
Net (decrease)/increase in cash and cash equivalents		**(1,914,250)**	**4,206,272**
Cash and cash equivalents at the beginning of the year	6	**6,877,681**	**2,671,409**
Cash and cash equivalents at the end of the year	6	**4,963,431**	**6,877,681**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish lira ("TL"))

	Attributable to equity holders of the Group								
	Share capital								
	Share capital	Adjustment to share capital	Total paid-in share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Minority interest	Total
Balance at 1 January 2008	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**(25,947)**	**174,467**	**3,804,167**	**239**	**10,691,175**
Net unrealised market value gains from available-for-sale portfolio ("AFS")	-	-	-	-	-	(244,860)	-	-	(244,860)
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(43,875)	-	-	(43,875)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio (Note 11)	-	-	-	-	-	15,465	-	-	15,465
Cash flow hedges, net of tax						(145,300)			(145,300)
Translation reserve	-	-	-	-	153,025	-	-	-	153,025
Gains on hedges of a net investment in a foreign operation	-	-	-	-	(108,355)	-	-	-	(108,355)
Effect of addition to scope of consolidation (Note 2-b)	-	-	-	-	-	-	10,479	-	10,479
Net income recognised directly in equity	-	-	-	-	44,670	(418,570)	10,479	-	(363,421)
Profit for the period	-	-	-	-	-	-	1,818,978	28	1,819,006
Total recognised income for the period	-	-	-	-	44,670	(418,570)	1,829,457	28	1,455,585
Cash dividends	-	-	-	-	-	-	(720,511)	(36)	(720,547)
Balance at 31 December 2008	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**18,723**	**(244,103)**	**4,913,113**	**231**	**11,426,213**
Balance at 1 January 2009	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**18,723**	**(244,103)**	**4,913,113**	**231**	**11,426,213**
Net unrealised market value gains from AFS portfolio	-	-	-	-	-	1,098,464	-	-	1,098,464
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(186,701)	-	-	(186,701)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio (Note 11)	-	-	-	-	-	48,930	-	-	48,930
Cash flow hedges, net of tax	-	-	-	-	-	(210,838)	-	-	(210,838)
Translation reserve	-	-	-	-	7,205	-	-	-	7,205
Gains on hedges of a net investment in a foreign operation	-	-	-	-	(2,493)	-	-	-	(2,493)
Net income recognised directly in equity	-	-	-	-	4,712	749,855	-	-	754,567
Profit for the period	-	-	-	-	-	-	2,733,661	40	2,733,701
Total recognised income for the period	-	-	-	-	4,712	749,855	2,733,661	40	3,488,268
Cash dividends	-	-	-	-	-	-	(360,550)	(66)	(360,616)
Balance at 31 December 2009	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**23,435**	**505,752**	**7,286,224**	**205**	**14,553,865**

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

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Bank" or "Akbank" or together with its subsidiaries referred to as "the Group" in these consolidated financial statements) was formed in 1948 and is a member of the Sabancı Group of companies which is incorporated and domiciled in Turkey. The Bank's head offices are located at Sabancı Center 4. Levent, Istanbul/Turkey. As of 31 December 2009, the Bank has 877 branches dispersed throughout the country and 1 branch operating outside the country (2008: 867 branches and 1 branch operating outside the country). As at 31 December 2009, the Group employed 14,936 people (2008: 15,464 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş.. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management) (Note 5).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR"). As of 31 December 2009, approximately 29% of the shares are publicly traded, including the ADRs (2008: 25%).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Index to significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of presentation of these financial statements

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, trading securities and all derivative contracts.

The consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *Amendments to IFRS 7, 'Financial instruments: Disclosures'*

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

• *IFRS 8, 'Operating segments'*

IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Group's accounting period beginning on 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Group's external segment reporting will be based on the internal reporting to the group executive board (in its function as the chief operating decision maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments. The application of IFRS 8 does not have any material effect for the Group.

• *IAS 1 (revised), 'Presentation of financial statements'*

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Group:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRS 9	Financial instruments part 1: Classification and Measurement	1 January 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *IFRS 9, 'Financial instruments part 1: Classification and measurement'*

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. However, European Financial Reporting Advisory Group has not endorsed IFRS 9 yet.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Early adoption of standards

The Group did not early-adopt new or amended standards in 2009.

(b) Consolidation

Subsidiary undertakings (including special purpose entities "SPEs"), over which the Group has the power to govern the financial and operating policies are generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The list of consolidated subsidiary undertakings is set out below:

Name of subsidiary	Country of incorporation	Shareholding % 2009	Shareholding % 2008
Ak Yatırım Menkul Değerler A.Ş.	Turkey	99.80	99.80
Akbank N.V.	The Netherlands	100.00	100.00
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Ak Portföy Yönetimi A.Ş.	Turkey	99.99	99.99
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivable Corporation	Cayman Islands	-	-

The principal activities of Ak Yatırım Menkul Değerler A.Ş. are related to brokerage, investment banking and mutual fund management. Paid-in capital of Ak Yatırım Menkul Değerler A.Ş. has been decreased from TL50 million to TL30 million as of 25 November 2009.

Akbank N.V. was established in 2000 for banking operations in the Netherlands.

The Bank's Frankfurt Branch was established on 5 April 1998 for banking operations abroad. As of
1 September 2006, the Frankfurt Branch has been converted to a 100% subsidiary of the Bank. As of
31 May 2007, shares of Akbank AG were transferred to Akbank N.V. resident in the Netherlands, which is 100% subsidiary of the Parent Bank.

Ak Finansal Kiralama A.Ş. is a financial leasing company incorporated in Turkey.

Ak Portföy Yönetimi A.Ş, which is included in the scope of consolidation in 2008, was established on 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş., pension funds of AvivaSA Emeklilik ve Hayat A.Ş. and portfolio of the Ak Yatırım Ortaklığı A.Ş..

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ak Receivable Corporation was established in July 1998 in connection with the issue of floating-rate notes amounting to US$250 million. A.R.T.S. Ltd. was established in November 1999 in connection with raising long-term financing amounting to US$400 million. Both entities have lent the funds raised to the Group, which controls the SPEs (Note 17).

Sabancı Bank plc., based in London was established in 1983 with the purpose of engaging in banking activities abroad, and all its assets and liabilities related to banking transactions were transferred to the London Branch of Akbank N.V., the Bank's subsidiary in the Netherlands, as of 6 September 2007. The income statement of Sabancı Bank plc. was included in the Bank's consolidated financial statements between 1 January and 6 September 2007. Following the transfer of all its assets and liabilities, Sabancı Bank plc., was renamed as Finsbury Pavement Limited. The liquidation procedures of the related institution are completed as of 3 September 2009.

Net Investment Hedge

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 "Translation reserve" account under shareholders' equity.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Turkish lira, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity under translation reserve.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair value of over-the-counter ("OTC") forward foreign exchange contracts and foreign exchange option contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2009. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Cash flow hedge

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

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged cash flows affects profit or loss.

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

The Bank hedges cash flow risk arising from local and foreign currency floating rate borrowings through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under "Other reserves" within equity.

(ii) Derivatives that do not qualify for hedge accounting

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

Embedded derivatives are separated from the host contract and accounted for as a derivative in accordance with IAS 39, if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

If an embedded derivative is separated, the host contract shall be accounted for under IAS 39 if it is a financial instrument, and in accordance with other appropriate standards if it is not a financial instrument. IAS 39 does not address whether an embedded derivative shall be presented separately on the face of the financial statements.

(e) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. 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 interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost. Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

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

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/from the Group.

(f) Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. At 31 December 2009, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trading assets are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading income. Interest earned whilst holding trading assets is reported as interest income.

All purchases and sales of trading assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/by the Group.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in "net income from financial instruments designated at fair value".

(g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective yield method.

(h) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis. Commission income and fees for certain banking services such as import and export-related services, issuance of letters of guarantee, clearing, brokerage and custody services are recorded as income at the time of effecting the transactions to which they relate.

(i) Interest income and expense

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 judgement, collection becomes doubtful. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(j) Loans and advances to customers and provisions for loan impairment

Loans and advances granted by the Group are carried initially at cost and subsequently remeasured at the amortized cost value, less any provision for loan losses. All loans are recognized when cash is advanced to borrowers.

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. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The provision made during the year is charged against the profit for the year. Loans that can not be recovered are written-off and charged against the allowance for loan losses. Such loans are written-off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year (Note 10).

(k) Financial liabilities

Financial liabilities including customer deposits, debt securities in issue and funds borrowed are recognised initially at cost net of transaction costs. Subsequently, financial liabilities are stated at amortised cost including transaction costs and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

(l) Property and equipment

All property and equipment carried at cost less accumulated depreciation and permanent impairment if any. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	50 years
Equipment	5 years
Leasehold improvements	7 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realisable value and value in use"), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Expenditure for the repair and renewal of property and equipment is charged against income. It is, however, capitalised if it results in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily of the capitalised branch refurbishment costs and are amortised on a straight-line basis over the corresponding lease terms or their estimated useful lives, whichever is shorter.

(m) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (not exceeding a period of five years).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Accounting for leases

(i) A group company is the lessee

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) A group company is the lessor

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

(o) Impairment of assets

At each reporting date, the Group evaluates whether there is any impairment indication on the asset. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in the consolidated income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the consolidated financial statements.

(p) Taxation on income

(i) Income taxes currently payable

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Taxes other than on income are recorded within operating expenses (Note 26).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal temporary differences arise from the difference between the carrying value and tax base of property and equipment, valuation difference on trading and investment securities, remeasurement of financial assets and liabilities at fair value, reversal of country risk provision, provision for loan losses and provision for employment termination benefits. Deferred income tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 18).

Deferred income tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

(q) Retirement benefit obligations

(i) Pension and other post-employment obligations

Akbank T.A.Ş. Tekaüt Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognised by an official decree, providing all qualified Bank employees with pension and post-retirement medical benefits. This scheme is funded through payments of both the employees and the employer as required by Social Security Law Numbered 506 and are as follows:

	2009 (%)	2008 (%)
Pension benefit contributions-employer	13	13
Pension benefit contributions-employee	9	9
Medical benefit contributions-employer	8.5	8.5
Medical benefit contributions-employee	5	5

Pension benefit contributions-employer includes 2% additional contribution provided by the Bank above the requirement of the related law.

The Group's obligation in respect of the Fund has been determined as the total of the following:

(1) Obligation for post-employment benefits transferrable to Social Security Institution ("SSI")

The Group's obligation regarding post-employment benefits transferrable to SSI has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the "Law regarding the changes in Social Insurance and General Health Insurance Law ("New Law") and other related laws and regulations" (Note 20). The disclosures set out in Note 20 for post-employment benefits transferrable to SSI therefore reflect the actuarial parameters and results in accordance with the New Law provisions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Obligation for other benefits

The present value of the Group's obligation regarding pension benefits which are not transferrable to SSI in accordance with the New Law is calculated in accordance with IAS 19 employee benefits using the projected unit credit method.

The obligation for pension benefits transferrable to SSI and other benefits are calculated annually by an independent actuary who is registered with the Turkish Undersecretariat of the Treasury.

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

(ii) Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve for the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 20).

(iii) Short-term employee benefits

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with IAS 19, "Employee benefits".

(r) Provisions, contingent assets and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(s) Offsetting

Financial assets and liabilities are offset and the net amount is 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 to realise the asset and settle the liability simultaneously.

(t) Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

The Bank has not issued any share attributable to transfers to share capital from retained earnings during 2009 (2008: (-)).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The earnings attributable to ordinary shares for each year are as follows:

	2009	2008
Profit attributable to equity holders of the Group	2,733,661	1,818,978
Weighted average number of ordinary shares in issue (1 Kr each)	300,000,000,000	300,000,000,000
Earnings per share (expressed in TL, full amount, per share)	**0.0091**	**0.0061**

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue.

There are no diluted shares and accordingly there are no diluted earnings per share for any class of shares.

(u) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

(v) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

When shares are issued, the excess of contributions received over the nominal value of the shares issued is recorded as share premium in equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Acceptances

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as commitments and contingent liabilities (Note 28).

(x) Other credit-related commitments

In the normal course of business, the Group enters into other credit-related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as loans and receivables. Specific provisions are therefore established when losses are considered probable and recorded as other liabilities (Note 28).

(y) Reporting of cash flows

For the purposes of cash flow statement, cash and cash equivalents include cash, due from banks, trading securities and investment securities with original maturity periods of less than three months (Note 6).

(z) Cash and cash equivalents

The cash and cash equivalents comprise balances with less than 90 days' maturity including cash and balances with the central banks excluding reserve requirements and amounts loans and advances to banks (Note 6).

(aa)Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments (Note 5).

(ab)Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS

Index to use of financial instruments

(a) Strategy in using financial instruments

By nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances but also entering into guarantees and other commitments such as letters of credit. The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in the bond markets and in currency and interest rates.

The Group's risk management is under the responsibility of the "Executive Market Risk Committee ("the EMRC")" which reports to the Board of Directors. The EMRC is comprised of the Chairman and Managing Director, Managing Director and the Chief Executive Officer. The EMRC establishes policies, procedures, parameters and rules for risk management of the Bank and develops risk management strategies. The EMRC also sets critical risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are changed as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Bank's risk positions are reported to the EMRC members on a regular basis. Additionally, the EMRC reviews the latest figures and projections for the Bank's profit and loss accounts and balance sheet, liquidity position, interest and foreign exchange exposures, as well as yield analysis and the macroeconomic environment.

In addition to the limits set by the EMRC, the Board of Directors also sets some limits and parameters for the transactions and areas having significant and critical implications on the Bank's operations.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Bank where risk limits apply to ensure that these limits are adhered to. ALCO consists of the Chief Executive Officer and each of the Executive Vice Presidents in charge of the Bank's marketing, lending, treasury, and financial coordination departments. ALCO meets weekly to review the latest figures on liquidity position, interest rate risk exposures, foreign exchange risk exposure, capital adequacy and the macroeconomic environment.

The objective of the Group's asset and liability management and use of financial instruments is to limit the Group's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Group has sufficient capital adequacy and is using its capital to maximise net interest income.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit risk management and control are centralised in credit risk management team of Group and reported to the Board of Directors and head of each business unit regularly.

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

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

There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

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

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

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

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

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Bank's credit risk measurement techniques and information on the rating of securities and loan portfolio are as follows:

Bank's rating system:

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

The default probabilities of counterparties are calculated by using scoring tools tailored to various categories of counterparty and are derived credit rating for corporate and commercial, SME, consumer and credit card loan portfolios. Both behavioral and application scorecards are taken into consideration in default probability estimations.

Collateral structure of each portfolio is considered in order to determine the realized loss in case default occurs. Default probabilities and realized loss values are combined in order to account for expected loss and unexpected loss values over time and to encourage risk adjusted pricing.

Risk limits are set both at customer and group level and monitored by EMRC in terms of sectors, tenor and concentration. EMRC regularly follow up risk limits and make limit updates when required.

The Bank's rating tool concentration by risk classes as of 31 December 2009 and 2008 is as follows:

	2009	2008
Above average	30.62%	36.34%
Average	45.76%	43.62%
Below average	18.98%	17.61%
Unrated	4.64%	2.43%

The Group has an effective credit risk policy for the leasing receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Loans and advances to customers:

The internal rating systems explained in the bank's rating system focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. The credit risk classification of the Group with the outstanding balances of each asset class is as the following:

(Amounts expressed in thousands of Turkish lira ("TL"))

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2009			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Standard loans	28,435,840	13,481,189	952,670	42,869,699
Close monitoring loans	1,090,655	1,596,060	13,251	2,699,966
Impaired loans	979,834	804,845	39,613	1,824,292
Gross	**30,506,329**	**15,882,094**	**1,005,534**	**47,393,957**
Provisions	**(1,311,711)**	**(989,597)**	**(42,832)**	**(2,344,140)**
Net	**29,194,618**	**14,892,497**	**962,702**	**45,049,817**

	2008			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Standard loans	32,806,173	12,599,851	887,431	46,293,455
Close monitoring loans	1,797,393	1,850,346	17,416	3,665,155
Impaired loans	702,639	436,228	38,961	1,177,828
Gross	**35,306,205**	**14,886,425**	**943,808**	**51,136,438**
Provisions	**(1,028,664)**	**(572,374)**	**(34,911)**	**(1,635,949)**
Net	**34,277,541**	**14,314,051**	**908,897**	**49,500,489**

The details of the close monitoring loans are as follows:

	2009			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Past due up to 30 days	799,194	1,118,140	3,811	1,921,145
Past due 30-60 days	162,758	361,324	3,207	527,289
Past due 60-90 days	128,703	116,596	2,837	248,136
Lease receivables (Uninvoiced)	-	-	3,396	3,396
	1,090,655	**1,596,060**	**13,251**	**2,699,966**

	2008			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Past due up to 30 days	1,340,597	1,287,556	5,800	2,633,953
Past due 30-60 days	288,456	403,017	3,774	695,247
Past due 60-90 days	168,340	159,773	2,327	330,440
Lease receivables (Uninvoiced)	-	-	5,515	5,515
	1,797,393	**1,850,346**	**17,416**	**3,665,155**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Group's main policy is holding appropriate collateral for each loan according to its specified risk. The collateral strategy is differentiating the collateral type based on the customers' rating and term of the loan. As the risk level of loan increased, the collateralized portion of loan should also be increased. The Group follows similar strategies when collateralizing consumer, commercial and corporate loans.

The estimated fair values of collaterals held for standard loans, close monitoring loans and impaired loans are as follows:

	2009			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Standard loans	25,112,872	4,591,813	133,637	29,838,322
Close monitoring loans	2,177,889	514,562	30,755	2,723,206
Impaired loans	867,832	249,624	20,925	1,138,381
	28,158,593	**5,355,999**	**185,317**	**33,699,909**

	2008			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Standard loans	25,602,637	5,071,665	61,539	30,735,841
Close monitoring loans	2,220,363	568,335	44,612	2,833,310
Impaired loans	949,304	273,059	24,569	1,246,932
	28,772,304	**5,913,059**	**130,720**	**34,816,083**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Debt securities, treasury bills and other eligible bills:

For debt securities and other bills, external rating such as Moody's rating or their equivalents are used by Group Treasury for management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

	2009			
Moody's Rating	**Trading**	**Available-for- sale**	**Held-to-maturity**	**Total**
Aaa	-	216,833	-	216,833
A1;A2;A3	-	296,376	-	296,376
Baa1;Baa2;Baa3	-	94,898	-	94,898
Ba1	-	-	-	-
Ba3 (*)	158,049	30,039,570	15,839,764	46,037,383
C	-	-	-	-
	158,049	**30,647,677**	**15,839,764**	**46,645,490**

(*) Government bond and t-bills of Turkish Treasury.

	2008			
Moody's Rating	**Trading**	**Available-for- sale**	**Held-to-maturity**	**Total**
Aaa	-	7,583	-	7,583
A1;A2;A3	-	135,992	-	135,992
Baa1;Baa2;Baa3	-	57,119	-	57,119
Ba1	-	-	-	-
Ba3 (*)	153,175	7,309,924	20,560,762	28,023,861
C	-	6,946	-	6,946
	153,175	**7,517,564**	**20,560,762**	**28,231,501**

(*) Government bond and t-bills of Turkish Treasury.

(Amounts expressed in thousands of Turkish lira (“TL”)

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Maximum exposure to credit risk:

	2009	2008
Credit risk exposures relating to on-balance sheet assets:	**96,150,140**	**83,581,496**
Loans and advances to banks	3,753,255	5,449,849
Loans and advances to customers	45,049,817	49,500,489
- Commercial loans	29,194,618	34,277,541
- Consumer loans and credit cards	14,892,497	14,314,051
- Financial lease receivables	962,702	908,897
Trading assets:	159,786	162,931
- Government debt securities	158,049	153,175
- Share certificates	387	9,685
- Other marketable securities	1,350	71
Derivative financial instruments	245,120	80,221
Investment securities	46,566,564	28,125,655
- Government debt securities	45,827,646	27,662,503
- Equity securities	28,974	11,937
- Other marketable securities	709,944	451,215
Other assets	375,598	262,351
Credit risk exposures relating to off-balance sheet items:	**7,735,153**	**6,774,529**
- Financial guarantees	5,467,212	4,671,603
- Loan commitments and other credit related liabilities	2,267,941	2,102,926
	103,885,293	**90,356,025**

The above table represents a worse case scenario of credit risk exposure to the Group at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Industry sectors:

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Loans and advances to banks	**3,753,255**	**-**	**-**	**-**	**-**	**-**	**3,753,255**
Loans and advances to customers	**3,984,697**	**1,645,432**	**4,549,421**	**7,712,659**	**12,265,111**	**14,892,497**	**45,049,817**
- Commercial loans	3,021,995	1,645,432	4,549,421	7,712,659	12,265,111	-	29,194,618
- Consumer loans and credit cards	-	-	-	-	-	14,892,497	14,892,497
- Financial lease receivables	962,702	-	-	-	-	-	962,702
Trading assets:	**1,737**	**158,049**	**-**	**-**	**-**	**-**	**159,786**
- Government debt securities	-	158,049	-	-	-	-	158,049
- Share certificates	387	-	-	-	-	-	387
- Other marketable securities	1,350	-	-	-	-	-	1,350
Trading derivative financial instruments	**243,172**	**-**	**-**	**-**	**-**	**1,948**	**245,120**
Investment securities	**569,587**	**45,827,646**	**-**	**-**	**169,331**	**-**	**46,566,564**
- Government debt securities	-	45,827,646	-	-	-	-	45,827,646
- Equity securities	28,974	-	-	-	-	-	28,974
- Other marketable securities	540,613	-	-	-	169,331	-	709,944
Other assets	**289,805**	**-**	**-**	**-**	**-**	**85,793**	**375,598**
As at 31 December 2009	**8,842,253**	**47,631,127**	**4,549,421**	**7,712,659**	**12,434,442**	**14,980,238**	**96,150,140**
As at 31 December 2008	**10,085,802**	**30,489,744**	**6,301,207**	**10,230,838**	**12,099,236**	**14,374,669**	**83,581,496**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Geographical Distribution:

	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	**445,132**	**662,553**	**2,633,989**	**11,581**	**3,753,255**
Loans and advances to customers	**44,027,524**	**3,471**	**684,366**	**334,456**	**45,049,817**
- Commercial loans	28,172,325	3,471	684,366	334,456	29,194,618
- Consumer loans and credit cards	14,892,497	-	-	-	14,892,497
- Financial lease receivables	962,702	-	-	-	962,702
Trading assets:	**159,786**	**-**	**-**	**-**	**159,786**
- Government debt securities	158,049	-	-	-	158,049
- Share certificates	387	-	-	-	387
- Other marketable securities	1,350	-	-	-	1,350
Trading derivative financial instruments	**122,709**	**105**	**122,304**	**2**	**245,120**
Investment securities	**45,856,469**	**151**	**709,944**	**-**	**46,566,564**
- Government debt securities	45,827,646	-	-	-	45,827,646
- Equity securities	28,823	151	-	-	28,974
- Other marketable securities	-	-	709,944	-	709,944
Other assets	**333,322**	**-**	**42,276**	**-**	**375,598**
As at 31 December 2009	**90,944,942**	**666,280**	**4,192,879**	**346,039**	**96,150,140**
As at 31 December 2008	**77,021,316**	**1,061,638**	**5,103,085**	**395,457**	**83,581,496**

(c) Market risk

The major measurement techniques used to measure and control market risk are outlined below.

