IMPORTANT NOTICE

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

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 US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE US OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE US OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US 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 US PERSON OR TO ANY US 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. 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-US persons (as defined in Regulation S) outside of the US. 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 US 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 US 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 Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc nor Merrill Lynch International, 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.

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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

AKBANK T.A.Ş.

a Turkish banking institution organised as a joint stock company

TL 1,000,000,000 7.500% Notes due 2018

Akbank T.A.Ş., a Turkish banking institution organised as a joint stock company (''the ''**Issuer**''), is issuing TL 1,000,000,000 7.500% Notes due 2018 (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 ''**US**''), the Republic of Turkey (''**Turkey**''), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the ''**US 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 US 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 206 and ''Transfer Restrictions'', beginning on page 209.

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 5 February and 5 August in each year; *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 5 February 2018, 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 100% of the principal amount thereof.

Payments of principal and interest in respect of the Notes will be made in Turkish Lira unless a Noteholder has made an irrevocable election, pursuant to Condition 7.2, to receive a forthcoming payment of principal or interest in US Dollars.

This Offering Memorandum (the ''**Offering Memorandum''**) has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the ''**Prospectus Directive''**) as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). The Central Bank of Ireland only approves this Offering Memorandum as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market (the ''**Main Securities Market''**). Such approval only relates to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. 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 Main Securities Market. The Main Securities 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. 6362 of the Republic of Turkey relating to Capital Markets (the ''**Capital Markets Law**'') for the approval of the issuance certificate (*ihraç belgesi*) relating to the Notes with the CMB and the issuance of the Notes by the Issuer outside Turkey. The issuance of the Notes was approved by the CMB on 24 January 2013, and the issuance certificate relating to the Notes is expected to be obtained from the CMB on or about 4 February 2013.

The Notes are expected on issue to be rated BBB by Fitch Ratings Ltd. (''**Fitch**'') and Baa2 by Moody's Investors Services Limited (''**Moody's**''). As at the date of this Offering Memorandum, the sovereign debt of the Republic of Turkey had a foreign currency rating of BBB- (stable outlook) and a local currency rating of BBB (stable outlook) by Fitch, Ba1 (positive outlook) by Moody's, a foreign currency rating of BB (stable outlook) and a local currency rating of BBB- (stable outlook) by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw Hill Companies, Inc. (together with Fitch and Moody's, the ''**Rating Agencies**''). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Offering Memorandum, each of the Rating Agencies is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the ''**CRA Regulation**''). As such, the Rating Agencies are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Under current Turkish tax law, withholding tax at the rate of 0% applies to interest on the Notes. See ''Taxation – Certain Turkish Tax Considerations.''

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER ''RISK FACTORS'' BEGINNING ON PAGE 8 OF THIS OFFERING MEMORANDUM.

For a more detailed description of the Notes, see ''Conditions of the Notes'' beginning on page 181.

The Notes are being offered under Rule 144A and under Regulation S by Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc and Merrill Lynch International (collectively, the ''**Initial Purchasers**''), subject to their acceptance and right to reject orders in whole or in part.

Notes offered and sold in the United States to QIBs in reliance on Rule 144A (the ''**Rule 144A Notes**'') will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the ''**Restricted Global Certificate**''). Notes offered and sold outside the United States to non-US persons pursuant to Regulation S (the ''**Regulation S Notes**'') will be represented by beneficial interests in a single, permanent global certificate in fully registered form without interest coupons (the ''**Unrestricted Global Certificate**'' and, with the Restricted Global Certificate, the ''**Global Certificates**''). The Global Certificates will be registered in the name of a nominee of a common depositary for Euroclear Bank S A/N V (''**Euroclear**'') and Clearstream Banking, société anonyme (''**Clearstream, Luxembourg**''). It is expected that delivery of the Global Certificates will be made in immediately available funds on 5 February 2013 (i.e., the fourth 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+4'').

BofA Merrill Lynch **Citigroup** **Deutsche Bank** **HSBC** **J.P. Morgan**

The date of this Offering Memorandum is 4 February 2013.

This Offering Memorandum together with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference") 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, Interim Financial Statements and Quarterly BRSA Financial Statements (each as defined in "Presentation of Financial and Other Information") which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Offering Memorandum.

The Issuer, having made all reasonable enquiries, confirms that this Offering Memorandum and the documents which are deemed to be incorporated herein by reference 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 and the documents which are deemed to be incorporated herein by reference is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Memorandum and the documents which are deemed to be incorporated herein by reference are honestly held and that there are no other facts the omission of which would make this Offering Memorandum and the documents which are deemed to be incorporated herein by reference 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 Issuer 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 and the documents which are deemed to be incorporated herein by reference. 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 any document incorporated by reference herein, and nothing contained in this document or any document incorporated by reference herein 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 or any document incorporated by reference herein. 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. In particular, each potential investor should:

(a) 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;

(b) 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;

(c) 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 (US Dollar) is different from the potential investor's currency;

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

(e) 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

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 Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc and Merrill Lynch International.

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 US 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 US 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 authorised by the CMB in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency ("**Decree 32**"), the Capital Markets Law No. 6362 and Articles 6 and 25 of Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments (the "**Communiqué**"). The Notes (or beneficial interests therein) may only be offered or sold to real persons and legal entities (i) domiciled outside of Turkey; or (ii) domiciled in Turkey provided that (x) they are Qualified Investors (within the meaning of the Communiqué); or (y) they are legal entities and the sale is conducted by way of a private placement where the number of investors does not exceed one hundred, in accordance with the Banking Regulatory and Supervisory Agency (the "**BRSA**") decisions dated 6 May 2010 No. 3665 and 30 September 2010 No. 3875 and the CMB decision dated 24 January 2013 No. 108 authorising the offering of the Notes. Pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell the Notes (or beneficial interests therein) provided that such sale and purchase is made through banks or licensed brokerage institutions authorised pursuant to the CMB regulations. Following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of public offering or private placement may be engaged in. Further, pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the capital market instruments which are traded abroad such as the Notes (or beneficial interests therein) in secondary markets by residents of Turkey, provided that they purchase or sell such Notes (or beneficial interests) through banks or licensed brokerage institutions authorised pursuant to the CMB regulations. The approval of the issuance certificate (*ihraç belgesi*) relating to the Notes is expected to be obtained from the CMB on or about 4 February 2013. As stated in the resolution of the BRSA dated 30 September 2010 No. 3875, monies paid to purchase Turkish Lira denominated bonds (including the Notes) are not under the insurance coverage of the Savings Deposit Insurance Fund ("**SDIF**").

Notes offered and sold 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. Notes offered and sold outside the United States to non-US persons pursuant to Regulation S will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons. 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 Euroclear and Clearstream, Luxembourg. 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 the Irish Stock Exchange to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Main Securities Market; 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 US, 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 together with all documents which are deemed to be incorporated herein by reference. 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 and in the documents which are deemed to be incorporated herein by reference, 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, the Banks' Association of Turkey's website www.tbb.org and the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days during the months of June, July, August, September, October, November and December 2012 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, constitute the best current estimates of the information described.

The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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, have 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 CONSIDERATIONS

The withholding tax rates for interest payments of bonds issued by Turkish companies outside of Turkey vary depending upon the maturity of such bonds as specified under Decree No. 2010/1182 dated 29 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (the "**Decrees**"). According to these Decrees, the withholding tax rate on interest payments on the Notes (including any original-issue discount) is 0%. See "Taxation – Certain Turkish Tax Considerations."

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OVERVIEW OF AKBANK

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Offering Memorandum, including the Financial Statements incorporated by reference. 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 on 30 January 1948, it was originally established with the core objective of providing funding for local cotton producers. Its first branch was opened 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. The Bank's telephone number is +90 212 385 55 55.

Akbank carries out its activities from its head office and 23 regional offices throughout Turkey. Its network of 950 domestic branches as at 30 June 2012 provides Akbank with the ability to reach a nationwide base of customers.

Akbank operates in five main business segments: (i) Consumer Banking; (ii) Corporate, Commercial and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. It offers a wide range of consumer, commercial and SME, corporate and private banking services as well as international trade financing. Non-banking financial services along with capital markets, brokerage and investment services are provided by Akbank's subsidiaries including AKSecurities, AKAssetManagement and AKLease. Akbank does not have any subsidiaries that are not involved in financial services.

Akbank has an international presence through its subsidiaries in Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited), and through a branch in Malta.

In addition to the Bank's traditional delivery channels such as its branches, Akbank also serves its customers through its Consumer and Corporate Internet Branches, its Telephone Banking Center, approximately 4,000 ATMs, more than 290,000 POS terminals, and the Akbank Banking Centre, which commenced its services in 2010 and as at the date of this Offering Memorandum is one of the highest transaction capacity operations centres in Turkey, as well as other high-tech channels.

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, currently holding a 49.03% stake in the Issuer's issued share capital. Floated to the public in 1990, Akbank's shares began trading on international markets and as American Depository Receipts ("**ADRs**") after its secondary public offering in 1998.

In January 2007, Citigroup acquired a 20% equity stake in the Issuer. In May 2012, Citigroup sold 10.1% of its stake in the Issuer due to its capital planning preparations for the application of Basel III requirements. Citigroup has committed to hold the remaining 9.9% of the Issuer's shares for a three year lock-up period following the sale.

As at 30 June 2012, 41.1% of the Issuer's shares were publicly traded on the Istanbul Stock Exchange ("**ISE**") and the Bank's Level 1 ADRs are traded on the over-the-counter ("**OTC**") market in the United States. Akbank's market capitalisation stood at TL26.5 billion as at 30 June 2012.

For the six months to 30 June 2012, Akbank's net profits were TL1.1 billion, a decrease of 19.3% from TL1.4 billion in the six month period to 30 June 2011. Akbank's net profits were TL2.6 billion for the year ended 31 December 2011. The year on year fall in net income was mainly related to the effect of the increasing cost of liabilities due to the Central Bank's tight monetary policy and regulatory changes related to general loan loss provisions and fee income. As at 30 June 2012, Akbank's total assets stood at TL144.3 billion, an increase of 3.6% and 20.6% from TL139.3 billion and TL119.7 billion as at 31 December 2011 and 2010, respectively. As at 30 June 2012, Akbank's total shareholder's equity (excluding non-controlling interests) stood at TL19.6 billion, an increase of 7.2% and 8.6% from TL18.3 billion and TL18.0 billion respectively as at 31 December 2011 and 2010, respectively.

Business Segments – Overview

Akbank operates in five main business segments. See "Business of Akbank – Akbank's Business Segments": (i) Consumer Banking; (ii) Corporate, Commercial 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 30 June 2012 and as at 31 December 2011 and 2010 differs from the classification as at 31 December 2009.

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, ATMs and telephone and internet banking. Gross profit from retail banking was TL554.2 million for the year ended 31 December 2011, which, when compared to the same period in 2010 was a decrease of 16.7% from TL665.5 million and an increase in 2010 of 17.4% from TL566.7 million for the same period in 2009 representing a cumulative decrease of 2.2% from 2009 to 2011. Gross profit from retail banking was TL262.6 million for the six months to 30 June 2012.

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' requirements 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 TL920.5 million for the year ended 31 December 2011, an increase of 2.0% from TL902.5 million for the year ended 31 December 2010, and an increase of 34.7% from TL669.9 million for the same period in 2009, representing a cumulative increase from 2009 to 2011 of 37.4%. Gross profit for Corporate and SME Banking was TL514.1 million for the six months ended 30 June 2012. Gross profit for Corporate and SME Banking before 31 December 2010 did not take into account profit generated by Small Business Banking. See "Business of Akbank – 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 domestic fixed income 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 TL1.6 billion for the year ended 31 December 2011, a decrease of 25.5% from TL2.1 billion for the same period in 2010 and an increase of 2.2% in 2010 from TL2.1 billion for the same period in 2009, respectively representing a cumulative decrease in the period from 2009 to 2011 of 23.9%. Gross profit from private banking for the six months to 30 June 2012 was TL572.2 million. See "Business of Akbank – 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 TL125.9 million for the year ended 31 December 2011, an increase of 21.3% from TL103.8 million for the same period in 2010 and an increase of 36.2% in 2010 from TL76.2 million for the same period in 2009, representing a cumulative increase from 2009 to 2011 of 65.3%. Gross profit from private banking for the six months to 30 June 2012 was TL90.3 million. See "Business of Akbank – 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 counterparty financial institutions. The International Business Development Division was established in August 2010 within the International Banking Unit. The main responsibilities of this department are to offer a complementary service to its clients to support their business activities within its responsibility area and to originate proprietary deals for the benefit of the Bank. To achieve this, the department plans to use several methods including but not limited to expanding relationships between the Bank and financial institutions and corporates in those countries, strengthening the market share of the Bank in the foreign trade business, more closely monitoring those countries to identify potential clients and referring potential deals to the related business lines and proposing new representative offices, branches or subsidiaries as may be supported by the business.

In addition to financing through Eurobond issuance, 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 TL34.0 million for the year ended 31 December 2011, a decrease of 41.0% from TL57.6 million for the year ended 31 December 2010, and a decrease of 6.7% from TL61.7 million for the same period in 2009, representing a cumulative decrease from 2009 to 2011 of 44.9%. Gross profit from International Banking was TL31.4 million for the six months ended 30 June 2012. See "Business of Akbank – Akbank's Business Segments – International Banking".

Competitive Strengths

Akbank believes that it has the following competitive strengths:

- ***Strong and Well Known Turkish Franchise, Trusted Brand, Diversified Portfolio of Banking Assets.*** Akbank believes that it has established itself as one of the most widely-recognised and trusted private banks in Turkey as a result of its 64-year operating history through often turbulent Turkish financial markets, its long-standing focus on prudent risk management and its record of financial stability. Akbank has focused virtually all of its business in Turkey, with approximately 95% of its assets in Turkey on the basis that this is the market that it knows best and where it enjoys a strong competitive position. Akbank is Turkey's third largest private bank in terms of asset size as at 30 June 2012 (*source: The Banks Association of Turkey*). It offers a broad portfolio of consumer and commercial products and has well-established relationships with its client base. Akbank has a wide distribution network with 950 domestic branches and over 8.5 million customers, as well as a large network of increasing alternative delivery channels, which include the Akbank Banking Center, over 290,000 point-of-sale terminals and approximately 4,000 ATMs, as at 30 June 2012. In the six months to 30 June 2012, Akbank's share (in each case, by lending volume) of the general purpose loans market increased to 9.2% from 8.4%, its share of the mortgage loans market share increased to 10.8% from 10.0% and its share of the credit card loans market increased to 19.1% from 17.4% (*source: BRSA*). Akbank believes that its strong franchise and position in consumer, commercial and SME banking enables it to benefit from economies of scale and provide a strong platform for sustained profitability in the Turkish banking market. Akbank also has a stable controlling shareholder which allows for fast decision making in case of critical decisions, continued stability in a difficult global environment and gives it the ability to implement the Bank's vision.

  The strength of Akbank's Turkish franchise has been recognised through numerous awards in 2011 and 2012:

  - Most Valuable Turkish Banking Brand – Brand Finance
  - Best Bank in Turkey – EMEA Finance
  - Best Financial Institution Borrower in EMEA – EMEA Finance
  - Best Bank in Turkey – Global Banking and Finance Review
  - Turkey's Best FX Provider Bank – Global Finance
  - Overall Best Private Bank in Turkey – Euromoney
  - SME Loan for Small Businesses Excellence in SME Customer Service – Financial World Innovation Awards
  - Best Bank Use of CRM in Marketing – Retail Banker International
  - First and only Turkish institution to win the award in the "Integrated Marketing" category of Gartner's CRM Excellence Awards

- ***Robust Capital Structure; Conservative Liquidity and Funding Policy.*** As at 30 June 2012, Akbank's robust capital structure was demonstrated by its capital adequacy ratio of 15.8% (under BRSA), Tier 1 ratio of 14.9%, leverage ratio (calculated as total assets divided by total equity) of 7.4x and shareholders' equity of TL19.6 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, overnight interbank deposits, the balances of Akbank's nostro accounts and statutory reserves divided by the Bank's total liabilities) of 8.5% at 30 June 2012. Akbank's funding strategy includes maintaining a substantial percentage of its liabilities in the form of customer deposits. Although customer deposits in Turkey are typically 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 96.95% 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 substantial and stable deposit base and it has benefitted from a "flight to quality" during difficult market conditions, with deposits having grown at a rate of 6.1% to TL98.8 billion as at 30 June 2012 from TL93.2 billion as at 31 December 2011.

Akbank has been a market leader among Turkish financial institutions in domestic and international capital markets, with the first direct issuance of a Eurobond in 2010. Its total outstanding domestic bonds amount to TL2.6 billion and its international Eurobonds amount to US$1.4 billion as of 30 June 2012.

In an environment where banks' financial strength is becoming an indicator of growth prospects, Akbank's robust capital ratio, its high net stable funding ratio, low loans to deposits ratio, low leverage and effective risk management policy are indicative of its financial strength and support the Bank's profitable growth.

- ***Prudent and Effective Risk Management; Superior Asset Quality.*** Akbank's management believes that 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 continuing through establishing conservative provisioning policies. Under the Sabancı family and group ownership, Akbank successfully weathered the 2000-2001 banking crisis in Turkey with a low NPL ratio and was able to strengthen its position in the market, making strong market share gains after the crisis. Akbank was similarly able to weather the effects of the 2008 global crisis. This has largely been due to the prudent approach of Akbank's Board prior to the crises and decisive action taken in controlling risk. In anticipation of the upcoming risks in credit quality due to the global economic downturn, Akbank has implemented and enhanced its state-of-the-art risk management systems to ensure a consistently high level of asset quality. Akbank has always believed that banking involves balancing risk and matching assets to liabilities. The Board has continuously stressed the importance of a solid balance sheet and a strong financial position. Akbank's 14.9% Tier 1 capital ratio and it 7.4x leverage ratio are the legacy of this approach. Through effective risk management practices, Akbank's NPL ratio has decreased to 1.6% at 30 June 2012 from 3.8% at 31 December 2009 and is well below the sector average of 2.7% (*Source: BRSA*). Akbank has also established a separate risk division below Board level so that all risks are monitored by its Executive Risk Committee and its Executive Management Committee reviews all aspects of the Bank's business, including the Bank's risks. In addition to the Audit Committee, which assists the Board in reviewing the Bank, the Bank also has a Corporate Governance and Social Responsibility Committee overlooking such risks.

- ***Record of Innovation.*** Akbank has a strong track record of developing an innovative range of products and services, including innovative lending products, such as 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. It has also expanded its investment product portfolio, including introducing Turkey's first mass market structured deposits and structured funds in 2007, BRIC Fund in 2009 as well as Akbank T.A.Ş. Franklin Templeton Umbrella Funds to enable Turkish investors to invest in four continents (Asia, Europe, North America and South America) in 2011.

  In line with its focus on providing top quality products and services to its customers, some of the innovative services Akbank launched during 2011 were as follows:

  - "SMS Loan for Business Owners" – an application which allows small business owners to apply for commercial loans via SMS without the need to visit a branch;
  - "Send Money" – a new mobile banking application which allows customers to make money transfers at any time and location in 20 seconds via their mobile phones;
  - "Akbank Pay from Pocket" – a service which was developed in conjunction with Visa Europe to allow customers to make payments from their mobile phones, turning mobile phones into mobile wallets;
  - the launch of bundled products to increase customer cross sell ratios; and

- initiating its "Savings Campaign" to enhance saving habits of the public through its pension funds, gold and accumulating savings accounts.

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 while sustaining its profitability. To achieve this objective, Akbank has identified the following strategic priorities for 2013 and beyond.

- ***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 in Selected Customer Segments and Products.* Turkey is a rapidly growing country with GDP having grown at 8.5% year-on-year in 2011. After achieving high growth rates in 2010 and 2011, the economy is projected to have a soft landing in the first half of 2012 with a GDP growth rate of 3.2% (*source: Turkstat*). According to the "Medium-Term Program (2013-2015)" prepared by the Republic of Turkey Ministry of Development, which was approved by the Council of Ministers on 10 September 2012, and published in the Reiterated Official Gazette dated 9 October 2012 and numbered 28436, GDP growth forecasts in 2012 were updated to 3.2% (from 4%), and 4% in 2013 (from 5%). The strong growth in the Turkish economy has contributed to growth in Akbank's consumer loans in 2011 and the first half of 2012, with consumer loans (excluding credit cards) increasing at a rate of 19% compared to 2010 in 2011. In addition, despite growth in the Turkish banking sector, a considerable portion of the Turkish population use limited or no banking services, which is expected to yield additional opportunities to grow the customer base as the Turkish economy develops. As a result of these factors, management believes that Akbank will be able to continue growing this business by focusing on selected customer segments and products, and increasing 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 to continue to emphasise service quality.
  - *Focus on Commercial and SME Customers.* Akbank believes that a key driver of growth in Turkey will be the increasing importance of SME customers (those with annual revenues up to TL100 million). In order to take advantage of this growth, in early 2010, Akbank combined its small business and commercial banking activities into one Corporate and SME Banking segment to benefit from synergies between these two segments. It also restructured and expanded its branch network to extend specialised services and target commercial customers. The SME business has proved to be one of the fastest growing and most lucrative customer groups during 2011 for the Turkish banking sector (*source: BRSA*). As a result of these factors, Akbank's SME loans grew at a rate of approximately 20% as at 31 December 2011 compared to the same period in 2010. On the deposit side, total SME TL deposits grew by 22.0% from TL5.9 billion as at 31 December 2011 to TL7.2 billion as at 30 June 2012, and total SME foreign currency deposits grew by 23.5% from US$1.7 billion as at 31 December 2011 to US$2.1 billion as at 30 June 2012. Going forward, Akbank expects that the SME segment will be a key driver of its growth and profitability and is actively seeking to further increase its SME lending business through focused marketing efforts and new product and service developments, combined with increased availability of funding to this sector.
  - *Optimise Branch Network and Multi-Channel Distribution.* Akbank has a combined strategy of optimising its branch network to reach its highest-value customers who need personal advice and service, while developing cost-effective alternative distribution channels. With its wide branch network that covers 79 out of 81 cities in Turkey, the Bank already has a wide distribution network and believes that it is therefore well placed to benefit from the projected growth of Turkey. To that end, Akbank's priority in 2013 will be to focus on increasing the efficiency and productivity of its current network to better realise this potential. Akbank will seek opportunistic branch openings in a selective manner based on

micro-market analyses. In particular, as at 30 June 2012, only 33% of Akbank's domestic branches were located in the greater Istanbul area (which Akbank expects will be a primary region of growth in Turkey). Supporting its wide branch network, Akbank has developed a full multi-channel distribution network (including telephone banking, ATMs, internet and mobile banking) under the "Akbank Direkt" brand, that has the dual purpose of cost efficiency and maximising customer access. Akbank considers internet and mobile banking as one of the most important emerging channels in the Turkish market. In particular, the Turkish population has shown a willingness to use internet banking, with 8.9 million customers across Turkey using internet banking services as of June 2012 (*source: The Banks Association of Turkey*), with this figure expected by the Bank to rise substantially in the short to medium term. Accordingly, Akbank upgraded its internet banking service in 2011 and expanded its mobile banking offering in particular to address the demands of Turkey's young and growing population.

- *Increase New Deposits and Deposit Offerings.* A key aspect of Akbank's funding strategy is to maintain a strong base of stable, low-cost demand deposits. 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 moderated 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. In addition, to improve the Bank's deposit position both in terms of volume and pricing of deposits, the Bank has adopted a more tailored deposit pricing approach, that permits flexibility based on customer segments, but is also centrally overseen to ensure consistent implementation, to differentiate and optimize its pricing strategy according to customer segments.

- *Develop Additional Fee Generating Products and Businesses.* As the Turkish economy continues to develop, Akbank believes that Turkish retail customers will increasingly utilise fee-based banking products such as credit cards and investment funds as the population becomes more familiar with such products. On the commercial side, many Turkish companies have wide supplier and distribution networks as well as a higher level of trade with international markets, resulting in growing needs for advanced cash management and trade financing products. Accordingly, in order to benefit from these trends, Akbank intends to continue to focus on fee-generating products such as credit cards, bancassurance, trade financing and cash management products.

- *Maximise long-term customer value.* In a highly competitive banking market such as Turkey, Akbank believes that maximising the long term value of existing and new customers is crucial for achieving future growth. As a result, Akbank is employing advanced CRM tools to better understand the needs of its customers and to proactively offer products that meet these needs. Going forward, Akbank intends to focus on greater utilisation of these tools across all its distribution channels to increase cross-selling of its growing variety of products and services.

- *Achieve Effective Multichannel Integration.* Akbank, which continually monitors global and local trends in banking and consumer behaviour, has historically pioneered the Turkish Banking Sector with its innovative products and service models. To that end, Akbank considers multichannel excellence as the biggest milestone in taking clients' banking experience to the next level. One of the most important strategic priorities of Akbank in 2013 will be utilising all of its distribution channels to achieve customer excellence and cost efficiency and provide a unique and fully integrated multichannel service model to guarantee transparent and seamless customer experience. Branches will continue to be the Bank's most important channel in meeting the needs of high value customers. Akbank intends also to continue to develop direct channels. The Akbank Banking Centre, which as of the date of this Offering Memorandum is one of the highest transaction capacity operations centre in Turkey, commenced operations in 2010. The Bank's award-winning call centre with its specialist teams is designed to meet the needs of customers who want personal service without leaving their homes. On and off-site ATMs offer a wide range of banking products and services and are accessible throughout Turkey.

- ***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 programme. 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), the development programmes designed according to specific development needs of high potential managers, and the leadership mentoring programme are the key retention programmes for top personnel applied within the Bank. 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.

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 (including any documents incorporated by reference herein). 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

Akbank's loan portfolio, deposit base and government securities portfolio are concentrated in Turkey and adverse changes affecting the Turkish economy could have a material adverse effect on its business, financial condition, results of operations and prospects.

Akbank's business is significantly dependent upon its customers' ability to make payments and meet their other obligations, which in turn are materially affected by the strength of the Turkish economy.

Akbank's loans and advances constituted approximately 57.9% of its total assets, or TL83.6 billion, on a consolidated basis as of 30 June 2012. Approximately 97.6% of these assets were located in Turkey. Akbank's deposits from customers constituted 79.3% of its total liabilities, or TL98.8 billion, as of 30 June 2012, almost all of which were located in Turkey. In addition, 31.2% of Akbank's total assets were invested in Turkish Government securities as of 30 June 2012.

The global financial crisis and related economic slowdown have affected the Turkish economy and economies that include the principal external markets for Turkish goods and services. Turkey's GDP declined by 4.8% in 2009 as a result of the global economic slowdown and during this period Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment levels. According to official statistics released by Turkstat, the unemployment rate in Turkey was 8.0% in June 2012, significantly lower than its peak of 16.1% in February 2009. However, there can be no assurance that the unemployment rate will improve, or 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 and prospects. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009. Turkey's GDP grew by 9.2% in 2010 and 8.5% in 2011. Turkey's economy grew by 3.1% in the first six months of 2012, according to Turkstat, and Turkey's growth is expected to be negatively affected during the remainder of 2012 by continuing volatility in the EU and globally as a result of continuing concerns regarding certain EU sovereign and bank defaults.

In October 2011, the Turkish Government announced a three-year medium-term economic programme from 2012 to 2014 and the implementation of a new fiscal policy which came into force in 2011. Under this medium-term projected economic programme, the Turkish Government set growth targets of 7.5% for 2011, 4.0% for 2012 and 5.0% for 2013 and 5.0% for 2014, as well as a gradual decrease in the net public debt to GDP ratio (*source: State Planning Organization (DPT)*). 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 continue in light of potential external and internal shocks, including the Central Bank's efforts to curtail inflation and the current account deficit (see "– The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects") and macroeconomic and political factors, such as oil price rises and terrorist activity. Although EU-defined Turkish Government debt levels decreased considerably from 77.9% of GDP in 2001 to 39.2% of GDP in 2011, one or more such developments within the wider Turkish economic or political system could impair the Bank's business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

There is no assurance that Turkey will continue its current fiscal policy and remain economically stable. Future negative developments in the Turkish economy could impair Akbank's business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

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

Disruptions in global capital and credit markets, coupled with the re-pricing of credit risk 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 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.

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Tunisia, Egypt, Jordan, Yemen, Bahrain, Libya and Syria. Global tensions with Iran have also increased substantially in 2012 as a result of concerns regarding Iran's nuclear programme. Unrest in those countries may also have implications for the wider global economy and may negatively affect market sentiment towards other countries in the region, including Turkey, and towards securities originating in Turkey. There can be no assurance that such disturbances will not have political repercussions within Turkey. Such disturbances may also have a negative impact on the Turkish economy that could in turn adversely affect Akbank's business, financial condition, results of operations and prospects.

Akbank and its customers operating in Turkey continue to remain vulnerable to other external financial and economic factors such as the continuing weakness in Eurozone economic conditions, particularly the instability of numerous European banks and concerns regarding the ability of certain EU member states, including Greece, Spain, Portugal, Italy and Ireland, to service their sovereign debt obligations, questions regarding the continuation and effectiveness of bailout and support packages, notably for Greece and Spain, as well as concerns regarding the risk of contagion to other, more stable, countries, particularly France and Germany. These negative trends have worsened in 2012, causing considerable turbulence in the global financial and credit markets, and could lead to the reintroduction of national currencies in one or more Eurozone countries or, in particularly dire circumstances, the abandonment of the Euro. These factors could have a material adverse impact on financial markets and economic conditions throughout the world and, in turn, the market's anticipation of these impacts could have a material adverse effect on Akbank's business, financial conditions and liquidity. In particular, these factors could disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding. Akbank's performance will continue to be influenced by conditions in the global economy. The outlook for the global economy over the near to medium term remains challenging, which also impacts prospects for stabilisation and improvement of economic and financial conditions in Turkey.

The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

In March and April 2011, the Central Bank announced significant increases in reserve requirement ratios in an attempt to discourage loan growth within the Turkish banking sector by increasing the cost of making loans and advances to customers. While these ratios were somewhat liberalised in October 2011 in light of weakening macroeconomic conditions, the Central Bank continues to monitor the markets closely and it may adjust reserve requirement ratios further (or take other steps) to slow credit supply if inflationary conditions or loan growth remain at similar or higher levels than in 2011.

The Turkish Lira reserve requirement for deposits, which was formerly a blanket 6%, was increased in 2011 and in 2013 on a tiered basis so that it will range from 11.25% for deposits of immediately available funds, through to 5% for deposits with maturities of more than a year. In addition, the reserve requirement ratios for foreign currency deposits were also increased in 2012 and in 2013 on a tiered basis so that they range from 12% for deposits of immediately available funds, 10% for deposits with maturities of between one to three years, and 6% for deposits with maturities of more than three years. As a consequence of these changes, Akbank has been required to increase its capital reserves (including its balance of non-interest earning cash balances with the Central Bank) and may need to access more expensive sources of financing to meet its funding requirements. No assurances can be given that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all, which could have a material adverse affect on Akbank's business, financial condition, results of operations and prospects. In addition, the increases in reserve requirement ratios could also limit or reduce the growth of the Turkish economy and demand for the Bank's products and services.

In addition to statutory reserves, the Central Bank also requires the Bank to reserve an average amount of US$742 million for 3.5 years from the first half of 2011 until the second half of 2014. The Central Bank imposed this requirement on the Bank based on its finding that the loan documentation relating to its syndicated loans through its Malta branch were signed in Turkey. The Bank filed a motion for stay and cancellation of the Central Bank's decision, however, the case was dismissed by the 10th Circuit of the District Administrative Court of Ankara. The Bank appealed the decision, and the appeal process is currently pending. As at 30 September 2012, the Bank reserved more than 80% of its obligation, and it plans to reserve the balance in line with its liquidity planning. Such an additional reserve requirement will increase the Bank's costs, as a result of reserving these amounts with the Central Bank at 0% interest.

The increase in reserve requirements ratios has been combined with changes in the Central Bank's interest rate policies. The Central Bank's one week repo rate was reduced from 7.0% to 6.5% on 16 December 2010, and then was reduced again to 6.25% on 20 January 2011 and to 5.75% on 4 August 2011, and to 5.50% on 18 December 2012. In an attempt to combat inflation expectations and an accelerated decline in the value of the Turkish Lira, the Central Bank has also recently adopted a policy of eliminating the availability of Turkish Lira funding via one-week repo auctions on certain ''extraordinary days'', and has announced reductions in the upper and lower limits (from TL 3-7 billion to TL 0.5-6.5 billion) on the availability of Turkish Lira funding via one-week repo auctions on other ''normal days''. In addition, the overnight borrowing rate was reduced from 5.75% to 1.75% on 11 November 2010, and was reduced again to 1.5% on 16 December 2010, and then raised to 5.00% on 4 August 2011 and then subsequently reduced to 4.75% on 22 January 2013, whereas the overnight lending rate was increased from 8.75% to 9.00% on 16 December 2010, and then was increased again to 12.5% on 20 October 2011, was reduced to 11.5% on 21 February 2012, to 10% on 18 September 2012, to 9.5% on 18 October 2012 and to 9.00% on 18 December 2012. On 22 January 2013, the Central Bank further reduced the overnight lending rate from 9.00% to 8.75%.

Any failure by the Bank to adequately respond to these or other future changes in Turkish monetary policy could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

The Bank's customer deposits constituted approximately 79.3% of its liabilities as at 30 June 2012, almost all of which were located in Turkey (see ''– Akbank's loan portfolio, deposit base and government securities portfolio are concentrated in Turkey and adverse changes affecting the Turkish economy could have a material adverse effect on its business, financial condition, results of operations and prospects.''). A significant portion of these deposits are short term. If the Bank is not able to increase the term of its deposits or attract foreign currency deposits, its Turkish Lira reserve requirements and associated costs will increase, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. For a discussion of other risks that the Bank may face as a result of the highly regulated environment in which it operates, see ''– 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, 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 and 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. As a large and diverse financial organisation, Akbank is subject to a broad range of general credit risks, including with respect to its retail, corporate and commercial customers and other third parties with obligations to the Bank. These parties include borrowers of loans from the Bank, issuers, including the Turkish Government whose securities are held by the Bank, trading and hedging counterparties, customers of letters of credit provided by the Bank and other financial counterparties of the Bank, any of which might default in their obligations to the Bank due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons.

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 30 June 2012, such loans constituted approximately 58% of Akbank's total assets, and the proportion of loans to non-corporate customers has been increasing. 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 Akbank's strategy of loan growth (including sector focus) and the viability of Akbank's internal credit application and monitoring systems (see "– Akbank's risk management strategies and internal control capabilities 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 condition, 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 30 June 2012, 40% of Akbank's loan portfolio consisted of commercial loans to SMEs (both Turkish Lira and foreign currency) compared to 38% as at 31 December 2009. SMEs, who typically have less financial strength than large companies, are a key component of Akbank's current business and growth strategy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Loan Portfolio Growth". 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 at the end of the years ending 31 December 2010 and 2011 and for the six months ending 30 June 2012 were 2.2%, 1.7% and 1.6%, respectively. Akbank's NPLs for commercial loans to SMEs at the end of the years ending 31 December 2010 and 2011 and for the six months ending 30 June 2012 were 3.7%, 2.9% and 2.7%, respectively. It is generally accepted that lending to the SME segment represents a relatively higher degree of risk than comparable 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 SME or other 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.").

The rapid growth of the Bank's loan portfolio subjects it to the risk that it may not be able to maintain asset quality.

Growth in Akbank's loan portfolio is due to increasing loan demand, which may lead to deterioration in the underlying asset quality and an increase in loan to deposit ratios, due to a relatively slower growth in deposits.

The Bank's total performing loans were TL84.5 billion as at 30 June 2012 compared to TL75.7 billion as at 31 December 2011 and TL58.7 billion as at 31 December 2010. Its NPLs as at 30 June 2012, 31 December 2011 and 31 December 2010 were 1.6%, 1.7%, and 2.2%, respectively. Its NPL coverage as at 30 June 2012, 31 December 2011 and 31 December 2010 was 93.0%, 92.6% and 100.0%, respectively.

The significant and rapid increase in the Bank's loan portfolio (including a significant portion of unseasoned loans) has increased the Bank's credit exposure and requires continued and improved monitoring by the Bank's management of its lending policies, credit quality and adequacy of provisioning levels through the Bank's risk management programme. The Bank's loan portfolio growth rate for the six months ended 30 June 2012 and the years ended 31 December 2011 and 2010 was 11.5%, 28.8% and 29.2%, respectively. The Bank further expects to increase its loan portfolio, particularly with SMEs, and any such increase could further increase the credit risk faced by the Bank. Negative developments in the Turkish economy could affect these borrowers more than large companies, resulting in higher levels of NPLs and, as a result, higher levels of provisioning. Any failure by the Bank to manage the growth, within prudent risk parameters, of its loan portfolio or the credit quality of its creditors or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

A significant portion of Akbank's total assets 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 significant portion of its assets and virtually all of its securities portfolio in securities issued by the Turkish government. As at the date of this Offering Memorandum, the sovereign debt of the Republic of Turkey had a foreign currency rating of BBB- (stable outlook) and a local currency rating of BBB (stable outlook) by Fitch, Ba1 (positive outlook) by Moody's, a foreign currency rating of BB (stable outlook) and a local currency rating of BBB- (stable outlook) by Standard & Poor's Rating Services. As at 30 June 2012, 31.2% of Akbank's total consolidated assets were invested in securities issued by the Turkish government (30.4% as at 31 December 2011). A significant portion of such Turkish government securities are inflation linked, which have historically contributed to the Bank's net income as yields on inflation linked securities have been attractive relative to lending activity, particularly given higher inflation rates. A prolonged period of low or negative inflation will have a material impact on the income received from such securities. In addition to any direct losses that Akbank might incur, a default by the Turkish government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus would significantly negatively 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 in the event of defaults by debtors 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 customers 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 loan losses.

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 the Bank receives 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 83.4%, 72.0% and 70.4% of gross income for the six months to 30 June 2012 and the years 2011 and 2010 respectively, and net interest margin (excluding time deposit placements) was 3.5%, 3.3% and 4.1% 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, and Akbank may be unable to take action to mitigate any adverse effects of interest rate movements. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below. In particular, Akbank may be affected by the Central Bank's policy which resulted in a rapid reduction in interest rates in 2009 and 2010, and further rate changes in 2011 (see "– The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects").

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 for Turkish banks 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. Moreover, an increase in interest rates could reduce demand for Akbank's loans, resulting in a further 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, financial condition, results of operations and prospects.

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 30 June 2012 the Bank held TL2.7 billion in cross currency and TL1.6 billion in interest rate swaps to hedge against fair value and cash flow risk arising from TL mortgage loans, available for sale securities, floating rate borrowings and repo transactions. 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 from 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 30 June 2012, there were a total of 48 banks (excluding the Central Bank, but including the branches of 6 international banks) licensed to operate in Turkey (*source: BRSA*). A small number of these banks dominate the industry. According to the Banks Association of Turkey, as at 31 December 2011, the top five banks in Turkey (including Akbank) held approximately 58% of the banking sector's total loan portfolio and approximately 61% of the total bank assets in Turkey (excluding participation banks) (*source: The Banks Association of Turkey*). The banking industry in Turkey is highly competitive across each banking segment and sector. 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 competition may affect the Bank's loan growth, reduce the average interest rates that the Bank can charge its customers and the interest rates that the Bank earns on its interest earning assets. Any reduction in interest rates that the Bank charges its customers or earns on its interest earning assets without a corresponding reduction in the interest rates that it pays on its interest-bearing liabilities may affect the Bank's net interest margin (which is its net interest income divided by its total average assets) and may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Increased pricing competition in the Turkish banking markets through the offer of products at significantly lower prices may also impact customer behavioural patterns and loyalty. Public banks in particular have engaged in a high degree of price competition in recent years, especially in consumer loans, although this has moderated recently. The Bank expects that the level of competition may increase in 2013. However, any efforts by public banks to increase market share or efforts by the Turkish government to spur the economy through credit growth may lead to increased pricing pressure. 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, results of operations and prospects.

International banks have shown an increased interest in the banking sector in Turkey. See "Business of Akbank – Competition". 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 and prospects.

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 49.03% of the outstanding share capital of the Issuer as at 30 June 2012. The Controlling Shareholders have the power to elect all of the Issuer's directors and to determine the outcome of most matters to be decided by a vote of shareholders of the Issuer. There can be no guarantee that the interests of the Controlling Shareholders will 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 Issuer'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, financial condition, results of operations and 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. A significant portion of Akbank's hedging and derivative transactions are entered into with non-Turkish financial institutions. The Bank is exposed to counterparty risks which were increased as a result of financial institution failures and nationalisations during the global financial crisis 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 would be exacerbated if the collateral it holds cannot be realised at, or is liquidated at, prices that are not sufficient to recover the full amount of the loan or derivative exposure it is intended to secure. 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 business, financial condition, results of operations and prospects.

Akbank's business, financial condition, results of operations 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 condition, results of operations and 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.

Since 31 December 2010, the rate of growth of loans and advances to the Bank's customers has outpaced the rate of growth of deposits from the Bank's customers, leading to an increase in loan to deposit ratios from 70% as at 31 December 2010 to 80% as at 31 December 2011 and 85% as at 30 June 2012. Accordingly, as the growth in loans has outpaced deposit growth, the Bank has funded this through the sale of securities and the use of borrowing facilities in addition to deposits and it may need to do so in the future.

If deposit growth does not keep close to loan and asset growth (for example due to competition), then the Bank would be increasingly dependent upon other sources of financing. The need to rely upon shorter-term funds, or the inability to raise financing via the capital or loan markets, may adversely affect the Bank's liquidity profile and could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

There can be no assurance that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay. Furthermore, the Central Bank's recent policies have raised Turkish banks' reserve requirements for Turkish Lira deposits which have limited Turkish Lira liquidity. 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 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, financial condition, results of operations and prospects.

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 the case of a liquidity crisis, wholesale funding becomes increasingly costly and more difficult to obtain which may adversely affect 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 effect on Akbank's business, financial condition, results of operations and 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 30 June 2012 approximately 81% of the Bank's funding (which includes amounts due to banks and financial institutions, customers' deposits and other borrowed funds) had repricing maturities of one year or less or were payable on demand. As at the same date, the Bank had a negative cumulative repricing gap (more short-term liabilities than short-term assets) of TL5.3 billion. 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 utilise more expensive sources of financing to meet its funding requirements, including wholesale funding. 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 or other borrowings with alternative funding could materially adversely affect the Bank's liquidity, business, financial condition, results of operations 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 to a lesser extent equity prices. If Akbank were to suffer substantial losses due to any such market volatility it would adversely affect Akbank's business, financial condition, results of operations and prospects.

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. A portion of the Bank's financial assets and liabilities is denominated in, or indexed to, foreign currencies, primarily US Dollars and Euro. As at 30 June 2012, 42.9% of the Bank's total loans and advances to customers and banks (of which 71.6% were in US Dollars and 28.1% in Euro) and 50.4% of the Bank's total deposits were denominated in foreign currencies. Akbank has a policy of not carrying foreign currency risk and holds foreign currency asset and liability items together with derivatives to hedge 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. There is also a risk that hedging counterparties may default. 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 and 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 in January 2011 it substantially revised its approach to monitoring interest rate risk, and adopted a system based on the anticipated net effect on the economic value of its exposures rather than primarily limiting their maturity mismatch day count. This revised approach mirrors policies adopted by the Bank's principal domestic competitors and the Turkish banking sector generally (see "Risk Management – Interest Rate Risk"). In September 2011, Akbank started to modify its ERM Framework with a project to implement a new ERM platform using software developed by Algorithmics. The project includes implementation of separate modules for each of credit risk, market risk, asset and liability management, liquidity risk, operational risk, risk integration and risk panel and is due to be fully implemented by 2014 (See "Risk Management – Enterprise Risk Management (ERM)". During implementation, the existing processes will continue to be run in parallel to benchmark the accuracy and reliability of the new system. These risk management 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 banking 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, financial condition, results of operations 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 and business continuity plans for cases of emergency, if Akbank's information systems were to fail, 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 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.

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 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.

The Bank's planned expansion may lead to increased wage and other operating expenses and the Bank may have difficulty in hiring and retaining qualified personnel.

The Bank's planned expansion of its branch network may lead to an increase in its operating expenses as a result of increased rent payments and an increase in wage and salary costs due to the increase in the number of employees. The Bank's ability to successfully implement its strategy also 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 the Bank's business, financial condition, results of operations and prospects.

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

Labour disputes or work stoppages could disrupt operations or make them more costly to run. The Bank is exposed to the risk of labour disputes and work stoppages. As at 30 June 2012 approximately 51.78% of the Bank's employees were members of labour unions, and although Turkish Law No. 2822 makes illegal strikes and lockouts in the banking sector and Akbank has not experienced any work stoppages or labour disputes in the past, there can be no assurance that work stoppages or labour disputes will not occur 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, results of operations and prospects.

Disclosure requirements in Turkey may differ from those in other countries.

Historically, the reporting, accounting and financial practices applied by Turkish banks differ in certain respects from those applicable to similar banks in the European Union or in other developed economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the European Union ("**EU**") or in other developed markets and any information that is published may only be presented in Turkish. In recent years, the Turkish banks have applied IAS and IFRS in accounting and reporting, which are similar to BRSA regulations, except in certain respects, such as provision requirements for loans. The BRSA rules require Turkish banks to publish their financial reports on their websites and their annual financial reports in the official gazette in Turkey. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements and interim management reports. Quarterly financial statements are generally available first under BRSA principles, and only subsequently made available in IFRS statements. Most Turkish banks, like Akbank, have English versions of their financial statements available on their websites. In addition, banks that are listed on the ISE are also required to publish their financial statements on a quarterly basis and those banks are required to disclose any significant development that is likely to have an impact on the investors' decisions. Akbank maintains its accounting systems and prepares its accounts and publishes quarterly financial results in accordance with BRSA principles. These accounts are not prepared on a basis consistent with IFRS as applied in preparing Akbank's IFRS financial statements. Only Akbank's annual and half-yearly published financial statements are prepared in accordance with IFRS. There are differences between Akbank's BRSA financial statements and its IFRS financial statements. There can be no assurance that investors who are unfamiliar with the Turkish banking system will have the same level of access to relevant information as that of a similar bank in the EU.

Turkish banking regulation is administered on the basis of BRSA accounts.

Akbank's primary regulator, the BRSA, uses Akbank's BRSA financial statements to assess Akbank's compliance with banking regulations and capital adequacy requirements. Therefore, the results of operations and financial condition of Akbank as reflected in Akbank's IFRS financial statements may not reflect Akbank's business, results of operations or financial condition as used to determine Akbank's performance under, and compliance with, Turkish regulations. In addition, Akbank uses its BRSA Financial Statements to determine whether, and to what extent, it can undertake certain activities, such as paying dividends to shareholders.

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 reductions in profitability or losses in the future.

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 BRSA rules or interpretations, Akbank may experience unexpected reductions in profitability or 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. Moreover, to a certain extent Akbank must rely upon correspondent banks to maintain and properly apply their own appropriate AML and KYC policies and procedures. In the past, the Bank has failed to comply with certain AML and KYC policies and procedures, as a result of which a number of administrative fines were imposed on the Bank. 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, business, financial condition, results of operations or prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

The Financial Action Task Force may call upon its members to take measures against Turkey.

Although Turkey has a high-level political commitment to work with the Financial Action Task Force ("**FATF**") to seek to address Turkey's deficiencies in combating the financing of terrorism ("**CFT**"), Turkey has not made sufficient progress in implementing its action plan and, accordingly, certain strategic CFT deficiencies still remain. In particular, Turkey has not yet made sufficient progress in: (a) adequately criminalising terrorist financing; and (b) implementing an adequate legal framework for identifying and freezing terrorist assets. Given Turkey's continued lack of progress in these two areas, as a counter-measure, the FATF has decided to suspend Turkey's membership on 22 February 2013 unless the following conditions are met before that date: (1) Turkey adopts legislation to adequately remedy deficiencies in its terrorist financing offence; and (2) Turkey establishes an adequate legal framework for identifying and freezing terrorist assets consistent with the FATF Recommendations. FATF may call upon its members to apply countermeasures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey), and this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risk factors relating to Turkey

Any claims against the Issuer under the Notes and the Transaction Documents will be unsecured claims payable from, among other sources, Akbank's funds in Turkey. The ability of the Issuer to make any such payments from Turkey will depend, among other factors, upon the Turkish government not having imposed any prohibitive foreign exchange controls, its ability to obtain US Dollars in Turkey and its 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 could affect the Issuer'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 EU or other similar jurisdictions. Summarised below are a number of risks relating to operating in Turkey and other emerging markets.

Economic instability in Turkey could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

Since the mid-1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded well to this transformation, it has continued to experience severe macroeconomic imbalances, including significant balance of payment deficits, substantial budget deficits, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation) and a considerable level of unemployment. As a result, Turkey entered into a stand-by agreement with the International Monetary Fund (the "**IMF**") at the end of 1999, to stabilise its financial condition. However, liquidity crises in the banking sector in November 2000 and February 2001 triggered a severe economic crisis and led to increased interest rates on Turkish Government borrowings. These factors contributed to a decline of 5.7% in Turkey's real GDP in 2001 compared to 2000. Following the almost 50% devaluation of the Turkish Lira on average in 2001, average inflation based on the Turkish wholesale price index rose to 61.6%, and year-end inflation was 88.6%. The combination of the significant depreciation of the Turkish Lira, high real interest rates and the high cost of the bank restructurings caused GNP to increase from 57.5% at the end of 2000 to 91% at the end of 2001.

In 2001 Turkey implemented a macroeconomic programme, backed by a US$19 billion stand-by agreement with the IMF. The goal of this programme was to bolster the Turkish economy and reduce its volatility in the short-term, as well as to achieve sustainable growth through fundamental structural reforms in the medium- to long-term. GDP grew by 5.3% in 2003, 9.4% in 2004, 8.4% in 2005, 6.9% in 2006, 4.7% in 2007 and 0.7% in 2008. The Turkish Government signed a three-year stand-by agreement with the IMF in 2005 which ended in 2008. The Turkish economy continued to perform well overall, given the severe turbulence in the global financial markets. While Turkey's 2007 primary surplus outturn fell short of target, net public debt dropped below 30% of GDP, ahead of the program's original objectives.

In spite of its economic development since 2001, Turkey has experienced recent economic difficulties and remains vulnerable to both external and internal shocks, including escalating oil prices and terrorist activity, as well as potential domestic political uncertainty and changing investor sentiment. A substantial current account deficit may also contribute to economic vulnerability. See "– Turkey's high current account deficit may result in Turkish Government policies that negatively affect Akbank's business" There can be no assurance that inflation will not increase further in Turkey in the near future. 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.

Turkey was also negatively affected by the global economic downturn, which resulted in a negative GDP growth rate of 4.8% in 2009. Following the decline in 2009, however, Turkey had a GDP growth rate of 9.2% in 2010 and 8.5% in 2011 (*source: Turkstat*).

There can be no assurance that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. Future negative developments in the Turkish economy could impair the Bank's business strategies and have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Turkey's high current account deficit may result in Turkish Government policies that negatively affect Akbank's business.

In 2010, Turkey's current account deficit widened significantly to US $46.6 billion from US $13.4 billion in 2009. As of 31 December 2011, the current account deficit was US $77.1 billion. This rapid acceleration in the current account deficit raised concerns regarding financial stability in Turkey, and the Central Bank, the BRSA, and the Ministry of Finance initiated coordinated measures to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The Turkish Government also identified the high growth rate of loans as one of the target areas. Accordingly, the Central Bank has increased TL reserve requirements, while the BRSA introduced amendments to its regulations on 18 June 2011 specifically designed to curb consumer lending. See "Turkish Regulatory Environment". The main aim of these measures has been to slow down the current account deficit by controlling the rate of loan growth, and the current account deficit in the first seven months of 2012 fell significantly to US$34.5 billion. However, these measures are also likely to reduce economic growth and might adversely affect Akbank's business, financial condition, results of operations and prospects. There can be no assurance that any future regulations introduced by the Turkish Government, BRSA or the Central Bank with respect to loan growth ratios would not have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit, and consequently on Akbank's business, financial conditions, results of operations and prospects.

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, financial condition, results of operations and prospects.

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**") is still ongoing. In order to monitor the implementation process of the banks on CRD, the BRSA has requested banks to submit a progress survey on the adoption of the CRD every six months. These laws and regulations may increase the cost of doing business and limit the Bank's activities.

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 law replaced the previous Banking Law No. 4389 and was designed to reflect the dynamic nature of the banking sector, international financial and economic developments and to operate in 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 and 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 develop and maintain confidence in the stability and soundness of Turkish financial markets, the Turkish credit system and to protect 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.