(i) Value-at-risk

The market risk related to the trading portfolio is measured through the Value at Risk (VaR) approach, which takes into consideration diverse risk factors. To calculate the VaR, the Bank uses the variance-covariance, historical simulation and Monte Carlo simulation methods. The software used for this purpose is able to make calculations based on forward efficiency curves and volatility models.

The VaR model is based on the assumption of a 99% confidence interval and a 10-day retention period. VaR analyses are reported daily to senior management and are also used as a risk parameter and limit management tool for the bond portfolio. Reinforced with scenario analyses and stress testing, VaR analyses also take into consideration the impact of events and market fluctuations that are unexpected and highly improbable but engender great consequences. The outputs of the model are regularly checked by back-tests.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(ii) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of the Group, include interest rate stress testing. The results of the stress tests are reviewed by the ALCO. As at 31 December 2009 and 2008, assuming that all other variables are constant, and TL and FC interest rates vary in an interval of +1% and -1%, the profit before tax and other reserves excluding tax effect of the Group would change as the following:

	Impact on income		Impact on other reserves	
Change in interest rates	**2009**	**2008**	**2009**	**2008**
(+)1 %	(66,313)	(135,000)	(263,333)	(49,111)
(-) 1 %	66,598	127,000	275,457	35,220

Regulatory reports for market risk in capital adequacy calculations are prepared using standard model. According to the "standard method", market risk is measured on securities portfolio basis in a way that includes the Group's exchange risk daily and weekly, and reported to the senior management. Results for current and previous period are given below:

	31 December 2009			31 December 2008		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest rate risk	176,346	267,905	118,162	154,327	188,238	97,312
Currency risk	22,383	15,784	29,101	29,610	19,730	34,010
Share certificate risk	1,139	1,828	629	787	686	1,211
Total amount subject to risk	**199,868**	**285,517**	**147,892**	**184,724**	**208,654**	**132,533**

Asset and liability risk is managed in accordance with decisions made at ALCO's daily/weekly meetings. Repricing and duration gap analysis, market value of equity, income simulations are used to monitor asset and liability risk. The ALCO develops hedging strategies to respond to unexpected and adverse changes.

(d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities and the remaining foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board, taking into account the recommendations by the EMRC, sets a limit for the size of foreign exchange exposure, which is closely monitored by ALCO.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table overleaf summarizes the Group's exposures to foreign currency exchange rate risk at 31 December 2009 and 2008. Included in the table are the Group's assets and liabilities and equity at carrying amounts, categorised by currency.

	2009						
	Foreign currency						
	US$	**EUR**	**GBP**	**Other**	**Total**	**TL**	**Total**
Cash and due from banks	2,943,353	1,267,231	78,290	31,155	4,320,029	709,231	5,029,260
Trading and investment securities	5,910,034	3,065,704	-	-	8,975,738	37,750,612	46,726,350
Derivative financial instruments	-	-	-	-	-	245,120	245,120
Reserve requirements with the Central Bank of Turkey	423,821	924,680	-	-	1,348,501	2,115,589	3,464,090
Loans and advances to customers	14,557,460	7,342,220	13,900	159,590	22,073,170	22,976,647	45,049,817
Investment in associates	-	-	-	-	-	3,125	3,125
Property and equipment	2,593	4,298	96	-	6,987	798,470	805,457
Intangible assets	-	54	-	-	54	65,395	65,449
Deferred income tax assets	-	-	-	-	-	269,965	269,965
Other assets and pre-payments	7,507	10,932	77	1,835	20,351	707,299	727,650
Total assets	**23,844,768**	**12,615,119**	**92,363**	**192,580**	**36,744,830**	**65,641,453**	**102,386,283**
Customer deposits	14,641,328	11,919,870	786,360	233,184	27,580,742	47,120,542	74,701,284
Derivative financial instruments	-	-	-	-	-	771,743	771,743
Interbank money market deposits, funds borrowed and debt securities in issue	6,277,620	2,838,002	6,029	79,705	9,201,356	491,556	9,692,912
Income taxes payable	-	6,636	-	-	6,636	189,905	196,541
Other liabilities and accrued expenses	128,295	68,842	550	2,521	200,208	2,210,844	2,411,052
Employment benefit obligations	-	-	-	-	-	58,886	58,886
Equity and minority interest	-	-	-	-	-	14,553,865	14,553,865
Total liabilities and equity	**21,047,243**	**14,833,350**	**792,939**	**315,410**	**36,988,942**	**65,397,341**	**102,386,283**
Net balance sheet position	**2,797,525**	**(2,218,231)**	**(700,576)**	**(122,830)**	**(244,112)**	**244,112**	**-**
Off-balance sheet derivative instruments net notional position	**(2,883,008)**	**2,428,538**	**707,295**	**185,652**	**438,477**	**(383,105)**	**55,372**

TL(267,873) of net forward currency, swap currency and interest rate swap purchase transactions outstanding at 31 December 2009 have been made with related parties (Note 28).

At 31 December 2009, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL1.4873 =US$1 and TL2.1426 =EUR1.

Since the Bank's exposure to foreign currency exchange rate risk is at an immaterial level, the fluctuations in exchange rates do not have material impact on the Bank's financial statements.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008						
	Foreign currency						
	US$	**EUR**	**GBP**	**Other**	**Total**	**TL**	**Total**
Cash and due from banks	2,336,990	3,797,104	137,938	98,977	6,371,009	496,793	6,867,802
Trading and investment securities	5,916,170	2,895,753	-	-	8,811,923	19,476,663	28,288,586
Derivative financial instruments	-	-	-	-	-	80,221	80,221
Reserve requirements with the Central Bank of Turkey	248,527	1,400,375	-	-	1,648,902	4,616,970	6,265,872
Loans and advances to customers	16,663,204	7,590,803	24,019	53,902	24,331,928	25,168,561	49,500,489
Investment in associates	-	-	-	-	-	3,125	3,125
Property and equipment	2,842	4,348	109	-	7,299	808,100	815,399
Intangible assets	-	101	-	-	101	36,772	36,873
Deferred income tax assets	-	-	-	-	-	176,092	176,092
Other assets and pre-payments	16,647	21,749	4,824	11,655	54,875	594,180	649,055
Total assets	**25,184,380**	**15,710,233**	**166,890**	**164,534**	**41,226,037**	**51,457,477**	**92,683,514**
Customer deposits	15,211,012	12,621,544	873,684	206,552	28,912,792	37,265,095	66,177,887
Derivative financial instruments	-	-	-	-	-	314,305	314,305
Interbank money market deposits, funds borrowed and debt securities in issue	6,679,815	5,411,742	11,292	17,864	12,120,713	418,117	12,538,830
Income taxes payable	-	10,754	-	-	10,754	57,434	68,188
Other liabilities and accrued expenses	131,368	57,436	3,456	12,104	204,364	1,900,395	2,104,759
Employment benefit obligations	-	-	-	-	-	53,332	53,332
Equity and minority interest	-	-	-	-	-	11,426,213	11,426,213
Total liabilities and equity	**22,022,195**	**18,101,476**	**888,432**	**236,520**	**41,248,623**	**51,434,891**	**92,683,514**
Net balance sheet position	**3,162,185**	**(2,391,243)**	**(721,542)**	**(71,986)**	**(22,586)**	**22,586**	**-**
Off-balance sheet derivative instruments net notional position	**(2,921,029)**	**2,105,851**	**738,685**	**102,958**	**26,465**	**(26,411)**	**54**

TL(3,893) of net forward currency, swap currency and interest rate swap purchase transactions outstanding at 31 December 2008 have been made with related parties (Note 28).

At 31 December 2008, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL1.5218 =US$1 and TL2.1333 =EUR1.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(e) Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Interest rate risk is the key component of the Group's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimize the effects of changes in interest rates as explained in detail in Note 2 (d-(i)). Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analysis are the main methods used to manage the risks.

The tables below summarise the Group's exposure to interest rate risks at 31 December 2009 and 2008. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	2009					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks	1,257,990	-	2,380	6,856	3,762,034	5,029,260
Trading and investment securities	17,505,238	14,467,905	11,685,345	2,987,002	80,860	46,726,350
Derivative financial instruments	104,762	126,549	10,483	3,326	-	245,120
Reserve requirements with the Central Bank of Turkey	3,464,090	-	-	-	-	3,464,090
Loans and advances to customers	24,247,820	12,304,491	7,601,301	896,205	-	45,049,817
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	805,457	805,457
Intangible assets	-	-	-	-	65,449	65,449
Deferred income tax assets	-	-	-	-	269,965	269,965
Other assets and pre-payments	223,446	-	-	-	504,204	727,650
Total assets	**46,803,346**	**26,898,945**	**19,299,509**	**3,893,389**	**5,491,094**	**102,386,283**
Customer deposits	63,040,524	3,095,906	618,488	138,679	7,807,687	74,701,284
Derivative financial instruments	210,979	206,135	351,538	3,091	-	771,743
Interbank money market deposits, funds borrowed and debt securities in issue	7,702,680	1,876,151	101,545	12,536	-	9,692,912
Income taxes payable	-	-	-	-	196,541	196,541
Other liabilities and accrued expenses	100,670	45,750	56,451	66,811	2,141,370	2,411,052
Employment benefit obligations	-	-	-	-	58,886	58,886
Total liabilities	**71,054,853**	**5,223,942**	**1,128,022**	**221,117**	**10,204,484**	**87,832,418**
Net repricing period gap	**(24,251,507)**	**21,675,003**	**18,171,487**	**3,672,272**	**(4,713,390)**	**14,553,865**
Off-balance sheet derivative instruments net notional position	**1,864,937**	**2,443,944**	**(3,681,309)**	**(572,200)**	**-**	**55,372**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and due from banks	4,411,811	-	-	-	2,455,991	6,867,802
Trading and investment securities	8,291,526	8,483,898	9,174,688	2,281,389	57,085	28,288,586
Derivative financial instruments	58,225	21,874	20	102	-	80,221
Reserve requirements with the Central Bank of Turkey	6,265,872	-	-	-	-	6,265,872
Loans and advances to customers	26,467,271	15,329,268	6,761,787	931,799	10,364	49,500,489
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	815,399	815,399
Intangible assets	-	-	-	-	36,873	36,873
Deferred income tax assets	-	-	-	-	176,092	176,092
Other assets and pre-payments	75,173	-	-	-	573,882	649,055
Total assets	**45,569,878**	**23,835,040**	**15,936,495**	**3,213,290**	**4,128,811**	**92,683,514**
Customer deposits	54,092,157	3,012,102	332,763	224,850	8,516,015	66,177,887
Derivative financial instruments	209,049	101,798	1,332	2,126	-	314,305
Interbank money market deposits, funds borrowed and debt securities in issue	10,101,934	2,326,078	110,818	-	-	12,538,830
Income taxes payable	-	-	-	-	68,188	68,188
Other liabilities and accrued expenses	63,135	58,197	70,706	76,527	1,836,194	2,104,759
Employment benefit obligations	-	-	-	-	53,332	53,332
Total liabilities	**64,466,275**	**5,498,175**	**515,619**	**303,503**	**10,473,729**	**81,257,301**
Net repricing period gap	**(18,896,397)**	**18,336,865**	**15,420,876**	**2,909,787**	**(6,344,918)**	**11,426,213**
Off-balance sheet derivative instruments net notional position	**339,369**	**2,299,436**	**(1,833,853)**	**(804,898)**	**-**	**54**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments at 31 December 2009 and 2008:

	2009		
	US$(%)	**EUR(%)**	**TL(%)**
Assets			
Cash and due from banks:			
-Time deposits in foreign banks	0.08	0.22	-
-Time deposits in domestic banks	0.25	-	12.75
-Interbank money market placements	-	-	6.76
Reserve requirements with the Central Bank of Turkey	-	-	5.20
Trading securities - debt securities	4.63	3.74	9.21
Loans and advances to customers	3.89	4.31	14.61
Investment securities	5.02	4.81	11.07
Liabilities			
Customer deposits	1.81	2.16	7.83
Funds borrowed	2.51	2.18	6.72
Debt securities in issue	1.40	-	-

	2008		
	US$(%)	**EUR(%)**	**TL(%)**
Assets			
Cash and due from banks:			
-Time deposits in foreign banks	0.15	1.84	14.94
-Time deposits in domestic banks	0.20	-	21.09
-Interbank money market placements	-	-	15.00
Reserve requirements with the Central Bank of Turkey	-	-	12.00
Trading securities - debt securities	7.57	6.58	17.88
Loans and advances to customers	4.81	6.76	21.76
Investment securities	5.48	6.64	19.53
Liabilities			
Customer deposits	4.59	4.52	16.76
Funds borrowed	3.61	3.90	15.79
Debt securities in issue	3.56	-	-

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees. A major objective of the Group's asset and liability management is to ensure that sufficient liquidity is available to meet the Group's commitments to customers and to satisfy the Group's own liquidity needs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. The EMRC sets limits on the maturity mismatch of assets and liabilities and these limits are changed as necessary.

In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks" published in the Official Gazette dated 1 November 2006 No. 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratios as at 31 December 2009 and 2008 are presented below:

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
2009	**Foreign currency**	**Foreign currency and TL**	**Foreign currency**	**Foreign currency and TL**
Average (%)	274.5	246.5	117.1	143.0
Maximum (%)	337.7	317.2	154.5	164.2
Minimum (%)	191.6	206.2	87.5	131.4

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
2008	**Foreign currency**	**Foreign currency and TL**	**Foreign currency**	**Foreign currency and TL**
Average (%)	320.6	253.9	155.3	149.6
Maximum (%)	637.4	306.9	230.6	174.9
Minimum (%)	204.5	201.5	100.3	130.3

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

	2009					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks	5,020,024	-	2,380	6,856	-	5,029,260
Trading and investment securities	7,297,266	10,175,768	26,185,454	2,987,002	80,860	46,726,350
Derivative financial instruments	101,036	59,549	25,704	58,831	-	245,120
Reserve requirements with the Central Bank of Turkey	3,464,090	-	-	-	-	3,464,090
Loans and advances to customers	15,513,474	10,982,927	15,234,145	3,319,271	-	45,049,817
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	805,457	805,457
Intangible assets	-	-	-	-	65,449	65,449
Deferred income tax assets	-	-	269,965	-	-	269,965
Other assets and pre-payments	396,666	-	-	-	330,984	727,650
Total assets	**31,792,556**	**21,218,244**	**41,717,648**	**6,371,960**	**1,285,875**	**102,386,283**
Customer deposits	70,760,192	3,065,029	743,400	132,663	-	74,701,284
Derivative financial instruments	100,799	52,840	168,234	438,455	11,415	771,743
Interbank money market deposits funds borrowed and debt securities in issue	2,031,373	3,634,700	2,723,162	1,303,677	-	9,692,912
Income taxes payable	-	196,541	-	-	-	196,541
Other liabilities and accrued expenses	2,186,078	108,116	28,110	66,811	21,937	2,411,052
Employment benefit obligations	-	-	58,886	-	-	58,886
Total liabilities	**75,078,442**	**7,057,226**	**3,721,792**	**1,941,606**	**33,352**	**87,832,418**
Net liquidity gap	**(43,285,886)**	**14,161,018**	**37,995,856**	**4,430,354**	**1,252,523**	**14,553,865**

The most important funding resources of the Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for the Bank. The major part of mandatory cash balances with the Central Bank of Turkey are included within the "up to three months" column as the majority of liabilities to which these balances relate are also included in this category.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008					
	Demand and up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and due from banks	6,867,802	-	-	-	-	6,867,802
Trading and investment securities	277,696	6,737,793	16,176,960	5,039,052	57,085	28,288,586
Derivative financial instruments	54,356	19,727	2,748	3,390	-	80,221
Reserve requirements with the Central Bank of Turkey	6,265,872	-	-	-	-	6,265,872
Loans and advances to customers	17,173,135	13,781,398	14,582,716	3,952,876	10,364	49,500,489
Investment in associates	-	-	-	-	3,125	3,125
Property and equipment	-	-	-	-	815,399	815,399
Intangible assets	-	-	-	-	36,873	36,873
Deferred income tax assets	-	-	176,092	-	-	176,092
Other assets and pre-payments	372,300	-	-	-	276,755	649,055
Total assets	**31,011,161**	**20,538,918**	**30,938,516**	**8,995,318**	**1,199,601**	**92,683,514**
Customer deposits	62,608,172	3,012,102	332,763	224,850	-	66,177,887
Derivative financial instruments	39,992	35,076	136,387	102,850	-	314,305
Interbank money market deposits funds borrowed and debt securities in issue	2,170,009	6,251,359	2,827,275	1,290,187	-	12,538,830
Income taxes payable	-	68,188	-	-	-	68,188
Other liabilities and accrued expenses	1,844,780	113,106	70,346	76,527	-	2,104,759
Employment benefit obligations	-	-	53,332	-	-	53,332
Total liabilities	**66,662,953**	**9,479,831**	**3,420,103**	**1,694,414**	**-**	**81,257,301**
Net liquidity gap	**(35,651,792)**	**11,059,087**	**27,518,413**	**7,300,904**	**1,199,601**	**11,426,213**

Undiscounted cash flows of the liabilities of the Group is as follows:

	2009				
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	58,908,511	12,020,794	3,174,095	807,611	164,165
Funds borrowed and debt securities in issue	739,203	860,625	3,921,254	2,770,323	1,353,391
Interbank money market deposits	483,572	-	-	-	-
	60,131,286	**12,881,419**	**7,095,349**	**3,577,934**	**1,517,556**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008				
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Customer deposits	56,713,208	6,521,939	3,619,294	73,764	250,712
Funds borrowed and debt securities in issue	591,754	1,376,626	6,260,902	2,901,999	1,409,101
Interbank money market deposits	353,575	5,355	78	-	-
	57,658,537	**7,903,920**	**9,880,274**	**2,975,763**	**1,659,813**

Undiscounted cash flows of derivative financial instruments of the Group are as follows:

	2009				
Derivatives held for trading:	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Foreign exchange derivatives:	80,843	32,857	(1,785)	(66,376)	9,632
- Inflow	1,993,188	1,745,274	1,896,164	329,702	99,226
- Outflow	(1,912,345)	(1,712,417)	(1,897,949)	(396,078)	(89,594)
Interest rate derivatives:	(23,028)	(9,446)	(39,797)	(57,866)	(63,096)
- Inflow	1,240,294	76,829	284,910	1,622,200	670,491
- Outflow	(1,263,322)	(86,275)	(324,707)	(1,680,066)	(733,587)
Derivatives held for hedging:					
Interest rate derivatives:	(18,659)	(17,319)	(187,031)	(425,383)	(6,189)
- Inflow	53,910	17,636	198,417	2,960,840	66,311
- Outflow	(72,569)	(34,955)	(385,448)	(3,386,223)	(72,500)
Total inflow	**3,287,392**	**1,839,739**	**2,379,491**	**4,912,742**	**836,028**
Total outflow	**(3,248,236)**	**(1,833,647)**	**(2,608,104)**	**(5,462,367)**	**(895,681)**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2008				
Derivatives held for trading:	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**
Foreign exchange derivatives:	95,591	18,073	140,098	(65,506)	(7,008)
- Inflow	2,357,060	551,111	1,273,689	50,796	110,367
- Outflow	(2,261,469)	(533,038)	(1,133,591)	(116,302)	(117,375)
Interest rate derivatives:	7,652	(1,327)	(30,785)	(40,819)	15,258
- Inflow	28,604	48,491	380,755	1,009,075	364,007
- Outflow	(20,952)	(49,818)	(411,540)	(1,049,894)	(348,749)
Derivatives held for hedging:					
Interest rate derivatives:	(10,245)	(22,158)	(14,787)	(184,256)	(58,794)
- Inflow	51,376	34,199	377,725	4,836,539	618,021
- Outflow	(61,621)	(56,357)	(392,512)	(5,020,795)	(676,815)
Total inflow	**2,437,040**	**633,801**	**2,032,169**	**5,896,410**	**1,092,395**
Total outflow	**(2,344,042)**	**(639,213)**	**(1,937,643)**	**(6,186,991)**	**(1,142,939)**

(g) Operational risk

The "Basic indicator method" is used in the operational risk calculation of the Group. The amount subject to the operational risk is calculated through the use of the gross income of the Group in 2008, 2007, and 2006 in accordance to the "Calculation of the Operational Risk" applicable from 1 June 2007, which is the 4th part of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.26333 dated 1 November 2006. Not all of the TL8,621,035 used in the calculation of operational risk in the scope of "Capital adequacy standard ratio", but only the TL689,683, corresponding to the 8%, represents the operational risk to be exposed to. TL689,683 also represents the minimum capital amount required to remove the related risk.

(h) Fair value of financial instruments

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

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

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated balance sheets at their fair values at 31 December 2009 and 2008:

	2009		2008	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and due from banks	5,029,260	5,029,260	6,867,802	6,867,802
Loans and advances to customers	45,049,817	46,179,027	49,500,489	48,483,574
Investment securities	46,566,564	47,205,341	28,125,655	28,128,690
Financial liabilities				
Customer deposits	74,701,284	74,794,187	66,177,887	65,979,605
Interbank money market deposits, funds borrowed and debt securities in issue	9,692,912	9,510,098	12,538,830	11,976,225

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

(i) Financial assets

The fair values of certain financial assets carried at cost, including cash and balances with the Central Bank of Turkey, due from other banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of investment securities has been estimated based on market prices at balance sheet dates.

(ii) Financial liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount of repayable on demand.

The estimated fair value of interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Financial liabilities including due to other banks, debt securities in issue and funds borrowed are recognised initially at cost net of transaction costs. Subsequently, financial liabilities are stated at amortised cost including transaction costs and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

The estimated fair values of due to other banks, debt securities in issue and funds borrowed represents the discounted amount of future cash flows expected to be paid.

(iii) Derivative financial instruments

The fair values of forward foreign exchange contracts, currency/interest rate swaps and foreign exchange option contracts have been estimated based on quoted market rates prevailing at the balance sheet date (Notes 8 and 28).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Trading securities	152,604	7,182	-	159,786
- Government bonds	79,042	-	-	79,042
- Eurobonds	69,475	-	-	69,475
- Government bonds denominated in foreign currency	-	7,182	-	7,182
- Treasury bills	2,350	-	-	2,350
- Share certificates	387	-	-	387
- Other bonds	1,350	-	-	1,350
Derivative financial instruments	44,328	200,792	-	245,120
Securities available-for-sale	30,586,719	132,788	-	30,719,507
- Government bonds	26,958,500	-	-	26,958,500
- Eurobonds	2,196,482	-	-	2,196,482
- Treasury bills	808,211	-	-	808,211
- Government bonds denominated in foreign currency	-	24,689	-	24,689
- Mutual funds	50,149	-	-	50,149
- Listed equity securities	21,681	-	-	21,681
- Other Bonds	551,696	108,099	-	659,795
Total assets	**30,783,651**	**340,762**	**-**	**31,124,413**
Trading derivative financial instruments	25,973	355,309	-	381,282
Hedging derivative financial instruments	-	390,461	-	390,461
Total liabilities	**25,973**	**745,770**	**-**	**771,743**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

As explained in the Note 2-e, share certificates classified as available for sale are carried at cost less impairment since they are not traded in active markets and their fair values can not be measured reliably.

There are no transfers between the first and the second levels in the current year.

(j) Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk, market risk and operational risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Bank's and its affiliates' regulatory capital position on a consolidated basis at 31 December 2009 and 2008 were as follows:

	2009	**2008**
Tier I capital	13,797,258	11,568,299
Tier II capital	797,424	339,670
Deductions	(24,738)	(293,719)
Total regulatory capital	14,569,944	11,614,250
Risk-weighted assets (including market and operational risk)	69,243,324	68,405,883
Capital adequacy ratio (%)	**21.04%**	**16.98%**

(k) Fiduciary activities

The Group provides custody services to third parties which involve the Group in the making of allocation, purchase and sale decisions. Assets held in a fiduciary capacity are not included in these financial statements. At 31 December 2009, the Group has custody accounts amounting to TL23,792,023 in nominal value (2008: TL25,422,947).

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

(c) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(e) Pension obligation

The Group determines the present value of funded benefit obligations transferrable to SSI in accordance with New Law by using several critical actuarial assumptions, including the discount rate, mortality rate, and medical costs as disclosed in Note 20. This approach recognises the obligations of the Group to make payments to SSI in respect of the benefits which will be transferred to SSI rather than an obligation to make benefit payments to individuals.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTE 5 - SEGMENT ANALYSIS

The Group operates in five main business segments including retail banking, corporate and commercial banking, private banking, treasury activities and international banking. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organisational structure.

The profitability system generating segment information provides profitability information on the basis of account, customer, customer relationship manager, branch, segment and product. This information is made available to the branch and Head Office personnel through a web based management reporting system.

(i) Retail banking - The Group offers a variety of retail services such as deposit accounts, consumer loans, small business loans, credit cards, insurance products and wealth management services. The Group's line of retail banking products and services also includes bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

(ii) Corporate and commercial banking - Corporate and commercial banking serves financial solutions and banking services to large scale corporate and commercial customers. Among the products and services offered to corporate and commercial customers are Turkish lira and foreign currency denominated working capital loans, medium-term financing for investments, foreign trade financing, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, the Group provides timely and permanent solutions for corporate customers' working capital management, delivering cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities.

(iii) Private banking - Private banking serves the members of the upper-income groups who have expectations for utmost service quality both in banking and investment transactions.

(iv) Treasury activities - Treasury activities are performed by the Treasury Unit. The Treasury Unit trade in Turkish Lira and foreign currency instruments on a spot and forward basis, and trade in treasury bills, bonds and other domestic securities together with foreign securities with AAA rating. The Marketing Group carries out marketing activities of treasury products and derivative financial products for customers.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 5 - SEGMENT ANALYSIS (Continued)

(v) International banking - International Banking activities are managed by the International Banking Unit. The Group provides services for foreign trade financing, foreign currency and Turkish lira clearances, and money transfers through agent financial institutions. The international banking unit serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

(vi) Other - Other activities include leasing services provided by Ak Finansal Kiralama A.Ş. and other financial services of brokerage and portfolio management provided by Ak Yatırım Menkul Değerler A.Ş. and Ak Portföy Yönetimi A.Ş. which are the consolidated subsidiaries of the Bank.

Segment information at 31 December 2009 and 2008 is as follows:

	2009						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	19,779,752	27,260,216	246,446	50,655,555	316,127	968,160	99,226,256
Equity securities							28,974
Unallocated assets							3,131,053
Total assets							**102,386,283**
Segment liabilities	38,511,649	15,313,621	6,673,413	18,355,843	5,873,714	470,251	85,198,491
Unallocated liabilities							2,633,927
Equity							14,553,865
Total liabilities and equity							**102,386,283**
Segment information regarding the income statement:							
Segment revenue	2,989,826	839,246	105,059	2,287,713	74,758	69,677	6,366,279
Segment result	566,711	669,924	76,169	2,082,856	61,725	(169,737)	3,287,648
Dividend income							1,391
Total profit from operations before tax and minority interest							3,289,039
Income taxes							(555,338)
Gain on tax case							-
Minority interest							(40)
Profit for the year							**2,733,661**
Other segment items:							
Capital expenditure	(51,058)	(2,184)	(902)	(3,248)	(4)	(86,460)	(143,856)
Depreciation and amortisation	(61,692)	(5,441)	(755)	(585)	(200)	(53,255)	(121,928)
Other non-cash expenses	(329,346)	(489,996)	(58)	(578)	(21)	-	(819,999)

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 5 - SEGMENT ANALYSIS (Continued)

	2008						
	Retail banking	Corporate banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	23,574,302	30,505,585	348,181	34,026,801	363,445	727,222	89,545,536
Equity securities							11,937
Unallocated assets							3,126,041
Total assets							**92,683,514**
Segment liabilities	39,112,972	12,183,787	6,198,733	12,083,016	9,235,894	230,798	79,045,200
Unallocated liabilities							2,212,101
Equity							11,426,213
Total liabilities and equity							**92,683,514**
Segment information regarding the income statement:							
Segment revenue	3,444,501	768,095	39,624	612,967	85,217	115,676	5,066,080
Segment result	988,680	514,338	20,794	396,949	67,135	(65,240)	1,922,656
Dividend income							4,351
Total profit from operations before tax and minority interest							1,927,007
Income taxes							(332,710)
Gain on tax case							224,709
Minority interest							(28)
Profit for the year							**1,818,978**
Other segment items:							
Capital expenditure	(125,719)	(1,611)	(11,573)	(714)	(6)	(12,704)	(152,327)
Depreciation and amortisation	(71,966)	(6,429)	(597)	(529)	(239)	(33,360)	(113,120)
Other non-cash expenses	(356,239)	(536,093)	(88)	(488)	(40)	-	(892,948)

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 6 - CASH AND DUE FROM BANKS

	2009	2008
Cash funds:		
Cash on hand	579,112	605,745
Cash in transit	16,379	4,519
Purchased cheques	194	276
	595,685	**610,540**
Current accounts and demand deposits:		
Central Bank of Turkey	680,320	807,413
Foreign banks	1,137,530	1,038,038
Domestic banks	-	-
	1,817,850	**1,845,451**
Time deposits:		
Foreign banks	2,170,593	3,858,242
Domestic banks	427,629	552,153
	2,598,222	**4,410,395**
Interbank money market placements	**17,503**	**1,416**
Total cash and due from banks	**5,029,260**	**6,867,802**

At 31 December 2009, time deposits with domestic banks include securities obtained through agreements to resell (reverse repos) in the amount of TL17,503 (2008: TL1,416).

At 31 December 2009, assets pledged as off-shore cash reserve (Note 9), payment accounts in connection with the issue of floating-rate notes (Note 17) and demand and time deposits in foreign banks amount to TL821,957 (2008: TL726,495) (Note 27).

The effect of changes in the foreign currency rates on the cash and cash equivalents is calculated approximately as TL(38,693) as of 31 December 2009. (2008: TL545,650)

Cash and cash equivalents included in the statements of cash flows for the year ended 31 December 2009 and 2008 are as follows:

	2009	2008
Cash and due from banks excluding accrued interest	4,956,825	6,866,460
Trading and investment securities with original maturities of less than three months excluding accrued interest	6,606	11,221
	4,963,431	**6,877,681**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	2009	2008
Government bonds	79,042	105,164
Eurobonds	69,475	30,743
Government bonds denominated in foreign currency	7,182	11,406
Treasury bills	2,350	5,862
Share certificates	387	9,685
Other	1,350	71
	159,786	**162,931**

There is no security pledged under repurchase agreements with financial institutions (2008: TL(-)).

Trading securities amounting to TL7,467 (2008: TL7,610) have been pledged as collateral with financial institutions.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

"Currency forwards" represent commitments to purchase or to sell foreign and domestic currency, including undelivered spot transactions. "Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the future contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency and interest rate options" are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific interest rate or a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. The Group's "credit risks" represent the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held at 31 December 2009 and 2008 are set out in the following table.

	2009 Fair values		2008 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	144,780	(298,349)	43,014	(81,656)
Currency options purchases and sales	49,775	(49,630)	9,716	(9,804)
Currency and interest rate futures purchases and sales	44,328	(25,973)	8,717	(2,928)
Forward currency purchases and sales	6,237	(7,330)	18,774	(11,849)
Derivatives held for hedging:				
Interest rate swap purchases and sales	-	(390,461)	-	(208,068)
Total derivative assets/(liabilities)	**245,120**	**(771,743)**	**80,221**	**(314,305)**

The notional amounts of derivative transactions are explained in detail in Note 28.

NOTE 9 - RESERVE REQUIREMENTS WITH THE CENTRAL BANK OF TURKEY

The reserve requirements are promulgated by communiqués issued by the Central Bank of Turkey ("the Central Bank").

The amounts of the reserve requirements are computed on the basis of the liabilities identified and at the rates prescribed in the related regulations. The Group is in conformity with the following reserve requirements at 31 December 2009 and 2008.

	Reserve requirement rate
Turkish lira liabilities	5%
Foreign currency liabilities	9%

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 9 - RESERVE REQUIREMENTS WITH THE CENTRAL BANK OF TURKEY (Continued)

The reserve requirements are to be maintained as cash in special Turkish lira accounts for Turkish lira liabilities and in special US$ and EUR accounts for respective foreign currency liabilities with the Central Bank. Turkish lira reserves maintained with the Central Bank earn interest on a quarterly basis at rates determined by the Central Bank.

In addition, as from 15 November 2007, the Bank's Malta Branch is required to maintain reserve deposits with the Central Bank of Malta in terms of Directive 1 of Malta Act. The Bank's Malta Branch holds reserve requirement amounting to TL307,443 as of 31 December 2009 (2008: TL365,681).

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

Distribution of the loan portfolio of the Bank by nature is as the following:

	2009	**2008**
Consumer loans	9,245,165	9,610,399
- Mortgage	4,592,452	4,600,528
- General purpose	4,097,731	3,923,429
- Automobile	554,982	1,086,442
Credit cards	5,832,084	4,839,798
- Retail	5,754,064	4,768,684
- Corporate	78,020	71,114
Corporate, commercial and small business loans	30,492,416	35,508,413
- Export financing loans	2,467,638	3,055,272
- Loans to financial institutions	1,702,351	2,110,299
- Leasing receivables	965,921	904,847
- Discount and purchase notes	536,289	224,578
- Import financing loans	132,434	1,223,861
- Other	24,687,783	27,989,556
Performing loans	45,569,665	49,958,610
Impaired loans	1,824,292	1,177,828
Total loans and advances to customers	47,393,957	51,136,438
Provision for impairment	(2,344,140)	(1,635,949)
Net loans and advances to customers	**45,049,817**	**49,500,489**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Project finance loans represent long-term loans extended in relation to the infrastructural constructions.

The loans and advances to customers include finance lease receivables, as shown below:

	2009	2008
Gross investment in finance leases	1,202,848	1,122,722
Less: Unearned finance income	(197,314)	(178,914)
Total investment in finance leases	1,005,534	943,808
Provision for impairment	(42,832)	(34,911)
Net investment in finance leases	**962,702**	**908,897**

Gross lease rentals receivable and the net investment in direct financing leases have the following collection schedules:

	2009		2008	
Period ending	Gross investment in finance leases	Total investment in finance leases	Gross investment in finance leases	Total investment in finance leases
2009	-	-	453,529	379,004
2010	408,643	332,880	272,084	229,753
2011	274,257	226,109	151,033	128,039
2012	191,575	163,662	82,897	69,848
2013	119,938	104,061	45,778	37,778
2014	60,644	50,963	24,825	18,975
2015(*)	147,791	127,859	92,576	80,411
	1,202,848	**1,005,534**	**1,122,722**	**943,808**

(*) Balances include the year 2015 and further years.

The Group has provided an allowance for impaired loans which amount to TL1,811,563 (2008: TL1,158,586) comprising 3.82% (2008: 2.27%) of the total loans outstanding at 31 December 2009 and for other components of the loan portfolio which is considered as adequate to cover the inherent risk of loss present in the lending relationship. Total amount of loan loss provision provided by the Group, which amounts to TL2,344,140, is calculated in line with IAS 39 and represents the total amount of provision calculated for impaired and non-impaired portfolios separately.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements in the provision for loan losses are as follows:

	2009			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2009	1,028,664	572,374	34,911	1,635,949
Additions	676,218	757,492	25,727	1,459,437
Collections	(375,743)	(316,852)	(17,806)	(710,401)
Write-offs	(17,429)	(23,417)	-	(40,846)
Exchange differences	1	-	-	1
	1,311,711	**989,597**	**42,832**	**2,344,140**

	2008			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2008	691,209	610,044	16,444	1,317,697
Additions	883,356	551,982	29,169	1,464,507
Collections	(260,585)	(313,598)	(10,702)	(584,885)
Write-offs	(285,346)	(276,054)	-	(561,400)
Exchange differences	30	-	-	30
	1,028,664	**572,374**	**34,911**	**1,635,949**

Loans and advances to related parties are as follows:

	2009	**2008**
Loans and advances to related parties	635,235	877,544
Less: Cash collateral obtained	-	(7,002)
Net loans and advances to related parties	**635,235**	**870,542**

Loans and advances to related parties were negotiated on the same basis as loans to unrelated customers.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Loans and advances to the public sector and private sector are as follows:

	2009	2008
Private sector	45,719,978	48,436,938
Public sector (including State Economic Enterprises)	1,673,979	2,699,500
Total loans and advances to customers	**47,393,957**	**51,136,438**

NOTE 11 - INVESTMENT SECURITIES

(a) Securities available-for-sale:

	2009	2008
Debt securities		
- Government bonds	26,958,500	5,173,283
- Eurobonds	2,196,482	1,671,269
- Treasury bills	808,211	219,525
- Government bonds denominated in foreign currency	24,689	37,664
- Mutual Funds	50,149	35,392
- Other bonds	659,795	415,823
Equity securities		
- Listed	21,681	8,195
- Unlisted	7,293	3,742
Total securities available-for-sale	**30,726,800**	**7,564,893**

As explained in Note 2 (e) unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognised as "other reserves" in the equity unless there is a permanent decline in the fair values of such assets which are charged to the income statement.

The breakdown of available-for-sale equity securities at 31 December 2009 and 2008 is as follows:

	Share (%)		Carrying amount		
Listed:	**2009**	**2008**	**2009**	**2008**	**Business**
Ak Yatırım Ortaklığı A.Ş.	69.22	65.04	21,681	8,195	Investment trust
			21,681	**8,195**	
Unlisted:					
Ak Global Funding B.V.	100.00	100.00	34	34	Finance
Finsbury Pavement Ltd (previously Sabancı Bank plc)	-	65.00	-	2	Finance
Akbank Dubai Ltd.	100.00	-	1,512	-	Finance
Others			5,747	3,706	
			7,293	**3,742**	

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 11 - INVESTMENT SECURITIES (Continued)

Ak Yatırım Ortaklığı A.Ş., Ak Global Funding B.V. and Akbank (Dubai) Ltd. have not been consolidated due to immateriality.

The fully owned subsidiary of the Bank, "Akbank (Dubai) Limited", amounting to TL1,512 has commenced its activities as of 8 November 2009.

Liquidation process of Finsbury Pavement Limited (Formerly: Sabancı Bank plc.) has been completed as at 3 September 2009 and the related book value of TL2 has been written off.

The movement of available-for-sale securities is as follows:

	2009	2008
Balance at 1 January	**7,564,893**	**21,002,303**
Additions	27,158,292	14,585,920
Disposals	(4,188,810)	(4,349,524)
Change in fair value	1,611,541	(1,250,919)
Redemptions	(1,419,116)	(3,907,713)
Transfers	-	(18,515,174)
Balance at 31 December	**30,726,800**	**7,564,893**

In accordance with "Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures" dated October 2008 and effective from 1 July 2008, published by International Accounting Standards Board ("Amendment to IAS 39"), due to change in the intention to hold such securities, the Bank reclassified its government bonds with fair values US$91,820,730 and EUR17,129,244 into the category of financial assets available-for-sale which were classified under the category of financial assets held-for-trading before. As of the balance sheet date, fair values of these reclassified government bonds are US$1,744,680 and EUR7,590,058. Had these financial assets not been reclassified, an unrealized valuation gain of US$566 and EUR33,160 would have been recognised in the income statement.

(b) Securities held-to-maturity

	2009	2008
Debt securities		
- Government bonds	9,873,495	13,948,585
- Government bonds denominated in foreign currency	4,802,686	5,444,158
- Eurobonds	1,163,583	1,165,303
- Treasury bills	-	2,716
Total securities held-to-maturity	**15,839,764**	**20,560,762**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 11 - INVESTMENT SECURITIES (Continued)

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

	2009	2008
Balance at 1 January	20,560,762	-
Additions	4,471	21,154,376
Valuation effect	337,771	750,773
Redemptions and disposal through sales	(4,967,378)	(1,344,387)
Exchange differences	(95,862)	-
Balance at 31 December	**15,839,764**	**20,560,762**

The investment securities amounting to TL6,126,262 have been pledged as collateral with various institutions at 31 December 2009 (2008: TL5,830,734) and securities amounting to TL13,386,725 (2008: TL8,696,017) are pledged under repurchase agreements.

In accordance with "Amendment to IAS 39", due to change in the intention to hold such securities, the Bank reclassified its government bonds with fair values TL104,306, US$962,377,327 and EUR419,021,064 into the category of financial assets held-to-maturity which were classified under the category of financial assets held-for-trading before. As of the balance sheet date, fair values of these reclassified government bonds after the redemption in the current year are TL61,574, US$972,098,310 and EUR389,177,100. Had these financial assets not been reclassified, an unrealized valuation gain of TL1,574, USD315,466 and EUR486,406 would have been recognised in the income statement.

NOTE 12 - INVESTMENTS IN ASSOCIATES

The Group's interest in its principal associates, which are unlisted, are as follows as at 31 December 2009:

Title	Address (City / Country)	Amount	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	1,301	9.98 %	9.98 %
KKB Kredi Kayıt Bürosu A.Ş.	Istanbul/Turkey	1,824	9.09 %	9.09 %

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 13 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2008					
Cost	691,826	639,558	14,828	74,785	1,420,997
Accumulated depreciation	(186,129)	(388,765)	-	(30,704)	(605,598)
Net book amount	**505,697**	**250,793**	**14,828**	**44,081**	**815,399**
Opening net book amount	505,697	250,793	14,828	44,081	815,399
Additions	973	37,291	59,497	1,735	99,496
Disposals	(1,962)	(1,626)	-	-	(3,588)
Depreciation charge (Note 26)	(10,465)	(84,770)	-	(10,615)	(105,850)
Closing net book amount	**494,243**	**201,688**	**74,325**	**35,201**	**805,457**
At 31 December 2009					
Cost	690,583	658,964	74,325	76,469	1,500,341
Accumulated depreciation	(196,340)	(457,276)	-	(41,268)	(694,884)
Net book amount	**494,243**	**201,688**	**74,325**	**35,201**	**805,457**

At 31 December 2009, total impairment on property and equipment amounts to TL11,799 (2008: TL11,799). The recoverable amount of these assets represents the net selling price, determined by market price reference.