New laws and regulations may increase Akbank's cost of doing business or limit its activities. For instance, the Central Bank significantly increased reserve requirement ratios in 2011 in order to slow down domestic demand and discourage loan growth. See "– The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects". Additionally, Turkish authorities have reinstated a 15% tax on consumer loans, limited mortgage loan-to-value ratios to 75% and imposed a ceiling on mutual fund fees and decreased ceiling rates on credit cards. The BRSA also introduced amendments to its regulations on 18 June 2011 specifically designed to curb consumer lending. The amendments require all banks with consumer lending portfolios exceeding 20% of their overall loan book, or with non-performing consumer loan (classified as frozen receivables (*donuk alacaklar*), excluding vehicle and housing loans) ratios greater than 8% of their total consumer loans, to set aside higher general provisioning of 4% (increased from 1%) for outstanding standard loans and 8% (increased from 2%) for outstanding closely monitored loans. The amendments additionally require banks to increase risk weightings for capitalisation purposes on new consumer loans (excluding vehicle and housing loans) with maturities of one to two years and above two years to 150% and 200%, respectively (increased from 100% and 100%, respectively).

As some of the new capital markets laws, banking laws and regulations issued by 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 a material adverse effect on the Bank's business, financial condition, results of operations and prospects. In the past, there have been a number of occasions where the Bank has failed to comply with the banking laws and regulations and the capital markets laws, as a result of which Akbank has been imposed a number of fines by the relevant regulators, including the BRSA and the CMB. Any future failure to adopt adequate responses to such changes in the regulatory framework may have a material adverse effect on Akbank's business, financial condition, results of operations and prospects. Finally, non-compliance with regulatory guidelines could expose Akbank to potential liabilities and fines.

The BRSA continuously conducts examinations of all banks operating in Turkey. Even small credit deteriorations are closely monitored by the BRSA. Financial information, total capital ratio, open positions, liquidity, interest rate risk and credit portfolio are followed up in detail at frequent intervals. Although Akbank has implemented procedures to monitor these issues, there can be no guarantee that Akbank will not breach the ratios and limits set by the regulator.

Changes in the Turkish banking regulatory framework may require the Bank to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all.

Basel II was implemented in Turkey in stages and was fully adopted during the second half of 2012. The Bank began reporting under Basel II in July 2012. The Basel Committee recently adopted further revisions (i.e., Basel III), but although regulations are expected to be implemented between 2013 and 2019, the BRSA has not published a timetable for the adoption of Basel III and, accordingly, the Bank is not able to predict whether the adoption of any revisions under Basel III will have any material impact on the Bank. Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. In this respect, potential changes relating to Basel III (if and when implemented in Turkey by the BRSA) may impact the manner in which the Bank calculates its capital ratios and may even impose higher capital requirements, which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is also subject to competition and antitrust laws as applicable to all other enterprises in Turkey. In November 2011, the Turkish Competition Board resolved to initiate an investigation against twelve banks, and two subsidiaries of one of the banks that is under investigation, operating in Turkey to determine whether they have violated Turkish competition laws in respect of interest rates and fees applicable to banking products. See "Business of Akbank – Competition Board Investigations".

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 is active or may be active in the future, including businesses in the financial services sector. Accordingly, any decisions taken by the Turkish 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 and prospects.

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, although the military has in the past played a significant role in politics and the Government, intervening in the political process through coups in 1960, 1971 and 1980. On 27 April 2007, the military indicated that it might take action to protect Turkey's secular values. Unstable coalition governments have been common, and in the 87 years since its formation, the Republic of Turkey has had 61 governments with political controversies frequently resulting in early elections. After the November 2002 elections, the Justice and Development Party (the "**AKP**") declared that it would continue to implement the then current IMF program and the economic policies introduced by the former government with minor revisions. The most recent national elections held on 12 June 2011, resulted in victory by the AKP, which has been in power since 2002 and is led by Recep Tayyip Erdoğan. It received 49.9% of the votes cast in the July 2007 election and formed a single party government in the Grand National Assembly (the "**GNA**"). The AKP's economic policies complied with the 2005-2008 IMF program and have been successful in bringing relative stability to the Turkish economy. The next general elections are expected to be held in June 2015, and a change in government at the next election could lead to a change in its economic policies.

The head of state in Turkey is the President of the Republic, who is elected by the GNA. On 25 April 2007, Abdullah Gül was nominated as the AKP's presidential candidate. The meeting quorum was not met for the presidential voting rounds twice since the main opposing party refused to participate to the meetings, following which Abdullah Gül withdrew his candidacy. Turkish law provides that when the GNA cannot elect a president, national elections are to be held. Although the next national election was scheduled for November 2007, the GNA approved new parliamentary elections to be held on 22 July 2007, after which Abdullah Gül was elected the President on 28 August 2007, and this election was not challenged.

On 11 December 2009, the Constitutional Court of Turkey voted to dissolve the pro-Kurdish Democratic Society Party ("**DTP**"), ruling that the party had become the focal point for activities against the indivisible unity of the state, the country and the nation on the basis that the party had a connection to the Kurdistan Workers' Party (the "PKK"), which is considered to be a terrorist organization. However, in September 2009 the Government announced an initiative to ease tensions with the Kurdish community by introducing a series of political reforms and through engaging in dialogue (the "**Kurdish Initiative**"). On 23 December 2009, a number of mayors and former members of the DTP formally joined the Peace and Democracy Party which was created prior to dissolution of the DTP.

Turkey has, historically and recently, experienced controversies between the government and the military. In 2007, the government commenced an investigation whose scope included military officers, scholars, journalists and others based on allegations that a coup was being planned. On 21 September 2012, the Istanbul 10th High Criminal Court announced its verdict as to the Sledgehammer trial that was ongoing since 2010, and 300 defendants out of the 365 military-related suspects, including generals, received sentences of between 16 and 20 years' imprisonment. Tensions between the government, on the one hand, and the judiciary or the military, on the other hand, may increase due to the breach of the right to a fair trial, which in return, may increase the level of political instability in Turkey.

On 12 September 2010, the Turkish public voted in support of a public referendum containing a number of changes to the constitution. The referendum contained articles which (i) change the composition and the structure of the Constitutional Court and the Supreme Court of Judges and Prosecutors, (ii) give civil servants the right of collective agreement, and (iii) provide for positive discrimination claims on behalf of children, the elderly and the disabled.

Any dramatic changes in the government or political environment, including the failure of the Turkish Government to devise or implement required or appropriate economic programmes, or further setbacks in the Kurdish Initiative may adversely affect the stability of the Turkish economy and, in turn, Akbank's business, financial condition, results of operations and 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, the EU 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 issuers in 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, and 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 Turkish 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, prior to the amendment of Decree 32 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, results of operations and prospects and could limit its ability to make any payments required in connection with 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 had a long relationship with the EU, but has not yet been granted membership and there is no clear timetable for joining. In 1963, Turkey signed an association agreement with the EU and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. 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 28 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 three new major laws: the Capital Markets Law, Turkish Commercial Code and Code of Obligations which replaced the former Capital Markets Law No 2499, Turkish Commercial Code No. 6762 and Code of Obligations No. 818, respectively (see "– Recent changes in Turkish law may have a significant impact on Akbank's business, financial condition, results of operations and prospects.").

Although Turkey has implemented various reforms and continued with its efforts towards harmonisation with the EU, the relationship between the EU and Turkey has at times been strained. Negotiations for Turkey's accession to the EU commenced on 3 October 2005 and negotiations concerning the Chapters relating to "Science and Research," "Free Circulation of Capital," "Taxation," "Environment," "Intellectual Property," "Group Law," "Statistic," "Financial Audit," "Information Society and Media," "Protection of Consumers," "Enterprise and Industrial Policy," "Trans-European Networks" and "Food Safety, Veterinary Medicine and Plant Health" are still in progress.

During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol (the "**Additional Protocol**") dated July 2005 relating to the Customs Union and to recognise Northern Cyprus. In December 2006, the EU Council passed a resolution setting forth that the negotiations concerning eight of the Chapters be halted and that none of the Chapters be closed until the EU Commission verifies that Turkey has fulfilled its commitments related to the additional protocol and that Turkey be closely monitored for a period of three years. The EU Commission has not fully verified fulfilment of the commitments, and although various negotiations concerning Chapters relating to taxation, the environment and food safety, veterinary medicine and plant health have commenced in 2009 and 2010, respectively, these developments may not be significant in light of the EU's stance on Turkey's non-fulfilment of commitments related to the Additional Protocol. These developments caused a material deceleration in Turkey's membership accession process. There can be no assurance that Turkey will be able to meet the criteria applicable to becoming a member state of the EU or that the negotiations will be successfully completed.

Recent changes in Turkish law may have a significant impact on Akbank's business, financial condition, results of operations and prospects.

Recently, four major pieces of legislation have been subject to substantial amendment, namely the Capital Markets Law, the Turkish Code of Obligations, the Turkish Code of Civil Procedures and the Turkish Commercial Code. Both the Turkish Code of Obligations and the Turkish Commercial Code came into effect as of 1 July 2012, whereas the Turkish Code of Civil Procedures came into effect on 1 October 2011 and the Capital Markets Law came into effect as of 30 December 2012.

This legislation implements substantial changes to Turkish law and it is anticipated that it will have a major impact on commercial life in Turkey and may in turn impact on Akbank's business, financial condition, results of operations and prospects. At this stage, such potential impact cannot be quantified and it is also possible that amendments will be made to the respective laws from time to time until their effective date.

Turkish corporate governance standards differ from those of more developed countries.

The standards of corporate governance expected by Turkish law or regulation may not be as high (or cover the same areas) as those set out by the rules of other jurisdictions (such as the United States or the United Kingdom) and are subject to change. On 30 December 2011, the Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56, as amended (the "**Corporate Governance Communiqué**") was published and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the ISE, including the Issuer. The Corporate Governance Communiqué is designed to implement certain enhancements to Turkish corporate governance standards, including a requirement that at least one third of board members be independent. The Corporate Governance Communiqué became applicable to banks on 30 December 2012, however, a new Capital Markets Law requires the CHB to replace all existing secondary legislation on or before 30 December 2013 including, *inter alia*, the Corporate Governance Communiqué.

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 and 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, Egypt, Tunisia, 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. Frequent incidents of violence and sectarian conflict in Iraq, the recent uprisings in a number of countries near Turkey and growing global tensions with Iran have increased concern about the stability of the region.

In the last 10 years there have been bombings in several Turkish cities, including in Istanbul, Ankara and Diyarbakır and in the coastal holiday resorts of Antalya, Marmaris, Mersin, Çeşme and Kuşadasi. In addition, there have been several terrorist attacks against the Turkish armed forces in the southeast of Turkey. As a result, on 17 October 2007, the GNA granted authority to the government, limited to a period of one year, permitting the Turkish armed forces to organize armed attacks against terrorist groups located in Northern Iraq. Beginning from December 2007 and until early 2008, Turkish armed forces organized several armed attacks against the terrorist groups located in Northern Iraq. On 21 February 2008, Turkey launched a new military operation in Northern Iraq and sent approximately 10,000 troops on an eight-day offensive targeting PKK settlements. In connection with this operation, the Turkish Chief of Staff declared that the operations would continue as long as necessary to defend Turkey. The terrorist attacks against the Turkish armed forces in several parts of Turkey continue, including in Istanbul in June 2010 when four people were killed by an explosive targeting a military bus. In September 2010, a landmine in Hakkari province in southeastern Turkey exploded, killing nine people. In October 2010, a suicide bomber attacked a police bus in Taksim Square in Istanbul. In October 2011, a terrorist group attacked military stations in Çukurca province in the eastern Turkey, killing 24 soldiers. In August 2012, a bomb in Gaziantep province in southeastern Turkey exploded, killing nine people. In September 2012, a suicide bomber attacked a police station in Istanbul, killing one person. Also in September 2012, a landmine in Bingöl province in the eastern Turkey exploded, killing nine police officers.

Since January 2011, there have been varying degrees of political instability and public protests within certain Middle Eastern and Northern African countries, including Bahrain, Egypt, Iran, Libya, Syria and Tunisia. As a result of the continuing unrest in Syria, thousands of Syrian refugees have fled to Turkey and more can be expected to cross the Turkish-Syrian border if the unrest in Syria worsens. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces to foreign countries should such action be considered appropriate by the government. Further, on 6 and 7 October 2012, Syria launched several mortar bombs near the Turkish border, killing Turkish civilians and prompting retaliatory fire from Turkey. Since then, the relationship between Turkey and Syria has remained stable and the Turkish government has not taken further action. Although such instances of instability have not so far materially affected Turkey's financial or political situation, there can be no assurance that such instability will not increase in the future, that such instability will not spread to additional countries in the Middle East or North Africa, that governments in the Middle East and North Africa will be successful in maintaining domestic order and stability or that Turkey's financial or political situation will not be affected thereby.

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. 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, which could materially adversely affect the trading value of the Notes and Akbank's ability to finance its operations, which could in turn have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. A downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception these agencies 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, suspended or withdrawn by its assigning rating agency at any time. As at the date of this Offering Memorandum, each rating agency rating the Notes is established in the EU and registered under the CRA Regulation. As such, these rating agencies are included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with the CRA Regulations.

Risk factors relating to the Notes

Risks relating to Turkish Lira-denominated and settled securities

Currency exchange rates can be volatile and unpredictable. See "Exchange Rates" for a presentation of historical Turkish Lira/US Dollar exchange rates. The effective yield realised by an investor whose currency of investment or account is a currency other than the Turkish Lira will be adversely affected by the depreciation of the Turkish Lira against the investor's currency of investment or account. Depreciation of the Turkish Lira against the US Dollar may thus affect the market value of the Notes and could result in an investor realising a loss on the Notes even if the Notes are timely paid in full. There may be tax consequences for US holders as a result of any foreign currency gains or losses from any investments in the Notes. See "Taxation – Certain US Federal Income Tax Consequences".

Prior to August 1988, the convertibility of the Turkish Lira was heavily regulated. Subsequently, a foreign exchange market was established and exchange rates of the Turkish Lira began to be determined by market forces. Following Decree 32, as amended, which was issued in August 1989, the Turkish Government eliminated most exchange controls, as described in "Foreign Investment and Exchange Controls". If the Central Bank were to reintroduce exchange controls, they could adversely affect the value of the Turkish Lira relative to the US Dollar, and impede or prevent noteholders from converting Turkish Lira payments into foreign currencies, either of which would materially and adversely affect the market value of the Notes.

The Notes are denominated and settled in Turkish Lira, subject as provided below. Offerings of debt instruments that are both denominated and settled in Turkish Lira are a relatively new development in the international capital markets, which may have an adverse effect on the liquidity, marketability or the trading price of the Notes.

Holders of Notes held through Euroclear or Clearstream, Luxembourg who have not irrevocably elected to receive payments in US Dollars will be required to open and maintain a Turkish Lira-denominated bank account. There may be significant practical difficulties associated with opening Turkish Lira-denominated bank accounts outside Turkey, and no assurance can be given that holders will be able either to open or maintain an offshore Turkish Lira bank account. Such holders of Notes who do not open and maintain a Turkish Lira-denominated bank account will be unable to transfer from their accounts at Euroclear and Clearstream, Luxembourg the Turkish Lira payments made on the Notes or any Turkish Lira proceeds realised from the sale of their Notes.

There are risks associated with the currency exchange and payment mechanics for making payments of principal or interest on the Notes in US Dollars.

For investors (i) holding notes through Euroclear and/or Clearstream, Luxembourg who have made an irrevocable election to receive payment in US Dollars or (ii) whose Notes are represented by Certificates and who have made an irrevocable election to receive payment in US Dollars, the Turkish Lira interest and principal payments to be made by the Issuer will be converted into US Dollars.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer by no later than 8.30 a.m. (London time) on the Relevant Note Payment Date in order to make any payments to Noteholders on such Relevant Note Payment Date. If the Fiscal Agent receives cleared funds from the Issuer after such time on the Relevant Note Payment Date the Fiscal Agent will use reasonable efforts to pay the funds as soon as reasonably practicable thereafter.

Where a payment will be made to a Noteholder in US Dollars, the Fiscal Agent will, pursuant to Condition 7.2, purchase the required amount of US Dollars, using the Lira Amount received in accordance with the Agency Agreement, at a purchase price calculated on the basis of the internal foreign exchange conversion rate for delivery on the date on which a payment becomes due on the Notes (the "**Relevant Note Payment Date**") which the Fiscal Agent acting in a commercially reasonable manner uses to convert Turkish Lira into US Dollars (the "**Applicable Exchange Rate**"), and transfer the purchased amount in US Dollars to the Noteholder's US Dollar account.

The transaction for the purchase of US Dollars with Turkish Lira executed by or on behalf of the Fiscal Agent may include customary fees and/or commissions in relation to the execution of such trade. No assurance can be given that the amount of US Dollars received by an investor who elects to receive a payment of principal or interest in respect of the Notes in US Dollars will be equal to the amount of US Dollars that the investor could have realised in the foreign exchange market if the interest or principal payment made on the investor's Notes had instead been paid directly to the investor in Turkish Lira and the investor had converted the Turkish Lira into US Dollars. Investors shall have no recourse to the Issuer, the Fiscal Agent or any other person in the event that the amount of US Dollars that an investor receives in respect of a payment of principal or interest is lower than the amount of US Dollars that such investor could have realised itself if it had exchanged Turkish Lira in the foreign exchange market.

In addition, if the Fiscal Agent cannot, for any reason, purchase US Dollars with the Turkish Lira that has been paid by the Issuer in respect of any payment of principal or interest, Noteholders will receive Turkish Lira in respect of such payment of principal or interest.

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.

US persons investing in the Notes may have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the US 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 US 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, Syria 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. In addition, the US Department of State and other US government entities, the United Nations, the European Union and other governments also administer and enforce sanctions against Iran and certain countries, persons and entities. Neither Akbank nor any of its affiliates is currently the target of any such sanctions and Akbank has adopted policies and procedures designed to comply with applicable sanctions regulations.

Defined majorities of Noteholders may bind Noteholders who do not vote in a manner contrary to the majority.

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 changes of law may affect the 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 Issuer will pay principal and interest on the Notes in Turkish Lira. 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 Turkish Lira. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Turkish Lira 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 Turkish Lira 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 the Issuer.

Akbank's obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate cash flows. Moreover, the ability of the Issuer to make payments will depend upon, among other factors, the Turkish Government not having imposed any foreign exchange controls, its ability to obtain US Dollars in Turkey and its ability to secure any applicable necessary approval from the relevant authority, which could be affected by the changes in Turkish exchange controls. Any such restriction or failure to obtain the necessary approval could affect the Issuer's ability to make payments of interest and principal under the Notes.

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

The Notes are unsecured and unsubordinated obligations of the Issuer. Subject to statutory preferences, the Notes will rank equally with any of the Issuer's other unsecured and unsubordinated indebtedness. However, the Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve or liquidity requirements required by law to be maintained by Akbank with the Central Bank, claims of individual depositors with Akbank to the extent of any excess that such depositors are not able to recover from the Savings Deposit Insurance Fund of Turkey, claims that the Savings Deposit Insurance Fund may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to Akbank).

There may not be an active trading market for the Notes, which may adversely affect the value at which an investor could sell its 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 Main Securities Market of the Irish 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. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

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 Issuer 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 current levels, if any, applicable to such Notes which limits the market value of the Notes and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

The withholding tax rate on interest payments in respect of Turkish bonds issued outside of Turkey varies depending on the original maturity of such bonds as specified under the Decrees. Pursuant to the Decrees, with respect to bonds with a maturity of between 3 years and 4 years 364 days, the withholding tax rate on interest is 3% and for bonds with a maturity of 5 years or more the withholding tax rate is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. The Issuer 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 (b) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction which change or amendment becomes effective after 4 February 2013 on the next Interest Payment Date the Issuer would be required: (i) to pay additional amounts of Taxes (as defined 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 the rate currently applicable to such bonds and such requirement cannot be avoided by the Issuer taking reasonable measures available to it. The Issuer cannot assure 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.

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 affect service of process upon Akbank or such persons outside Turkey, or to enforce judgments or arbitral awards obtained against such parties outside Turkey. 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 Turkey and the United Kingdom 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 an investor 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;

(f) the court rendering the judgment did not have jurisdiction to render such judgment;

(g) 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; or

(h) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

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 US 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 Euroclear and Clearstream, Luxembourg procedures.

The Regulation S Notes will be represented on issue by an Unrestricted Global Certificate and the Rule 144A Notes will be represented on issue by a Restricted Global Certificate. The Global Certificates will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificates, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective participants will maintain records of the beneficial interests in the Global Certificates. While the Notes are represented by the Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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.

Payments in connection with the Notes may be subject to withholding in accordance with the terms of the EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), 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).

The European Commission has prepared certain amendments to the Directive, which may, if implemented, 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.

Application of the US foreign account tax compliance provisions to the Issuer, the Notes and holders of the Notes is uncertain.

Should the Notes be significantly modified on or after the date (the "**grandfathering date**") that is six months after the date on which final US Treasury regulations define the term "**foreign passthru payment**," then (pursuant to Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended (the "**Code**"), any US Treasury regulations issued thereunder, or any similar law implementing an intergovernmental approach thereto ("**FATCA**")) the Issuer and other financial institutions through which payments on the Notes are made may be required to withhold US tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of such Notes. In addition, withholding under FATCA may be triggered if, on or after the grandfathering date, the Issuer creates and issues further notes that are consolidated and form a single series with the outstanding Notes as permitted by Condition 15 (Further Issues in "Conditions of the Notes").

The FATCA withholding tax may be triggered if either: (a) the Bank is a foreign financial institution (as defined in FATCA) ("**FFI**") that must provide the US Internal Revenue Service ("**IRS**") or other applicable authority with certain information on its account holders (making the Bank a Participating FFI (as defined in FATCA)) and (b)(i) an investor does not provide information sufficient for the relevant Participating FFI that is making payment to determine whether the investor is a US person or should otherwise be treated as holding a "United States Account" of such FFI, or (ii) any FFI through or to which payment on the Notes is made is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of US withholding tax were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

FATCA is particularly complex and its application to the Issuer, the Notes and the holders is uncertain at this time.

Further Notes may be issued without the consent of the Noteholders.

Akbank may from time to time create and issue further Notes without the consent of the Noteholders, subject to terms and conditions which are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

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, including the documents incorporated by reference. See, in particular, ''Conditions of the Notes''.

Issue:	TL 1,000,000,000 principal amount of 7.500% notes due 2018.
Interest and Interest Payment Dates:	The Notes bear interest from and including 5 February 2013 (the ''**Issue Date**'') at the rate of 7.500% per annum payable semi-annually in arrear on 5 February and 5 August in each year (each an ''**Interest Payment Date**''). The first payment (for the period from and including 5 February 2013 to but excluding 5 August 2013 and amounting to TL 37.50 per TL 1,000 principal amount of Notes) shall be made on 5 August 2013.
Maturity Date:	5 February 2018.
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. 6102), the Capital Markets Law (Law No. 6362) and Articles 6 and 25 of the Communiqué Serial II, No. 22 of the Capital Markets Board on Registration and Sale of Debt Instruments and Article 15(b) of Decree 32.
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; (ii) such Security Interest is terminated; or (iii) 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) a bond, note or similar instrument whereby the payment obligations are secured on a segregated pool of assets (whether held by the Issuer or any third party guarantor)

(any such instrument, 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 principally from such assets or revenues (or in the case of Direct Recourse Securities (as defined in Condition 4), 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 an issuance of (A) 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).

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 4 February 2013 on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 9 and the Issuer would be required to make any incremental withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, beyond the prevailing applicable rates on the Issue Date 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, and except as otherwise provided in the Conditions of the Notes, 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.

Notwithstanding any other provision of the Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

See "Conditions of the Notes – Condition 9".

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 and Notes offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Certificate. The Global Certificates will be in registered form, without interest coupons attached and will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See "Transfer Restrictions". Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Notes will be issued in denominations of TL 300,000 and integral multiples of TL 1,000 in excess thereof. See "Conditions of the Notes".
Currency Exchange and Payments:	Payments of principal and interest in respect of the Notes will be made in Turkish Lira. However, each Noteholder may make an irrevocable election to receive payment in US Dollars. In respect of any Notes for which a Noteholder has made such an irrevocable election to receive a payment in US Dollars, the Fiscal Agent will, pursuant to Condition 7.2, credit the Noteholder's US Dollar account through the facilities of Euroclear and/or Clearstream, Luxembourg with such Noteholder's pro-rata portion of the US Dollars purchased with the applicable Lira Amount by the Fiscal Agent pursuant to the Agency Agreement. Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer by no later than 8.30 a.m. (London time) on the Relevant Note Payment Date (as defined in the Terms and Conditions of the Notes) in order to make any payments to Noteholders on such Relevant Note Payment Date. If the Fiscal Agent receives cleared funds from the Issuer after such time on the Relevant Note Payment Date the Fiscal Agent will use reasonable efforts to pay the funds as soon as reasonably practicable thereafter. If for any reason, the Fiscal Agent cannot purchase US Dollars, the relevant payment of interest or principal will be made to the relevant Noteholder in Turkish Lira, as more fully described in "Terms and Conditions of the Notes – Condition 7.2 (US Dollar Currency Exchange and Payments)".
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 Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Main Securities 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 US 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 "Additional 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".
Issue Price:	100% of the principal amount.
Yield:	7.500%.
Regulation S Notes Security Codes:	ISIN: XS0884723148 Common Code: 088472314
Rule 144A Notes Security Codes:	ISIN: XS0884723577 Common Code: 088472357
Representation of Noteholders:	There will be no trustee.
Expected Rating(s):	"BBB" by Fitch and "Baa2" by Moody's.
Fiscal Agent and Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.

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 incorporated by reference 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.