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2007					
Cost	681,910	609,683	3,430	40,113	1,335,136
Accumulated depreciation	(174,412)	(405,773)	-	(24,438)	(604,623)
Net book amount	**507,498**	**203,910**	**3,430**	**15,675**	**730,513**
Opening net book amount	507,498	203,910	3,430	15,675	730,513
Additions	11,643	129,098	11,398	34,673	186,812
Disposals	(354)	(1,167)	-	-	(1,521)
Depreciation charge (Note 26)	(13,090)	(81,048)	-	(6,267)	(100,405)
Closing net book amount	**505,697**	**250,793**	**14,828**	**44,081**	**815,399**
At 31 December 2008					
Cost	691,826	639,558	14,828	74,785	1,420,997
Accumulated depreciation	(186,129)	(388,765)	-	(30,704)	(605,598)
Net book amount	**505,697**	**250,793**	**14,828**	**44,081**	**815,399**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 14 - INTANGIBLE ASSETS

	2009	2008
Cost	134,956	103,758
Accumulated depreciation	(69,507)	(66,885)
Net book amount	**65,449**	**36,873**

Movement of intangible assets is as follows:

	Cost	Accumulated amortisation
Opening balance at 1 January 2009	103,758	(66,885)
Disposals	-	-
Additions	44,360	-
Charge for the period (Note 26)	-	(15,784)
Closing balance at 31 December 2009	**148,118**	**(82,669)**
Opening balance at 1 January 2008	86,141	(54,170)
Disposals	(323)	146
Additions	17,940	-
Charge for the year (Note 26)	-	(12,861)
Closing balance at 31 December 2008	**103,758**	**(66,885)**

NOTE 15 - OTHER ASSETS AND PRE-PAYMENTS

The principal components of other assets and pre-payments are as follows:

	2009	2008
Miscellaneous receivables	244,596	107,940
Pre-payments	182,542	248,668
Receivables from cheques in clearance	151,937	161,265
Receivables from credit card payments	32,864	12,760
Fund management fee accruals	3,181	13,826
Other	112,530	104,596
	727,650	**649,055**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 16 - DEPOSITS FROM BANKS AND DUE TO CUSTOMERS

The breakdown of deposits according to type and maturity is as follows:

	2009			2008		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	3,185,461	35,404,228	38,589,689	4,610,084	32,811,307	37,421,391
Commercial deposits	4,052,446	12,936,460	16,988,906	3,155,073	11,579,253	14,734,326
Funds deposited under repurchase agreements	-	13,747,009	13,747,009	-	8,602,629	8,602,629
Bank deposits	194,458	3,848,719	4,043,177	376,928	3,471,614	3,848,542
Other	375,322	957,181	1,332,503	373,930	1,197,069	1,570,999
	7,807,687	**66,893,597**	**74,701,284**	**8,516,015**	**57,661,872**	**66,177,887**

The Group's commitments for resale and repurchase of marketable securities (government bonds, treasury bills and Eurobonds) at 31 December 2009 is TL13,854,181 (2008: TL8,716,961).

At 31 December 2009, deposits of TL6,191,548 (2008: TL5,857,241) were from Sabancı Holding Group companies and other related parties. The total interest expense paid to related party deposits is TL544,781 (2008: TL642,336) for the year ended 31 December 2009.

NOTE 17 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	2009	**2008**
Interbank money market deposits	**483,572**	**227,819**
Domestic banks		
- TL	67,167	146,243
- Foreign currency	314,802	356,843
Foreign institutions	5,500,030	7,828,152
Funds borrowed	**5,881,999**	**8,331,238**

Interbank money market deposits represent borrowings from the interbank money market regulated by the Central Bank of Turkey.

Funds borrowed from domestic banks mainly represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations.

As of 31 December 2009, there is one outstanding syndicated loan facility consisting of; EUR 681.5 million and USD 312 million, for a total of EUR 900 million made up of two tranches with maturity dates 25 August 2010 and 24 September 2010 with an all-in-cost of Euribor/Libor + 2.50%. The facility was achieved via consortium of 48 banks from 19 countries where West LB AG London Branch acted as agent.

NOTE 17 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE(Continued)

Debt securities in issue

In November 1999, the Group finalised a structured finance deal of US$400 million by securitising its foreign currency denominated present and future remittances (worker remittances, cash against goods, cash against documents, letters of credits, cheque remittances and other third party payment orders) for the issue of floating-rate notes amounting to US$400 million. The Group obtained further tranches related with the same deal in the amount of US$3,569 million between 2000 and December 2009 through the additional issue of floating-rate notes. Interest rates on the tranches vary between Libor+0.16% and Libor+1.1%. As of 31 December 2009, the outstanding principal amount of the securitisation deals amount to US$1,922 million after the repayment of US$2,046 million between 2000 and December 2009.

In December 2005, the Group finalised another structured finance deal with a total amount of US$500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). The interest rates vary between Libor+0.16% and Libor+1.01%. As of 31 December 2009, the outstanding principal amount of the securitization deal amount to US$314 million after the repayment of US$59 million during the year 2009, US$53 million during the year 2008 and US $48 million during the year 2007.

The repayment schedule of the total floating-rate notes in issue is as follows:

	2009		2008	
	US$ (000)	**TL**	**US$ (000)**	**TL**
2009*	-	-	379,162	577,008
2010*	380,376	565,733	379,220	577,097
2011	383,769	570,780	383,769	584,019
2012	454,581	676,098	454,581	691,781
2013	451,006	670,781	451,006	686,341
2014	261,422	388,813	261,422	397,833
2015	107,601	160,035	107,601	163,747
2016	107,601	160,035	107,601	163,747
2017	60,542	90,044	60,542	92,133
2018	30,271	45,022	30,271	46,067
Total	**2,237,169**	**3,327,341**	**2,615,175**	**3,979,773**

(*) As of 31 December 2009, repayments in 2010 include accrued interest payables in the amount of US$1,155 thousand (2008: US$6,774 thousand) for US$ balances, and the TL equivalent of the total amount as of 31 December 2009 is TL1,718 (2008: TL10,308).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 18 - TAXATION

	2009	2008
Current income taxes expense	638,120	439,269
Deferred taxes income	(82,782)	(106,559)
Income taxes expense	**555,338**	**332,710**
Income taxes currently payable	799,009	361,805
Prepaid taxes	(602,468)	(293,617)
Income taxes payable	**196,541**	**68,188**
Deferred income tax assets	323,471	228,439
Deferred income tax liabilities	(53,506)	(52,347)
Deferred income tax assets/(liabilities), net	**269,965**	**176,092**

(a) Income taxes currently payable

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

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated 21 June 2006, corporation tax is payable at the rate of 20% effective from 1 January 2006 on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances. 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, dividends paid are 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 are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations are 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.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with the New Corporate Tax Law.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 18 - TAXATION (Continued)

The reconciliation between the expected and the actual taxation charge is stated below:

	2009	**2008**
Profit before income taxes and minority interest	3,289,039	1,927,007
Theoretical tax charge at the applicable tax rate 20%	657,808	385,401
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(219,699)	(89,894)
Non-deductible expenses	117,229	37,203
	555,338	**332,710**

(b) Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method using enacted tax rates of 20% and 30% (2008: 20% and 30%).

The deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return, in accordance with the applicable tax law. The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

	Cumulative temporary differences		**Deferred income tax assets/(liabilities)**	
	2009	**2008**	**2009**	**2008**
Remeasurement of derivatives at fair value	(541,850)	(137,782)	108,370	27,557
Provision for loan losses	(532,577)	(477,363)	106,515	95,473
Valuation difference on trading and investment securities	(233,634)	(280,475)	46,727	56,095
Other provisions	(53,088)	(54,665)	10,618	10,933
Employment benefit obligations	(58,886)	(53,332)	11,777	10,666
Other temporary differences	(181,285)	(138,576)	39,464	27,715
Deferred income tax assets			**323,471**	**228,439**
Reversal of country risk provision	123,500	141,453	(37,050)	(42,437)
Difference between carrying value and tax base of property and equipment	80,967	41,075	(16,193)	(8,215)
Other temporary differences	1,317	8,476	(263)	(1,695)
Deferred income tax liabilities			**(53,506)**	**(52,347)**
Deferred income tax assets, net			**269,965**	**176,092**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 18 - TAXATION (Continued)

(c) Gain on tax case

As of 31 December 2008, gain on tax case amounting to TL224,709 was the remaining amount of the receivables accepted by the Ministry of Finance to be offset against various tax debts of the Bank for the settlement of related lawsuits filed by the Bank against the Ministry of Finance regarding the correction of corporate taxes paid in 2001, 2002, 2003.

NOTE 19 - OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2009, principal components of the other liabilities are payable to point of sale acquiring merchants, payables on cheques in clearance, non-income related taxes and withholdings, unearned commission income and bonus liability to customers.

Payable to point of sale acquiring merchants includes amounts owed to merchants related with credit card transactions in which the transacted amount will be paid to the merchants on a term basis.

At 31 December 2009, payable to point of sale acquiring merchants of TL107,803 were from Sabancı Holding Group companies and other related parties.

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS

	2009	**2008**
Balance sheet obligations for:		
- Reserve for employment termination benefits	30,545	27,631
- Reserve for unused vacation (*)	28,341	25,701
- Post-employment benefits (pension and medical)	-	-
	58,886	**53,332**

(*) Reserve for unused vacation has been included in other liabilities and accrued expenses in the financial statements.

There is no amount recognized in the balance sheet for post-employment benefits since fair value of the Fund's plan assets compensate defined benefit obligations for the years ended 2009 and 2008.

	2009	**2008**
Income statement charge for:		
- Post-employment benefits (pension and medical) (Note 26)	(84,835)	(87,580)
- Reserve for employment termination benefits (Note 26)	(2,914)	10,770
- Reserve for unused vacation	(2,640)	(719)
	(90,389)	**(77,529)**

The charge for the post-employment benefits representing the cash contributions to the Fund by the Group, and reserve for employment termination benefits and unused vacation have been included in employee costs under operating expenses (Note 26).

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

(a) Post-employment benefits (pension and medical)

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

	2009	2008
Present value of funded obligations	(451,968)	(351,281)
- Pension benefits transferrable to SSI	(742,525)	(614,872)
- Post-employment medical benefits transferrable to SSI (*)	370,318	332,772
- Other non-transferrable benefits	(79,761)	(69,181)
Fair value of plan assets	854,181	788,759
Surplus	**402,213**	**437,478**

(*) The amount of the post-employment medical benefits transferrable to SSI is calculated over the net present value of medical liabilities and health premiums.

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

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette No 25983 dated 1 November 2005 envisaged that Banks would transfer their funds to the Social Security Institution within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the Grand National Assembly on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. There is no resolution adopted by the Constitution Court related to mentioned issue as of the publication date of the financial statements.

The New Law requires that present value of post-employment benefits at the balance sheet date regarding the members of the fund to be transferred shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Under secretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using technical discount rate of 9.8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. The transfer is required by the New Law to be completed in three years beginning from 1 January 2008.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

According to the New Law, following the transfer of the members of the fund, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

In this extent, according to the technical balance sheet report dated 31 December 2009 prepared considering the related articles of the New Law regarding the transferrable benefit obligations and in accordance with IAS 19 for the non-transferrable social benefits and payments which are included in the articles of association and audited within the framework stated in the first paragraph above; the fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Fund or reductions in future contributions to Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group's obligation related to other non-transferrable benefits has been calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TL79,761 (2008: TL69,181), the surplus of the Fund amounts to TL402,213 as of 31 December 2009 (2008: TL437,478).

The principal actuarial assumptions used were as follows:

	2009 (%)	2008 (%)
Discount rate		
- Pension benefits transferrable to SSI	9.80	9.80
- Post-employment medical benefits transferrable to SSI	9.80	9.80
- Other non-transferrable benefits	5.92	6.26

Mortality rate:

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The movement in the fair value of plan assets of the year is as follows:

	2009	2008
Beginning of year	**788,759**	**706,378**
Actual return on plan assets	119,396	116,363
Employer contributions (Note 26)	84,835	87,580
Employee contributions	68,751	62,920
Benefits paid	(207,560)	(184,482)
End of year	**854,181**	**788,759**

Plan assets are comprised as follows:

	2009		2008	
Bank placements	784,925	92%	730,571	93%
Premises and equipment	32,078	4%	32,897	4%
Equity securities	31,479	3%	17,147	2%
Other	5,699	1%	8,144	1%
End of year	**854,181**	**100%**	**788,759**	**100%**

Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are TL187,600.

(b) Employment termination benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL2,365.16 in full TL amount (2008: TL2,173.18 in full TL amount) for each year of service.

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

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

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 20 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2009	2008
Discount rate (%)	5.92	6.26
Turnover rate to estimate the probability of retirement (%)	4.07	7.80

Additionally, the principal actuarial assumption is that the maximum liability of TL2,260.05 in full TL amount, for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2,427.04 in full TL amount (1 January 2009: TL2,260.05 in full TL amount), effective from 1 January 2010, has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the reserve for employment termination benefits during the year are as follows:

	2009	2008
1 January	27,631	38,401
Increase during the year (Note 26)	12,405	13,326
Paid during the year	(9,491)	(24,096)
End of year	**30,545**	**27,631**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 21 - SHARE CAPITAL

The historic amount of share capital of the Group is TL3,000,000 (2008: TL3,000,000) and consists of 300,000,000,000 (2008: 300,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 31 December 2009 and 2008, the issued and fully paid-in share capital held is as follows:

	2009		2008	
	Share (%)	**TL**	**Share (%)**	**TL**
Sabancı Group, family and related companies:				
Hacı Ömer Sabancı Holding A.Ş. and related companies	44.45	1,333,575	40.85	1,225,525
Sabancı family	6.92	207,628	14.61	438,327
Total Sabancı Group, family and related companies	51.37	1,541,203	55.46	1,663,852
Citibank Overseas Investment Corporation	20.00	600,000	20.00	600,000
Other	28.63	858,797	24.54	736,148
Historical share capital	100.00	3,000,000	100.00	3,000,000
Adjustment to share capital	-	2,029,151	-	2,029,151
Total paid-in share capital		**5,029,151**		**5,029,151**

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004 after elimination of the accumulated deficit.

Following the BRSA approval and in line with the resolution of the General Assembly of the Shareholders of the Bank, which was held on 17 July 2002, in the inflation-adjusted statutory financial statements, the Bank eliminated accumulated deficit and the corresponding amount of legal and extraordinary reserves and adjustment to share capital. Accordingly, the effects of this elimination transaction have also been reflected in these financial statements, which have been prepared on the basis of IFRS and; accumulated deficit of TL1,464,503 has been eliminated against the adjustment to share capital.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 22 - RETAINED EARNINGS AND LEGAL RESERVES

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

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders. In accordance with the Articles of Association, bonuses to the chairman and members of the Board of Directors are limited to a maximum of 2% of the remaining balance; the average percentage of such distributions in the last five years was 0.02%.

In 2003, the Bank established and announced a dividend distribution policy, and in accordance with this policy the Bank distributes a minimum 30% and maximum 50% of the distributable profit to its shareholders identified in the Articles of Association provided that there is no deterioration in the national and global economic environment and that the capital adequacy ratio of the Bank meets or exceeds the targeted level.

NOTE 23 - NET INTEREST INCOME

	2009	2008
Interest income on:		
Loans and advances to customers	5,127,743	6,329,080
Interest on investment and trading securities	4,220,178	3,404,452
Interest on deposits with banks	168,415	335,942
Other interest income	33,427	56,983
Total interest income	**9,549,763**	**10,126,457**

	2009	2008
Interest expense on:		
Interest on deposits	4,457,433	5,867,270
Interest on funds borrowed and debt securities in issue	306,937	571,064
Interest on interbank money market deposits	15,371	15,257
Other interest expenses	45,332	32,479
Total interest expense	**4,825,073**	**6,486,070**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 24 - NET FEE AND COMMISSION INCOME

	2009	2008
Fee and commission income on:		
Credit cards	825,653	789,663
Retail and commercial banking operations	247,848	232,315
Mutual fund management fee (Note 29)	173,121	158,080
Non-cash loans	60,901	51,775
Money transfers	58,471	52,050
Insurance intermediary	51,078	33,842
Brokerage commission	49,990	42,731
Other	75,067	45,931
	1,542,129	**1,406,387**
Fee and commission expense on:		
Credit cards	(185,603)	(207,146)
Other	(21,789)	(37,199)
	(207,392)	**(244,345)**
Net fee and commission income	**1,334,737**	**1,162,042**

NOTE 25 - NET TRADING INCOME/(LOSS)

	2009	2008
Derivative financial instruments	(237,154)	(34,013)
Trading and available for sale securities	262,992	61,711
	25,838	**27,698**

NOTE 26 - OPERATING EXPENSES

	2009	2008
Employee costs	862,990	878,643
Credit card and banking services	353,714	344,388
Legal expenses	149,046	84,794
Depreciation charges of property and equipment (Note 13)	105,850	100,405
Marketing and advertisement expenses	97,084	113,304
Computer maintenance and support expenses	93,546	80,559
Communication expenses	92,204	101,749
Saving deposits insurance fund	66,981	73,324
Sundry taxes and duties	59,714	106,476
Heating, lighting and water expenses	33,362	30,194
Amortisation of other intangible assets (Note 14)	15,784	12,861
Repair and maintenance expenses	13,953	33,712
Stationery expenses	10,033	9,769
Other	307,082	291,833
	2,261,343	**2,262,011**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 26 - OPERATING EXPENSES (Continued)

Post-employment benefits (pension and medical) paid, reserve for employment termination benefit and reserve for unused vacation rights for the year ended 31 December 2009 which amounts to TL84,835 and TL5,554, respectively are included in the employee costs.

NOTE 27 - ASSETS PLEDGED

	2009		2008	
	Assets	**Related liability**	**Assets**	**Related liability**
Balances with the Central Bank of Turkey (*)	3,464,090	56,991,649	6,265,872	43,478,093
Balances with other banks (Note 6)(**)	821,957	18,698,530	726,495	22,244,578
Trading securities (Note 7)				
- repurchase agreements	-	-	-	-
- other legal requirements	7,467	-	7,610	-
Investment securities (Note 11)				
- available-for-sale				
- repurchase agreements	7,982,033	8,196,857	1,089,370	1,077,671
- other legal requirements	731,447	-	621,063	-
- held-to-maturity				
- repurchase agreements	5,404,692	5,550,152	7,606,647	7,524,958
- other legal requirements	5,394,815	-	5,209,671	-
Total	**23,806,501**	**89,437,188**	**21,526,728**	**74,325,300**

(*) Assets pledged in the Central Bank of Turkey are pledged for the Group's reserve requirement which is explained in Note 9.
(**) Assets pledged in the balances with other banks include the reserve requirement of Malta Branch which is explained in Note 9.

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated balance sheets, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

(a) Legal proceedings

As of 31 December 2009 there are a number of legal proceedings outstanding against the Group, for which a TL1,947 (2008: TL44,042) provision has been made.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

(b) Commitments under derivative instruments:

The breakdown of notional amounts of derivative transactions at 31 December 2009 and 2008 is as follows:

	2009					
	US$	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	80,503	213,318	7,711	38,674	198,054	538,260
Swap transactions	3,205,136	4,982,975	763,712	198,826	172,522	9,323,171
- Currency rate swaps	464,976	2,739,380	763,712	198,826	172,522	4,339,416
- Interest rate swaps	2,740,160	2,243,595	-	-	-	4,983,755
Spot transactions	167,985	89,634	11,647	3,854	29,266	302,386
Currency option transactions	1,289,894	686,924	45,289	-	741,094	2,763,201
Future transactions	-	-	-	-	9,190	9,190
Other Derivative Instruments	-	-	-	-	80,368	80,368
Derivatives held for hedging:						
Swap transactions	-	-	-	-	2,545,000	2,545,000
- Interest rate swaps	-	-	-	-	2,545,000	2,545,000
Total purchases	**4,743,518**	**5,972,851**	**828,359**	**241,354**	**3,775,494**	**15,561,576**
Derivatives held for trading:						
Currency forward transactions	79,068	176,295	5,788	38,674	240,015	539,840
Swap transactions	6,113,915	2,627,042	58,340	15,567	433,787	9,248,651
- Currency rate swaps	3,373,755	383,447	58,340	15,567	433,787	4,264,896
- Interest rate swaps	2,740,160	2,243,595	-	-	-	4,983,755
Spot transactions	131,663	53,855	11,647	1,461	103,760	302,386
Currency option transactions	1,292,882	687,121	45,289	-	737,714	2,763,006
Future transactions	8,998	-	-	-	-	8,998
Other Derivative Instruments	-	-	-	-	98,323	98,323
Derivatives held for hedging:						
Swap transactions	-	-	-	-	2,545,000	2,545,000
- Interest rate swaps	-	-	-	-	2,545,000	2,545,000
Total sales	**7,626,526**	**3,544,313**	**121,064**	**55,702**	**4,158,599**	**15,506,204**
Off-balance sheet net notional position (Note 3)	**(2,883,008)**	**2,428,538**	**707,295**	**185,652**	**(383,105)**	**55,372**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

	2008					
	US$	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	102,696	135,029	1,641	-	137,338	376,704
Swap transactions	780,812	3,338,406	733,837	111,342	62,388	5,026,785
- Currency rate swaps	296,070	2,292,266	733,837	111,342	62,388	3,495,903
- Interest rate swaps	484,742	1,046,140	-	-	-	1,530,882
Spot transactions	70,476	29,902	4,423	4,211	61,377	170,389
Currency option transactions	200,683	64,648	37,119	-	218,163	520,613
Future transactions	-	-	-	-	18,037	18,037
Derivatives held for hedging:						
Swap transactions	1,757,679	-	-	-	2,545,000	4,302,679
- Interest rate swaps	1,757,679	-	-	-	2,545,000	4,302,679
Total purchases	**2,912,346**	**3,567,985**	**777,020**	**115,553**	**3,042,303**	**10,415,207**
Derivatives held for trading:						
Currency forward transactions	126,333	71,673	-	2,574	169,421	370,001
Swap transactions	3,634,700	1,275,798	-	7,529	115,633	5,033,660
- Currency rate swaps	3,149,641	229,975	-	7,529	115,633	3,502,778
- Interest rate swaps	485,059	1,045,823	-	-	-	1,530,882
Spot transactions	93,014	49,222	1,216	2,492	24,416	170,360
Currency option transactions	204,325	65,206	37,119	-	214,244	520,894
Future transactions	17,324	235	-	-	-	17,559
Derivatives held for hedging:						
Swap transactions	1,757,679	-	-	-	2,545,000	4,302,679
- Interest rate swaps	1,757,679	-	-	-	2,545,000	4,302,679
Total sales	**5,833,375**	**1,462,134**	**38,335**	**12,595**	**3,068,714**	**10,415,153**
Off-balance sheet net notional position (Note 3)	**(2,921,029)**	**2,105,851**	**738,685**	**102,958**	**(26,411)**	**54**

The above tables summarizes the Group's derivative transactions. Each derivative transaction represents a simultaneous receivable and payable to be received and paid, on a future date, in respective currencies. Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Group with respect to commitments arising from these transactions.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The related party balances in forward currency purchase/sale and swap transactions are as follows:

	2009			2008		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Currency forward purchases	25,618	45,341	70,959	31,303	2,623	33,926
Currency forward sales	(20,719)	(50,159)	(70,878)	-	(38,229)	(38,229)
Currency swap purchases	71,539	99,985	171,524	-	265,174	265,174
Currency swap sales	(22,405)	(146,923)	(169,328)	-	(264,782)	(264,782)
Interest rate swap purchases	-	585,674	585,674	-	268,163	268,163
Interest rate swap sales	-	(585,674)	(585,674)	-	(268,163)	(268,163)
Currency option purchases	-	-	-	17,706	16,849	34,555
Currency option sales	-	(270,150)	(270,150)	(17,706)	(16,849)	(34,555)
Spot purchases	2,568	24,555	27,123	4,599	2,119	6,718
Spot sales	(7,473)	(19,650)	(27,123)	-	(6,700)	(6,700)
Net position	**49,128**	**(317,001)**	**(267,873)**	**35,902**	**(39,795)**	**(3,893)**

(c) Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 28 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The following table shows the outstanding credit related commitments of the Group at 31 December 2009 and 2008:

	2009			2008		
	Up to 1 year	**Over 1 year**	**Total**	**Up to 1 year**	**Over 1 year**	**Total**
Letters of guarantee issued by the Group						
- Turkish lira	92,732	2,703,903	2,796,635	179,839	2,562,908	2,742,747
- Foreign currency	142,150	2,528,427	2,670,577	271,278	1,657,578	1,928,856
Acceptance credits						
- Turkish lira	708	15	723	-	15	15
- Foreign currency	47,329	10,998	58,327	51,495	13,839	65,334
Letter of credit						
- Turkish lira	-	893	893	16	-	16
- Foreign currency	1,031,708	651,083	1,682,791	1,192,782	608,655	1,801,437
Other guarantees						
- Turkish lira	88,794	158,005	246,799	625	184,820	185,445
- Foreign currency	122,672	155,736	278,408	35,150	15,529	50,679
	1,526,093	**6,209,060**	**7,735,153**	**1,731,185**	**5,043,344**	**6,774,529**

Included in the letters of guarantee and acceptance credits are guarantees amounting to TL747,911 (2008: TL460,241) for related parties at 31 December 2009.

The economic sector risk concentrations for outstanding credit related commitments of the Group are as follows:

	2009	**2008**
Financial institutions	1,181,406	1,305,171
Electricity, gas, water	875,842	342,977
Chemicals	864,298	636,539
Small-scale retailers	746,525	650,890
Construction	689,348	617,794
Steel and mining	624,155	585,085
Wholesaling	572,677	830,938
Automotive	261,045	304,645
Other manufacturing	246,547	234,122
Food and beverage	205,030	175,894
Electronics	148,890	176,654
Textile	124,515	93,448
Transportation	108,010	83,405
Agriculture and forestry	81,301	179,831
Tourism	49,336	43,455
Telecommunications	40,426	7,057
Other	915,802	506,624
	7,735,153	**6,774,529**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 29 - MUTUAL FUNDS

At 31 December 2009, the Group manages 18 (2008: 21) mutual funds and 19 (2008: 19) mutual pension funds ("Funds") which were established under Capital Markets Board Regulations. At 31 December 2009, the Funds' investment portfolio includes government bonds, treasury bills and share certificates amounting to TL5,727,412 (2008: TL4,815,568). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0.0000548% to 0.0012000%. At 31 December 2009, management fees earned by the Group amounted to TL173,121 (2008: TL158,080).

NOTE 30 - RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties in the normal course of business.

(a) Balances with related parties:

	2009	**2008**
Loans and receivables, net	635,235	870,542
Due from banks	-	-
Finance lease receivables	7,571	13,401
Assets	**642,806**	**883,943**
Due to customers	6,191,548	5,857,241
Due to banks	-	-
Liabilities	**6,191,548**	**5,857,241**
Credit related commitments	747,911	460,241
Commitment under derivative instruments (Note 28)	2,005,471	1,220,965
Commitments and contingent liabilities	**2,753,382**	**1,681,206**

As at 31 December 2009, the Group has repurchase commitments amounting to TL10,023 (2008: TL22,797) with Sabancı Holding Group companies and other related parties.

(b) Transactions with related parties:

	2009	**2008**
Interest income on loans	44,706	74,496
Interest income	**44,706**	**74,496**
Interest expense on deposits	544,781	642,336
Interest expense	**544,781**	**642,336**

(Amounts expressed in thousands of Turkish lira ("TL")

NOTE 30 - RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with directors and other key management personnel:

	2009	**2008**
Due to customers	662,782	683,039

For the period ended 31 December 2009, total remuneration of the senior management and Board of Directors of the Bank amounted to TL19,611 (2008: TL21,012).

As at 31 December 2009 and 2008, other balances with directors and other key management personnel are immaterial.

NOTE 31 - EVENTS AFTER THE BALANCE SHEET DATE

(a) The Bank disposed its impaired loans portfolio amounting to TL326 million at an amount of TL38.5 million to Girişim Varlık Yönetimi A.Ş..

(b) At the meeting of the Board of Directors on 25 January 2010, the Ordinary General Assembly Meeting of the Bank has been decided to be held on 26 March 2010 at 14:30, Sabancı Center, 4. Levent/İstanbul Headquarters.

(c) The spin-off process in which Akbank shares held by Aksigorta A.Ş. and Exsa Sanayi Mamülleri Satış ve Araştırma A.Ş. are injected as capital in kind to Hacı Ömer Sabancı Holding A.Ş. was completed on 14 January 2010. As a result of the spin-off, the direct ownership of Hacı Ömer Sabancı Holding A.Ş. in the Bank increased from 32.28% to 40.75%.

(d) In the Board of Directors meeting held on 10 February 2010, it was resolved that at the Ordinary General Assembly Meeting the distribution of a TL540,600 cash dividend over TL2,725,982 stand-alone net income from 2009 operations to the Bank's shareholders, Chairman and Members of the Board of Directors, would be proposed. It was also resolved to propose the transfer of TL2,919 to capital reserves and the allocation of TL2,182,463 as legal and extraordinary reserves.

(e) In the Board of Directors meeting held on 23 February 2010, it was resolved that the full paid-in capital of TL3,000,000 in the registered capital ceiling of TL5,000,000, would be increased to TL4,000,000, by an increase of TL1,000,000, which is 33.33% of the paid-in capital. TL482,691 of the TL1,000,000 would be met from extraordinary reserves, TL17,309 from real estate and participation sales profit, and TL500,000 from capital inflation adjustment differences in the other capital reserves.

……………..

This page is intentionally left blank

AKBANK T.A.Ş.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

Güney Bağımsız Denetim ve SMMM AŞ
Büyükdere Cad. Beytem Plaza
No:22 K:9-10, 34381 - Şişli
İstanbul - Turkey
Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
www.ey.com

Report on review of interim condensed consolidated financial statements

To the Board of Directors of Akbank T.A.Ş.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Akbank T.A.Ş. and its subsidiaries ("the Group") as at 31 March 2010, comprising of interim consolidated statement of financial position as at 31 March 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 34, *"Interim financial reporting"* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The consolidated financial statements of the Group for the year ended December 31, 2009 were audited by another auditor, who expressed an audit report with an unqualified opinion on those statements on 24 February 2010.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

2 July 2010
İstanbul, Turkey

AKBANK T.A.Ş.

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2010

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

(Amounts expressed in thousands of Turkish lira (“TL”).)

	Notes	Unaudited 31 March 2010	Audited 31 December 2009
ASSETS			
Cash and due from banks	6	5,583,448	5,029,260
Trading securities	7	242,825	159,786
Derivative financial instruments	8	180,646	245,120
Reserve requirements with the Central Bank of Turkey		3,220,505	3,464,090
Loans and advances to customers	9	47,769,597	45,049,817
Investment securities:			
-Available-for-sale	10	37,071,376	30,726,800
-Held-to-maturity	10	10,241,932	15,839,764
Investment in associates		3,125	3,125
Property, plant and equipment	11	813,061	805,457
Intangible assets	11	67,106	65,449
Deferred tax assets		310,635	269,965
Other assets and pre-payments		691,844	727,650
Total assets		**106,196,100**	**102,386,283**
LIABILITIES			
Customer deposits	12	76,463,861	74,701,284
Interbank money market deposits	13	357,445	483,572
Derivative financial instruments	8	898,770	771,743
Funds borrowed	13	6,859,773	5,881,999
Debt securities in issue	13	3,245,442	3,327,341
Income taxes payable		402,254	196,541
Other liabilities and accrued expenses		2,714,424	2,411,052
Employment benefit obligations	14	61,388	58,886
Total liabilities		**91,003,357**	**87,832,418**
EQUITY			
Capital and reserves attributable to the equity holders:			
-Share capital	15	3,000,000	3,000,000
-Adjustment to share capital	15	2,029,151	2,029,151
Total paid-in share capital		5,029,151	5,029,151
Share premium		1,709,098	1,709,098
Translation reserve		10,446	23,435
Other reserves		675,064	505,752
Retained earnings		7,768,779	7,286,224
		15,192,538	**14,553,660**
Non controlling interest		**205**	**205**
Total equity		**15,192,743**	**14,553,865**
Total liabilities and equity		**106,196,100**	**102,386,283**

The interim condensed consolidated financial statements as at and for the three-month period ended 31 March 2010 have been approved for issue by the Board of Directors on 2 July 2010 and signed on its behalf by Ziya Akkurt, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A.Ş..

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

(Amounts expressed in thousands of Turkish lira ("TL").)

	Notes	Unaudited 31 March 2010	Unaudited 31 March 2009
Interest income		2,448,289	2,628,983
Interest expense		(1,046,503)	(1,478,463)
Net interest income		**1,401,786**	**1,150,520**
Fee and commission income	16	375,673	361,941
Fee and commission expense	16	(45,165)	(51,477)
Net fee and commission income		**330,508**	**310,464**
Impairment losses on loans and credit related commitments, net	9	(15,065)	(317,469)
Foreign exchange gains and losses, net		11,251	18,950
Trading gains and losses, net		119,245	26,617
Dividend income		3	885
Other operating income		111,402	54,906
Operating income		**1,959,130**	**1,244,873**
Operating expenses	17	(679,293)	(537,723)
Profit before income taxes		**1,279,837**	**707,150**
Income taxes		(272,990)	(191,605)
Deferred tax		16,336	47,241
Profit for the period		**1,023,183**	**562,786**
Attributable to:			
Equity holders of the Group		1,023,155	562,776
Non controlling interest		28	10
		1,023,183	**562,786**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	4	0.0034	0.0019

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

AKBANK T.A.Ş.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010
(Amounts expressed in thousands of Turkish lira ("TL").)

	Unaudited 31 March 2010	**Unaudited 31 March 2009**
Net profit for the period	**1,023,183**	**562,786**
Other comprehensive income		
Available for sale financial assets	369,116	128,366
Foreign exchange differences on translation of foreign operations	(40,380)	32,960
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	9,159	(210,596)
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	34,239	(27,840)
Tax related to gains and losses recognized directly in equity (*)	(82,503)	22,014
	289,631	**(55,096)**
Available for sale financial assets, net of tax	(146,768)	(35,649)
Cash flow hedges, net of tax	4,836	9,504
Other, net of taxes	8,624	15,115
Net gains/losses transferred to income statement	**(133,308)**	**(11,030)**
Other comprehensive income	**156,323**	**(66,126)**
Total comprehensive income	**1,179,506**	**496,660**
Attributable to:		
Equity holders of the Group	1,179,478	496,650
Non-controlling interest	28	10

(*) Tax effects of additions to marketable securities valuation differences from available for sale financial assets, gain/(loss) from cash flow hedge (effective part of fair value changes), gain/(loss) from net foreign investment hedge (effective part of exchange difference on borrowings) amount to TL 73,823, TL 1,832 and TL 6,848 respectively (31 March 2009:TL 25,673,TL (42,119) and TL (5,568)).

The accompanying notes form an integral part of these interim condensed consolidated financial statement.

AKBANK T.A.Ş.
STATEMENT OF CASH FLOW
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010
(Amounts expressed in thousands of Turkish lira ("TL").)

	Notes	Unaudited 31 March 2010	Unaudited 31 March 2009
Cash flows from operating activities:			
Profit before income tax		1,279,837	707,150
Non cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11,17	26,299	26,408
Amortisation of intangible assets	11,17	4,850	3,704
Provision for loan losses, write off and net of recoveries	9	(322,183)	293,575
Employment termination benefits and other short-term employee benefits	14	2,502	2,227
Gain on derivative financial instruments		240,944	(45,660)
Interest paid		(1,066,001)	(1,348,284)
Interest received		1,151,277	1,346,689
Other non cash items		(57,151)	(400,426)
Operating profit before changes in operating assets and liabilities		**1,260,374**	**585,383**
Net increase in reserve requirements with the Central Bank of Turkey and restricted cash		172,501	1,026,409
Net decrease/ increase in loans and advances to customers		(2,353,053)	1,799,110
Net decrease/increase in trading securities		(82,555)	47,929
Net increase/decrease in other assets and prepayments		35,806	(12,179)
Net increase in other liabilities and accrued expenses		135,166	97,817
Net increase/decrease in customer deposits and interbank money market deposits		1,655,180	(2,291,893)
Taxes paid		-	-
Net cash from operating activities		**(436,955)**	**667,193**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment, net	11	(32,410)	(702)
Purchase of other intangible assets, net	11	(6,507)	(15,332)
Proceeds from investment securities		7,380,835	358,893
Purchase of investment securities		(8,067,020)	(3,234,684)
Net cash used in investing activities		**(725,102)**	**(2,891,825)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		2,444,444	2,198,563
Payments of borrowed funds and debt securities in issue		(1,547,801)	(1,942,190)
Dividends paid to equity holders	15	(540,600)	(360,550)
Net cash (used in)/from financing activities		**356,043**	**(104,177)**
Effect of exchange rates on cash and cash equivalents		**27,284**	**408,056**
Net increase/(decrease) in cash and cash equivalents		**481,644**	**(1,335,370)**
Cash and cash equivalents at the beginning of the period	**6**	**4,963,431**	**6,877,681**
Cash and cash equivalents at the end of the period	**6**	**5,445,075**	**5,542,311**

The accompanying notes form an integral part of these interim condensed consolidated financial statement.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

(Amounts expressed in thousands of Turkish lira (“TL”).)

	Attributable to equity holders of the Group								
	Share capital								
	Share capital	Adjustment to share capital	Total paid-in share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Non controlling interest	Total
Balance at 1 January 2009	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**18,723**	**(244,103)**	**4,913,113**	**231**	**11,426,213**
Net unrealised market value gains from available-for-sale portfolio (“AFS”)	-	-	-	-	-	102,693	-	-	102,693
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(35,649)	-	-	(35,649)
Net gains/losses recycled to the IS due to transfer of AFS into HTM portfolio	-	-	-	-	-	15,115	-	-	15,115
Cash flow hedges, net of tax	-	-	-	-	-	(158,974)	-	-	(158,974)
Translation reserve	-	-	-	-	32,960	-	-	-	32,960
Hedges of a net investment in a foreign operation net of tax	-	-	-	-	(22,271)	-	-	-	(22,271)
Other comprehensive income	-	-	-	-	10,689	(76,815)	-	-	(66,126)
Profit for the period	-	-	-	-	-	-	562,776	10	562,786
Total comprehensive income for the period	-	-	-	-	10,689	(76,815)	562,776	10	496,660
Dividends paid	-	-	-	-	-	-	(360,550)	(26)	(360,576)
Balance at 31 March 2009	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**29,412**	**(320,918)**	**5,115,339**	**215**	**11,562,297**
Balance at 1 January 2010	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**23,435**	**505,752**	**7,286,224**	**205**	**14,553,865**
Net unrealised market value gains from AFS portfolio	-	-	-	-	-	295,293	-	-	295,293
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(146,768)	-	-	(146,768)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio	-	-	-	-	-	8,624	-	-	8,624
Cash flow hedges, net of tax	-	-	-	-	-	12,163	-	-	12,163
Translation reserve	-	-	-	-	(40,380)	-	-	-	(40,380)
Hedges of a net investment in a foreign operation, net of tax	-	-	-	-	27,391	-	-	-	27,391
Other comprehensive income	-	-	-	-	(12,989)	169,312	-	-	156,323
Profit for the period	-	-	-	-	-	-	1,023,155	28	1,023,183
Total comprehensive income for the period	-	-	-	-	(12,989)	169,312	1,023,155	28	1,179,506
Dividends paid	-	-	-	-	-	-	(540,600)	(28)	(540,628)
Balance at 31 March 2010	**3,000,000**	**2,029,151**	**5,029,151**	**1,709,098**	**10,446**	**675,064**	**7,768,779**	**205**	**15,192,743**

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Bank" or "Akbank" or together with its subsidiaries referred to as "the Group" in these interim condensed consolidated financial statements) was formed in 1948 and is a member of the Hacı Ömer Sabancı Holding A.Ş. Group of companies which is incorporated and domiciled in Turkey. Hacı Ömer Sabancı Holding A.Ş. and the Sabancı family together control 51.37% of the outstanding share capital of Akbank as at 31March 2010. The Bank's head office is located at Sabancı Center 4. Levent, Istanbul/ Turkey. As of 31 March 2010, the Bank has 855 branches dispersed throughout the country and 1 branch operating outside the country (31 December 2009: 877 branches and 1 branch operating outside the country). As at 31 March 2010, the Group employed 14,937 people (31 December 2009: 14,936 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of AvivaSa Emeklilik ve Hayat A.Ş. and Ak Sigorta A.Ş.. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate and SME banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management) (Note 19).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR"). As of 31 March 2010, approximately 29% of the shares are publicly traded, including the ADRs (31 December 2009: 29%).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These interim condensed consolidated financial statements for the period ended 31 March 2010 has been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009.

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of January 1, 2010, noted below:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
- IFRS 2 Share –based Payment : (Amended) Group Cash- Settled Share-based Payment Transactions effective for annual reporting periods beginning on or after 1 January 2010
- IAS 39 Financial Instruments : Recognition and Measurement- Eligible Hedged Items effective for annual reporting periods beginning on or after 1 July 2009
- IFRIC 17 Distribution of Non- cash Assets to Owners effective for annual reporting periods beginning on or after 1 July 2009
- Improvements to IFRSs (issued May 2008)
- Improvements to IFRSs (issued April 2009)

The adoption of these standards, amendments, and interpretations did not have any effect on the financial performance or position of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for held for trading and investment securities held for available sale financial instruments which have all been measured at fair value.

The interim condensed consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdiction. Consolidated financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

(b) Consolidation

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Bank's assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Non-controlling interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the parent of the Group and presented separately in the Group's income statement. Non controlling interests are presented separately under equity in the consolidated balance sheet.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank and its direct and indirect subsidiaries, Ak Yatırım Menkul Değerler A.Ş., , Ak Finansal Kiralama A.Ş., Ak Portföy Yönetimi A.Ş., Akbank N.V., Akbank AG together with Ak Receivables Corporation and A.R.T.S. Ltd., in which the Bank has no equity interest, but 100% control power due to the reason that these companies are "Special Purpose Entities", have been included in the scope of consolidation. The Bank together with its consolidated subsidiaries are referred to as the "Group" in these interim condensed consolidated financial statements.

Ak Yatırım Menkul Değerler A.Ş. was established on 11 December 1996 to trade in capital markets in accordance with Capital Market Law. This company is providing intermediary services in capital markets, discretionary portfolio management, derivative transactions, repurchase and reverse repurchase agreements with authorizations given by the Capital Markets Board for each transaction.

Ak Finansal Kiralama A.Ş. was established in 1988 for leasing operations and all kinds of agreements and transactions related to these operations.

Ak Portföy Yonetimi A.Ş was established at 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş., pension funds of AvivaSa Emeklilik ve Hayat A.Ş. and portfolios of the Ak Yatırım Ortaklığı A.Ş..

Akbank N.V. was established in 2000 for banking operations in the Netherlands.

The Bank's Frankfurt Branch was established on 5 April 1998 for banking operations abroad. As of 1 September 2006, the Frankfurt Branch has been converted to a 100% subsidiary of the Bank. As of 31 May 2007, shares of Akbank AG were transferred to Akbank N.V. resident in the Netherlands, which is 100% subsidiary of the Bank, through capital in kind.

Ak Receivable Corporation and A.R.T.S. Ltd. are "Special Purpose Entities" established in Jule 1998 and November 1999, respectively, in connection with raising long-term financing.