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

Balance Sheet Data

	As at 31 December			As at 30 June
	2011	**2010**	**2009**	**2012**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
	(TL thousands)			
ASSETS				
Cash and due from banks and balances with the Central Bank of Turkey	17,341,692	8,521,168	5,029,260	11,595,487
Trading securities	164,563	610,602	159,786	136,366
Derivative financial instruments	826,711	471,041	245,120	544,146
Reserve requirements with the Central Bank of Turkey	—	—	3,464,090	—
Loans and advances to customers	74,957,927	58,197,124	45,049,817	83,562,836
Investment securities:				
– Available-for-sale	38,972,208	43,308,476	30,726,800	41,661,101
– Held-to-maturity	4,824,470	6,627,280	15,839,764	4,587,728
Investment in associates	—	—	3,125	—
Property and equipment	790,661	901,341	805,457	766,419
Intangible assets	102,215	93,131	65,449	112,269
Deferred income tax assets	279,095	201,873	269,965	305,314
Other assets and pre-payments	997,639	722,814	727,650	991,846
Total assets	**139,257,181**	**119,654,850**	**102,386,283**	**144,263,512**
LIABILITIES				
Customer deposits	93,192,092	83,105,451	74,701,284	98,840,995
Interbank money market deposits	640,869	400,005	483,572	167,508
Derivative financial instruments	892,886	750,003	771,743	1,008,643
Funds borrowed	14,319,746	8,172,658	5,881,999	12,456,996
Debt securities in issue	8,229,379	5,846,767	3,327,341	8,309,271
Income taxes payable	108,047	290,507	196,541	205,784
Other liabilities and accrued expenses	3,477,928	2,940,992	2,411,052	3,549,955
Deferred tax liabilities	24,757	16,902	—	25,420
Employment benefit obligations	77,611	71,728	58,886	82,467
Total liabilities	**120,963,315**	**101,595,013**	**87,832,418**	**124,647,039**
EQUITY				
Capital and reserves attributable to the equity holders				
– Share capital	4,000,000	4,000,000	3,000,000	4,000,000
– Adjustment to share capital	1,534,393	1,534,393	2,029,151	1,534,393
Total paid-in share capital	5,534,393	5,534,393	5,029,151	5,534,393
Share premium	1,709,128	1,709,128	1,709,098	1,709,128
Translation reserve	270,882	102,020	23,435	114,929
Other reserves	(510,843)	1,437,053	505,752	240,065
Retained earnings	11,280,544	9,264,309	7,286,224	12,007,484
	18,284,104	**18,046,903**	**14,553,660**	**19,605,999**
Minority interest	9,762	12,934	205	10,474
Total equity	**18,293,866**	**18,059,837**	**14,553,865**	**19,616,473**
Total liabilities and equity	**139,257,181**	**119,654,850**	**102,386,283**	**144,263,512**

Income Statement Data

	For the year ended 31 December			For the six months ended 30 June
	2011	2010	2009	2012
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
		(TL thousands)		
Interest income	9,473,645	8,994,490	9,549,763	5,706,208
Interest expense	(5,321,916)	(4,563,572)	(4,825,073)	(3,293,958)
Net interest income	**4,151,729**	**4,430,918**	**4,724,690**	**2,412,250**
Fee and commission income	1,915,721	1,582,698	1,542,129	1,037,913
Fee and commission expense	(273,976)	(213,955)	(207,392)	(166,683)
Net fee and commission income	**1,641,745**	**1,368,743**	**1,334,737**	**871,230**
Impairment losses on loans and credit related commitments, net	(313,299)	103,723	(813,194)	(351,411)
Foreign exchange gains and losses, net	41,010	52,112	87,501	(13,308)
Trading gains and losses, net	(153,365)	28,204	25,838	(132,284)
Dividend income	3,596	1,059	1,391	726
Other operating income	392,546	313,308	189,419	105,483
Operating income	**5,763,962**	**6,298,067**	**5,550,382**	**2,892,686**
Operating expenses	(2,558,545)	(2,540,087)	(2,261,343)	(1,457,480)
Profit before income taxes and tax case	**3,205,417**	**3,757,980**	**3,289,039**	**1,435,206**
Income taxes	(619,812)	(748,444)	(555,338)	(288,916)
Gains on tax case	—	—	—	—
Profit for the year	**2,585,605**	**3,009,536**	**2,733,701**	**1,146,290**
Attributable to:				
Equity holders of the Group	2,586,855	3,007,995	2,733,661	1,145,535
Minority interest	(1,250)	1,541	40	755
	2,585,605	**3,009,536**	**2,733,701**	**1,146,290**
Earnings per share (expressed in TL, full amount, per share)	0.0065	0.0075	0.0091	0.0029

Key Ratios

The following table sets out certain key ratios calculated with results derived from the audited consolidated financial statements of the Bank as at 31 December 2011, 2010 and 2009 and unaudited consolidated financial statements as at 30 June 2012, respectively. 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			As at and for the six months ended 30 June
	2011	**2010**	**2009**	**2012**
		(%)		
Return on average shareholders' equity excluding minority interest	14.2	18.5	21.0	12.1
Net interest margin(1)	3.3	4.1	5.1	3.5
Capital adequacy ratio(2)	16.8	19.9	21.0	15.8
Cost to income(3)	44.4	40.3	40.7	50.4
Free capital ratio(4)	12.5	14.2	13.4	13.0
Non-performing loans to total cash loans	1.7	2.2	3.8	1.6
Cost to average total assets	2.0	2.3	2.3	2.1
Cost of Risk	0.2	(0.3)	1.6	0.4
Fees to Cost	64.9	54.7	59.0	61.4

Notes:

(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 divided by total assets.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial and Other Information

Financial Information

The Bank maintains its books of accounts and prepares its statutory financial statements ("**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 BRSA and other relevant rules promulgated by the Turkish Commercial Code, the CMB and Tax Regulations. The Bank's subsidiaries maintain their books of accounts in accordance with the statutory rules and regulations applicable in their jurisdictions.

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 2011, 2010 and 2009 of the Bank incorporated by reference herein (the "**Annual Financial Statements**") have been prepared and presented in accordance with IFRS. The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 of the Bank incorporated by reference herein (the "**Interim Financial Statements**") have been prepared and presented in accordance with IFRS. The unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2012 of the Bank incorporated by reference herein (the "**Quarterly BRSA Financial Statements**") have been prepared and presented in accordance with BRSA. The Annual Financial Statements, the Interim Financial Statements and the Quarterly BRSA Financial Statements together are referred to as the "**Financial Statements**". Non-performing loan ratios are based on BRSA figures.

The Annual Financial Statements as at and for the year ended 31 December 2009 have been audited by PricewaterhouseCoopers ("**PwC**") in accordance with International Standards on Auditing and the Annual Financial Statements as at and for the years ended 31 December 2010 and 2011 have been audited by Ernst & Young ("**E&Y**") in accordance with International Standards on Auditing. The Interim Financial Statements as at 30 June 2012 have been reviewed by E&Y in accordance with International Standards on Review Engagements No. 2410 "Review of Interim Financial Information Performed by the Independent Auditor of an Entity" and the Quarterly BRSA Financial Statements as at 30 September 2012 have been reviewed by E&Y in accordance with BRSA standards for review engagements. Unless otherwise indicated, the financial information presented herein is based upon the Financial Statements incorporated by reference herein.

According to BRSA regulation and communiqué dated 13 January 2010, 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.

Rounding

Certain figures included in this Offering Memorandum have been subject to rounding adjustments (e.g., certain US 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.

Currency Presentation and Exchange Rate Information

Unless otherwise indicated, references to "**TL**" with respect to the Annual Financial Statements, the Interim Financial Statements and the Quarterly BRSA Financial Statements are references to the Turkish currency rounded to the nearest thousand. Unless otherwise indicated, references to "**US$**",

"**$**", "**US Dollars**" or "**Dollars**" in this Offering Memorandum are to United States Dollars rounded to the nearest million. Unless otherwise indicated, references to "**EUR**", "**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 on 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 Bankası*, 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."

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.

Other Information

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.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are provided simultaneously with this Offering Memorandum shall be deemed to be incorporated in, and to form part of, this Offering Memorandum:

(i) the Annual Financial Statements of Akbank for the financial year ended 31 December 2011 (including E&Y's audit report dated 29 February 2012 issued in respect thereof);

(ii) the Annual Financial Statements of Akbank for the financial year ended 31 December 2010 (including E&Y's audit report dated 21 February 2011 issued in respect thereof);

(iii) the Annual Financial Statements of Akbank for the financial year ended 31 December 2009 (including PwC's audit report dated 24 February 2010 issued in respect thereof);

(iv) the Interim Financial Statements of Akbank for the six months ended 30 June 2012 (including E&Y's review report dated 17 August 2012 issued in respect thereof); and

(v) the Quarterly BRSA Financial Statements of Akbank for the nine months ended 30 September 2012 (including E&Y's review report dated 8 November 2012 issued in respect thereof),

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum.

Copies of documents incorporated by reference in this Offering Memorandum are available on the website of the Issuer at www.akbank.com/investor-relations/financial-information/result-in-brsa.aspx.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains statements that may be considered to be ''forward-looking statements'' as that term is defined in the US 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 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.

USE OF PROCEEDS

The estimated total expenses relating to the admission of the Notes to trading are approximately TL 26,500 (US$15,000 at the exchange rate of 1.77 TL/US$). The Issuer 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 US Dollars for the periods indicated. The rates set forth below are provided solely for your convenience and were not used by the Issuer in the preparation of the Issuer'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 US Dollars at that rate or at any other rate.

Period Average(1)	TL per US$	Period End(2)	TL per US$
January to June 2012	1.7538	30 June 2012	1.8065
2011	1.6325	31 December 2011	1.8889
2010	1.4637	31 December 2010	1.5376
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	1.4035	31 December 2006	1.4150
2005	1.3215	31 December 2005	1.3750
2004	1.4223	31 December 2004	1.3421
2003	1.4931	31 December 2003	1.3958
2002	1.5058	31 December 2002	1.6345
2001	1.2254	31 December 2001	1.4396
2000	0.6237	31 December 2000	0.6718

Notes:

(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. *Source: Akbank*

(2) Represents the TL/US$ exchange rates for the purchase of US 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. *Source: Central Bank of Turkey*

CAPITALISATION OF THE BANK

The following table which is extracted from the Issuer's Annual Financial Statements and Interim Financial Statements, prepared in accordance with IFRS, sets forth the consolidated capitalisation of the Bank as at 31 December 2011, 2010 and 2009, and as at 30 June 2012, respectively. This table should be read in conjunction with the Issuer's Annual Financial Statements and Interim Financial Statements and the notes thereto incorporated by reference 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 six months ended 30 June
	2011	**2010**	**2009**	**2012**
Long-term debt[1][2]	11,226,003	7,201,034	5,367,703	10,732,589
Capital stock; legal reserves, retained earnings and other equity accounts	15,697,249	15,038,908	11,819,999	18,460,464
Current period net income attributable to Equity Holders of the Bank	2,586,855	3,007,995	2,733,661	1,145,535
Total shareholders' equity	18,284,104	18,046,903	14,553,660	19,605,999
Total capitalisation	**29,510,107**	**25,247,937**	**19,921,363**	**30,338,588**

Notes:

(1) See note 16 to each of the Annual Financial Statements.

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

RECENT DEVELOPMENTS

Unless otherwise noted, the following summary financial and operating data as of 30 September 2012 and 30 September 2011 and balance sheet information as of 30 September 2012 and 31 December 2011 have been extracted from the unaudited Quarterly BRSA Financial Statements. This information should be read in conjunction with such Quarterly BRSA Financial Statements and the notes thereto incorporated by reference into this Offering Memorandum.

The Quarterly BRSA Financial Statements are not directly comparable to the annual and half-yearly financial information provided elsewhere in this Offering Memorandum, which is prepared in accordance with IFRS. There are certain accounting differences between Turkish Accounting Standards and IFRS. For a description of certain of the more significant differences between IFRS and Turkish Accounting Standards, see "Annex A-Summary of Differences Between IFRS and BRSA Accounting Principles".

Significant Factors Affecting the Bank's Financial Condition and Results of Operations for the Nine Month Period Ended 30 September 2012

The Bank's financial condition, results of operations and prospects depend significantly upon the macroeconomic conditions prevailing in Turkey as well as certain other factors. The impact of these and other potential factors may vary significantly in the future and many of these factors are outside the control of the Bank. Prospective investors should (among other things) consider the factors set forth under "*Forward-Looking Statements*" and "*Risk Factors*". The following describes the most significant of such factors in the first nine months of 2012.

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, Turkey's current account deficit and fluctuations in exchange rates and interest rates.

The following table sets forth key economic indicators for Turkey for the first nine months of 2012 and the years 2011, 2010 and 2009:

	For the nine months ended 30 September	For the year ended 31 December		
	2012	2011	2010	2009
GDP *in billion Turkish Lira*	1,057.4	1,298.1	1,099.0	953.0
GDP *in billion U.S. Dollars*	586.3	774.2	732.0	617.0
GDP growth *(%)*	2.6	8.5	9.2	(4.8)
GDP per capita *in U.S. Dollars*	10,673*	10,469	10,022	8,559
Unemployment *(%)*	9.1	9.8	11.9	14.0
Central Bank policy rate *(year end %)*	5.50	5.75	6.50	6.50
Benchmark yield *(year end %)*	7.6	11.0	7.1	8.9
Inflation *(%)*	9.2	10.5	6.4	6.5
Exports *in billion U.S. Dollars*	113.0	134.9	113.9	102.1
Imports *in billion U.S. Dollars*	177.0	240.8	185.5	140.9
Trade deficit *in billion U.S. Dollars*	63.5	105.9	71.7	38.8
Current account deficit *in billion U.S. Dollars*	39.1	77.0	46.6	13.4
Budget deficit *in billion Turkish Lira*	14.4	17.4	39.6	52.8

Sources of macro-economic data: Central Bank of Turkey, Turkish Statistical Institute General Directorate of Public Accounts, Turkish Treasury, Turkish State Planning Organisation (DPT), IMF and other public sources.

** 2012 year end medium term forecast*

As the Turkish economy recovered from the global economic crisis, the unemployment rate declined and demand for the Bank's loan products significantly increased through 2011, although this has slowed somewhat in 2012 as growth rates have moderated as a result of both external and internal factors. Turkey's economy remains significantly exposed to external disruptions, including conditions in the Eurozone and political conditions in the Middle East. See also "Risk Factors – Risk Factors Relating to Turkey".

Business of the Bank

As of 30 September 2012, the Bank held strong market positions in all areas of lending in the Turkish market. As of 30 September 2012, the Bank recorded a 20.0% year-to-date increase in total loans and increased its share of the Turkish loan market by 1.0% to 11.1% (10.0% and 14.3% in Turkish Lira and foreign currency loans, respectively), while total deposits increased by 11.52% year-to-date with a 0.5% market share increase to 11.0% (9.8% and 13.1% in Turkish Lira and foreign currency deposits, respectively).

The Bank has the second largest branch network among privately-owned banks in Turkey with 963 branches as of 30 September 2012 (9.5% market share) located in 78 cities (96.3% coverage of Turkey) and serves more than 12.3 million customers. The Bank intends to continue to expand its branch network at a moderate pace across Turkey in 2013. In addition to its branch network, the Bank has a wide array of alternative delivery channels including over 4,000 ATMs, the second largest ATM network in Turkey, internet banking serving approximately 1.5 million customers (15% market share) and mobile banking, as well as call centres serving up to 3 million incoming calls per month, in each case as of 30 September 2012. As of the same date, the Bank handled approximately 75% of financial transactions through alternative distribution channels ("**ADCs**") and the remaining 25% through branches. Of the 75% of financial transactions handled through ADCs, the Bank handled approximately 58% via ATMs, 16% via internet and mobile banking, 1% via its call centres and the remaining 25% via other channels including conventional branches and its centralised operations department.

As of 30 September 2012, the Bank had approximately 5.7 million credit cards issued and in circulation and approximately 296,000 POS terminal units, with approximately 227,000 member merchants using the Bank's POS terminals. As of the same date, the Bank had 16,436 employees.

As of December 2012, as a proactive response to recent improvements in technology and substantial growth in the market, the Bank established its Akbank Direct Banking business unit, which is responsible for areas such as Alternative Delivery Channels sales, marketing and channel management, digital and social media management, call centre management and direct banking segment-oriented strategy. By merging its technology and banking expertise, the Akbank Direct Banking business unit is expected to integrate digital technologies with the banking industry. As its ultimate goal, the Akbank Direct Banking business unit aims to satisfy increasing customer demands and expectations, to reach operational excellence and to maximize profitability. In order to achieve this goal, the Bank plans to continue to invest in new and emerging technologies to serve its customers via innovative products and services.

Analysis of Results of Operations and Financial Condition for the Nine Month Periods Ended 30 September 2012 and 2011

The table below sets out the Bank's summary income statement for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	For the nine months ended 30 September		
	2012 (unaudited)	**2012/2011 Change**	**2011 (unaudited)**
	(TL thousands)	*(%)*	*(TL thousands)*
Interest income	8,692,367	27.8%	6,804,018
Interest expense	4,874,833	26.8%	3,845,443
Net interest income	3,817,534	29.0%	2,958,575
Net fee and commission income	1,302,945	7.7%	1,209,563
Dividend income	726	(79.8)%	3,596
Trading income/(loss)	33,021	(54.5)%	72,577
Trading gains/(losses) on securities	781,027	67.1%	467,431
Gains/(losses) on derivative financial transactions	(1,290,506)	1,187.4%	(100,238)
Foreign exchange gains/(losses)	542,500	(284.1)%	(294,616)
Other operating income	277,344	(52.3)%	580,875
Provision for loan losses and other receivables (-)	791,965	57.0%	504,364
Other operating expenses (-)	2,169,506	17.7%	1,843,528
Profit before income taxes	2.470,099	(0.3)%	2,477,294
Income taxes (-)	563,353	9.0%	516,917
Profit for the period	**1,906,746**	**(2.7)%**	**1,960,377**
Income/(loss) from the Group	1,906,715		1,961,340
Income/(loss) from minority interest	31		(963)

The following table identifies the share that net interest income, net fee and commission income and other operating income have represented in Akbank's total operating income for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	For the nine months ended 30 September			
	2012 (unaudited)		**2011 (unaudited)**	
	(TL thousands)	*(% total)*	*(TL thousands)*	*(% total)*
Net interest income	3,817,534	70.3%	2,958,575	61.3%
Net fee and commission income	1,302,945	24.0%	1,209,563	25.1%
Other operating income[(1)]	311,091	5.7%	657,048	13.6%
Total operating income	**5,431,570**	**100%**	**4,825,186**	**100%**

Note:
(1) Other operating income comprises dividend income, net trading income and other operating income.

Net Profit

The following tables set out the principal components of Akbank's net profit for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	For the nine months ended 30 September		
	2012 (unaudited)	**2012/2011 Change**	**2011 (unaudited)**
	(TL thousands)	*(%)*	*(TL thousands)*
Interest income	8,692,367	27.8%	6,804,018
Interest expense (-)	4,874,833	26.8%	3,845,443
Non-interest income[(1)]	1,614,036	(13.5)%	1,866,611
Provision for loan losses and other receivables (-)	791,965	57.0%	504,364
Other operating expenses (-)	2,169,506	17.7%	1,843,528
Income taxes (-)	563,353	9.0%	516,917
Net profit	**1,906,746**	**(2.7)%**	**1,960,377**
Income/(loss) from the Group	1,906,715		1,961,340
Income/(loss) from minority interest	31		(963)

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

Akbank's consolidated net profit for the nine months ended 30 September 2012 was TL1.9 billion, a 2.7% decrease compared to TL2.0 billion in the nine months ended 30 September 2011, principally as a result of the increase in impairment losses on loans and credit related commitments, net of 57.0% due to increases in general provisioning rates for general purpose loans and an increase in NPLs in line with the growth trend in Akbank's lending portfolio.

Return on average total assets was 1.7% for the first nine months of 2012 and 2.0% for the corresponding period in 2011. Return on average shareholders' equity (excluding non-controlling interest) was 13.2% for the first nine months of 2012 compared to 14.8% for the first nine months of 2011.

Net Interest Income

Akbank's net interest income is the difference between the interest income that it earns on its interest-earning assets and the interest expense that it pays on its interest-bearing liabilities. Its primary sources of interest income are interest on marketable securities (principally Turkish Government securities denominated in TL) and interest on loans. The table below sets out the principal components of Akbank's net interest income for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	For the nine months ended 30 September		
	2012 (unaudited)	**2012/2011 Change**	**2011 (unaudited)**
	(TL thousands)	*(%)*	*(TL thousands)*
Interest on loans	5,321,802	40.8%	3,778,710
Interest on deposits with banks	16,606	(58.4)%	39,869
Interest on money market transactions	40,969	9,427.7%	430
Interest on marketable securities	3,215,046	11.0%	2,895,208
Financial lease income	89,137	27.1%	70,130
Other interest income	8,807	(55.2)%	19,671
Total interest income	**8,692,367**	**27.8%**	**6,804,018**
Interest on deposits	3,729,702	28.8%	2,896,237
Interest on funds borrowed	272,773	34.1%	203,365
Interest on money market deposits	538,425	(2.0)%	549,347
Interest on securities issued	313,929	84.9%	169,757
Other interest expense	20,004	(25.2)%	26,737
Total interest expense	**4,874,833**	**26.8%**	**3,845,443**
Net interest income	**3,817,534**	**29.0%**	**2,958,575**

Net interest income increased by 29.0% to TL3.8 billion in the nine months ended 30 September 2012 from TL3.0 billion in the nine months ended 30 September 2011, principally driven by an increased share of higher-yield lending and improved spreads as a part of its asset mix change.

The Bank's net interest margin increased to 3.6% in the nine months ended 30 September 2012 as compared to 3.2% for the nine months ended 30 September 2011. The Bank's cost of funding increased by 26.8% in the nine months ended 30 September 2012, as compared to the same period in 2011, and consolidated interest income increased by 27.8% during the same period.

The changes in net interest income resulted 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 for the years ended and as of 31 December 2011, 2010 and 2009, see "Selected Statistical and other information – Analysis of Changes in Net Interest Income and Interest Expense." Interest income and interest expense are discussed in greater detail below.

Interest income

Consolidated interest income was TL8.7 billion for the nine months ended 30 September 2012, an increase of 27.8% compared to TL6.8 billion for the nine months ended 30 September 2011.

The increase in interest income was due to an increase in total assets, which increased by 11.9% as at 30 September 2012, from TL139.9 billion at 30 September 2011, and, in particular, an increase in total loans (which increased by 22.2% from TL73.0 billion as at 30 September 2011 to TL89.2 billion as at 30 September 2012), and an increase in investment securities (which increased by 3.5% from TL43.9 billion as at 30 September 2011 to TL45.4 billion as at 30 September 2012). These increases were partially offset by a TL2.3 billion reduction in cash balances with the Central Bank over the same dates. See also "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Significant Factors Affecting Akbank's Results of Operations – Loan Portfolio Growth".

Consolidated interest income from loans was TL5.3 billion in the nine months ended 30 September 2012, an increase of 40.8% compared to TL3.8 billion in the corresponding period of 2011. The increase was due to an increase in total loans, mainly driven by an increase in higher-yielding Turkish Lira-denominated loan products, including consumer loans, small business loans and credit cards, as the Bank continued to focus on growing its loan portfolio in the higher yielding products and improved loan pricing as competitive conditions moderated in 2012, as compared to 2011. As economic conditions in Turkey are expected to remain steady in 2013, the Bank expects that the level of competition may increase in 2013. The Bank's market share in Turkey for loans in the first nine months of 2012 increased by 1.4% for TL loans and 0.3% for foreign currency loans (*source: BRSA*).

Interest Income from Deposits. Interest income on deposits with banks was TL16.6 million for the nine months ended 30 September 2012, a decrease of 58.4% compared to TL39.9 million for the same period in 2011. Total deposits with banks increased by TL 8.2 billion in the first nine months of 2012, from TL80.8 billion at 31 December 2011 to TL89.0 billion at 30 September 2012. Cash due from banks excluding balances with the Central Bank of Turkey in the first nine months of 2012 was TL1.2 billion.

Interest Income from Securities. Interest income from securities amounted to TL3.2 billion in the nine months ended 30 September 2012, an increase of 11.0% compared to TL2.9 billion in the nine months ended 30 September 2011. This increase was primarily due to a 3.5% increase in the Bank's securities portfolio. The Bank's securities portfolio comprised predominantly Turkish government securities, a significant portion of which were inflation-linked; these increased from TL16.5 billion at 30 September 2011 to TL16.9 billion at 30 September 2012, although as of the latter date they represented a smaller proportion of the Bank's total assets, due to an increase in loans.

Interest Expense

Consolidated interest expense for the nine months ended 30 September 2012 increased by 26.8% to TL4.9 billion from TL3.8 billion for the nine months ended 30 September 2011, mainly as a result of an increase in total liabilities, as well as increased deposit interest rates during the first nine months of 2012, due to Central Bank policies. The Bank's market share in Turkey for deposits in the first nine months of 2012 increased by 0.6% for TL deposits and 0.2% for foreign currency deposits (*source: BRSA*).

Provision for Loan Losses

Akbank's provisions for loan losses increased by 57.0% to TL792.0 million in the first nine months of 2012 from TL504.4 million in the first nine months of 2011, partly driven by the decrease in collections from NPLs (with recoveries at TL206.4 million as of 30 September 2012, and TL274.7 million as of 30 September 2011). Asset quality slightly weakened between 2012 and 2011 as the Bank continued to grow its loan portfolio and economic conditions moderated, leading to higher NPLs in certain segments, principally credit cards and general purpose loans. Nevertheless, despite decreases in asset quality, NPLs as a percentage of total loans decreased from 1.7% as of 31 December 2011 to 1.6% as of 30 September 2012, and remained at low levels relative to Turkish averages as published by the BRSA, which increased to 2.9% as of 30 September 2012, as compared to 2.6% as of 30 September 2011.

For additional information on Akbank's loan losses, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Akbank's Provisioning for Impaired Loans"; "Selected Statistical and Other Information – Non-Performing Loans; Provisioning; Loan Losses," and "Selected Statistical and Other Information – Allowance for Loan Losses."

Total Non-Interest Income

The tables below set forth the components of Akbank's non-interest income for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	For the nine months ended 30 September		
	2012 (unaudited)	**2012/2011 Change**	**2011 (unaudited)**
	(TL thousands)	*(%)*	*(TL thousands)*
Net fee and commission income	1,302,945	7.7%	1,209,563
Dividend income	726	(79.8)%	3,596
Trading income/(loss)	33,021	(54.5)%	72,577
Trading gains/(losses) on securities	781,027	67.1%	467,431
Gains/(losses) on derivative financial transactions	(1,290,506)	1,187.4%	(100,238)
Foreign exchange gains/(losses)	542,500	(284.1)%	(294,616)
Other operating income	277,344	(52.3)%	580,875
Non interest income	**1,614,036**	**(13.5)%**	**1,866,611**

Total non-interest income decreased by 13.5% in the first nine months of 2012 to TL1.6 billion from TL1.9 billion in the first nine months of 2011, primarily due to trading losses.

A significant portion of the trading losses were from funding activities, and in particular, due to foreign currency swap transactions entered into by the Bank to access funding in TL at lower cost; these can often result in a negative impact on foreign currency trading and derivatives trading accounts, though they can be beneficial from an overall balance sheet perspective. In addition, a portion of trading losses arise from interest rate swaps entered into to hedge interest rate risks associated with long-term fixed rate TL loans.