The list of consolidated subsidiary undertakings is set out below:

		Shareholding %	
Name of subsidiary	**Country of incorporation**	**2010**	**2009**
Ak Yatırım Menkul Değerler A.Ş.	Turkey	99.80	99.80
Akbank N.V.	The Netherlands	100.00	100.00
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Ak Portföy Yönetimi A.Ş.	Turkey	99.99	99.99
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivable Corporation	Cayman Islands	-	-

Net Investment Hedge

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 "Translation reserve" account under shareholders' equity.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair value of over-the-counter ("OTC") forward foreign exchange contracts and foreign exchange option contracts are determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 March 2010. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Cash flow hedge

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

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged cash flows affect profit or loss.

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

The Bank hedges cash flow risk arising from local and foreign currency floating rate borrowings through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under "Other reserves" within equity.

(ii) Derivatives that do not qualify for hedge accounting

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

Embedded derivatives are separated from the host contract and accounted for as a derivative in accordance with IAS 39, if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

If an embedded derivative is separated, the host contract is accounted for under IAS 39 if it is a financial instrument and in accordance with other appropriate standards if it is not a financial instrument. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and accounted according to the standard applied to the host contract.

(d) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. 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 interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity. The Bank does not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

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

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included in dividend income.

The Group has inflation indexed government bonds in available for sale and held to maturity portfolios having 5 year term and fixed coupon rates throughout the maturity. Amortized cost of such securities is calculated using the effective interest rate method by considering the real coupon rates together with the changes in inflation index references between the issuance and balance sheet dates. Market values are used to for the fair value calculation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial assets at fair value through profit or loss:

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. At 31 March 2010, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading assets are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading gains and losses. Interest earned whilst holding trading assets is reported as interest income.

All purchases and sales of trading assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/by the Group.

(f) Loans and advances to customers and provisions for loan impairment

Loans and advances granted by the Group are carried initially at fair value including the transaction costs and subsequently recognised at the amortized cost value, less any provision for loan losses.

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. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

The provision made during the year is charged against the profit for the year. 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 provision for loan losses for the year.

(g) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective interest rate method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Borrowing fees and commissions expenses paid to other financial institutions are recognized as transaction costs and recorded using the "Effective interest rate method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

(i) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price until, in management's estimates and judgement, collection becomes doubtful. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The provision made during the year is charged against the profit for the year. Loans that can not be recovered are written-off and charged against the allowance for loan losses after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year (Note 9).

(j) Related parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:
- (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate of the Group;
(c) the party is a joint venture in which the Group is a venturer;
(d) the party is member of the key management personnel of the Group or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Judgments, estimates and assumptions include fair value of financial instruments and impairment for financial assets.

NOTE 4 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

The Bank has not issued any share attributable to transfers to share capital from retained earnings in the first three months of 2010 (2009: (-)).

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

	Unaudited 31 March 2010	**Unaudited 31 March 2009**
Profit attributable to equity holders of the Group	1,023,155	562,776
Weighted average number of ordinary shares in issue (1 Kr each)	300,000,000,000	300,000,000,000
Basic earnings per share (expressed in TL, full amount, per share)	**0.0034**	**0.0019**

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue.

There are no diluted shares and accordingly there are no diluted earnings per share for any class of shares.

NOTE 5 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances but also entering into guarantees and other commitments such as letters of credit. The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in the bond markets and in currency and interest rates.

The Group's risk management is under the responsibility of the "Executive Risk Committee ("the ERC")" which reports to the Board of Directors. The ERC is comprised of the Chairman and Managing Director, Managing Director and the Chief Executive Officer. The ERC establishes policies, procedures, parameters and rules for risk management of the Bank and develops risk management strategies. The ERC also sets critical risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are changed as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Bank's risk positions are reported to the ERC members on a regular basis. Additionally, the ERC reviews the latest figures and projections for the Bank's profit and loss accounts and balance sheet, liquidity position, interest and foreign exchange exposures, as well as yield analysis and the macroeconomic environment.

In addition to the limits set by the ERC, the Board of Directors also sets some limits and parameters for the transactions and areas having significant and critical implications on the Bank's operations.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Bank where risk limits apply to ensure that these limits are adhered to. ALCO consists of the Chief Executive Officer and each of the Executive Vice Presidents in charge of the Bank's marketing, lending, treasury, and financial coordination departments. ALCO meets weekly to review the latest figures on liquidity position, interest rate risk exposures, foreign exchange risk exposure, capital adequacy and the macroeconomic environment.

The objective of the Group's asset and liability management and use of financial instruments is to limit the Group's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Group has sufficient capital adequacy and is using its capital to maximise net interest income.

(b) Credit risk

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. The Group's exposure to credit risk is concentrated in Turkey, where the majority of the activities are carried out. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

(c) Market risk

The Group considers currency risk and interest rate risk as the most important constituents of market risk. The limit structure for such risks is designed by considering the capital structure of the Group. Currency and interest rate risks are analysed both on a portfolio and on a product basis.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of the Group, include interest rate stress testing. As at 31 March 2010 and 31 December 2009, assuming that all other variables are constant, and TL and FC interest rates vary in an interval of +1% and -1%, the profit before tax and other reserves excluding tax effect of the Group would change as the following:

	Impact on income		Impact on other reserves	
Change in interest rates	**Unaudited 2010**	**Audited 2009**	**Unaudited 2010**	**Audited 2009**
(+) 1 %	(45,128)	(66,313)	(420,869)	(263,333)
(-) 1 %	50,821	66,598	447,382	275,457

(d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities and the remaining foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board, taking into account the recommendations by the ERC, sets a limit for the size of foreign exchange exposure, which is closely monitored by ALCO.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table summarises the Group's assets and liabilities and equity at carrying amounts, categorised by currency.

	Unaudited 31 March 2010					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other**	**TL**	**Total**
Cash and due from banks	2,497,870	2,271,847	73,737	42,024	697,970	5,583,448
Trading and investment securities	2,571,368	5,539,026	-	-	39,445,739	47,556,133
Derivative financial instruments	-	-	-	-	180,646	180,646
Reserve requirements with the Central Bank of Turkey	1,037,022	327,650	-	-	1,855,833	3,220,505
Loans and advances to customers	7,313,435	15,928,814	17,060	85,632	24,424,656	47,769,597
Investment in associates	-	-	-	-	3,125	3,125
Property, plant and equipment	3,879	2,526	88	-	806,568	813,061
Intangible assets	51	-	-	-	67,055	67,106
Deferred tax assets	-	-	-	-	310,635	310,635
Other assets and pre-payment	27,982	2,878	210	1,711	659,063	691,844
Total assets	**13,451,607**	**24,072,741**	**91,095**	**129,367**	**68,451,290**	**106,196,100**
Customer deposits	12,036,000	14,165,487	897,518	268,205	49,096,651	76,463,861
Derivative financial instruments	-	-	-	-	898,770	898,770
Interbank money market deposits, funds borrowed and debt securities in issue	3,867,647	5,991,038	5,734	63,033	535,208	10,462,660
Income taxes payable	11,792	-	-	-	390,462	402,254
Other liabilities and accrued expenses	114,823	150,005	9,066	2,908	2,437,622	2,714,424
Employment benefit obligations	-	-	-		61,388	61,388
Equity and non controlling interest	-	-	-	-	15,192,743	15,192,743
Total liabilities and equity	**16,030,262**	**20,306,530**	**912,318**	**334,146**	**68,612,844**	**106,196,100**
Net balance sheet position	**(2,578,655)**	**3,766,211**	**(821,223)**	**(204,779)**	**(161,554)**	**-**
Off-balance sheet derivative instruments net notional position	**2,809,744**	**(3,740,083)**	**805,318**	**206,006**	**(223,439)**	**(142,454)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Unaudited 31 December 2009					
	Foreign currency					
	EUR	USD	GBP	Other	TL	Total
Total assets	12,615,119	23,844,768	92,363	192,580	65,641,453	102,386,283
Total liabilities and equity	14,833,350	21,047,243	792,939	315,410	65,397,341	102,386,283
Net balance sheet position	(2,218,231)	2,797,525	(700,576)	(122,830)	244,112	-
Off-balance sheet derivative instruments net notional position	2,428,538	(2,883,008)	707,295	185,652	(383,105)	55,372

At 31 March 2010, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 1.5157 =USD 1 (31 December 2009: TL 1.4873=USD 1) and TL 2.0404 =EUR 1 (31 December 2009: TL 2.1426 =EUR 1).

(e) Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Interest rate risk is the key component of the Group's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimise the effects of changes in interest rates. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analysis are the main methods used to manage the risks.

The tables below summaries the Group's exposure to interest rate risks at 31 March 2010 and 31 December 2009. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Unaudited 31 March 2010					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks	1,818,024	8,570	-	-	3,756,854	5,583,448
Trading and investment securities	11,308,498	18,451,239	13,954,892	3,738,262	103,242	47,556,133
Derivative financial instruments	163,329	16,506	811	-	-	180,646
Reserve requirements with the Central Bank of Turkey	3,220,505	-	-	-	-	3,220,505
Loans and advances to customers	25,588,567	13,290,981	7,944,456	945,593	-	47,769,597
Investment in associates	-	-	-	-	3,125	3,125
Property, plant and equipment	-	-	-	-	813,061	813,061
Intangible assets	-	-	-	-	67,106	67,106
Deferred tax assets	-	-	-	-	310,635	310,635
Other assets and pre-payments	196,064	-	-	-	495,780	691,844
Total assets	**42,294,987**	**31,767,296**	**21,900,159**	**4,683,855**	**5,549,803**	**106,196,100**
Customer deposits	65,163,937	2,563,965	668,268	111,419	7,956,272	76,463,861
Derivative financial instruments	466,821	372,223	54,121	5,605	-	898,770
Interbank money market deposits, funds borrowed and debt securities in issue	8,370,090	2,006,343	76,127	10,100	-	10,462,660
Income taxes payable	-	-	-	-	402,254	402,254
Other liabilities and accrued expenses	103,298	38,621	58,526	28,246	2,485,733	2,714,424
Employment benefit obligations	-	-	-	-	61,388	61,388
Total liabilities	**74,104,146**	**4,981,152**	**857,042**	**155,370**	**10,905,647**	**91,003,357**
Net repricing period gap	**(31,809,159)**	**26,786,144**	**21,043,117**	**4,528,485**	**(5,355,844)**	**15,192,743**
Off-balance sheet derivative instruments net notional position	**2,668,945**	**1,713,289**	**(3,888,190)**	**(636,498)**	**-**	**(142,454)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Audited 31 December 2009					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Total assets	**46,803,346**	**26,898,945**	**19,299,509**	**3,893,389**	**5,491,094**	**102,386,283**
Total liabilities	**71,054,853**	**5,223,942**	**1,128,022**	**221,117**	**10,204,484**	**87,832,418**
Net repricing period gap	**(24,251,507)**	**21,675,003**	**18,171,487**	**3,672,272**	**(4,713,390)**	**14,553,865**
Off-balance sheet derivative instruments net notional position	**1,864,937**	**2,443,944**	**(3,681,309)**	**(572,200)**	**-**	**55,372**

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments at 31 March 2010 and 31 December 2009:

	Unaudited 31 March 2010			Audited 31 December 2009		
Assets	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Cash and due from banks:						
-Time deposits in foreign banks	0.16	0.24	-	0.08	0.22	-
-Time deposits in domestic banks	0.33	-	9.00	0.25	-	12.75
-Interbank money market placements	-	-	6.50	-	-	6.76
Reserve requirements with the Central Bank of Turkey	-	-	5.20	-	-	5.20
Trading securities	3.87	4.18	11.64	4.63	3.74	9.21
Loans and advances to customers	3.98	4.30	13.78	3.89	4.31	14.61
Investment securities:						
-Available for sale	4.98	4.38	12.88	6.06	4.55	9.71
-Held to maturity	3.70	4.85	12.91	4.70	5.03	15.05
Liabilities						
Customer deposits and interbank Money market deposits	2.00	2.29	7.66	1.81	2.16	7.83
Funds borrowed	2.37	1.89	7.59	2.51	2.18	6.72
Debt securities in issue	1.39	-	-	1.40	-	-

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees. A major objective of the Group's asset and liability management is to ensure that sufficient liquidity is available to meet the Group's commitments to customers and to satisfy the Group's own liquidity needs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. The ERC sets limits on the maturity mismatch of assets and liabilities and these limits are changed as necessary.

In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks" published in the Official Gazette dated 1 November 2006 No. 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses carrying amount of assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date.

	Unaudited 31 March 2010					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks	5,574,878	8,570	-	-	-	5,583,448
Trading and investment securities	1,890,710	9,248,707	32,575,213	3,738,261	103,242	47,556,133
Derivative financial instruments	55,618	13,122	22,444	89,462	-	180,646
Reserve requirements with the Central Bank of Turkey	3,220,505	-	-	-	-	3,220,505
Loans and advances to customers	16,892,927	9,867,449	16,534,267	4,474,954	-	47,769,597
Property and equipment	-	-	-	-	813,061	813,061
Intangible assets	-	-	-	-	67,106	67,106
Other assets and pre-payments	478,520	-	208,289	-	5,035	691,844
Investment in associates	-	-	-	-	3,125	3,125
Deferred tax assets	-	-	-	-	310,635	310,635
Total assets	**28,113,158**	**19,137,848**	**49,340,213**	**8,302,677**	**1,302,204**	**106,196,100**
Customer deposits	73,120,209	2,489,799	727,745	126,108	-	76,463,861
Derivative financial instruments	87,391	88,944	615,144	107,291	-	898,770
Interbank money market deposits funds borrowed and debt securities in issue	1,279,310	5,344,556	2,585,258	1,253,536	-	10,462,660
Income taxes payable	-	-	-	-	402,254	402,254
Other liabilities and accrued expenses	2,291,638	38,621	58,526	28,246	297,393	2,714,424
Employment benefit obligations	-	-	-	-	61,388	61,388
Total liabilities	**76,778,548**	**7,961,920**	**3,986,673**	**1,515,181**	**761,035**	**91,003,357**
Net liquidity gap	**(48,665,390)**	**11,175,928**	**45,353,540**	**6,787,496**	**541,169**	**15,192,743**
Commitment and Contingencies	**400,137**	**1,429,619**	**1,934,772**	**4,275,834**	**-**	**8,040,362**

	Audited 31 December 2009					
Total assets	**31,792,556**	**21,218,244**	**41,717,648**	**6,371,960**	**1,285,875**	**102,386,283**
Total liabilities	**75,078,442**	**7,057,226**	**3,721,792**	**1,941,606**	**33,352**	**87,832,418**
Net liquidity gap	**(43,285,886)**	**14,161,018**	**37,995,856**	**4,430,354**	**1,252,523**	**14,553,865**
Commitment and Contingencies	**301,830**	**1,224,264**	**1,999,650**	**4,209,409**	**-**	**7,735,153**

The most important funding resources of the Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for the Bank. The major part of mandatory cash balances with the Central Bank of Turkey are included within the "up to three months" column as the majority of liabilities to which these balances relate are also included in this category.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

Undiscounted cash flows of the liabilities of the Group is as follows:

	Unaudited 31 March 2010					
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	64,007,318	9,181,644	2,650,451	749,995	206,641	76,796,049
Funds borrowed and debt securities in issue	314,188	629,170	5,630,709	2,689,690	1,261,083	10,524,840
Interbank money market Deposits	275,721	81,724	-	-	-	357,445
	64,597,227	**9,892,538**	**8,281,160**	**3,439,685**	**1,467,724**	**87,678,334**

	Audited 31 December 2009					
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	58,908,511	12,020,794	3,174,095	807,611	164,165	75,075,176
Funds borrowed and debt securities in issue	739,203	860,625	3,921,254	2,770,323	1,353,391	9,644,796
Interbank money market Deposits	483,572	-	-	-	-	483,572
	60,131,286	**12,881,419**	**7,095,349**	**3,577,934**	**1,517,556**	**85,203,544**

Undiscounted cash flows of derivative financial instruments of the Group are as follows:

	Unaudited 31 March 2010					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	491,666	178,003	123,255	(907,934)	(27,700)	(142,710)
- Inflow	3,507,665	1,556,622	2,024,905	299,371	94,154	7,482,717
- Outflow	(3,015,999)	(1,378,619)	(1,901,650)	(1,207,305)	(121,854)	(7,625,427)
Interest rate derivatives:	1,519	7,752	(16,265)	(170,184)	(51,385)	(228,563)
- Inflow	29,082	485,326	495,687	3,437,521	2,008,688	6,456,304
- Outflow	(27,563)	(477,574)	(511,952)	(3,607,705)	(2,060,073)	(6,684,867)
Derivatives held for hedging:						
Interest rate derivatives:	(33,150)	(35,247)	(157,475)	(423,921)	(11,990)	(661,783)
- Inflow	54,595	47,205	109,632	2,796,965	60,510	3,068,907
- Outflow	(87,745)	(82,452)	(267,107)	(3,220,886)	(72,500)	(3,730,690)
Total inflow	**3,591,342**	**2,089,153**	**2,630,224**	**6,533,857**	**2,163,352**	**17,007,928**
Total outflow	**(3,131,307)**	**(1,938,645)**	**(2,680,709)**	**(8,035,896)**	**(2,254,427)**	**(18,040,984)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Audited 31 December 2009					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	80,843	32,857	(1,785)	(66,376)	9,632	55,171
- Inflow	1,993,188	1,745,274	1,896,164	329,702	99,226	6,063,554
- Outflow	(1,912,345)	(1,712,417)	(1,897,949)	(396,078)	(89,594)	(6,008,383)
Interest rate derivatives:	(23,028)	(9,446)	(39,797)	(57,866)	(63,096)	(193,233)
- Inflow	1,240,294	76,829	284,910	1,622,200	670,491	3,894,724
- Outflow	(1,263,322)	(86,275)	(324,707)	(1,680,066)	(733,587)	(4,087,957)
Derivatives held for hedging:						
Interest rate derivatives:	(18,659)	(17,319)	(187,031)	(425,383)	(6,189)	(654,581)
- Inflow	53,910	17,636	198,417	2,960,840	66,311	3,297,114
- Outflow	(72,569)	(34,955)	(385,448)	(3,386,223)	(72,500)	(3,951,695)
Total inflow	**3,287,392**	**1,839,739**	**2,379,491**	**4,912,742**	**836,028**	**13,255,392**
Total outflow	**(3,248,236)**	**(1,833,647)**	**(2,608,104)**	**(5,462,367)**	**(895,681)**	**(14,048,035)**

(g) Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

(h) Fiduciary activities

The Group provides custody services to third parties which involve the Group in the making of allocation, purchase and sale decisions. Assets held in a fiduciary capacity are not included in these financial statements. At 31 March 2010, the Group has custody accounts amounting to TL 23,232,651 in nominal value (31 December 2009: TL 23,792,023).

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 6 - CASH AND DUE FROM BANKS

Cash and due from banks comprises as follows:

	Unaudited 31 March 2010	Audited 31 December 2009
Cash funds:		
Cash on hand	487,507	579,112
Cash in transit	28	16,379
Cheques	44	194
	487,579	**595,685**
Current accounts and demand deposits:		
Central Bank of Turkey	688,494	680,320
Foreign banks	1,227,725	1,137,530
	1,916,219	**1,817,850**
Interbank money market placements	**5,442**	**17,503**
Time deposits:		
Foreign banks	2,702,380	2,170,593
Domestic banks	471,828	427,629
	3,174,208	**2,598,222**
Total cash and due from banks	**5,583,448**	**5,029,260**

Cash and cash equivalents included in the statements of cash flows for the three-month period ended 31 March 2010 and 31 March 2009 are as follows:

	31 March 2010	31 March 2009
Cash and due from banks excluding accrued interest	5,442,474	5,489,739
Trading and investment securities with original maturities of less than three months excluding accrued interest	2,601	52,572
	5,445,075	**5,542,311**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	Unaudited 31 March 2010	Audited 31 December 2009
Government bonds	150,022	79,042
Eurobonds	72,236	69,475
Government bonds denominated in foreign currency	7,560	7,182
Treasury bills	5,914	2,350
Share certificates	6,803	387
Other	290	1,350
	242,825	**159,786**

Trading securities amounting to TL 7,452 (31 December 2009: TL 7,467) have been pledged as collateral to financial institutions.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into the following derivative financial instruments:

"Currency forwards" represent commitments to purchase or to sell foreign and domestic currency, including spot transactions. "Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the future contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency and interest rate options" are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. The Group's "credit risks" represent the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held at 31 March 2010 and 31 December 2009 are set out in the following table.

	Unaudited 31 March 2010 Fair values		Audited 31 December 2009 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	82,642	(434,865)	144,780	(298,349)
Forward currency purchases and sales	8,654	(9,500)	6,237	(7,330)
Currency and interest rate futures purchases and sales	56,023	(39,944)	44,328	(25,973)
Currency options purchases and sales	33,327	(33,160)	49,775	(49,630)
Derivatives held for hedging:				
Interest rate swap purchases and sales	-	(381,301)	-	(390,461)
Total derivative assets/(liabilities)	**180,646**	**(898,770)**	**245,120**	**(771,743)**

Certain derivative transactions, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading.