Fee and commission income was primarily derived from credit cards and bancassurance. Fee and commission income increased by 10.0% in the first nine months of 2012 compared to the first nine months of 2011, despite a reduction of fees for fund management products, offset by commissions generated by a 33.6% increase in credit card commission-generating usage in the first nine months of 2012, as compared to the same period in 2011. As of 30 September 2012, the credit card loan market size in Turkey (including for both consumer and commercial banking) was TL71.4 billion, with 24 credit card issuers and TL53.6 million of credit cards (including virtual cards) issued in the Turkish market (*Sources: The Interbank Card Center, BRSA*).

Total Non-Interest Expense

The following tables show the components of Akbank's non-interest expense for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	For the nine months ended 30 September		
	2012 (unaudited)	**2012/2011 Change**	**2011 (unaudited)**
	(TL thousands)	*(%)*	*(TL thousands)*
Employee costs	893,302	19.9%	744,856
Reserve for employee termination benefits	3,939	2.4%	3,845
Depreciation/Amortisation	116,089	9.1%	106,382
Operational leasing expenses	91,862	29.5%	70,944
Maintenance expenses	15,262	8.3%	14,097
Advertisement expenses	74,960	21.8%	61,521
Other expenses	974,092	15.7%	841,883
Total	**2,169,506**	**17.7%**	**1,843,528**

Total non-interest expense increased by 17.7% in the first nine months of 2012 to TL2.2 billion from TL1.8 billion in the first nine months of 2011, principally driven by increased employee costs due to inflation linked salary increases, as well as other costs related to the expansion of the branch network.

Income Taxes

Income tax expense was TL563.4 million and effective tax rate was 22.8% in the first nine months of 2012. Income tax expense was TL517.0 million in the same period in 2011.

Financial Condition

The table below sets forth the components of the Bank's balance sheet data as of 30 September 2012 and 31 December 2011 under BRSA accounting principles:

	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)
	(TL thousands)	
ASSETS		
Cash and due from banks and balances with the Central Bank of Turkey	16,603,834	17,333,482
Financial assets at fair value through profit or loss	563,580	991,274
Trading securities	22,030	164,563
Derivative financial instruments	541,550	826,711
Reverse Repurchase Agreements	960,737	8,210
Loans and receivables	89,198,601	74,355,560
Financial lease receivables	1,912,174	1,414,805
Available-for-sale financial assets	41,818,516	38,968,285
Held-to-maturity securities	3,591,541	4,824,470
Investments in associates	3,923	3,923
Property and equipment	768,596	790,661
Intangible assets	113,102	102,215
Property and equipment held for sale purpose	13,592	3,686
Deferred tax assets	102,933	116,608
Other assets	1,004,116	993,953
Total assets	**156,655,245**	**139,907,132**
LIABILITIES		
Deposits	88,967,093	80,770,817
Repurchase agreements	19,489,603	12,421,275
Interbank money market deposits	183,791	640,869
Derivative financial instruments	1,185,951	892,886
Borrowings	15,795,603	18,045,321
Securities issued	4,800,713	4,503,804
Provisions	1,395,159	1,131,234
General loan loss provision	1,110,749	812,438
Reserve for employee rights	84,934	77,611
Other provisions	199,476	241,185
Tax liability	594,067	290,456
Current tax liability	568,475	265,699
Deferred tax liability	25,592	24,757
Other liabilities and miscellaneous payables	3,553,946	3,079,091
Total liabilities	**135,965,926**	**121,775,753**
Paid-in capital	4,000,000	4,000,000
Share premium	1,700,000	1,700,030
Capital reserves (excluding share premium)	2,176,432	947,633
Profit reserves	10,561,584	8,728,740
Income or (Loss)	2,250,979	2,745,214
Prior year's income or (loss)	344,264	208,839
Current year income or (loss)	1,906,715	2,536,375
Minority interest	324	9,762
Shareholders' equity	**20,689,319**	**18,131,379**
Total liabilities and shareholders' equity	**156,655,245**	**139,907,132**

Total Assets

The Bank had total assets of TL156.7 billion as of 30 September 2012, an increase of 12.0% as compared to 31 December 2011. The largest share of the increase in total assets in the first nine months of 2012 came from loans and receivables. Loans and receivables comprised 56.9% of total assets as of 30 September 2012, as compared to 53.1% as of 31 December 2011.

Loans

The Bank's total net loan portfolio increased from TL74.4 billion as at 31 December 2011 to TL89.2 billion as at 30 September 2012, and the size of its securities portfolio (largely Turkish Government securities) increased slightly from TL44.0 billion at 31 December 2011 to TL45.4 billion at 30 September 2012. See also "Management's Discussion and Analysis of Financial Conditions and

Results of Operations – Significant Factors Affecting Akbank's Results of Operations – Global Economic Conditions and Impact of Global Financial Crisis".

The table below sets out certain key components of Akbank's total loans as at 30 September 2012 and 31 December 2011 under BRSA accounting principles:

	As at 30 September		As at 31 December
	2012 (unaudited)	2012/2011 Change	2011
	(TL thousands)	*(%)*	*(TL thousands)*
Consumer loans	19,251,371	23.5%	15,590,959
Mortgage	8,907,341	19.2%	7,470,948
Automobile	928,610	7.2%	865,906
General purpose (including credit deposit accounts)	9,415,420	29.8%	7,254,105
Commercial installment loans	6,722,756	9.1%	6,163,727
Mortgage	377,280	-7.2%	406,357
Automobile	907,893	0.3%	905,368
General purpose (including credit deposit accounts)	5,437,583	12.1%	4,852,002
Credit cards	13,395,835	35.0%	9,924,373
Other commercial loans	49,828,639	16.8%	42,676,501
Total loans	**89,198,601**	**20.0%**	**74,355,560**

The percentage of non-performing loans to total cash loans decreased to 1.6% as of 30 September 2012 from 1.7% as of 31 December 2011. The specific coverage on non-performing loans without taking collaterals into consideration increased slightly to 93.4% as of 30 September 2012 from 92.6% as of 31 December 2011. If generic provisions for cash loans are also included, total coverage on non-performing loans was 171.9% as of 30 September 2012, as compared to 157.0% as of 31 December 2011. Non-performing loans for commercial loans to SMEs decreased from 2.9% for 2011 to 2.4% for the nine months ended 30 September 2012. Total cost of risk (calculated as total loan loss provisions – collections/total gross loans) increased to 0.4% as of 30 September 2012 from 0.2% as of 31 December 2011, primarily as a result of recoveries from NPLs gradually declining to levels closer to Akbank's historical average in the first nine months of 2012, as compared to higher recovery levels (resulting in lower cost of risk) in the respective period in 2011.

The following table indicates the level of Akbank's relationships (on a consolidated basis) with other members of the Sabancı Group as at 30 September 2012 and 31 December 2011 under BRSA accounting principles:

	As at 30 September 2012	As at 31 December 2011	Period change
	(TL thousands except percentages)		*(%)*
Cash loans	2,174,880	1,640,514	32.6%
As a % of assets	1.4%	1.2%	
As a % of total cash loans	2.4%	2.2%	
As a % of shareholders' equity	10.5%	9.1%	
Non-cash credits[(1)]	323,929	455,978	(29.0)%
As a % of assets	0.2%	0.3%	
As a % of non-cash loans	1.9%	3.2%	
As a % of shareholders' equity	1.6%	2.5%	
Total group exposure	**2,498,809**	**2,096,492**	**19.2%**
Total assets	156,655,245	139,907,132	12.0%
Total cash loans	89,198,601	74,355,560	20.0%
Total non-cash loans	17,456,453	14,447,883	20.8%
Shareholders' equity	20,689,319	18,131,379	14.1%

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 30 September 2012 and 31 December 2011:

	As at 30 September 2012 (unaudited)	As at 31 December 2011	Period change
	(TL thousands except percentages)		(%)
Deposits	3,343,518	3,324,446	0.6%
As a % of total deposits	3.7%	4.1%	

Securities held

The Bank's total securities (comprising financial assets at fair value, financial assets available-for-sale and held-to-maturity investments) increased 3.4% to TL45.4 billion as of 30 September 2012 from TL44.0 billion as of 31 December 2011, primarily as a result of the decline of the Turkish Lira against the US Dollar and maturing securities. The mix of securities as of 30 September 2012 was approximately 23% foreign currency (virtually all fixed rate) and 77% Turkish Lira, of which approximately 37% were fixed rate and 63% were floating rate. The percentage of securities in total assets declined from 31.4% as of 31 December 2011 to 29.0% as of 30 September 2012.

Total Liabilities and Shareholders' Equity

Total liabilities excluding shareholders' equity increased by 11.7% in the first nine months of 2012, to TL136.0 billion as at 30 September 2012, from TL121.8 billion as at 31 December 2011. Deposits increased by 10.1% to TL89.0 billion as of 30 September 2012 from TL80.8 billion as of 31 December 2011, and constituted 65.4% of the Bank's total liabilities as of 30 September 2012 (compared to 66.3% as of 31 December 2011). The growth in deposits was slower than the growth in loans during 2012, and the funding base was supported by diversification of the funding sources through local currency and foreign currency bond issuances. The share of demand deposits in total deposits was 13.7% as of 30 September 2012.

The loans to deposits ratio was 100.3% as of 30 September 2012, as compared to 92.1% as of 31 December 2011.

Borrowings (including funds borrowed and marketable securities issued) decreased by 8.7% to TL20.6 billion as of 30 September 2012 from TL22.5 billion as of 31 December 2011 as the Bank was highly liquid entering 2012 and demand for foreign currency lending was low. Funds borrowed decreased by 12.5% from TL18.0 billion as at 31 December 2011 to TL15.8 billion as at 30 September 2012, principally due to the Bank's selective borrowing strategy in light of strong liquidity.

The Bank's shareholders' equity increased by 14.1% to TL20.7 billion as of 30 September 2012 from TL18.1 billion as of 31 December 2011, as a result of retained earnings and an unrealised gain of TL968 million from available-for-sale securities.

According to BRSA consolidated figures, the Bank had a capital adequacy ratio of 16.6% as of 30 September 2012 under Basel II as compared to 16.8% as of 31 December 2011 under Basel I (19.9% as of 31 December 2010, 21.0% as of 31 December 2009, all under Basel I, as Basel II standards were implemented from July 2012 onwards).

Liquidity and Funding

Akbank's funding strategy includes maintaining a substantial percentage of its liabilities in the form of customer deposits. Although customer deposits in Turkey are typically short-term (with durations of less than 90 days), a majority of Akbank's deposits have been reinvested. Akbank believes that its strong balance sheet has supported its ability to attract a substantial and stable deposit base, with consolidated customer deposits having grown at a rate of 10.1% from TL80.8 billion as at 31 December 2011 to TL89.0 billion as at 30 September 2012. Akbank's consolidated customer deposits constituted in aggregate approximately 65.4% of its total liabilities as at 30 September 2012. For more information on the Bank's deposits, see "Selected Statistical and Other Information – Deposits."

The remaining sources of funds are substantially borrowings from domestic and foreign banks, marketable securities issued, interbank money market deposits and the international capital markets. Such funds represented 15.3% of Akbank's total liabilities as at 30 September 2012.

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.

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.

The table below sets forth the Bank's total off-balance sheet arrangements for the nine months ended 30 September 2012 and 2011 under BRSA accounting principles:

	As at 30 September	
	2012 (unaudited)	**2011**
	(TL thousands)	
Letters of guarantee	10,970,204	7,985,091
Acceptance credits	74,224	156,101
Letter of credit	4,179,477	3,972,819
Other guarantees	2,232,548	1,130,985
Total	**17,456,453**	**13,244,996**

As at 30 September 2012, Akbank had forward, swap, futures, options purchases and sales contracts, amounting to TL87.5 billion. Akbank enters into forward and swap contracts to provide hedging services for itself and its clients and generally does not enter into derivative transactions for speculative purposes.

The table below sets forth the Bank's total derivative transactions as at 30 September 2012 and 31 December 2011 under BRSA accounting principles:

	As at 30 September		As at 31 December
	2012 (unaudited)	**2012/2011 Change**	**2011**
	(TL thousands)	*(%)*	*(TL thousands)*
Derivatives held for trading:			
Forward foreign currency buy/sell transactions	5,204,967	16.3%	4,477,389
Swap transactions related to foreign currency and interest rates	47,807,572	(14.2)%	55,732,086
Foreign currency, interest rate and securities options	22,594,925	53.6%	14,709,641
Other	2,920,110	(19.1)%	3,607,925
Derivatives held for hedging:			
Transactions for fair value hedge	4,700,897		—
Transactions for cash flow hedge	4,226,507	(7.3)%	4,557,785
Total derivative transactions[(1)]	**87,454,978**	**5.3%**	**83,084,826**

(1) Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions.

Other Recent Developments

The Central Bank amended the Communiqué on Reserve Requirements on 26 December 2012, which will require banks with a lower leverage ratio as set out under Communiqué No 2012/16 to maintain higher reserve requirement ratios. Accordingly, banks that have a leverage level below 3.5% for the last quarter of 2013 and the first three quarters of 2014 will be subject to additional reserve requirements of between one to two percentage points depending on their leverage ratio. In 2014, this threshold will increase to 4% and in 2015 to 5%. Currently, this Communiqué does not apply to Akbank and Akbank's management believes that it will not be applicable to it in the near future.

On 16 November 2012, Japan Bank for International Cooperation (JBIC) opened a credit line to Akbank of up to USD 500 million.

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 at and for the six months ended 30 June 2012 and 30 June 2011 and the years ended 31 December 2011, 2010 and 2009. The following discussion should be read in conjunction with the Annual Financial Statements and Interim Financial Statements and reports and notes thereto included elsewhere in this Offering Memorandum. The Annual Financial Statements and Interim Financial Statements of the Issuer have been prepared in accordance with IFRS as described in "Presentation of Financial and Other 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 of its business operations in Turkey, providing a comprehensive range of banking products to retail, SME, and corporate customers. Despite challenging global economic conditions, Turkey has continued to demonstrate strong growth with GDP increasing by 8.5% (year on year) in 2011 and 3.2% in the first half of 2012 (*source: Turkstat*). This economic growth has stimulated demand for banking services, but also led to increased competition in the sector from both public and private banks in Turkey as well as greater participation of foreign banks (principally through investments in Turkish banks).

The Bank's management believes that its risk adjusted capital ratio of 15.8% as at 30 June 2012 (14.9% if calculated using Tier I capital only), its strong financials and its extensive branch network of 951 branches (as of 30 June 2012) have made strong contributions to the growth of the Bank's customer deposit base. As at 30 June 2012, customer deposits reached TL98.8 billion, representing 68.5% of total funding (total liabilities plus shareholders' equity). Akbank achieved net profits of TL1.1 billion for the six months ended 30 June 2012 and TL2.6 billion for the year ended 31 December 2011. In terms of profitability, the Bank's return on equity (excluding non-controlling interest) was 12.1% and 14.2% and its return on assets was 1.6% and 2.0% for the six months ended 30 June 2012 and year ended 31 December 2011, respectively. 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, improved cost of risk, effective cost control, and, significantly in the past two years, the positive contribution of the Bank's portfolio of Turkish Government securities.

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's 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 Carrefour SA have helped to develop market share for the Bank's credit card business 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 2009, the Bank established its Corporate Governance and Social Responsibility Committee (subsequently known as the Corporate Governance, Remuneration 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 during the periods under review.

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 first half of 2012 and the years 2009 to 2011.

	For the six months ended 30 June 2012	For the year ended 31 December		
		2011	2010	2009
GDP *in billion Turkish Lira*	1,369.4	1,298.1	1,099.0	953.0
GDP *in billion U.S. Dollars*	763.9	774.2	732.0	617.0
GDP growth *(%)*	3.2	8.5	9.2	(4.8)
GDP per capita *in U.S. Dollars*	10,673*	10,469	10,022	8,559
Unemployment *(%)*	8	9.8	11.9	14.0
Central Bank policy rate *(year-end, %)*	5.75	5.75	6.50	6.50
Benchmark yield *(year-end, %)*	8.47	11.0	7.1	8.9
Inflation *(%)*	8.9	10.5	6.4	6.5
Exports *in billion U.S. Dollars*	74.4	134.9	113.9	102.1
Imports *in billion U.S. Dollars*	117.2	240.8	185.5	140.9
Trade deficit *in billion U.S. Dollars*	42.8	105.9	71.7	38.8
Current account deficit *in billion U.S. Dollars*	30.7	77.0	46.6	13.4
Budget deficit *in billion Turkish Lira*	6.7	17.4	39.6	52.8

Sources of macro-economic data: Central Bank of Turkey, Turkish Statistical Institute General Directorate of Public Accounts, Turkish Treasury, Turkish State Planning Organisation (DPT), IMF and other public sources.

* *2012 year end medium term forecast*

As the Turkish economy recovered from the global economic crisis, the unemployment rate declined and demand for the Group's loan products significantly increased through 2011, although this has slowed somewhat in 2012 as growth rates have moderated. Akbank's loan portfolio increased from TL75.0 billion as at 31 December 2011 to TL83.6 billion as at 30 June 2012, and the size of its securities portfolio (largely Turkish government securities) increased slightly from TL44.0 billion at 31 December 2011 to TL46.4 billion at 30 June 2012. Accordingly, Akbank's total assets have increased to TL144.3 billion as of 30 June 2012 from TL102.4 billion as of 31 December 2009 (a 40.9% increase). See "– Global Economic Conditions and Impact of Global Financial Crisis" for additional discussion.

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

Global Economic Conditions and Impact of Global Financial Crisis

Since mid-2008, the global financial crisis has had a severe impact on the global banking industry, 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 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 December 2011, Akbank's consolidated customer deposits reached TL93.2 billion, an increase of 12.1% in TL terms from the level of TL83.1 billion as at 31 December 2010, and continued to grow during the six months ended 30 June 2012, reaching TL98.8 billion (an increase of 6.1% between 31 December 2011 and 30 June 2012).

During 2008 and 2009 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 non-performing loan ("**NPL**") ratio increased to 3.8% at year-end 2009 from 2.3% at year-end 2008, it was still below the average of 5.2% within the Turkish banking system. Given slower loan growth, the Bank deployed a greater portion of its liquidity to its 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%. By 2010, however, Turkey returned to a period of strong growth as described above under "– Turkish Economic and Political Environment" and this has had a positive impact on Akbank's financial condition and results of operations. In particular, the NPL ratio decreased to 1.6% at 30 June 2012 and remained below the sector average of 2.7%. In addition, the negative growth trend in SME Loans has reversed during 2010, with SME loans increasing from TL13 billion as at 31 December 2009 to TL23 billion as at 30 June 2012. As at 30 June 2012, small business loans represented 27% of the Bank's total loans.

A more significant contributor to net income during the recent global downturn has been net fee and commission income, which grew year-on-year at the rate of 14.9% as at 31 December 2009 and has continued to grow subsequently at a moderate pace of 5.3% as at 30 June 2012. 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. Akbank was able to rapidly and successfully redeploy capital from treasury bills to its banking business to maintain interest income despite a falling interest rate environment. 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 net fee and commission income in 2009, but has subsequently increased to 55.4% in the first six months of 2012 due to a significant reduction in prevailing market interest rates that affect merchant fees, a sector wide phenomenon as other elements of the Bank's fee income generating products have grown post crisis.

In addition, provision expense for loan losses which has been among the lowest in the sector, decreased by 112.8% in 2010 compared to 2009 due to the upturn in the economic environment. The Bank took active steps to reduce costs during 2009. However, due to the increases in branch and personnel numbers, there was a 12.3% increase in operating expenses in 2010 compared to 2009. This increase in expenses included the impact of a new branch tax implemented in 2010 that increased such expenses by approximately 2%. "Branch tax" refers to levies imposed on each branch of banks pursuant to Tariff No. 8 of the Law on Charges numbered 492, and the amount of such levies is renewed every year.

Akbank's cost-to-asset ratio decreased to 2.3% at 31 December 2009 (compared to 2.7% as at 31 December 2008). Akbank has been able to maintain its cost-to-average-asset ratio through 2012 at the 2.3% level. Accordingly, the cost-to-income ratio decreased to 40.7% as at 31 December 2009 and has remained low at 50.4% as at 30 June 2012.

Although the effects of the global financial crisis have continued to subside, the Bank and its customers operating in Turkey remain susceptible to some extent to external financial, political and economic events such as continued global tensions with Iran, the recent unrest in Syria, Egypt, Tunisia, Bahrain and other countries in the Middle East, 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 exposure in its securities portfolio to 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 macroeconomic and financial market conditions affected and could continue to materially adversely affect Akbank's business, financial condition, results of operations and prospects".

Loan Portfolio Growth

Since the end of Turkey's domestic financial crisis in 2001 and until the global financial crisis in 2008 and 2009, the Bank 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. However, given its increasing concern regarding its asset quality, particularly with SMEs as a result of the global financial crisis (see "– Global Economic Conditions and Impact of Global Financial Crisis" above), the Bank tightened credit standards and reduced lending activity resulting in a decrease of 9.0% in net loans in 2009.

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 TL83.6 billion as at 30 June 2012 from TL75.0 billion as at 31 December 2011, a TL8.6 billion increase, with the greatest growth in general purpose loans, auto loans and SME loans during the six months ended 30 June 2012. General purpose loans grew by 18.3% from TL7.3 billion as at 31 December 2011 to TL8.6 billion as at 30 June 2012, while auto loans grew by 1.4% from TL866 million as at 31 December 2011 to TL878 million as at 30 June 2012, and SME loans grew by 11.8% from TL20 billion as at 31 December 2011 to TL23 billion as at 30 June 2012. Akbank seeks to continue this growth, focusing in particular on the more profitable SME sector, and to increase the Bank's market share in consumer lending.

Interest Rate Environment in Turkey

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 low interest rate environment in Turkey between 2009 and the first half of 2011 had a favourable effect on asset growth as the Bank has been 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 2009 to the second quarter of 2012. In particular, the Bank benefitted from the declining interest rate environment in 2009 as the Bank's deposits repriced more rapidly that its loans. By 2010, however, much of the Bank's portfolio had repriced to reflect the lower rate environment. By the second half of 2011 however, interest rates started increasing in Turkey as the Turkish Central Bank sought to check lending growth, and interest rates began to decrease in the first two quarters of 2012. As a result, Akbank had a material increase in its deposit funding costs in the second half of 2011 and because of the longer loan repricing timeframe the higher rates did not materially impact its loan income until the beginning of 2012. Accordingly, interest rate movements had a negative effect on Akbank's 2011 net interest income and a positive effect in the first six months of 2012.

First Quarter 2009	5.1%	Fourth Quarter 2010	4.1%
Second Quarter 2009	5.3%	First Quarter 2011	3.7%
Third Quarter 2009	5.2%	Second Quarter 2011	3.3%
Fourth Quarter 2009	5.1%	Third Quarter 2011	3.2%
First Quarter 2010	5.5%	Fourth Quarter 2011	3.3%
Second Quarter 2010	4.8%	First Quarter 2012	3.4%
Third Quarter 2010	4.0%	Second Quarter 2012	3.5%

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

Income from Turkish Government Securities

The Bank's government securities portfolio, comprising primarily Turkish government securities, has varied in the periods under review depending on the level of loan growth compared to deposit taking activity and has generated increased profits as a result of mark-to-market gains. Akbank's marketable securities have generated a substantial portion of its total interest, comprising 38.9%, 42.8%, 50.0% and 44.2% of Akbank's total interest income in the first six months of 2012 and the years ended 31 December 2011, 2010 and 2009, respectively. Between 2009 and 2010, the Bank increased its securities portfolio, including CPI-linked Turkish government securities as yields were attractive relative to lending activity, particularly given higher inflation rates. In 2010, Akbank generated more interest income from marketable securities (TL4.5) billion than interest on loans (TL4.3 billion). In 2011, however, this trend reversed as there was high credit demand and moderated inflation. For the first half of 2012, interest income on marketable securities was TL2.2 billion and interest income on loans was TL3.4 billion.

The table below sets forth the Bank's total loans, total securities, and total deposits in Turkish Lira and foreign currency as at 30 June 2012 and 31 December 2011, 2010 and 2009.

	30 June 2012			31 December 2011			2010			2009		
	TL	FC	Total	TL	FC	Total	TL	FC	Total	TL	FC	Total
	(in millions)											
Total Loans	47.7	35.9	83.6	40.0	34.9	74.9	30.9	27.2	58.1	23.0	22.1	45.1
Total Securities	37.0	9.4	46.4	36.6	7.3	43.9	44.2	6.4	50.6	37.8	9.0	46.8
Total Deposits	49.1	49.8	98.9	49.0	44.2	93.2	52.6	30.5	83.1	47.1	27.6	74.7

The Bank's total securities were comprised of 45% fixed rate securities, 13% floating rate securities (excluding CPI-linked securities), and 42% CPI-linked securities for the first half of 2012, compared to 48%, 14%, and 38%, respectively, in 2011 and 52%, 15% and 33%, respectively, in 2010.

Akbank's Provisioning for Impaired Loans

Akbank has a more conservative policy regarding provisions for NPLs than required by the BRSA. Akbank has set aside 169% specific and general provisioning for its non-performing loans. 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".

Cash Reserve Requirements and Fee Caps

In 2011 the Central Bank increased its reserve requirements from 15% in May 2011 to 16% in June 2011, which almost doubled the amount of cash Akbank was required to maintain on deposit with the Central Bank. As the interest paid on these cash deposits is generally lower than the interest income generated from Akbank's loans and investments, the higher reserve requirements have had a material effect on Akbank's net interest income and its profitability.

The Central Bank also increased its reserve requirements for TL to 16% and for foreign currencies to 12% in April 2011, and 11% for TL and 11.5% for foreign currency since October 2011. (Please see current applicable ratios in "– Liquidity and Reserve Requirements".) As the interest paid on these cash deposits has been zero since 2010 for TL and since 2008 for foreign currencies, the higher reserve requirements have had a negative effect on Akbank's net interest income and its profitability.

Also in 2011, new regulations were adopted that cap the amount of fees a bank can charge for investment products such as mutual funds (*yatırım fonu*). Pursuant to the amendment made to the CMB Communiqué on Principles regarding Mutual Funds on 1 November 2011, the capped amounts are as follows:

Types of Funds	From 1 November 2011 to 31 December 2011	From 1 January 2012 to 31 December 2012
Liquid funds	0.0075%	0.003%
Short-term bonds and notes, index funds, covered funds and guaranteed funds	0.010%	0.006%
Other funds	0.010%	0.010%

These caps have limited Akbank's fee income.

Critical Accounting Policies

The accounting policies adopted by the Bank are critical to understanding its results of operations 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.

Akbank's total loans reached TL83.6 billion as at 30 June 2012 from TL75.0 billion as at 31 December 2011, a TL8.6 billion increase. Provision expense for loan losses, which is among the lowest in the Turkish banking sector, decreased by 26.2% in 2012 compared to 2009 due to the continuing improvement in the economic environment.

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. Income tax is not an expense in the determination of corporate income tax base. When all expenses are deducted from income, the amount remaining will be deemed as commercial profit (loss). The non-deductible expenses are added to the commercial profit and any income exempted from tax is deducted from commercial profit so that corporate tax base is found. Then, corporate income tax at a rate of 20% will apply for corporate income tax base and this amount will be paid to the tax authorities. 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 2008.

Analysis of Results of Operations and Financial Condition

The table below sets out the Bank's summary income statement for the six months ended 30 June 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	For the six months ended 30 June			For the years ended 31 December				
	2012	2012/ 2011 Change %	2011	2011	2011/ 2010 Change %	2010	2010/ 2009 Change %	2009
				(TL thousands)				
Interest income	5,706,208	29.7%	4,398,586	9,473,645	5.3%	8,994,490	(5.8)%	9,549,763
Interest expense	(3,293,958)	36.8%	(2,408,383)	(5,321,916)	16.6%	(4,563,572)	(5.4)%	(4,825,073)
Net interest income	**2,412,250**	**21.2%**	**1,990,203**	**4,151,729**	**(6.3)%**	**4,430,918**	**(6.2)%**	**4,724,690**
Less: Provision for possible loan losses	(351,411)	249.3%	(100,609)	(313,299)	(402.1)%	103,723	(112.8)%	(813,194)
Net interest income/ (expense), after provision for possible loan losses	**2,060,839**	**9.1%**	**1,889,594**	**3,838,430**	**(15.4)%**	**4,534,641**	**15.9%**	**3,911,496**
Net fee and commission income	871,230	5.3%	827,106	1,641,745	19.9%	1,368,743	2.5%	1,334,737
Dividend income	726	(75.9)%	3,008	3,596	239.6%	1,059	(23.9)%	1,391
Other operating income (excluding foreign exchange gains)	105,483	(46.6)%	197,486	392,546	25.3%	313,308	65.4%	189,419
Operating expenses (excluding provisions for possible loan losses and foreign exchange losses)	(1,457,480)	14.4%	(1,273,776)	(2,558,545)	0.7%	(2,540,087)	12.3%	(2,261,343)
Foreign exchange gains/(losses), net	(13,308)	(126.3)%	50,518	41,010	(21.3)%	52,112	(40.4)%	87,501
Profit on trading account, net	(132,284)	(282.5)%	72,465	(153,365)	(643.8)%	28,204	9.2%	25,838
Profit before income taxes	**1,435,206**	**(18.7)%**	**1,766,401**	**3,205,417**	**(14.7)%**	**3,757,980**	**14.3%**	**3,289,039**
Income taxes	(288,916)	(16.3)%	(345,175)	(619,812)	(17.2)%	(748,444)	34.8%	(555,338)
Profit for the period	**1,146,290**	**(19.3)%**	**1,421,226**	**2,585,605**	**(14.1)%**	**3,009,536**	**10.1%**	**2,733,701**

The following table identifies the share that net interest income, net fee and commission income and other operating income have represented in Akbank's total operating income for each of the indicated periods.

	For the six months ended 30 June		For the years ended 31 December		
	2012	2011	2011	2010	2009
Net interest income	71.2%	66.0%	67.1%	72.5%	75.6%
Net fee and commission income	25.7%	27.4%	26.5%	22.4%	21.4%
Other operating income	3.1%	6.6%	6.4%	5.1%	3.0%
Total operating income	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Net Profit

The following tables set out the principal components of Akbank's net profit for the six months ended 30 June 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	For the six months ended 30 June		
	2012	2011	% change
	(TL thousands)		
Interest and similar income	5,706,208	4,398,586	29.73%
Interest expense and similar charges	(3,293,958)	(2,408,383)	36.77%
Non-interest income[(1)]	831,847	1,150,583	(27.70)%
Impairment losses on loans and credit related commitments, net	(351,411)	(100,609)	249.28%
Operating expenses	(1,457,480)	(1,273,776)	14.42%
Income tax benefit/(expense)	(288,916)	(345,175)	(16.30)%
Net profit attributable to equity holders of the Bank	1,145,535	1,421,555	(19.42)%
Non-controlling interest	755	(329)	(329.48)%
Net profit	**1,146,290**	**1,421,226**	**(19.34)%**

	For the years ended 31 December			% change	
	2011	2010	2009	2010/2011	2009/2010
		(TL thousands)			
Interest and similar income	9,473,645	8,994,490	9,549,763	5.33%	(5.81%)
Interest expense and similar charges	(5,321,916)	(4,563,572)	(4,825,073)	16.62%	(5.42%)
Non-interest income[1]	1,925,532	1,763,426	1,638,886	9.19%	7.60%
Impairment losses on loans and credit related commitments, net	(313,299)	103,723	(813,194)	(402.05)%	(112.76%)
Operating expenses	(2,558,545)	(2,540,087)	(2,261,343)	0.73%	12.33%
Income tax benefit/(expense)	(619,812)	(748,444)	(555,338)	(17.19)%	34.77%
Net profit attributable to equity holders of the Bank	2,586,855	3,007,995	2,733,661	(14.00)%	10.04%
Non-controlling interest	(1,250)	1,541	40	(181.12)%	—
Net profit	**2,585,605**	**3,009,536**	**2,733,701**	**(14.09)%**	**10.09%**

Note:

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

Akbank's consolidated net profit for the six months ended 30 June 2012 was TL1.1 billion, a 19.3% decrease compared to TL1.4 billion in the six months ended 30 June 2011. Return on average total assets was 1.6% for the first half of 2012 and 2.3% for the corresponding period in 2011. Return on average shareholders' equity (excluding non-controlling interest) was 12.1% for the first six months of 2012 compared to 15.9% for the first half of 2011.

Akbank's consolidated net income for the year ended 31 December 2011 was TL2.6 billion, a 14.1% decrease compared to TL3.0 billion in 2010. Return on average total assets was 2.0% for 2011 and 2.7% for 2010. Return on average shareholders' equity (excluding non-controlling interest) for 2011 was 14.2% compared to 18.5% for 2010.

Akbank's consolidated net income for the year ended 31 December 2010 was TL3.0 billion, a 10.0% increase compared to TL2.7 billion in 2009. Return on average total assets was 2.7% for 2010, and 2.8% for 2009. Return on average shareholders' equity (excluding non-controlling interests) for 2010 was 18.5% compared to 21% for 2009.

Net Interest Income

Akbank's net interest income is the difference between the interest income that it earns on its interest-earning assets and the interest expense that it pays on its interest-bearing liabilities. Its primary sources of interest income are interest on marketable securities (principally Turkish government securities denominated in TL) and interest on loans. The table below sets out the principal components of Akbank's net interest income for the six months ended 30 June 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	For the six months ended 30 June			For the years ended 31 December				
	2012	Change (%)	2011	2011	Change (%)	2010	Change (%)	2009
				(TL thousands)				
Interest Income – Interest Expense:								
Interest on loans	3,423,494	42.6	2,400,554	5,289,225	23.0	4,300,807	(15.6)	5,097,520
Interest on overdue loans	15,619	(35.9)	24,372	43,260	(2.1)	44,188	46.2	30,223
Interest on reserve requirements with the Central Bank	—	—	—	—	—	77,587	(36.9)	123,011
Interest on deposits with banks	10,422	(57.2)	24,365	47,438	9.1	43,485	4.5	41,604
Interest on interbank transactions	30,484	10,748.4	281	9,234	594.8	1,329	(65.0)	3,800
Interest on marketable securities	2,218,369	14.5	1,937,707	4,057,835	(9.9)	4,501,680	6.7	4,220,178
Other interest income	7,820	(30.8)	11,307	26,653	4.9	25,414	(24.0)	33,427
Total interest income	**5,706,208**	**29.7**	**4,398,586**	**9,473,645**	**5.3**	**8,994,490**	**(5.8)**	**9,549,763**
Interest on deposits	2,504,976	37.3	1,824,853	4,707,268	11.2	4,233,453	(5.0)	4,457,433
Interest on funds borrowed and debt securities in issue	389,730	74.7	223,078	549,892	114.0	257,004	(16.3)	306,937
Interest on interbank money market deposits	384,487	12.0	343,158	28,479	1.8	27.979	82.0	15,371
Other interest expense	14,765	(14.6)	17,294	36,277	(19.6)	45,136	(0.4)	45,332
Total interest expense	**3,293,958**	**36.8**	**2,408,383**	**5,321,916**	**16.6**	**4,563,572**	**(5.4)**	**4,825,073**
Net interest income	**2,412,250**	**21.2**	**1,990,203**	**4,151,729**	**(6.3)**	**4,430,918**	**(6.2)**	**4,724,690**

Net interest income increased by 21.2% in the six months ended 30 June 2012 from TL2.0 billion in the first six months of 2011 to TL2.4 billion, principally driven by improved loan yields more than offsetting the increased cost of deposits during the period. Pricing on loans increased at a greater rate than deposit repricing between the same periods, mainly as a result of focus on high margin products such as credit cards and SME loans. The Bank's net interest margin increased to 3.5% in the six months ended 30 June 2012 as compared to 3.3% for the six months ended 30 June 2011. Akbank's cost of funding increased by 36.8% between the six months ended 30 June 2011 and 2012 and consolidated interest income increased by 29.7% during the same period. 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 see "Selected Statistical and other information – Analysis of Changes in Net Interest Income and Interest Expense".

Net interest income decreased by 6.3% in 2011 from TL4.4 billion in 2010 to TL4.2 billion in 2011 as interest income increased less than interest expense. Akbank's interest expense increased by 16.6% while its interest income increased by 5.3% in 2011 compared to the same period last year. The Bank's net interest margin decreased to 3.3% in 2011 as compared to 4.1% in 2010. The decrease in the net interest margin in 2011 was primarily due to increased competition during the period, from both private and public sector banks, as well as increased reserve requirements introduced by the Central Bank to curb growth in the Turkish economy. In line with the decrease in Akbank's Turkish government securities portfolio (including inflation linked securities) in terms of total assets from 50.5% in 2010 to 43.9% in 2011, Akbank's Turkish government securities portfolio (including inflation linked securities) represented 50% and 42.8% of Akbank's interest income in 2010 and 2011, respectively.

Akbank's cost of funding increased by 16.6% between 2010 and 2011 and consolidated interest income increased by 5.3% during the same period. 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.

Net interest income decreased by 6.2% in 2010 from TL4.7 billion in 2009 to TL4.4 billion in 2010 as interest income decreased more than interest expense. Akbank's interest expense decreased by 5.4%

while its interest income decreased by 5.8% in 2010 compared to the same period last year. The Bank's net interest margin decreased to 4.1% as compared to 5.1% for 2009. The decrease in the net interest margin in 2010 was primarily due to increased competition during the period, from both private and public sector banks. The increase in net interest income in 2009 was primarily due to improved net interest margins from 4.5% to 5.1% during the low interest rate environment of 2009.

Akbank's cost of funding decreased by 5.4% between 2009 and 2010 and consolidated interest income decreased by 5.8% during the same period. 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.

Interest income and interest expense are discussed in greater detail below.

Interest income

Consolidated interest income was TL5.7 billion for the six months ended 30 June 2012, an increase of 29.7% compared to TL4.4 billion for the six months ended 30 June 2011. Total assets increased by 11.8% as at 30 June 2012, from TL129.0 billion at 30 June 2011, investment securities increased by 10.7% from TL41.9 billion as at 30 June 2011 to TL46.4 billion as at 30 June 2012 and total loans increased by 20.0% from TL69.7 billion as at 30 June 2011 to TL83.6 billion as at 30 June 2012. These increases were partially offset by a TL3.2 billion reduction in cash balances with the Central Bank of Turkey. See "– Loan Portfolio Growth".

Consolidated interest income was TL9.5 billion for the year ended 31 December 2011, an increase of 5.3% compared to TL9.0 billion for the year ended 31 December 2010. Total assets increased by 16.4% as at 31 December 2011, from TL119.7 billion in 2010 to TL139.3 billion in 2011, with total loans increasing by 28.8% in 2011, from TL58.2 billion as at 31 December 2010 to TL75.0 billion as at 31 December 2011 and cash balances with the Central Bank increasing 103.5% from TL8.5 billion as at 31 December 2010 to TL17.3 billion as at 31 December 2011. See "– Loan Portfolio Growth".

Consolidated interest income was TL9.0 billion for the year ended 31 December 2010, a decrease of 5.8% compared to TL9.5 billion for the year ended 31 December 2009. Total assets increased by 16.9% as at 31 December 2010, from TL102.4 billion in 2009 to TL119.7 billion in 2010, with marketable securities increasing by 8.2% in 2010, from TL46.7 billion as at 31 December 2009 to TL50.5 billion as at 31 December 2010 and total loans increasing by 29.2% in 2010, from TL45 billion as at 31 December 2009 to TL58.2 billion as at 31 December 2010. The decrease in Akbank's interest income in 2010 was primarily due to a decrease in interest rates compared to 2009. See "– Loan Portfolio Growth".

Although 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, the Bank increased both the loan growth and securities portfolio in 2010. See "– Global Economic Conditions".

Interest Income from loans

The table below sets out certain key components of Akbank's total loans for the periods presented.

	For the six months ended 30 June			For the year ended 31 December				
	2012	Change %	2011	2011	Change %	2010	Change %	2009
				(TL thousands)				
Consumer loans	17,953,901	14.7	15,647,166	15,590,959	18.7	13,129,871	42.0	9,245,165
SME loans	22,757,190	19.0	19,131,328	20,355,430	20.3	16,914,204	31.1	12,897,655
Credit cards	12,652,310	59.6	7,927,356	9,924,373	46.3	6,784,469	16.3	5,832,084
Corporate loans	29,440,638	11.4	26,434,849	28,391,948	35.8	20,904,423	25.7	16,628,840
Leasing receivables	1,665,928	41.6	1,176,810	1,391,576	41.7	981,969	1.7	965,921
Performing loans	**84,469,967**	**20.1**	**70,317,509**	**75,654,286**	**28.9**	**58,714,936**	**28.8**	**45,569,665**
Non performing loans	1,362,794	12.1	1,215,932	1,316,304	0.1	1,314,489	(27.9)	1,824,292
Total loans and advances to customers	**85,832,761**	**20.0**	**71,533,441**	**76,970,590**	**28.2**	**60,029,425**	**26.7**	**47,393,957**
Allowance for loan losses	(2,269,925)	21.0	(1,876,229)	(2,012,663)	9.8	(1,832,301)	(21.8)	(2,344,140)
Net loans and advances to customers	**83,562,836**	**20.0**	**69,657,212**	**74,957,927**	**28.8**	**58,197,124**	**29.2**	**45,049,817**

Consolidated interest income from loans was TL3.4 billion in the six months ended 30 June 2012, an increase of 41.8% compared to TL2.4 billion in the corresponding period of 30 June 2011. Higher yielding Turkish Lira denominated loan products such as consumer loans and small business loans increased 13.3%, credit cards increased 27.5% and corporate loans increased 3.7% in the first half of 2012 with the loans to total assets ratio increasing to 57.9% in the six months ended 30 June 2012 from 53.8% in 2011. Akbank continued to focus on growing its loan portfolio in the high yielding products noted above and increased loan pricing as competitive conditions moderated compared to 2011. The Bank's market share in Turkey for loans in the first half of 2012 increased by 0.6% for TL loans and 0.8% for foreign currency loans (*source: BRSA*).

Consolidated interest income from loans was TL5.3 billion in 2011, an increase of 22.7% compared to TL4.3 billion in 2010. Higher yielding Turkish Lira denominated loan products such as consumer loans and small business loans increased 19.6%, credit cards increased 46.3% and corporate loans increased 35.8% in 2011 with the loans to total assets ratio increasing to 53.8% in 2011 from 48.6% in 2010. Due to the decrease in interest rates in 2011, loan portfolio growth increased, which offset the pricing impact and led to an increase in interest income from loans.

Consolidated interest income from loans was TL4.3 billion in 2010, a decrease of 15.3% compared to TL5.1 billion in 2009. Higher yielding Turkish Lira denominated loan products such as consumer loans and small business loans increased 36%, credit cards increased 16.3% and corporate loans increased 26% in 2010 with the loans to total assets ratio increasing to 48.6% in 2010 from 44.0% in 2009. Due to the decrease in interest rates in 2010, loan portfolio growth has been increased. This decline in interest rates partly contributed to the decrease in Akbank's interest income from loans in 2010 and in 2009. As a result of the decrease in interest rates and volume of total loans, interest income on loans decreased in 2009.

Interest Income from Securities and Deposits

Akbank's interest income from securities amounted to TL2.2 billion in the six months ended 30 June 2012 an increase of 14.5% compared to TL1.9 billion in the six months ended 30 June 2011. This increase was primarily due to an 10.7% increase in the size of the Bank's securities portfolio (predominantly in the form of Turkish government securities, a significant portion of which were inflation-linked and which increased from TL15.9 billion at 30 June 2011 to TL19.5 billion at 30 June 2012). Interest income on deposits with banks was TL40.9 million for the six months ended 30 June 2012, an increase of 66.0% compared to TL24.6 million for the same period in 2011. Cash due from banks excluding balances with the Central Bank of Turkey in the first half of 2012 were TL3.9 billion.

Akbank's interest income from securities amounted to TL4.1 billion in 2011 a decrease of 9.9% compared to TL4.5 billion in 2010. This decrease was primarily due to an 13% decrease in the size of the Bank's securities portfolio to TL44.0 billion in 2011 (predominantly in the form of Turkish government securities, a significant portion of which were inflation-linked and which increased from TL16.6 billion to TL16.8 billion from 2010 to 2011). Interest income on deposits with banks was TL47 million for the year ended 31 December 2011, an increase of 9.1% compared to TL43 million for the same period in 2010. This represented an increase of 4.5% compared to TL42 million in 2009. Cash due from banks excluding balances with the Central Bank of Turkey in 2011 increased by 39.2% to TL4.5 billion from TL3.2 billion in 2010.

Akbank's consolidated interest income mainly came from interest obtained from loans, which amounted to TL5.3 billion for the year 2011, compared to TL4.3 billion for the year 2010.

Akbank's interest income from securities amounted to TL4.5 billion in 2010 an increase of 6.7% compared to TL4.2 billion in 2009. This increase was primarily due to an 8.2% increase in the size of the Bank's securities portfolio to TL50.5 billion in 2010 (predominantly in the form of Turkish government securities, a significant portion of which were inflation-linked and which increased from TL7.2 billion to TL16.6 billion from 2009 to 2010), 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 2010. Interest on reserve requirements with the Central Bank was TL78 million for the year ended 31 December 2010, a decrease of 36.9% from TL123 million in 2009. These decreases were due to the lowering of interest rates paid by the Central Bank, which were reduced to zero in 2010. Interest income on deposits with banks was TL43 million for the year ended 31 December 2010, an increase of 4.5% compared to TL42 million for the same period in 2009. Cash due from banks excluding balances with the Central Bank of Turkey in 2010 decreased by 35.6% to TL3.2 billion from TL5.0 billion in 2009.

For an allocation of changes in Akbank's consolidated interest income between 2009 and 2010, see "Selected Statistical and Other Information – Analysis of Changes in Net Interest Income and Interest Expense."

Interest Expense

Akbank's liabilities predominately consist of deposits, followed by interbank money market deposits and borrowings.

Total liabilities excluding shareholders' equity increased by 3.0% in the first six months of 2012, from TL121.0 billion as at 31 December 2011 to TL124.6 billion as at 30 June 2012, with deposits increasing by 6.1%, from TL93.2 billion as at 31 December 2011 to TL98.8 billion as at 30 June 2012. The Bank's market share in Turkey for deposits in the first half of 2012 increased by 0.2% for TL deposits and 0.5% for foreign currency deposits (*source: BRSA*). Funds borrowed decreased to 13.0% from TL14.3 billion as at 31 December 2011 to TL12.5 billion as at 30 June 2012, principally due to the Bank's selective borrowing strategy in light of strong liquidity. As a result of the increase in total liabilities and interest rates due to the higher costs of deposits due to competition, interest expense for the six months ended 30 June 2012 increased by 36.8% to TL3.3 billion from TL2.4 billion.

Total liabilities excluding shareholders' equity increased by 19.1% in 2011, from TL101.6 billion as at 31 December 2010 to TL121.0 billion as at 31 December 2011, with deposits increasing by 12.1% in 2011, from TL83.1 billion as at 31 December 2010 to TL93.2 billion as at 31 December 2011, funds borrowed increased by 75.2% in 2011, from TL8.2 billion as at 31 December 2010 to TL14.3 billion as at 31 December 2011 and debt securities increased by 40.8% in 2011, from TL5.8 billion in 2010 to TL8.2 billion in 2011. Interest expense for the year ended 31 December 2011 increased by 16.6% to TL5.3 billion from TL4.6 billion. The change in 2011 was mainly due to an increase in interest bearing liabilities to fund loan growth and an increase in the Central Bank's reserve requirements and interest rates to moderate growth in the Turkish economy.

Outstanding average Turkish Lira denominated deposits, together with deposits (based on management accounts) provided under repo transactions, rose by 7.7% and 27.9% in 2011 and 2010, respectively. The average volume of foreign currency denominated deposits rose by 56.0%, and 5.9%, in 2011 and 2010, respectively.

In terms of average outstanding TL deposit balances (based on management accounts), 13.4% were TL demand deposits and 86.6% were TL time deposits in 2011, compared to 11.5% TL demand deposits and 88.5% TL time deposits in 2010. The annual average yield on TL demand deposits decreased from 0.4% in 2010 to 0.03% in 2011, whereas the annual average cost on TL time deposits fell to 8.6% in 2011 from 8.8% in 2010 as Turkish base rates decreased.

Interest on funds borrowed increased in 2011 to TL550 million, from TL257 million in 2010. In 2010, lower interest expense was mainly due to a decrease in foreign currency interest rates.

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 2010 and 2011, see "Selected Statistical and Other Information – Analysis of Changes in Net Interest Income and Interest Expense."

Total liabilities excluding shareholders' equity increased by 15.6% in 2010, from TL87.9 billion as at 31 December 2009 to TL101.6 billion as at 31 December 2010, with deposits increasing by 11.3% in 2010, from TL74.7 billion as at 31 December 2009 to TL83.1 billion as at 31 December 2010, interbank money market deposits decreasing by 17.3% in 2010, from TL484 million as at 31 December 2009 to TL400 million as at 31 December 2010 and borrowings increasing by 38.9% in 2010, from TL5.9 billion in 2009 to TL8.2 billion in 2010. As a result of the increase in total liabilities, interest expense for the year ended 31 December 2010 decreased by 5.4% to TL4.6 billion from TL4.8 billion as a result of the decreasing interest rate environment in 2010. The decrease in 2010 was mainly due to an overall decrease in average interest rates paid by banks for TL time deposits, although such decreases were moderated to some extent by competitive pressures.

Outstanding average Turkish Lira denominated deposits, together with deposits (based on management accounts) provided under repo transactions, rose by 27.9% and 19.5% and 21.7% in 2010, 2009 and 2008, respectively. The average volume of foreign currency denominated deposits rose by 5.9%, 16.4% and 19.6% in 2010, 2009 and 2008 respectively.

In terms of average outstanding TL deposit balances (based on management accounts), 11.5% were TL demand deposits and 88.5% were TL time deposits in 2010, compared to 11.7% TL demand deposits and 88.3% TL time deposits in 2009. The annual average yield on TL demand deposits remained relatively constant in 2010, and 2009 at approximately less than 0.5%, whereas the annual average cost on TL time deposits fell to 8.8% in 2010 from 11.5% in 2009 as Turkish base rates decreased.

Interest on funds borrowed decreased in 2010 to TL257 million, from TL307 million in 2009. In 2010, lower interest expense was mainly due to a decrease in foreign currency interest rates.

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 2009 and 2010, 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 increased by 249% to TL(351.4) million in the first six months of 2012 from TL(100.6) million in the first six months of 2011, principally driven by the decrease in the collection from NPLs (with recoveries at TL143.9 million as of 30 June 2012, and TL204.7 million as of 30 June 2011). Akbank's provisions for loan losses in 2011 increased by 402.1% to TL(313) million from TL104 million in 2010.

NPLs as a percentage of total loans remained at low levels relative to Turkish averages as published by the BRSA. This percentage decreased to 1.6% in the first half of 2012 and 1.7% in 2011, compared to 2.2% in 2010. Akbank's non-performing loans (i.e. over 90 days past due) are fully provisioned in accordance with BRSA.

Akbank's provisions for loan losses in 2010 decreased by 112.8% to TL104 million from TL(813) million in 2009. Higher provisions in 2009 were mainly due to rising NPLs related to the global economic crisis. See "– Significant Factors Affecting Akbank's Results of Operations – Global Economic Conditions". In 2010, NPL provisions were decreased due to the economic upturn. However, the Bank has continued its policy of providing 100% provisioning.

NPLs as a percentage of total loans remained at low levels relative to Turkish averages as published by the BRSA. This percentage decreased to 2.2% in 2010, compared to 3.8% in 2009. 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 "Selected Statistical and Other Information – Allowance for Loan Losses."