The notional amounts of derivative transactions are explained in detail in Note 18.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	Unaudited 31 March 2010	Audited 31 December 2009
Consumer loans	9,874,512	9,245,165
- Mortgage	4,785,894	4,592,452
- Automobile	499,057	554,982
- Other	4,589,561	4,097,731
Credit cards	5,870,251	5,832,084
- Retail	5,780,598	5,754,064
- Corporate	89,653	78,020
Corporate, commercial and small business loans	32,581,794	30,492,416
- Export financing loans	2,307,173	2,467,638
- Loans to financial institutions	2,124,241	1,702,351
- Finance lease receivables	944,971	965,921
- Discount and purchase notes	619,443	536,289
- Import financing loans	109,323	132,434
- Project finance loans	7,648,057	6,937,860
- Commercial installment loans	2,734,082	2,749,150
- Other	16,094,504	15,000,773
Performing loans	48,326,557	45,569,665
Non-performing loans	1,464,997	1,824,292
Total loans and advances to customers	49,791,554	47,393,957
Provision for impairment	(2,021,957)	(2,344,140)
Net loans and advances to customers	**47,769,597**	**45,049,817**

The loans and advances to customers include finance lease receivables, as shown below:

	Unaudited 31 March 2010	Audited 31 December 2009
Gross investment in finance leases	1,173,064	1,202,848
Less: Unearned finance income	(186,252)	(197,314)
Total investment in finance leases	986,812	1,005,534
Provision for impairment	(43,663)	(42,832)
Net investment in finance leases	**943,149**	**962,702**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Gross lease rentals receivable and the net investment in direct financing leases have the following collection schedules:

	Unaudited 31 March 2010		Audited 31 December 2009	
Period ending	**Gross investment in finance leases**	**Total investment in finance leases**	**Gross investment in finance leases**	**Total investment in finance leases**
2010	353,661	297,053	408,643	332,880
2011	280,882	230,948	274,257	226,109
2012	197,935	165,738	191,575	163,662
2013	125,611	108,226	119,938	104,061
2014	65,121	54,784	60,644	50,963
2015(*)	149,854	130,063	147,791	127,859
	1,173,064	**986,812**	**1,202,848**	**1,005,534**

(*) Balances include the year 2015 and after.

Movements in the provision for loan losses are as follows:

	Unaudited 31 March 2010	Audited 31 December 2009
Balance at beginning of period	2,344,140	1,635,949
- Charge for the period/year	188,234	1,459,437
- Recoveries	(173,169)	(710,401)
- Written-off	(337,240)	(40,846)
Net specific provision for the period	(322,175)	708,190
Exchange differences	(8)	1
Balance at the end of period	**2,021,957**	**2,344,140**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale

	Unaudited 31 March 2010	Audited 31 December 2009
- Government bonds	32,585,296	26,958,500
- Eurobonds	3,284,907	2,196,482
- Treasury Bills	4,119	808,211
- Government bonds denominated in foreign currency	549,191	24,689
- Other bonds	551,714	659,795
Equity securities		
- Listed	27,736	21,681
- Unlisted	7,293	7,293
- Mutual funds	61,120	50,149
Total securities available-for-sale	**37,071,376**	**30,726,800**

Unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognised as "other reserves" in other comprehensive income unless there is an objective evidence that the asset is impaired in which case the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss.

In accordance with "Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures" dated October 2008 and effective from 1 July 2008, published by International Accounting Standards Board ("Amendment to IAS 39"), due to change in the intention to hold such securities in 2008, the Bank reclassified its government bonds with fair values USD 91,820,730 and EUR 17,129,244 into the category of financial assets available-for-sale which were classified under the category of financial assets held-for-trading before As of the balance sheet date, fair values of these reclassified government bonds are USD 1,742,944 and EUR 7,617,746. Had these financial assets not been reclassified, an unrealized valuation gain of USD 7,991 and a valuation loss of EUR 60,255 would have been recognised in the income statement.

(b) Securities held-to-maturity

	Unaudited 31 March 2010	Audited 31 December 2009
Debt securities		
- Government bonds	6,651,703	9,873,495
- Government bonds denominated in foreign currency	2,522,603	4,802,686
- Eurobonds	1,067,626	1,163,583
Total securities held-to-maturity	**10,241,932**	**15,839,764**

Investment securities amounting to TL 5,025,650 have been pledged as collateral to various institutions at 31 March 2010 (2009: TL 6,126,262) and securities amounting to TL 13,279,728 (2009: TL 13,386,725) are pledged under repurchase agreements.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 10 - INVESTMENT SECURITIES (Continued)

In accordance with "Amendment to IAS 39", due to change in the intention to hold such securities in 2008, the Bank reclassified its government bonds with fair values amounting to TL 104,306, USD 962,377,327 and EUR 419,021,064 into the category of financial assets held to maturity which were classified under the category of financial assets held for trading before. As of the balance sheet date, fair values of these reclassified government bonds after the redemption in the current year are TL 31,643, USD 971,131,048 and EUR 388,597,680. Had these financial assets not been reclassified, a valuation gain of TL 464, USD 4,452,672 and EUR 2,464,812 would have been recognised in the income statement.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the three months period ended 31 March 2010 amounts to TL 38,980 (31 March 2009: TL 17,042).

The cost of tangible and intangible assets sold during the three months period ended 31 March 2010 amounts to TL 63 (31 March 2009: TL 1,008).

NOTE 12 - CUSTOMER DEPOSITS

The breakdown of deposits according to type and maturity is as follows:

	Unaudited 31 March 2010			**Audited 31 December 2009**		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	3,227,680	36,023,702	39,251,382	3,185,461	35,404,228	38,589,689
Funds deposited under repurchase agreements	-	12,283,452	12,283,452	-	13,747,009	13,747,009
Commercial deposits	4,163,863	14,945,938	19,109,801	4,052,446	12,936,460	16,988,906
Bank deposits	147,733	4,218,076	4,365,809	194,458	3,848,719	4,043,177
Other	416,996	1,036,421	1,453,417	375,322	957,181	1,332,503
	7,956,272	**68,507,589**	**76,463,861**	**7,807,687**	**66,893,597**	**74,701,284**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 13 – INTERBANK MONEY MARKET DEPOSITS, FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	Unaudited 31 March 2010	Audited 31 December 2009
Interbank money market deposits	**357,445**	**483,572**

Domestic banks		
- TL	172,971	67,167
- Foreign currency	226,980	314,802
Foreign institutions	6,459,822	5,500,030
Funds borrowed	**6,859,773**	**5,881,999**

Interbank money market deposits represent borrowings from the interbank money market regulated by the Central Bank of Turkey.

Funds borrowed from domestic banks mainly represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations.

As of 31 March 2010, there are four outstanding syndicated loan facilities; the first amounts to EUR 681,500, with an all-in-cost interest rate of Euribor+2.5% provided by 48 international banks with West LB AG London Branch acting as agent, which consists of two equal parts amounting to EUR 340,750 with maturity dates 25 August 2010 and 24 September 2010; the second amounts to USD 312,000, comprising of two equal parts amounting to USD 156,000, with an all-in-cost interest rate of Libor+2.5% respectively, provided by 48 international banks with West LB AG London Branch acting as agent, which matures on 25 August 2010 and 24 September 2010.The third one amounts to EUR 584,500, with an all in cost interest rate of Euribor + %1.5 provided by 55 international banks with Wells Fargo Bank acting as an agent which matures on 29 March 2011. Last one amounts to USD 437,500 with an all in cost interest rate of Libor+ %1.5 provided by 55 international banks with Wells Fargo Bank acting as an agent which matures on 29 March 2011.

NOTE 13 – INTERBANK MONEY MARKET DEPOSITS, FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

Debt securities in issue

The repayment schedule of the total floating-rate notes in issue, which is prepared using the Libor current at the balance sheet date, is as follows:

	Unaudited 31 March 2010		Audited 31 December 2009	
	USD (000)	**TL**	**USD (000)**	**TL**
2010 (*)	284,424	431,101	380,376	565,733
2011	383,769	581,678	383,769	570,780
2012	454,581	689,008	454,581	676,098
2013	451,006	683,589	451,006	670,781
2014	261,422	396,238	261,422	388,813
2015	107,601	163,091	107,601	160,035
2016	107,601	163,091	107,601	160,035
2017	60,542	91,764	60,542	90,044
2018	30,271	45,882	30,271	45,022
Total	**2,141,217**	**3,245,442**	**2,237,169**	**3,327,341**

(*) As of 31 March 2010, repayments include accrued interest payables in the amount of USD 1,077 (31 December 2009: USD 1,155) for USD balances, and the TL equivalent of the total amount as of 31 March 2010 is TL 1,633 (31 December 2009: TL 1,718).

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS

	Unaudited 31 March 2010	Audited 31 December 2009
Balance sheet obligations for:		
- Reserve for employment termination benefits	31,788	30,545
- Vacation pay liability	29,600	28,341
	61,388	**58,886**

There are no amounts recognised in the balance sheet for post-employment benefits since fair value of the Fund's plan assets compensate defined benefit obligations as of 31 March 2010.

(a) Post-employment benefits (pension and medical)

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

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette No 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the Grand National Assembly on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. There is no resolution adopted by the Constitution Court related to mentioned issue as of the publication date of the financial statements.

The transfer is required by the New Law to be completed in three years beginning from 1 January 2008. According to the New Law, following the transfer of the members of the fund, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations and the Group's obligation related to other non-transferable benefits is calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Based on the actuarial report as at 31 December 2009 issued by the actuary, it has been determined that, in accordance with the New Law, the Fund has a surplus including the obligation for non-transferable other benefits.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

(b) Employment termination benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The amount payable consists of one month's salary limited to a maximum of TL 2,427.04 in full TL amount (31 December 2009: TL 2,365.16 in full TL amount) for each year of service.

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

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

NOTE 15 - SHARE CAPITAL

The historic amount of share capital of the Group is TL 3,000,000 (31 December 2009: TL 3,000,000) and consists of 300,000,000,000 (31 December 2009: 300,000,000,000) authorised shares with a nominal value of Kr 1 each.

At 31 March 2010 and 31 December 2009, the issued and fully paid-in share capital held is as follows:

	Unaudited 31 March 2010		Audited 31 December 2009	
	Share (%)	**TL**	**Share (%)**	**TL**
Sabancı Group, family and affiliated companies:				
Hacı Ömer Sabancı Holding A.Ş. and affiliated companies	44.45	1,333,575	44.45	1,333,575
Sabancı family	6.92	207,628	6.92	207,628
Total Sabancı Group, family and affiliated companies	51.37	1,541,203	51.37	1,541,203
Citibank Overseas Investment Corporation	20.00	600,000	20.00	600,000
Other	28.63	858,797	28.63	858,797
Historical share capital	100	3,000,000	100.00	3,000,000
Adjustment to share capital	-	2,029,151	-	2,029,151
Total paid-in share capital		**5,029,151**		**5,029,151**

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004 after elimination of the accumulated deficit of TL 1,464,503.

For the interim period ending 31 March 2010, the Bank has paid dividend payment in cash with respect to 2009 net distributable profit after the transfer of first and legal reserves amounting to TL 540,600 (TL 0.0018 per share).

For the interim period ending 31 March 2009, the Bank has paid dividend payment in cash with respect to 2008 net distributable profit after the transfer of first and legal reserves amounting to TL 360,550 (TL 0.0012 per share).

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 16 - NET FEES AND COMMISSION INCOME

	Unaudited 1 January- 31 March 2010	Unaudited 1 January- 31 March 2009
Fee and commission income on:		
Credit cards	181,474	213,345
Retail and commercial banking operations	67,832	46,511
Mutual fund management fee	41,193	42,174
Brokerage	16,656	8,240
Non-cash loans	15,136	15,419
Insurance intermediary	14,844	5,303
Money transfers	14,368	16,200
Other	24,170	14,749
	375,673	**361,941**
Fee and commission expense on:		
Credit cards	39,626	45,993
Other	5,539	5,484
	45,165	**51,477**
Net fee and commission income	**330,508**	**310,464**

NOTE 17 - OPERATING EXPENSES

	Unaudited 1 January- 31 March 2010	Unaudited 1 January- 31 March 2009
Employee costs	232,717	197,892
Credit card and banking services	83,447	68,833
Provision for general possible risks	60,000	-
Legal expenses	34,468	30,903
Depreciation charges of property and equipment	26,299	26,408
Communication expenses	22,244	25,192
Information technology	28,958	26,392
Marketing and advertisement expenses	27,354	20,028
Saving deposits insurance fund	17,530	16,732
Sundry taxes and duties	28,715	17,138
Heating, lighting and water expenses	7,349	7,053
Repair and maintenance expenses	1,939	7,263
Amortisation of intangible assets	4,850	3,704
Stationery expenses	3,024	3,754
Other	100,399	86,431
	679,293	**537,723**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 18 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated balance sheets, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

(a) Commitments under derivative instruments

The breakdown of notional amounts of derivative transactions at 31 March 2010 and 31 December 2009 is as follows:

	Unaudited 31 March 2010	Audited 31 December 2009
Derivatives held for trading:		
Forward and spot foreign currency buy/sell transactions	**2,315,665**	**1,078,100**
Forward foreign currency transactions-buy	1,157,125	538,260
Forward foreign currency transactions-sell	1,158,540	539,840
Swap transactions related to foreign currency and interest rates	**15,803,635**	**18,571,822**
Foreign currency swap-buy	4,098,737	4,339,416
Foreign currency swap-sell	4,222,314	4,264,896
Interest rate swap-buy	3,741,292	4,983,755
Interest rate swap-sell	3,741,292	4,983,755
Foreign currency and interest rate options	**8,852,623**	**6,923,561**
Foreign currency options-buy	3,761,126	2,763,201
Foreign currency options-sell	3,760,801	2,763,006
Interest rate options-buy	665,348	698,677
Interest rate options-sell	665,348	698,677
Foreign currency futures	**53,459**	**18,188**
Foreign currency futures-buy	26,940	9,190
Foreign currency futures-sell	26,519	8,998
Other	**137,587**	**178,691**
Derivatives held for hedging:		
Interest Rate Swaps	5,090,000	5,090,000
Total derivative transactions, net	**32,252,969**	**31,860,362**

The above tables summarise the Group's derivative transactions. Each derivative transaction represents a simultaneous receivable and payable to be received and paid, on a future date. Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Group with respect to commitments arising from these transactions.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 18- COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

(b) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group at 31 March 2010 and 31 December 2009:

	Unaudited 31 March 2010			Audited 31 December 2009		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Letters of guarantee issued by the Group						
- Turkish lira	135,763	2,899,670	3,035,433	92,732	2,703,903	2,796,635
- Foreign currency	163,447	2,212,421	2,375,868	142,150	2,528,427	2,670,577
Acceptance credits						
- Turkish lira	-	496	496	708	15	723
- Foreign currency	44,705	9,713	54,418	47,329	10,998	58,327
Letter of credit						
- Turkish lira	-	10,831	10,831	-	893	893
- Foreign currency	1,309,156	768,043	2,077,199	1,031,708	651,083	1,682,791
Other guarantees						
- Turkish lira	91,796	174,285	266,081	88,794	158,005	246,799
- Foreign currency	84,889	135,147	220,036	122,672	155,736	278,408
	1,829,756	**6,210,606**	**8,040,362**	**1,526,093**	**6,209,060**	**7,735,153**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 19 MUTUAL FUNDS

At 31 March 2010, the Group manages 22 (31 December 2009: 18) mutual funds and 19 (31 December 2009: 19) mutual pension funds ("Funds") which were established under Capital Markets Board Regulations. At 31 March 2010, the Funds' investment portfolio includes government bonds, treasury bills and share certificates amounting to TL 5,821,119 (31 December 2009: TL 5,727,412). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0.000275% to 0.001200%. At 31 March 2010, management fees earned by the Group amounted to TL 41,193 (31 March 2009: TL 42,174).

NOTE 20 - RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties in the normal course of business.

Balances with related parties:

	Unaudited 31 March 2010	Audited 31 December 2009
Loans and receivables, net	838,725	635,235
Finance lease receivables	10,956	7,571
Total assets	**849,681**	**642,806**
Customer Deposit	6,210,218	6,191,548
Total liabilities	**6,210,218**	**6,191,548**
Credit related commitments	440,400	747,911
Commitment under derivative instruments	1,410,210	2,005,471
Total commitments and contingent liabilities	**1,850,610**	**2,753,382**

Transactions with related parties:

	Unaudited 31 March 2010	Unaudited 31 March 2009
Interest income on loans	9,182	17,992
Total interest income	**9,182**	**17,992**
Interest expense on deposits	102,941	167,562
Total interest expense	**102,941**	**167,562**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)

Balances with senior management and Board of Directors and their related parties:

	Unaudited 31 March 2010	Audited 31 December 2009
Customer Deposit	668,620	662,782
Total due to customers	**668,620**	**662,782**

For the period ended 31 March 2010, total remuneration of the senior management and Board of Directors amounted to TL 9,222 (31 March 2009: TL 4,336).

As at 31 March 2010, other balances with directors and other key management personnel are immaterial.

NOTE 21 - SEGMENT REPORTING

The Group operates in five main business segments including retail banking, corporate and SME banking, treasury activities, private banking and international banking. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account, customer, customer relationship manager, branch, segment and product. This information is made available to the branch and Head Office personnel through a web based management reporting system.

In scope of retail banking, the Group offers a variety of retail services such as deposit accounts, consumer loans, commercial installment loans, credit cards, insurance products and asset management services. The retail banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate banking and SME banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans, financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Group provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities.

Treasury activities are performed by the Treasury Unit. The Treasury Unit trades in TL and foreign currency instruments on a spot and forward basis, and trade in treasury bills, bonds and other domestic securities together with foreign securities with "AAA" rating. The Marketing and Treasury Group carry out marketing activities of treasury and derivative financial products for customers.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 21 - SEGMENT REPORTING (Continued)

Private banking serves the members of the upper-income groups who have expectations for upperclass service quality both in banking and investment transactions.

International Banking activities are managed by International Banking Unit. The Group provides services for foreign trade financing, foreign currency and TL clearances, and money transfers through agent financial institutions. The international banking unit serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

Other activities including leasing services provided by Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş. and Ak Portföy Yönetim A.Ş. which are the consolidated subsidiaries of the Bank.

Segment information regarding the balance sheets at 31 March 2010 and 31 December 2009 and the income statements for the three-month periods ended 31 March 2010 are as follows:

	Unaudited 31 March 2010						
	Retail banking	**Corporate and SME banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	18,328,774	31,535,244	229,653	52,292,240	332,038	501,799	103,219,748
Equity securities	-	-	-	-	-	-	35,029
Unallocated assets	-	-	-	-	-	-	2,941,323
Total assets							**106,196,100**
Segment liabilities	38,545,360	17,687,089	7,586,855	16,007,749	7,645,728	386,225	87,859,006
Unallocated liabilities	-	-	-	-	-	-	3,144,351
Equity							15,192,743
Total liabilities and equity							**106,196,100**
Segment information regarding the income statement:							
Segment revenue	580,988	295,772	31,100	1,009,670	13,980	27,620	1,959,130
Segment result	205,152	198,021	22,125	907,331	11,245	(64,040)	1,279,834
Dividend income	-	-	-	-	-	3	3
Income and deferred taxes						(256,654)	(256,654)
Profit for the period	205,152	198,021	22,125	907,331	11,245	(320,691)	1,023,183
Other segment items:							
Capital expenditure	18,780	733	333	229	-	18,905	38,980
Depreciation and amortization (Not 17)	(17,052)	(1,147)	(194)	(186)	(55)	(12,515)	(31,149)
Other non-cash expenses	(58,848)	(91,209)	(173)	(43,911)	(132)	(1,496)	(195,769)

As a result of the changes in the organizational structure of the Bank, there are classification differences between business segments of current period and prior period. The main change in the organization structure stems from the transfer of Enterprise Banking into Corporate and SME Banking as of 31 March 2010 which was classified under Retail Banking as of 31 December 2009.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 21 - SEGMENT REPORTING (Continued)

	Audited 31 December 2009						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	19,779,752	27,260,216	246,446	50,655,555	316,127	968,160	99,226,256
Equity securities	-	-	-	-	-	-	28,974
Unallocated assets	-	-	-	-	-	-	3,131,053
Total assets							**102,386,283**
Segment liabilities	38,511,649	15,313,621	6,673,413	18,355,843	5,873,714	470,251	85,198,491
Unallocated liabilities	-	-	-	-	-	-	2,633,927
Equity							14,553,865
Total liabilities and equity							**102,386,283**

	Unaudited 31 March 2009						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the income statement:							
Segment revenue	548,320	170,932	24,117	466,287	19,611	15,606	1,244,873
Segment result	109,837	182,345	17,214	402,155	17,290	(22,576)	706,265
Dividend income	-	-	-	-	-	885	885
Income and deferred taxes	-	-	-	-	-	(144,364)	(144,364)
Profit for the period	**109,837**	**182,345**	**17,214**	**402,155**	**17,290**	**(166,055)**	**562,786**
Other segment items:							
Capital expenditure	3,066	187	67	180	-	6,753	10,253
Depreciation and Amortisation (Not 17)	(15,854)	(1,409)	(208)	(126)	(53)	(12,462)	(30,112)
Other non-cash expenses	(162,306)	(268,418)	(195)	(1,009)	(2)	(5,358)	(437,288)

NOTE 22 - SUBSEQUENT EVENTS

The Bank has increased its paid-in capital from TL 3,000,000 to TL 4,000,000 within registered capital ceiling amounting to TL 5,000,000 with a total increase of TL 1,000,000 met from extraordinary reserves amounting to TL 482,691, profit from subsidiary sales amounting to TL 16,554, income from property sales amounting to TL 755 and differences from inflation adjustment into share capital under other reserves amounting to TL 500,000. The new capital of the Bank is registered by Istanbul Trade Registry Office on 12 April 2010 and published on Turkish Trade Registry Gazette dated 16 April 2010 No. 7545.

The Board of Directors of Akbank T.A.Ş decided to authorize the management to proceed with necessary procedures to issue 5 year USD denominated Eurobonds in international markets with a maximum amount of USD 1 billion.