Total Non-Interest Income

The tables below sets forth the components of Akbank's non-interest income for the six months ended 30 June 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	For the six months ended 30 June			
	2012	**% of Total non-interest income**	**% change y-o-y**	**2011**
	(TL thousands)			
Fees and commissions (net)	871,230	104.73%	5.33%	827,106
Trading gains and losses (net)	(132,284)	(15.90)%	(282.55)%	72,465
Foreign exchange gains and losses (net)	(13,308)	(1.60)%	(126.34)%	50,518
Dividend income	726	0.09%	(75.86)%	3,008
Other operating income	105,483	12.68%	(46.59)%	197,486
Total non-interest income	**831,847**	**100.00%**	**(27.70)%**	**1,150,583**

	For the years ended 31 December								
	2011	**% of Total non-interest income**	**% change y-o-y**	**2010**	**% of Total non-interest income**	**2009**	**% of Total non-interest income**	**% change y-o-y**
				(TL thousands)				
Fees and commissions (net)	1,641,745	85.26%	19.95%	1,368,743	77.62%	1,334,737	81.44%	2.55%
Trading gains and losses (net)	(153,365)	(7.97)%	(643.77)%	28,204	1.60%	25,838	1.58%	9.16%
Foreign exchange gains and losses (net)	41,010	2.13%	(21.30)%	52,112	2.96%	87,501	5.34%	(40.44)%
Dividend income	3,596	0.19%	239.57%	1,059	0.06%	1,391	0.08%	(23.87)%
Other operating income	392,546	20.39%	25.29%	313,308	17.77%	189,419	11.56%	65.40%
Total non-interest income	**1,925,532**	**100.00%**	**9.19%**	**1,763,426**	**100.00%**	**1,638,886**	**100.00%**	**7.60%**

Total non-interest income decreased by 27.7% in the first six months of 2012 to TL831.8 million from TL1.2 billion in the first six months of 2011, primarily due to trading losses, as compared to a trading gain in the first six months of 2010. A significant portion of the derivative trading losses were due to foreign currency swap transactions pursuant to which the Bank creates a considerable amount of cheaper TL funding. This form of funding creates diffusion between interest expense, foreign currency trading and derivatives trading accounts, although the Bank prefers to use swaps to create TL funding as this provides the Bank with a key advantage in its cost structure from an overall balance sheet perspective. Although a significant portion of trading losses are from funding activities, a portion of these losses arise from interest rate swaps entered into to hedge interest rate risks associated with long-term fixed rate TL loans. Fee and commission income was primarily derived from credit cards, bancassurance, asset management, consumer and commercial credits. Fee and commission income increased by 5.3% in the first half of 2012 compared to the first half of 2011 despite a reduction of fees for fund management products, offset by commissions generated by a 26% increase in credit card issuing volumes in the first half of 2012 as compared to fiscal year 2011. For the first half of 2012, the credit card loan market size in Turkey was TL 66.3 billion, with 24 credit card issuers in the credit card market in Turkey and TL 53.2 million of credit cards issued in the Turkish market (*Sources: The Interbank Card Center, BRSA*). Total non-interest income increased by 9.2% in 2011 to TL1.9 billion from TL1.8 billion in 2010. Fee and commission income was primarily derived from credit cards, asset management and consumer credits. Fee and commission income increased by 20.0% in 2011 compared to 2010, due to the high growth in credit cards, which tend to have higher fees and commissions, and fee generation through bancassurance.

Total non-interest income increased by 7.6% in 2010 to TL1.8 billion from TL1.6 billion in 2009. Fee and commission income was primarily derived from credit cards, asset management and consumer credits. Fee and commission income increased by 2.55% in 2010 compared to 2009, the lower growth in 2010 being primarily the result of increased costs in the credit card voucher acquiring business, namely, the reimbursement of merchants for charges they have accepted on credit or debit cards. Since merchant fees are generally linked to prevailing market interest rates, the decline in the prevailing market interest rates negatively impacted these fees and commissions.

Total Non-Interest Expense

The following tables show the components of Akbank's non-interest expense for the six months ended 30 June 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	For the six months ended 30 June			
	2012	% of Total non-interest expense	% change y-o-y	2011
	(TL thousands)			
Employee costs	593,642	40.73%	18.37%	501,522
Depreciation/Amortisation	76,198	5.23%	6.91%	71,273
Marketing and advertisement expenses	58,493	4.01%	33.43%	43,839
Communication expenses	62,852	4.31%	26.51%	49,680
Saving deposits insurance fund	42,836	2.94%	17.41%	36,485
Repair and maintenance expenses	9,145	0.63%	1.48%	9,012
Sundry taxes and duties	78,066	5.36%	9.89%	71,041
Other expenses	536,248	36.79%	9.23%	490,924
Total non-interest expense	**1,457,480**	**100.00%**	**14.42%**	**1,273,776**

	For the years ended 31 December							
	2011	% of Total non-interest expense	% change y-o-y	2010	% of Total non-interest expense	2009	% of Total non-interest expense	% change y-o-y
	(TL thousands)							
Employee costs	1,007,702	39.39%	8.21%	931,240	36.66%	862,990	38.16%	7.91%
Depreciation/Amortisation	141,800	5.54%	10.73%	128,061	5.04%	121,634	5.38%	5.28%
Marketing and advertisement expenses	86,556	3.38%	(28.16)%	120,488	4.74%	97,084	4.29%	24.11%
Communication expenses	107,601	4.21%	15.96%	92,794	3.65%	92,204	4.08%	0.64%
Saving deposits insurance fund	79,039	3.09%	15.88%	68,207	2.69%	66,981	2.96%	1.83%
Repair and maintenance expenses	20,772	0.81%	(5.87)%	22,068	0.87%	13,953	0.62%	58.16%
Sundry taxes and duties	132,563	5.18%	24.34%	106,610	4.20%	59,714	2.64%	78.53%
Other expenses	982,512	38.40%	(8.23)%	1,070,619	42.15%	946,783	41.87%	13.08%
Total non-interest expense	**2,558,545**	**100.00%**	**0.73%**	**2,540,087**	**100.00%**	**2,261,343**	**100.00%**	**12.33%**

Comparison of Total Non-Interest Expense for Financial Years 2010 and 2011

Total non-interest expense increased by 14.4% in the first six months of 2012 to TL1.5 billion from TL1.3 billion in the first six months of 2011, principally driven by employee costs, as well as other costs, such as the expansion of the branch network.

Total non-interest expense increased by 0.7% in 2011 to TL2.6 billion from TL2.5 billion in 2010, principally driven by employee costs.

The Bank has taken a number of initiatives to increase operational efficiency and reduce the growth of non-interest expenses. These initiatives have included increasingly taking operations out of branches and centralising them. A significant step was the centralisation of Akbank's operation centre under one roof in August 2010. As a result of these initiatives, the Bank's operations were over 95 per cent. fully centralised at the end of 2010. The Bank has also made improvements in processes, for example reducing the time and the amount of personnel needed to finalise processes, while increasing the volume that the Bank can pass through.

Total non-interest expense increased by 12.3% in 2010 to TL2.5 billion from TL2.3 billion in 2009, principally driven by increases in other expenses (which represent general administrative expenses) and employee costs, due to branch expansion and performance-related bonuses, as well as increased marketing costs related to growth in consumer loans.

Income Taxes

Income tax expense was TL289 million and effective tax rate is 20.1% in the first six months of 2012. Income tax expense was TL345 million in the same period in 2011.

Income tax expense was TL619.8 million and effective tax rate is 19.3% in 2011. Income tax expense was TL748.4 million in 2010 and the effective tax rate was 19.9% in 2010. Income tax expense was TL555 million in 2009, compared to TL108 million in 2008. The lower provision in 2008 was 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.

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 75% of funding needs, and to use wholesale medium-term or long-term funding for the remaining 25%, although this approach is subject to change depending on market opportunities and changes in prevailing rates for deposits and other funding sources. In recent years, Akbank has typically deployed excess liquidity from growth in its deposit base and shareholders' equity towards marketable securities in the form of Turkish government bonds, given the attractive yields compared to loans, but has started to reverse this in 2010, with a renewed emphasis on growing the loan book, primarily with respect to consumer and SME loans, although corporate loans have also increased.

Akbank's consolidated customer deposits constituted in aggregate approximately 79.3%, 77.0%, 81.8% and 85.0% of its total liabilities as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively. As at 30 June 2012, Akbank's consolidated customer deposits amounted to TL98.8 billion, an increase of 6.1% from TL93.2 as at 31 December 2011, which was a 12.1% increase from TL83.1 billion as at 31 December 2010. This was in turn an 11.3% increase from TL74.7 billion as at 31 December 2009. 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, marketable securities issued, interbank money market deposits and the international capital markets. Such funds represented 16.8%, 19.2%, 14.2% and 11.0% of Akbank's total liabilities as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

In March 2012, the Bank entered into a syndicated loan for US$1.2 billion and in August 2012 the Bank entered into another syndicated loan for US$1.5 billion; bringing the total funds raised by the Bank in the syndicated loan market in 2012 to US$2.7 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$4.9 billion as at 30 June 2012, and the principal amount outstanding under this programme was US$1.6 billion as at 30 June 2012. On 17 September 2012, Akbank issued an additional US$185 million under this programme. 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$137 million was outstanding as at 30 June 2012.

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.

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.

The table below sets forth the Bank's total off-balance sheet arrangements for the periods presented.

	As at 30 June		As at 31 December		
	2012	2011	2011	2010	2009
			(TL thousands)		
Letters of guarantee	10,105,362	7,341,694	8,963,974	6,562,386	5,467,212
Acceptance credits	74,007	133,754	120,751	69,764	59,050
Letter of credit	4,347,613	3,892,512	4,071,428	2,746,362	1,683,684
Other guarantees	2,106,468	1,136,438	1,291,730	963,390	525,207
	16,633,450	**12,504,398**	**14,447,883**	**10,341,902**	**7,735,153**

As at 30 June 2012, Akbank had forward, swap, futures, options purchases and sales contracts, amounting to TL89.2 million on a net basis. Akbank enters into forward and swap contracts to provide hedging services for itself and its clients and generally does not enter into derivative transactions for speculative purposes.

The table below sets forth the Bank's total derivative transactions as at 30 June 2012 and 2011 and as at 31 December 2011, 2010 and 2009.

	As at 30 June		As at 31 December		
	2012	2011	2011	2010	2009
			(TL thousands)		
Derivatives held for trading:					
Forward foreign currency buy/sell transactions	5,359,340	4,733,820	4,477,389	2,892,072	1,078,100
Swap transactions	51,331,282	48,068,423	55,732,086	29,942,262	18,571,822
Foreign currency, interest rate and securities options	15,441,319	13,682,827	17,224,122	9,439,522	6,130,979
Foreign currency futures	70,612	—	54,165	2,004	18,188
Other	8,270,963	6,551,158	4,722,673	1,320,109	178,691
Derivatives held for hedging:					
Interest Rate Swaps	3,234,226	6,463,345	4,557,786	5,090,000	5,090,000
Currency Rate Swaps	5,488,443	—	—	—	—
Total derivative transactions[(1)]	**89,196,185**	**79,499,573**	**86,768,221**	**48,685,969**	**31,067,780**

Note:

(1) Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions.

The Bank has seen increasing levels of derivatives activity in the past three years. Most of the Bank's derivative or off balance sheet transactions are option and swap arrangements with customers which are in turn hedged with third parties. The Bank holds Turkish Lira and foreign currency interest swaps mainly for hedging its balance sheet and for interest rate risk management. The Bank also uses foreign currency secured swaps for liquidity management.

Guarantees 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 six months ended 30 June 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009.

	For the six months ended 30 June		For the years ended 31 December		
	2012	2011	2011	2010	2009
			(TL thousands)		
Land and Buildings	684,909	704,253	685,439	816,858	690,583
Equipment and vehicles	816,393	763,297	803,100	774,409	658,964
Constructions in progress	3,080	1,979	217	1,375	74,325
Leasehold improvements	108,563	96,387	108,563	95,909	76,469
Total	1,612,945	1,565,916	1,597,319	1,688,551	1,500,341
Depreciation	(846,526)	(804,077)	(806,658)	(787,210)	(694,884)
Net book value	**766,419**	**761,839**	**790,661**	**901,341**	**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 as at 30 June 2012 was TL766 million.

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 2011, 2010 and 2009. 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 2011			
	Average Balance	Share of Total %	Interest	Average Rate %
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market:[1]				
TL	4,878,281	3.71	42,464	0.87
Foreign currency	9,843,808	7.48	14,208	0.14
Total	**14,722,089**	**11.19**	**56,672**	**0.38**
Marketable securities:[2]				
TL	35,253,128	26.79	3,768,921	10.69
Foreign currency	6,968,491	5.30	288,914	4.15
Total	**42,221,619**	**32.09**	**4,057,835**	**9.61**
Loans:				
TL	35,471,475	26.96	4,003,152	11.29
Foreign currency	32,941,854	25.04	1,236,135	3.75
Total	**68,413,329**	**52.00**	**5,239,287**	**7.66**
Leasing receivables:				
TL	207,989	0.16	27,847	13.39
Foreign currency	1,023,034	0.78	65,351	6.39
Total	**1,231,023**	**0.94**	**93,198**	**7.57**
Total interest-earning assets:				
TL	75,810,873	57.62	7,842,384	10.34
Foreign currency	50,777,187	38.60	1,604,608	3.16
Total	**126,588,060**	**96.22**	**9,446,992**	**7.46**
Investments in affiliated companies:				
TL	—	—	—	—
Foreign currency	—	—	—	—
Total	—	—	—	—
Total earnings assets:				
TL	75,810,873	57.62	7,842,384	10.34
Foreign currency	50,777,187	38.60	1,604,608	3.16
Total	**126,588,060**	**96.22**	**9,446,992**	**7.46**
Cash and due from banks:				
TL	540,820	0.41	—	—
Foreign currency	390,569	0.30	—	—
Total	**931,389**	**0.71**	**—**	**—**
Allowance for possible loan losses:				
TL	1,628,179	1.24	—	—
Foreign currency	294,303	0.22	—	—
Total	**1,922,482**	**1.46**	**—**	**—**
Premises and equipment (TL):	**377,034**	**0.29**	**—**	**—**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	387,192	0.29	—	—
Foreign currency	261,684	0.20	—	—
Total	**648,876**	**0.49**	**—**	**—**
Deferred taxes (TL)	**240,484**	**0.18**	**—**	**—**
Other assets and prepayments				
TL	778,536	0.60	—	—
Foreign currency	81,691	0.06	—	—
Total	**860,227**	**0.66**	**—**	**—**
Other interest income:	—	—	26,653	—
Total average assets:				
TL	79,763,118	60.63	7,869,037	9.87
Foreign currency	51,805,434	39.38	1,604,608	3.10
Total	**131,568,552**	**100.01**	**9,473,645**	**7.20**

	31 December 2010			
	Average Balance	Share of Total %	Interest	Average Rate %
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market:[1]				
TL	2,493,951	2.36	113,584	4.55
Foreign currency	4,490,849	4.25	8,817	0.20
Total	**6,984,800**	**6.61**	**122,401**	**1.75**
Marketable securities:[2]				
TL	36,784,373	34.79	4,172,290	11.34
Foreign currency	7,332,013	6.93	329,390	4.49
Total	**44,116,386**	**41.72**	**4,501,680**	**10.20**
Loans:				
TL	25,559,928	24.17	3,342,510	13.08
Foreign currency	22,148,182	20.95	918,701	4.15
Total	**47,708,110**	**45.12**	**4,261,211**	**8.93**
Leasing receivables:				
TL	136,859	0.13	27,440	20.05
Foreign currency	827,324	0.78	56,344	6.81
Total	**964,183**	**0.91**	**83,784**	**8.69**
Total interest-earning assets:				
TL	64,975,111	61.45	7,655,824	11.78
Foreign currency	34,798,368	32.91	1,313,252	3.77
Total	**99,773,479**	**94.36**	**8,969,076**	**8.99**
Investments in affiliated companies:				
TL	1,563	0.00	—	—
Foreign currency	—	—	—	—
Total	**1,563**	**0.00**	**—**	**—**
Total earnings assets:				
TL	64,976,674	61.45	7,655,824	11.78
Foreign currency	34,798,368	32.91	1,313,252	3.77
Total	**99,775,042**	**94.36**	**8,969,076**	**8.99**
Cash and due from banks:				
TL	432,891	0.41	—	—
Foreign currency	1,182,933	1.12	—	—
Total	**1,615,824**	**1.53**	**—**	**—**
Allowance for possible loan losses:				
TL	1,822,554	1.72	—	—
Foreign currency	265,667	0.25	—	—
Total	**2,088,221**	**1.97**	**—**	**—**
Premises and equipment (TL):	**932,689**	**0.88**	**—**	**—**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	282,621	0.27	—	—
Foreign currency	75,460	0.07	—	—
Total	**358,081**	**0.34**	**—**	**—**
Deferred taxes (TL)	**235,919**	**0.22**	**—**	**—**
Other assets and prepayments				
TL	687,348	0.66	—	—
Foreign currency	37,884	0.04	—	—
Total	**725,232**	**0.70**	**—**	**—**
Other interest income:	**—**		**25,414**	**—**
Total average assets:				
TL	69,370,696	65.61	7,681,238	11.07
Foreign currency	36,360,312	34.39	1,313,252	3.61
Total	**105,731,008**	**100.00**	**8,994,490**	**8.51**

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			
	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
Foreign currency	4,753,125	5.21	19,161	0.40
Total	**6,852,862**	**7.51**	**168,415**	**2.46**
Marketable securities:(2)				
TL	25,170,269	27.57	3,767,237	14.97
Foreign currency	8,288,186	9.08	452,941	5.46
Total	**33,458,455**	**36.65**	**4,220,178**	**12.61**
Loans:				
TL	22,495,658	24.64	4,043,080	17.97
Foreign currency	21,247,957	23.27	986,151	4.64
Total	**43,743,615**	**47.91**	**5,029,231**	**11.50**
Leasing receivables:				
TL	130,265	0.14	34,316	26.34
Foreign currency	758,941	0.83	64,196	8.46
Total	**889,206**	**0.97**	**98,512**	**11.08**
Total interest-earning assets:				
TL	49,895,929	54.65	7,993,887	16.02
Foreign currency	35,048,209	38.39	1,522,449	4.34
Total	**84,944,138**	**93.04**	**9,516,336**	**11.20**
Investments in affiliated companies:				
TL	3,125	—	—	—
Foreign currency	—	—	—	—
Total	**3,125**	**—**	**—**	**—**
Total earnings assets:				
TL	49,899,054	54.65	7,993,887	16.02
Foreign currency	35,048,209	38.39	1,522,449	4.34
Total	**84,947,263**	**93.04**	**9,516,336**	**11.20**
Cash and due from banks:				
TL	336,034	0.37	—	—
Foreign currency	2,098,730	2.30	—	—
Total	**2,434,764**	**2.67**	**—**	**—**
Allowance for possible loan losses:				
TL	1,702,059	1.86	—	—
Foreign currency	288,211	0.32	—	—
Total	**1,990,270**	**2.18**	**—**	**—**
Premises and equipment (TL)	**861,589**	**0.94**	**—**	**—**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	162,671	0.18	—	—
Foreign currency	—	—	—	—
Total	**162,671**	**0.18**	**—**	**—**
Deferred taxes (TL)	**223,029**	**0.24**	**—**	**—**
Other assets and prepayments				
TL	650,740	0.71	—	—
Foreign currency	37,613	0.04	—	—
Total	**688,353**	**0.75**	**—**	**—**
Other interest income:	—	—	33,427	—
Total average assets:				
TL	53,835,176	58.95	8,027,314	14.91
Foreign currency	37,472,763	41.05	1,522,449	4.06
Total	**91,307,939**	**100.00**	**9,549,763**	**10.46**

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 2011, 2010 and 2009. 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 2011			
	Average Balance	**Share of Total %**	**Interest**	**Average Rate %**
TL saving deposits:				
Time	22,930,039	19.07	1,972,434	8.60
Demand	3,044,616	2.53	640	0.02
Total	**25,974,655**	**21.60**	**1,973,074**	**7.60**
TL other deposits:				
Time	11,657,331	9.69	988,754	8.48
Demand	2,291,084	1.90	800	0.03
Total	**13,948,415**	**11.59**	**989,554**	**7.09**
TL deposits:				
Time	34,587,370	28.76	2,961,188	8.56
Demand	5,335,700	4.43	1,440	0.03
Total	**39,923,070**	**33.19**	**2,962,628**	**7.42**
Foreign currency saving deposits:				
Time	15,170,731	12.61	488,796	3.22
Demand	1,365,080	1.14	102	0.01
Total	**16,535,811**	**13.75**	**488,898**	**2.96**
Other foreign currency deposits:				
Time	14,018,660	11.66	258,482	1.84
Demand	1,377,513	1.15	501	0.04
Total	**15,396,173**	**12.81**	**258,983**	**1.68**
Foreign currency deposits:				
Time	29,189,391	24.27	747,278	2.56
Demand	2,742,593	2.29	603	0.02
Total	**31,931,984**	**26.56**	**747,881**	**2.34**
Bank deposits:				
TL	1,999,912	1.66	161,155	8.06
Foreign currency	6,834,305	5.68	177,002	2.59
Total	**8,834,217**	**7.34**	**338,157**	**3.83**
Funds provided under repurchase agreements:				
TL	9,329,937	7.76	600,382	6.44
Foreign currency	4,024,321	3.35	58,222	1.45
Total	**13,354,258**	**11.11**	**658,604**	**4.93**
Borrowings:				
TL	588,898	0.49	48,588	8.25
Foreign currency	15,809,675	13.15	283,616	1.79
Total	**16,398,573**	**13.64**	**332,204**	**2.03**
Securities Issues				
TL	1,510,485	1.26	119,575	7.92
Foreign currency	2,637,583	2.19	126,593	4.80
Total	**4,148,068**	**3.45**	**246,168**	**5.93**
Total interest-bearing liabilities:[(1)]				
TL	53,352,302	44.36	3,892,328	7.30
Foreign currency	61,237,868	50.93	1,393,314	2.28
Total	**114,590,170**	**95.29**	**5,285,642**	**4.61**

	31 December 2011			
	Average Balance	Share of Total %	Interest	Average Rate %
Other liabilities:				
Derivative financial instruments:				
TL	18,399	0.02	—	—
Foreign currency	24,295	0.02	—	—
Total	**42,694**	**0.04**	**—**	**—**
Income taxes payable (TL)	**126,997**	**0.11**	**—**	**—**
Deferred tax liabilities (TL)	**782**	**0.00**	**—**	**—**
Other liabilities:				
TL	919,958	0.76	—	—
Foreign currency	90,226	0.08	—	—
Total	**1,010,184**	**0.84**	**—**	**—**
Reserve for emp. termination benefits (TL)	**18,976**	**0.02**	**—**	**—**
Shareholders' equity	**4,478,596**	**3.72**	**—**	**—**
Profit	**897,479**	**0.75**	**—**	**—**
Other interest income:	**—**	**—**	**36,277**	**—**
Total average liabilities and shareholders:				
TL	58,916,010	48.99	3,928,605	6.67
Foreign currency	61,352,389	51.03	1,393,314	2.27
Total	**120,268,399**	**100.02**	**5,321,919**	**4.43**

	31 December 2010			
	Average Balance	Share of Total %	Interest	Average Rate %
TL saving deposits:				
Time	21,634,157	20.18	1,878,346	8.68
Demand	2,036,619	1.90	256	0.01
Total	**23,670,776**	**22.08**	**1,878,602**	**7.94**
TL other deposits:				
Time	11,736,470	10.95	1,056,875	9.01
Demand	2,317,892	2.16	16,980	0.73
Total	**14,054,362**	**13.11**	**1,073,855**	**7.64**
TL deposits:				
Time	33,370,627	31.13	2,935,221	8.80
Demand	4,354,511	4.06	17,236	0.40
Total	**37,725,138**	**35.19**	**2,952,457**	**7.83**
Foreign currency saving deposits:				
Time	14,758,019	13.76	410,370	2.78
Demand	1,382,785	1.29	90	0.01
Total	**16,140,804**	**15.05**	**410,460**	**2.54**
Other foreign currency deposits:				
Time	4,996,483	4.66	95,594	1.91
Demand	1,331,485	1.24	8,620	0.65
Total	**6,327,968**	**5.90**	**104,214**	**1.65**
Foreign currency deposits:				
Time	19,754,502	18.42	505,964	2.56
Demand	2,714,270	2.53	8,710	0.32
Total	**22,468,772**	**20.95**	**514,674**	**2.29**
Bank deposits:				
TL	1,462,124	1.36	105,570	7.22
Foreign currency	3,960,403	3.69	72,301	1.83
Total	**5,422,527**	**5.05**	**177,871**	**3.28**

	31 December 2010			
	Average Balance	Share of Total %	Interest	Average Rate %
Funds provided under repurchase agreements:				
TL	8,413,490	7.85	575,889	6.84
Foreign currency	992,349	0.93	12,562	1.27
Total	**9,405,839**	**8.78**	**588,451**	**6.26**
Borrowings:				
TL	578,269	0.54	57,372	9.92
Foreign currency	10,864,576	10.13	189,763	1.75
Total	**11,442,845**	**10.67**	**247,135**	**2.16**
Securities Issues				
TL	47,707	0.04	3,223	6.76
Foreign currency	647,388	0.60	34,625	5.35
Total	**695,095**	**0.64**	**37,848**	**5.45**
Total interest-bearing liabilities:(1)				
TL	48,226,728	44.98	3,694,511	7.66
Foreign currency	38,933,488	36.30	823,925	2.12
Total	**87,160,216**	**81.28**	**4,518,436**	**5.18**
Other liabilities:				
Derivative financial instruments:				
TL	631,192	0.59	—	—
Foreign currency	129,681	0.12	—	—
Total	**760,873**	**0.71**	**—**	**—**
Income taxes payable (TL)	**243,524**	0.23	—	—
Deferred tax liabilities (TL)	**8,451**	0.01	—	—
Other liabilities:				
TL	2,421,780	2.26	—	—
Foreign currency	254,242	0.24	—	—
Total	**2,676,022**	**2.50**	**—**	**—**
Reserve for emp. termination benefits (TL)	**65,307**	**0.06**	**—**	**—**
Shareholders' equity	**16,306,851**	**15.21**	**—**	**—**
Profit	**2,871,619**	**2.68**	**—**	**—**
Other interest income:	**—**	**—**	**45,136**	**—**
Total average liabilities and shareholders:				
TL	67,903,833	63.34	3,739,647	5.51
Foreign currency	39,317,411	36.66	823,925	2.10
Total	**107,221,244**	**100.00**	**4,563,572**	**4.26**

	31 December 2009			
	Average Balance	Share of Total %	Interest	Average Rate %
TL saving deposits:				
Time	18,422,894	20.42	2,130,987	11.57
Demand	1,549,067	1.72	158	0.01
Total	**19,971,961**	**22.14**	**2,131,145**	**10.67**
TL other deposits:				
Time	6,473,587	7.17	727,317	11.24
Demand	1,762,355	1.95	12,612	0.72
Total	**8,235,942**	**9.12**	**739,929**	**8.98**
TL deposits:				
Time	24,896,481	27.59	2,858,304	11.48
Demand	3,311,422	3.67	12,770	0.39
Total	**28,207,903**	**31.26**	**2,871,074**	**10.18**
Foreign currency saving deposits:				
Time	14,926,692	16.54	516,705	3.46
Demand	2,310,671	2.56	55	0.00
Total	**17,237,363**	**19.10**	**516,760**	**3.00**
Other foreign currency deposits:				
Time	4,400,742	4.88	145,935	3.32
Demand	1,203,462	1.33	8,788	0.73
Total	**5,604,204**	**6.21**	**154,723**	**2.76**
Foreign currency deposits:				
Time	19,327,434	21.42	662,640	3.43
Demand	3,514,133	3.89	8,843	0.25
Total	**22,841,567**	**25.31**	**671,483**	**2.94**
Bank deposits:				
TL	987,423	1.09	105,771	10.71
Foreign currency	2,958,771	3.28	64,817	2.19
Total	**3,946,194**	**4.37**	**170,588**	**4.32**
Funds provided under repurchase agreements:				
TL	8,033,350	8.90	743,421	9.25
Foreign currency	84,881	0.09	866	1.02
Total	**8,118,231**	**8.99**	**744,287**	**9.17**
Borrowings:				
TL	467,202	0.52	54,093	11.58
Foreign currency	10,665,279	11.82	268,216	2.51
Total	**11,132,481**	**12.34**	**322,309**	**2.90**
Total interest-bearing liabilities:[(1)]				
TL	37,695,878	41.77	3,774,359	10.01
Foreign currency	36,550,498	40.50	1,005,382	2.75
Total	**74,246,376**	**82.27**	**4,779,741**	**6.44**
Other liabilities:				
Derivative financial instruments:				
TL	543,024	0.60	—	—
Foreign currency	—	—	—	—
Total	**543,024**	**0.60**	**—**	**—**
Income taxes payable (TL)	**132,365**	0.15	—	—
Deferred tax liabilities (TL)	—	—	—	—
Other liabilities:				
TL	2,055,620	2.29	—	—
Foreign currency	202,286	0.23	—	—
Total	**2,257,906**	**2.52**	**—**	**—**
Reserve for emp. termination benefits (TL)	**56,109**	**0.06**	—	—
Shareholders' equity	**12,990,039**	**14.40**	—	—
Profit	**2,276,354**	**2.52**	—	—
Other interest income:	—	—	**45,332**	—
Total average liabilities and shareholders:				
TL	53,473,035	59.27	3,819,691	7.14
Foreign currency	36,752,784	40.73	1,005,382	2.74
Total	**90,225,819**	**100.00**	**4,825,073**	**5.35**

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 2011, 2010 and 2009.