This page is intentionally left blank

ANNEX A

TURKISH TAX DOCUMENTATION PROCEDURES FOR NOTES HELD THROUGH AN ACCOUNT AT DTC

A. DTC Participant Submission and Maintenance of Beneficial Owner Information

1. At least five New York Business Days prior to each Record Date preceding an Interest Payment Date ("**PD**"), AKBANK T.A.Ş. (the "**Issuer**") shall provide an issuer announcement to Acupay System LLC ("**Acupay**"), and Acupay shall, (a) provide The Depository Trust Company ("**DTC**") with such issuer announcement that will form the basis for a DTC important notice (the "**Important Notice**") regarding the relevant interest payment and request for tax information for the Notes and (b) request DTC to post such Important Notice on its website as a means of notifying DTC participants of the requirements described in this Annex A. "**New York Business Day**" means any day other than a Saturday or Sunday or a day on which banking institutions or trust companies in the City of New York are required or authorized by law, regulation or executive order to close. "**Record Date**" is the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date for payment of interest. "**Interest Payment Date**" is the 22nd day of each July and January of each year (if either such day is not a New York Business Day, the Interest Payment Date will be postponed until the first New York Business Day immediately following such day). "**Notes**" are the US$1,000,000,000 aggregate principal amount of 5.125% Notes due 2015 (the "**Notes**").

2. Beginning on the New York Business Day following each Record Date and continuing until 8:00 p.m. New York time on the fourth New York Business Day prior to each PD (the "**Standard Deadline**"), each DTC participant must (i) enter directly into the designated system established and maintained by Acupay (the "**Acupay System**") the Beneficial Owner identity, country of tax residence information and documentation that may be required by a potential new Turkish tax law (as set forth in Annex C) (the "**Beneficial Owner Information**") and (ii) make an election via the DTC Elective Dividend Service ("**EDS**") certifying the portion of interest on Notes for which it submitted such Beneficial Owner Information (each, an "**EDS Election**"). "**Beneficial Owner**" is an owner of a beneficial interest in the Notes.

3. Each DTC participant must ensure the continuing accuracy of the Beneficial Owner Information and EDS Election, irrespective of any changes in, or in beneficial ownership of, such DTC participant's position in the Notes through 8:00 p.m. New York time on the New York Business Day immediately preceding each PD by making adjustments through the Acupay System and EDS. All changes must be reflected, including those changes (via Acupay) which do not impact the DTC participant's overall position at DTC or the portion of that position at DTC as to which no Beneficial Owner Information has been submitted.

B. Tax Documentation Production and Execution

After entry of Beneficial Owner Information into the Acupay System by a DTC participant, the Acupay System will produce a report (the "**Interest Payment Tax Reports**"), which shall summarize the Beneficial Owner Information introduced and maintained by such DTC participant into the Acupay System, and which shall indicate, per Beneficial Owner, which relevant documentation may be required by a potential new tax law (the "**Tax Documentation**") must be provided to Acupay. When any Interest Payment Date is also a maturity date or a redemption date for the Notes, and if the Notes were initially issued below par with an original issue discount ("**OID**"), a separate set of reports (the "**OID Tax Reports**" and, together with the Interest Payment Tax Reports, the "**Tax Reports**") will be generated by the Acupay System reporting income resulting from the payment of OID at the maturity date or such earlier redemption date. Such DTC participant will then be required to (i) print out, (ii) review, (iii) sign the Tax Report(s) and (iv) fax or send by e-mail a PDF copy of the signed Tax Report(s), along with the indicated Tax Documentation required, directly to Acupay for receipt by the close of business on the Standard Deadline. The original paper Tax Documentation must be retained by the DTC Participant for five years starting from the beginning of the year following the withholding tax due date with respect to the relevant PD (26th of the month following the PD), and shall, during such period, be made available to Acupay upon request.

C. Additional Acupay and DTC Procedures

In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the "**Acupay Verification Procedures**"):

a. comparing the Beneficial Owner Information and Tax Documentation, and Tax Reports provided in respect of each DTC participant's position with the EDS Elections provided by that DTC participant in order to determine whether any discrepancies exist between such information, the corresponding EDS Elections and the DTC participant's position in the Notes at DTC;

b. collecting and collating all Tax Documentation and Tax Reports received from DTC participants;

c. reviewing the Beneficial Owner Information, the Tax Reports and the Tax Documentation using appropriate methodology in order to determine whether the requisite fields of Beneficial Owner Information have been supplied on the Tax Reports and that the requisite Tax Documents have been supplied, and that such Reports and Documents are responsive to the requirements of a potential new Turkish tax law; and

d. liaising with the DTC participants in order to request that such DTC participants:

   i. complete any missing, or correct any erroneous, Beneficial Owner Information identified pursuant to the procedures set forth in a. and c. above;

   ii. correct any erroneous EDS Election identified pursuant to the procedures set forth in a. and c. above;

   iii. submit any Tax Documentation as necessary to correct previously submitted Tax Documentation identified as missing, outdated or otherwise defective; and

   iv. revise any Tax Reports identified pursuant to the procedures set forth in a. and c. above as containing incomplete or inaccurate information.

D. Updating and Verification of Beneficial Owner Information

1. By 9:30 a.m. New York time on the New York Business Day following the Standard Deadline, DTC will transmit to Acupay an "**EDS Standard Cut-off Report**" confirming DTC participant positions and EDS Elections as of the Standard Deadline. By 12:00 p.m. New York time on the New York Business Day following the Standard Deadline, Acupay will transmit to DTC a provisional summary report of all Beneficial Owner Information which has been submitted through the Acupay System as of the Standard Deadline, provisionally confirmed, to the extent possible, against the information set forth in the EDS Standard Cut-off Report. The provisional summary report shall set forth (i) the position in the Notes held by each DTC participant as of the Standard Deadline and (ii) the portion of each DTC participant's position in the Notes in respect of which Tax Reports or Tax Documentation has been provided.

2. DTC participants will be required to ensure that Beneficial Owner Information entered into the Acupay System and the EDS Elections are updated to reflect any changes in beneficial ownership or in such DTC participants' positions in the Notes occurring between the Standard Deadline and 8:00 p.m. New York time on the New York Business Day immediately preceding the PD. For this purpose, the DTC EDS system will remain accessible to DTC participants until 8:00 p.m. New York time on the New York Business Day immediately preceding the PD. In addition, Acupay will accept new or amended Beneficial Owner Information before 9:45 a.m. New York time, and DTC will accept requests for changes to EDS Elections at the request of DTC participants until 9:45 a.m. New York time on each PD.

3. Beginning at 7:45 a.m. New York time on the PD, Acupay will through the Acupay Verification Procedures (as defined above) perform the final review of each DTC participant's Beneficial Owner Information, EDS Elections and changes in DTC position since the Standard Deadline. Based on these Acupay Verification Procedures, Acupay will (i) seek to notify any affected DTC participant until 9:45 a.m. New York time on such PD of any inconsistencies among these data, or erroneous or incomplete information provided by such DTC participant and (ii) use its best efforts to obtain revised Beneficial Owner Information, Tax Reports and Tax Documentation (as defined above) and/or EDS Elections from any such DTC participant as necessary to correct any inconsistencies or erroneous or incomplete information.

4. DTC will transmit a final "**Report to Paying Agent**" to Acupay by 10:30 a.m. New York time on each PD setting forth each DTC participant's position in the Notes as of 8:00 p.m. New York time on the New York Business Day immediately preceding each PD, as applicable, based on the status of the EDS Elections received by DTC for each DTC participant as of 9:45 a.m. New York time on the PD and reflecting the adjustments, if any, to be made by DTC to the EDS described in paragraph D.3 above of this Article I of Annex A.

5. Acupay shall immediately, but no later than 11:00 a.m. New York time on each PD, release (through a secure data upload/download facility) PDF copies of the final Report to Paying Agent to the Principal Paying Agent and the Issuer, along with PDF copies of the related Tax Documentation and Reports to the Issuer.

6. Acupay shall maintain records of all Tax Documentation and Tax Reports (and other information received through the Acupay System) for five years starting from the beginning of the year following the withholding tax due date with respect to the relevant PD (26th of the month following the PD), and shall, during such period, make copies of such records available to the Issuer at all reasonable times upon request. In the event that the Issuer notifies Acupay in writing that it is the subject of a tax audit, Acupay shall maintain such duplicate backup copies until the relevant statute of limitations applicable to any tax year subject to audit expires.

E. Interest Payments

1. On or prior to each PD, the Issuer will transmit to the Principal Paying Agent an amount of funds sufficient to make interest payments on the outstanding principal amount of the Notes gross of any Turkish withholding tax being assessed.

2. By 1:00 p.m. New York time on each PD, the Principal Paying Agent will subject to receipt of cleared funds from the Issuer pay DTC for the benefit of the relevant Beneficial Owners the interest payment gross of Turkish withholding tax.

This page is intentionally left blank

ANNEX B

TURKISH TAX DOCUMENTATION PROCEDURES FOR NOTES HELD THROUGH AN ACCOUNT AT EUROCLEAR

Capitalized terms used but not otherwise defined in this Annex B shall have the meaning ascribed to them in Annex A.

A. *Euroclear participant Submission and Maintenance of Beneficial Owner Information*

1. Twenty three Business Days prior to each Interest Payment Date ("**PD**") AKBANK T.A.Ş. (the "**Issuer**") shall provide Citibank, N.A., London Branch (the "**Principal Paying Agent**") and the Principal Paying Agent shall (a) forward to Euroclear Bank S.A./N.V. ("**Euroclear")** and JPMorgan Chase Bank, N.A., its specialized depositary ("**Specialized Depositary**"), with an announcement which will form the basis for a Euroclear "**DACE Notice**" regarding the related interest payment and request for tax information and (b) request Euroclear to send such DACE Notice to its participants, notifying them of the requirements described below in this Article I of this Annex B.

2. At least 20 calendar days prior to each PD, Euroclear will release a DACE Notice to its participants with positions in the Notes notifying them of the requirements described below in this Article I of this Annex B.

3. Beginning at 6:00 a.m. CET/CEDT as of the first New York Business Day following the issuance of the DACE Notice and until 6:45 p.m. CET/CEDT on the New York Business Day preceding each relevant PD ("**PD-1**") (the "**Routine Certification Deadline**"), each Euroclear participant must enter the Beneficial Owner identity, country of tax residence and legal entity type information that may be required by a potential new Turkish tax law and set forth in Annex C (the "**Beneficial Owner Information**") directly into the system established and maintained for that purpose (the "**Acupay System**") by Acupay System LLC ("**Acupay**"). Each Euroclear participant must ensure that Beneficial Owner Information is accurate and that it is maintained in line with its income entitlement determined based on its holdings at the close of business in New York on PD-1. All changes in beneficial ownership must be reflected, including those changes (via Acupay), which do not impact the Euroclear participant's overall position at Euroclear. Beginning on the 20th New York Business Day prior to PD Euroclear will provide to Acupay via the Acupay System confirmations of securities entitlements for Euroclear participants. Such confirmations will be kept up to date and reflective of any changes in such securities entitlements that occur through 3:45 p.m. CET/CEDT on PD.

B. *Tax Documentation Production and Execution*

1. After entry of Beneficial Owner Information into the Acupay System by a Euroclear participant, the Acupay System will produce a report (the "**Interest Payment Tax Report**"), which shall summarize the Beneficial Owner Information introduced by such Euroclear participant into the Acupay System, and which shall indicate, per Beneficial Owner, which relevant documentation required by Turkish tax law (the "**Tax Documentation**") must be provided to Acupay. When any PD is also the maturity date or a redemption date for the Notes, and if the Notes were initially issued below par with an Original Issue Discount ("**OID**"), a separate set of Tax Reports (the "**OID Tax Reports**" and together with the Interest Payment Tax Reports, the "**Tax Reports**") will be generated by the Acupay System reporting income resulting from the payment of OID at Maturity or such earlier redemption date. Such Euroclear participant will then be required to (i) print out, (ii) review, (iii) sign the Tax Report(s) and (iv) fax or send by e-mail a PDF copy of the Tax Report(s), along with the indicated Tax Documentation required, to Acupay and Euroclear for receipt by the Routine Certification Deadline. The original paper Tax Documentation must be stored by the Euroclear Participant for five years starting from the beginning of the year following the withholding tax due date with respect to the relevant PD (26th of the month following the PD), and shall, during such period, be made available to Acupay upon request.

C. *Additional Acupay and Euroclear Procedures*

In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the "**Acupay Verification Procedures**"):

a. comparing the Beneficial Owner Information and Tax Documentation provided in respect of each Euroclear participant's position, as confirmed by Euroclear to Acupay, with the EDS Elections provided by Euroclear's Specialized Depositary in order to determine whether any discrepancies exist between such information, the corresponding EDS Elections and the Euroclear participant's position in the Notes at Euroclear;

b. collecting and collating all Tax Documentation received from the Euroclear participants;

c. reviewing the Beneficial Owner Information, the Tax Reports and the Tax Documentation using appropriate methodology in order to determine whether the requisite fields of Beneficial Owner Information have been supplied on the Tax Reports and that the requisite Tax Documents have been supplied, and that such Reports and Documents are responsive to the requirements of Turkish tax law;

d. liaising with the relevant Euroclear participants in order to request that such Euroclear participants:

   i. complete any missing or correct any erroneous Beneficial Owner Information identified pursuant to the procedures set forth in a. and c. above;

   ii. correct any erroneous EDS Election identified pursuant to the procedures set forth in a. and c. above;

   iii. submit any Tax Documentation as necessary to correct previously submitted Tax Documentation identified as missing, outdated or otherwise defective; and

   iv. revise any Tax Reports identified pursuant to the procedures set forth in a. and c. above as containing incomplete or inaccurate information.

D. ***Updating and Verification of Beneficial Owner Information***

1. Euroclear will direct its Specialized Depositary to (a) transmit to Acupay via the Acupay System periodic position confirmations (of Euroclear's aggregate settled position of the Notes held through the Specialized Depositary's account at DTC). Therefore, the Specialized Depositary will transmit such reports by (i) 7:00 p.m. CET/CEDT on the tenth New York Business Day prior to PD (reporting Euroclear's aggregate settled position as of 6:00 p.m. CET/CEDT on such date); (ii) 7:00 p.m. CET/CEDT on the second New York Business Day prior to PD (reporting Euroclear's aggregate settled position as of 6:00 p.m. CET/CEDT on such date) and (iii) 6:30 p.m. CET/CEDT on PD-1 (reporting Euroclear's aggregate settled position as of 6:00 p.m. CET/CEDT on such date), and (b) make elections via the DTC EDS (as defined in Annex A) relaying the aggregate position of Euroclear participants. Such EDS Elections must be made prior to 3:45 p.m. CET/CEDT on the PD with respect to Beneficial Owner Information received prior to the Routine Certification Deadline or as agreed in accordance with paragraph D.3 of this Article I of this Annex B below.

2. Beginning on the first New York Business Day following the issuance of the DACE Notice and continuing through to the Routine Certification Deadline, Acupay will utilize the Acupay Verification Procedures to attempt to identify any problems that may exist with Tax Reports and Tax Documentation that has been received via the Acupay System and will seek to notify Euroclear and any affected Euroclear participants of any inconsistencies among these data, or erroneous or incomplete information provided with respect to such Euroclear participant's position.

3. At the Routine Certification Deadline, the Acupay System will be closed to Euroclear participants, unless the Specialized Depositary, Euroclear and Acupay jointly agree to allow Euroclear participants' access to the Acupay System for exceptional late cancellations or late submissions of Tax Documentation. At 7:00 p.m. CET/CEDT on PD-1, Acupay will deliver to Euroclear the "**Prior Night Status Report**". This report will indicate, for each Note position held by Euroclear participants, the Turkish withholding tax status.

4. Beginning at 9:00 a.m. CET/CEDT on the relevant PD, Acupay will perform a final review of each Euroclear participant's Beneficial Owner Information, Euroclear positions and changes in Euroclear's aggregate position since the Routine Certification Deadline, using the Acupay Verification Procedures. Based on this final review, Acupay will seek to notify any affected Euroclear participant and Euroclear of any inconsistencies among these data, or erroneous or incomplete information provided with respect to such Euroclear participant's position and may (but only as described above in paragraph D.3 of this Article I of this Annex B) accept revised

Tax Reports or Tax Documentation from Euroclear participants as necessary to correct such inconsistencies. No changes to Beneficial Owner Information or Tax Reports or Tax Documentation should occur. However, in case of incomplete Beneficial Owner Information, errors in Tax Reports or Tax Documentation, or the need to input new Tax Reports or Tax Documentation after the Routine Certification Deadline the Specialized Depositary, Euroclear and Acupay may jointly agree to allow Euroclear participants with access to the Acupay System on PD for exceptional late (i) cancellations of previously submitted Tax Reports or Tax Documentation and/or (ii) submissions of new Tax Documentation. Such exceptional operations must be completed prior to 2:45 p.m. CET/CEDT on PD and must be accompanied, as necessary, by appropriate (x) position confirmations by the Specialized Depositary, (y) elections by the Specialized Depositary in the DTC EDS as instructed by Euroclear, and (z) position confirmations by Euroclear.

5. At 4:15 p.m. CET/CEDT on PD, Acupay will deliver to Euroclear a Final Status Report.

6. By 5:00 p.m. CET/CEDT on PD, Acupay will release to the Issuer PDF copies of all Tax Reports and Tax Documentation which have been properly verified and to the Issuer and the Principal Paying Agent the final Report to Paying Agent.

7. Acupay shall maintain records of all Tax Reports and Tax Documentation (and other information received through the Acupay System) for five years starting from the beginning of the year following the withholding tax due date with respect to the relevant PD (26th of the month following the PD), and shall, during such period, make copies of such records available to the Issuer at all reasonable times upon request. In the event that the Issuer notifies Acupay in writing that it is the subject of a tax audit, Acupay shall maintain such duplicate backup copies until the relevant statute of limitations applicable to any tax year subject to audit expires.

E. ***Interest Payments***

1. On or prior to each PD, the Issuer will transmit to the Principal Paying Agent an amount of funds sufficient to make interest payments on the outstanding principal amount of the Notes gross of any Turkish withholding tax being assessed.

2. By 1:00 p.m. New York time on each PD the Principal Paying Agent will subject to receipt of cleared funds from the Issuer pay DTC the aggregate interest to be distributed on the notes on the PD gross of any Turkish withholding taxes.

This page is intentionally left blank

ANNEX C

DOCUMENTATION REQUIRED PURSUANT TO THE TURKISH TAX DOCUMENTATION PROCEDURE

Capitalised terms used but not otherwise defined in this Annex C shall have the meaning ascribed to them in Annexes A and B.

1. If the holder of a Note is not resident in Turkey for tax purposes and is a natural person, the Tax Documentation required for the holder in question is a certificate of tax residency issued by the tax authorities of the country of tax residence of such Beneficial Owner (a "**Government Tax Residency Certificate**"). If a copy of such document will be provided such copy must be officially stamped or confirmed or accompanied by an official stamp or other form of confirmation from a government agency attesting that such copy is a true copy of the original document. Such Government Tax Residency Certificate, including any related governmental attestation of the veracity of such document, will be valid until the end of the fourth month of the calendar year following the calendar year of its issuance.

2. If the holder of a Note is a legal entity, the Tax Documentation required for the holder in question is a copy of the certificate of incorporation, or other similar document which has been validly filed with one or more government authorities of the government in which the investor entity is domiciled and a certificate of tax residency issued by the tax authorities of the country of tax residence of such Beneficial Owner (a "**Government Tax Residency Certificate**"). The certificate of incorporation or other similar document must indicate (i) trade name of the investor entity, (ii) the year in which the investor entity was formed, (iii) type of legal entity and (iv) the activities which such investor entity is authorized or intended to undertake. The copies of both the Government Tax Residency Certificate and the Certificate of Incorporation must be officially stamped or confirmed or accompanied by an official stamp or other form of confirmation from a government agency attesting that such copies are true copies of the original documents. Each Government Tax Residency Certificate including any related governmental attestation of the veracity of such document will be valid until the end of the fourth month of the calendar year following the calendar year of its issuance. The Certificate of Incorporation, including the related governmental attestation of the veracity of such document, will be valid for three years following the date of the governmental attestation of veracity.

This page is intentionally left blank

ISSUER

AKBANK T.A.Ş.
Sabancı Center 4. Levent 34330
İstanbul
Turkey

INITIAL PURCHASERS

Banc of America Securities LLC
Bank of America Tower
One Bryant Park
New York,
New York 10036
USA

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Standard Chartered Bank
1 Basinghall Avenue
London EC2V 5DD
United Kingdom

FISCAL AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

TAX CERTIFICATION AGENT

Acupay System LLC
30 Broad Street
New York,
New York 10004
USA

28 Throgmorton Street
London EC2N 2AN
United Kingdom

LEGAL COUNSEL TO THE INITIAL PURCHASERS AS TO ENGLISH AND UNITED STATES LAW

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

LEGAL COUNSEL TO THE INITIAL PURCHASERS AS TO TURKISH LAW

Paksoy Ortak Avukat Bürosu
Sun Plaza
Bilim Sokak No: 5 K:14
Maslak, 34398 Istanbul
Turkey

LEGAL COUNSEL TO THE ISSUER AS TO UNITED STATES LAW

Baker & McKenzie LLP
1114 Avenue of the Americas
New York,
New York 10036
USA

LEGAL COUNSEL TO THE ISSUER AS TO ENGLISH LAW

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

LEGAL COUNSEL TO THE ISSUER AS TO TURKISH LAW

Cerrahoglu Law Firm
Barbaros Bulvarı,
Morbasan Sokak,
Cerrahoglu Binası, Balmumcu,
Beşiktaş, 34349
Istanbul
Turkey

AUDITORS TO THE ISSUER

Ernst & Young
Büyükdere Cad. Beytem Plaza
Kat 9-10 Şişli Istanbul
Turkey

PricewaterhouseCoopers
Süleyman Seba Cad. BJK Plaza No:48
B Blok, Kat 9 Akaretler
34357 Beşiktaş İstanbul
Turkey

imprima — C102997

AKBANK T.A.Ş.

US$1,000,000,000 5.125% Notes due 2015

OFFERING MEMORANDUM

20 July 2010

BofA Merrill Lynch

Citi

J.P. Morgan

Standard Chartered Bank

Joint Lead Managers

AKBANK US$1,000,000,000 5.125% Notes due 2015