	For the years ended 31 December		
	2011	2010	2009
Net Interest Income:			
TL	3,950,057	3,961,313	4,219,528
Foreign currency	211,295	489,327	517,067
Total	**4,161,352**	**4,450,640**	**4,736,595**
Yield on interest-earning assets(1):			
TL	10.34%	11.78%	16.02%
Foreign currency	3.16%	3.77%	4.34%
Total	**7.46%**	**8.99%**	**11.20%**
Yield on interest-bearing liabilities(1):			
TL	7.30%	7.66%	10.01%
Foreign currency	2.41%	2.12%	2.75%
Total	**4.76%**	**5.18%**	**6.44%**
Margin(2):			
TL	5.21%	6.10%	8.46%
Foreign currency	0.42%	5.62%	1.48%
Total	**3.29%**	**4.46%**	**5.58%**
Spread(3):			
TL	3.05%	4.12%	6.01%
Foreign currency	0.75%	1.66%	1.59%
Total	**2.71%**	**3.81%**	**4.77%**

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 2011, 2010 and 2009. 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

	20011/2010 Increase/(decrease) due to changes in				2010/2009 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	108,591	(179,711)	(71,120)	(62.6)	28,022	(63,692)	(35,670)	(23.9)
Foreign currency	10,510	(5,119)	5,391	61.1	(1,057)	(9,287)	(10,344)	(54.0)
Total	**135,588**	**(201,317)**	**(65,729)**	**(53.7)**	**3,242**	**(49,256)**	**(46,014)**	**(27.3)**
Marketable securities:								
TL	(173,682)	(229,687)	(403,369)	(9.7)	1,738,284	(1,333,231)	405,053	10.8
Foreign currency	(16,331)	(24,145)	(40,476)	(12.3)	(52,254)	(71,297)	(123,551)	(27.3)
Total	**(193,344)**	**(250,501)**	**(443,845)**	**(9.9)**	**1,344,305**	**(1,062,803)**	**281,502**	**6.7**
Loans:								
TL	1,296,148	(635,506)	660,642	19.8	550,733	(1,251,303)	(700,570)	(17.3)
Foreign currency	447,719	(130,285)	317,434	34.6	41,781	(109,231)	(67,450)	(6.8)
Total	**1,849,357**	**(871,281)**	**978,076**	**23.0**	**455,801**	**(1,223,831)**	**(768,020)**	**(15.3)**
Leasing receivables:								
TL	14,261	(13,854)	407	1.5	1,737	(8,613)	(6,876)	(20.0)
Foreign currency	13,329	(4,322)	9,007	16.0	5,784	(13,636)	(7,852)	(12.2)
Total	**23,187**	**(13,773)**	**9,414**	**11.2**	**8,306**	**(23,034)**	**(14,728)**	**(15.0)**
Total interest-earning assets:								
TL	1,276,746	(1,090,185)	186,560	2.4	2,415,854	(2,753,917)	(338,063)	(4.2)
Foreign currency	603,023	(311,667)	291,356	22.2	(10,853)	(198,344)	(209,197)	(13.7)
Total	**2,410,480**	**(1,932,564)**	**477,916**	**5.3**	**1,661,339**	**(2,208,599)**	**(547,260)**	**(5.8)**
Interest Expense								
TL deposits:								
Time	107,023	(81,056)	25,967	0.9	972,896	(895,979)	76,917	2.7
Demand	3,884	(19,680)	(15,796)	(91.6)	4,023	443	4,466	35.0
Total	**172,015**	**(161,844)**	**10,171**	**0.3**	**968,689**	**(887,306)**	**81,383**	**2.8**
YP deposits:								
Time	152,654	88,660	241,314	47.7	14,642	(171,319)	(156,677)	(23.6)
Demand	91	(8,198)	(8,107)	(93.1)	(2,013)	1,880	(133)	(1.5)
Total	**137,172**	**96,035**	**233,207**	**45.3**	**(10,959)**	**(145,851)**	**(156,810)**	**(23.4)**
Bank deposits:								
TL	38,830	16,755	55,585	52.7	50,849	(51,050)	(201)	(0.2)
Foreign currency	52,466	52,235	104,701	144.8	21,942	(14,458)	7,484	11.6
Total	**111,911**	**48,375**	**160,286**	**90.1**	**63,820**	**(56,537)**	**7,283**	**4.3**
Funds provided under repurchase agreements:								
TL	62,729	(38,237)	24,493	4.3	35,178	(202,711)	(167,533)	(22.5)
Foreign currency	38,381	7,278	45,660	363.5	9,263	2,433	11,696	1,349.9
Total	**247,022**	**(176,870)**	**70,152**	**11.9**	**118,049**	**(273,886)**	**(155,837)**	**(20.9)**
Borrowings:								
TL	1,055	(9,839)	(8,784)	(15.3)	12,860	(9,580)	3,280	6.1
Foreign currency	86,372	7,481	93,853	49.5	5,012	(83,465)	(78,453)	(29.3)
Total	**107,031**	**(21,962)**	**85,069**	**34.4**	**8,986**	**(84,159)**	**(75,173)**	**(23.3)**
Total interest-bearing liabilities:								
TL	392,655	(194,840)	197,816	5.4	1,054,418	(1,134,265)	(79,847)	(2.1)
Foreign currency	398,479	170,910	569,389	69.1	65,548	(247,007)	(181,459)	(18.1)
Total	**1,241,851**	**(474,646)**	**767,205**	**17.0**	**831,351**	**(1,092,657)**	**(261,306)**	**(5.5)**

Return on Assets and Equity

The following table (derived from the IFRS Financial Statements) presents certain selected financial ratios of Akbank for the three years ended 31 December 2011, 2010, and 2009.

	For the years ended 31 December		
	2011	2010	2009
	(TL thousands, except percentages)		
Net Profit (attributable to Equity Holders of the Group)	2,586,855	3,007,995	2,733,661
Average Total assets	129,301,958	111,020,567	95,520,550
Average shareholders' equity (attributable to Equity Holders of the Group)	18,165,504	16,300,282	12,811,755
Net Income as a percentage of:			
Average total assets	2.00%	2.71%	2.86%
Average shareholders' equity	14.24%	18.45%	21.34%
Average shareholders' equity as a percentage of average total assets	14.05%	14.68%	13.41%
Dividend pay-out ratio	17.48%	21.30%	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.

The percentage of fixed compared to floating available for sale securities (excluding equity securities) held by the Bank was 50.8% fixed and 49.2% floating for the year ended 31 December 2011, 55.7% fixed and 44.3% floating for the year ended 31 December 2010 and 65.7% fixed and 34.3% floating for the year ended 31 December 2009.

	For the years ended 31 December					
	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Debt Securities(1)						
Government bonds	33,281,465	85.4	38,735,025	89.4	26,983,189	87.9
Treasury bills	—	—	46,986	0.1	808,211	2.6
Eurobonds	4,063,238	10.4	3,664,715	8.5	2,196,482	7.1
Mutual Funds	186,017	0.5	68,376	0.2	50,149	0.2
Other bonds	1,430,858	3.7	758,968	1.7	659,795	2.1
Equity securities						
Listed	—	—	25,574	0.1	21,681	0.1
Unlisted	10,630	0.0	8,832	0.0	7,293	0.0
Total	**38,972,208**	**100.0**	**43,308,476**	**100.0**	**30,726,800**	**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 Turkish and Dutch corporate bonds for 2011 and Dutch government Eurobonds for 2010 and 2009.

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 December 2011.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt Securities					
Government bonds	1,441,381	1,539,207	27,456,649	2,844,228	33,281,465
Treasury bills	—	—	—	—	—
Eurobonds	—	2,204	1,095,907	2,965,127	4,063,238
Other bonds	172,371	50,301	1,208,186	—	1,430,858
Total	**1,613,752**	**1,591,712**	**29,760,742**	**5,809,355**	**38,775,561**

	Average Interest Rates		
	TL	**US$**	**EUR**
Government bonds	10.1	3.9	—
Treasury bills	—	—	—
Eurobonds	—	4.4	5.0
Other bonds	9.9	5.7	4.1

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					
	2011		**2010**		**2009**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Debt Securities[(1)]						
Government bonds	3,807,724	78.9	5,629,407	85.0	14,676,181	92.7
Treasury bills	—	—	—	—	—	—
Eurobonds	1,015,839	21.1	997,013	15.0	1,163,583	7.3
Other bonds	907	0.0	860	0.0		
Total	**4,824,470**	**100.0**	**6,627,280**	**100.0**	**15,839,764**	**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 December 2011.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt Securities					
Government bonds	169,335	309	3,638,080	—	3,807,724
Eurobonds	—	—	—	1,015,839	1,015,839
Other bonds	—	907	—	—	907
Total	**169,335**	**1,216**	**3,638,080**	**1,015,839**	**4,824,470**

	Average Interest Rates		
	TL	**US$**	**EUR**
Government bonds	11.1	—	—
Eurobonds	—	7.1	7.3
Other bonds	12.9	—	—

Note:

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

As at 31 December 2011, the size of Akbank's investment portfolio decreased by 12.3% to TL43.8 billion from TL49.9 billion as at 31 December 2010. The size of Akbank's investment portfolio as at 31 December 2010 increased by 7.2% to TL49.9 billion from TL46.6 billion as at 31 December 2009. The increase in Akbank's investment portfolio over 2011, 2010 and 2009 was driven by interest rate reductions by the Central Bank, which reduced the Bank's cost of funds, which supported the Bank's strategy to grow its securities portfolio given yield expectations. Between 2010 and 2009, the increase was also driven by the Bank's low inflation expectations.

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					
	2011		2010		2009	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Government bonds	121,461	73.8	486,477	79.7	86,224	54.0
Eurobonds	26,876	16.3	98,457	16.1	69,475	43.5
Treasury bills	—	—	936	0.2	2,350	1.5
Listed equities	14,249	8.7	24,732	4.0	387	0.2
Other	1,977	1.2	—	—	1,350	0.8
Total	**164,563**	**100.0**	**610,602**	**100.0**	**159,786**	**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 December 2011.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Government bonds	2,983	20,353	92,021	6,104	121,461
Eurobonds	253	354	9,131	17,138	26,876
Treasury bills	—	—	—	—	—
Total	**3,236**	**20,707**	**101,152**	**23,242**	**148,337**

	Average Interest Rates		
	TL	**US$**	**Euro**
Government bonds	11.1	—	—
Treasury bills	—	—	—
Eurobonds	—	5.1	4.5

Akbank maintains a strong position in securities trading in Turkey, as well as strong relationships with London banks who trade Turkish bonds. Akbank's daily trading volume is greater than TL1 billion, and its trading position includes both relative and outright positions. After it established a trading desk as a separate division, Akbank further increased its trading limits. Akbank's trading position was TL164.6 million as of 31 December 2011, compared to TL 610.6 million as of 31 December 2010, which does not reflect a decrease in the size of the trading portfolio but a change in the daily trading position as of the specified dates.

Equity Participations and Investment in Associates

As at 31 December 2011, 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 December 2011.

Equity participations

	As at 31 December 2011	
	Share %	Carrying amount
Unlisted		
Others	—	10,630

Associated companies

	As at 31 December 2011	
	Share %	Carrying amount
Bankalararası Kart Merkezi A.Ş.	9.98	2,099
KKB Kredi Kayıt Bürosu A.Ş.	9.09	1,824
		3,923

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 December 2011, Akbank's total loans net of allowance for loan losses, equalled TL74.9 billion, or 53.8% of total assets. In addition to loans, Akbank had outstanding as at 31 December 2011 guarantees amounting to TL8.9 billion, acceptances amounting to TL120.8 million and letters of credit amounting to TL4.1 billion.

The table below (derived from the IFRS Financial Statements) sets forth the composition of Akbank's cash and non-cash credit exposure as at 31 December 2011, 2010 and 2009 respectively.

	For the years ended 31 December		
	2011	**2010**	**2009**
Cash loans(1)	74,957,927	58,197,124	45,049,817
Non-cash loans			
Letters of guarantee(2)	8,963,974	6,562,386	5,467,212
Acceptance credits(2)	120,751	69,764	59,050
Letters of credit	4,071,428	2,746,362	1,683,684
Other guarantees	1,291,730	963,390	525,207
Total	**89,405,810**	**68,539,026**	**52,784,970**

Notes:

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

(2) Includes TL456.0 million of guarantee and acceptance credits issued to related parties as at 31 December 2011, TL397.3 million as at 31 December 2010 and TL747.9 million as at 31 December 2009.

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 at December 2011, 2010 and 2009, respectively.

	For the years ended 31 December		
	2011	**2010**	**2009**
Loans			
TL	40,020,028	30,948,043	22,976,647
Foreign Currency	34,937,899	27,249,081	22,073,170
US$	24,473,407	19,077,925	14,557,460
EUR	10,359,784	8,056,645	7,342,220
Other	104,708	114,511	173,490
Total	**74,957,927**	**58,197,124**	**45,049,817**
Non-cash loans			
Letters of guarantee			
TL	4,861,322	4,050,311	2,796,635
FC	4,102,652	2,512,075	2,670,577
Acceptance credits			
TL	15	1,727	723
FC	120,736	68,037	58,327
Letters of credit			
TL	2,229	13,105	893
FC	4,069,199	2,733,257	1,682,791
Other guarantees			
TL	646,439	528,991	246,799
FC	645,291	434,399	278,408
Total	**14,447,883**	**10,341,902**	**7,735,153**

Distribution of Loans by Type of Borrower

The following table (derived from the IFRS Financial Statements) sets forth Akbank's cash loans, including accrued interest and excluding allowance for loan losses, by type of loan and the percentage contribution to the total loan portfolio, as at 31 December 2011, 2010 and 2009, respectively.

	For the years ended 31 December					
	2011	**%**	**2010**	**%**	**2009**	**%**
Public Sector Loans	1,618,821	2.1	1,276,036	2.1	1,673,979	3.5
Private Sector Loans	75,351,769	97.9	58,753,389	97.9	45,719,978	96.5
Total Loans	**76,970,590**	**100.00**	**60,029,425**	**100.0**	**47,393,957**	**100.0**

As at 31 December 2011, Akbank's loan portfolio comprised 38% corporate, 27% SME, 21% consumer and 13% 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 as of the date of this Offering Memorandum 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 Reiterated Official Gazette No 25983 dated 1 November 2005, the single exposure limit is set at 20% in 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 at 31 December 2011, 2010 and 2009, respectively.

	For the years ended 31 December					
	2011	%	**2010**	%	**2009**	%
Consumer loans and credit cards	25,141,147	33.2	19,748,539	33.6	14,999,229	32.9
Mortgage	7,470,948	9.9	6,165,764	10.5	4,592,452	10.1
Automobile	865,906	1.1	804,035	1.4	554,982	1.2
General Purpose	7,254,105	9.6	6,160,072	10.5	4,097,731	9.0
Retail Credit Cards	9,550,188	12.6	6,618,668	11.3	5,754,064	12.6
Financial institutions	3,596,849	4.8	3,404,028	5.8	3,083,112	6.8
Wholesaling	3,047,856	4.0	1,924,766	3.3	1,792,552	3.9
Retailers	5,279,550	7.0	3,998,228	6.8	2,835,799	6.2
Other manufacturing	3,002,808	4.0	1,848,498	3.1	1,595,640	3.5
Automotive	930,987	1.2	761,570	1.3	609,472	1.3
Steel and mining	2,911,333	3.8	1,970,094	3.4	1,376,300	3.0
Food and beverage	2,390,015	3.2	1,631,642	2.8	1,310,311	2.9
Chemicals	3,081,985	4.1	2,434,042	4.1	2,010,424	4.4
Textile	1,196,984	1.6	822,077	1.4	553,414	1.22
Telecommunication	1,964,739	2.6	2,057,515	3.5	1,423,678	3.1
Construction	7,200,742	9.5	6,006,532	10.2	5,367,363	11.8
Agriculture and forestry	306,684	0.4	195,222	0.3	189,678	0.4
Electronics	249,521	0.3	200,587	0.3	436,409	1.0
Tourism	757,384	1.0	611,639	1.0	614,085	1.3
Health care and social services	3,982,466	5.3	3,015,014	5.1	1,536,345	3.4
Other	9,221,660	12.2	7,102,974	12.1	4,869,933	10.9
Leasing receivables	1,391,576	1.8	981,969	1.7	965,921	2.1
Performing loans	**75,654,286**	**100**	**58,714,936**	**100**	**45,569,665**	**100**
Non-performing loans	1,316,304		1,314,489		1,824,292	
Total loans and advances to customers	**76,970,590**		**60,029,425**		**47,393,957**	
Allowance for loan losses	(2,012,663)		(1,832,301)		(2,344,140)	
Net loans and advances to customers	**74,957,927**		**58,197,124**		**45,049,817**	

The aggregate share of consumer and credit card loans in total loans increased throughout 2009 and 2010 from 32.9% to 33.6%, decreased throughout 2010 and 2011 from 33.6% to 33.2%, and increased in the first half of 2012 to 35.5% in line with Akbank's lending strategy. Growth in consumer lending and credit card loans was 4.3% in 2009, 31.7% in 2010, 27.3% in 2011 and 19.3% in the first half of 2012. Akbank registered a reduction in corporate and small business loans by 12.2% during 2009 due to the contraction in the economy and Akbank's lending policy during this period. However, in 2010, corporate and small business loans increased by 26% and 31%, respectively, due to more aggressive lending targets based on Akbank's stronger economic growth expectations. In 2011 and the first half of 2012, corporate loans increased by 37% and 4%, respectively, and small business loans increased by 20% and 12%, respectively. For 2011, 2010 and 2009, the share in total loans of domestic Turkish loans was between 97% and 98%. Of the remaining 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 December 2011, 2010 and 2009.

Loans

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No Maturity	Total	Fixed Rate Loans %	Floating Rate Loans %
31 December 2011	24,172,248	16,640,864	25,018,008	9,034,964	91,843	**74,957,927**	51.0	49.0
31 December 2010	17,902,779	11,091,243	22,668,218	6,534,884	—	**58,197,124**	47.0	53.0
31 December 2009	15,513,474	10,982,927	15,234,145	3,319,271	—	**45,049,817**	43.2	56.8

Guarantees(1)

	Up to 1 year	Over 1 year	Total
31 December 2011	4,299,184	10,148,699	**14,447,883**
31 December 2010	2,403,680	7,938,222	**10,341,902**
31 December 2009	1,526,093	6,209,060	**7,735,153**

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 2011, 2010 and 2009, respectively.

	As at 31 December					
	2011	**%**	**2010**	**%**	**2009**	**%**
Over TL1,000,000	45,374,104	60.0	35,098,045	59.8	27,504,067	60.4
TL500,000 – 1,000,000	2,394,905	3.2	1,593,061	2.7	1,009,667	2.2
TL100,000 – 500,000	6,800,275	9.0	5,179,176	8.8	3,372,195	7.4
TL50,000 – 100,000	4,175,127	5.5	3,047,376	5.2	2,326,022	5.1
Less than TL50,000	16,909,875	22.4	13,797,278	23.5	11,357,714	24.9
Performing loans	**75,654,286**	**100.0**	**58,714,936**	**100.0**	**45,569,665**	**100.0**
Non performing loans	1,316,304		1,314,489		1,824,292	
Allowance for loan losses	(2,012,663)		(1,832,301)		(2,344,140)	
Net loans and advances to customers	**74,957,927**		**58,197,124**		**45,049,817**	

Distribution of Loans by type

The following table shows a breakdown of Akbank's Corporate, SME, Consumer and Credit Card Loans by type, derived from the Bank's BRSA Financial Statements as at 31 December 2011, 2010 and 2009, respectively.

	As at 31 December				
	2011	**y-o-y**	**2010**	**y-o-y**	**2009**
			(TL millions)		
TL Corporate	4,400	22%	3,619	26%	2,881
FX Corporate (USD)	12,714	14%	11,189	22%	9,169
TL SME(1)	10,790	36%	7,953	40%	5,676
FX SME(2) (USD)	4,928	(14)%	5,711	20%	4,759
Consumer	15,516	18%	13,130	42%	9,245
Credit Cards	9,505	44%	6,619	15%	5,754

Notes:

(1) TL loans to SMEs constituted approximately TL13.0 billion as at 30 June 2012.

(2) FX loans to SMEs constituted approximately US$5.3 billion as at 30 June 2012.

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 2011, 2010 and 2009, respectively. As noted above, only approximately 2.5% 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					
	2011	**%**	**2010**	**%**	**2009**	**%**
Istanbul Region	31,829,766	42.1	22,190,905	37.8	11,992,263	26.3
Trakya Region	912,805	1.2	660,453	1.1	495,760	1.1
Ankara Region	9,370,966	12.4	6,905,229	11.8	5,221,416	11.5
Bursa Region	2,239,601	3.0	1,565,255	2.7	1,056,161	2.3
Çukurova Region	5,039,840	6.7	3,575,448	6.1	2,950,640	6.5
Eastern Black Sea Region	1,626,854	2.2	1,202,422	2.0	943,594	2.1
Aegean Region	5,330,644	7.0	4,044,548	6.9	3,054,367	6.7
Eskişehir Region	420,533	0.6	319,856	0.5	286,231	0.6
Southeastern Anatolia Region	2,261,619	3.0	1,581,321	2.7	991,680	2.1
Samsun Region	1,900,396	2.5	1,522,087	2.6	1,169,501	2.6
Denizli Region	442,079	0.6	330,476	0.6	263,121	0.6
Foreign Branch and Subsidiaries	14,279,183	18.9	14,816,936	25.2	17,144,931	37.6
Total Performing Loans	**75,654,286**	**100.0**	**58,714,936**	**100.0**	**45,569,665**	**100.0**
Non-Performing Loans	1,316,304		1,314,489		1,824,292	
Total Loans	**76,970,590**		**60,029,425**		**47,393,957**	
Allowance for Loan Losses	(2,012,663)		1,832,301		(2,344,140)	
Total Net Loans	**74,957,927**		**58,197,124**		**45,049,817**	

Non-performing Loans; Provisioning; Loan Losses

If the collectability of any loan or receivable is identified as limited or doubtful by Akbank management, Akbank provides specific provisions in accordance with the applicable law. Banks are also required to set aside general reserves for cash and non-cash loans depending on the categories they are classified in. The currently applicable general reserve requirements are (i) 1% of cash loans and 0.2% of non-cash loans if they are classified as standard loans; and, (ii) 2% of cash loans and 0.4% of non-cash if they are classified as closely monitored loans. Currently, the general reserve requirements apply at a reduced rate of 60% and will increase gradually during a transition period to 100% of the relevant general reserve requirement rate applicable from 1 January 2015 onwards. 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 adopted a more conservative policy regarding provisions for NPLs than required by BRSA. Akbank has set aside 169% specific and general provisioning for 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 1.7% of total loans as at 31 December 2011 and 2.2% of total loans as at 31 December 2010. The percentages were substantially lower than averages within the Turkish banking sector of 2.7% and 3.6% for 31 December 2011 and 31 December 2010, 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 2011, 2010 and 2009, respectively.

	As at 31 December					
	2011	**%**	**2010**	**%**	**2009**	**%**
Istanbul Region	355,358	27.0	375,973	28.6	507,047	27.8%
Trakya Region	21,564	1.6	24,401	1.9	37,092	2.0%
Ankara Region	174,593	13.3	203,002	15.4	293,676	16.1%
Bursa Region	43,259	3.3	56,702	4.3	86,311	4.7%
Çukurova Region	308,041	23.4	189,231	14.4	252,219	13.8%
Eastern Black Sea Region	54,883	4.2	65,808	5.0	88,822	4.9%
Aegean Region	150,764	11.5	190,435	14.5	281,481	15.4%
Eskişehir Region	9,370	0.7	10,690	0.8	22,185	1.2%
Southeastern Anatolia Region	57,439	4.4	62,619	4.8	80,240	4.4%
Samsun Region	79,380	6.0	91,806	7.0	122,075	6.7%
Denizli Region	7,888	0.6	8,866	0.6	13,371	0.8%
Other	53,765	4.1	34,956	2.7	39,773	2.2%
Total	**1,316,304**	**100.0**	**1,314,489**	**100**	**1,824,292**	**100.0**

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

Non-Performing Loan Ratios

Akbank's non-performing loan ratios as at 31 December 2011 and 2010 were 1.7% and 2.2%, respectively, as compared to the Turkish banking sector's non-performing loans ratios of 2.7% and 3.6%, respectively, as at the same dates.

Breakdown of Non-Performing Loan Performance

The following table shows a breakdown of new non-performing loans, collections and NPL sale revenue, derived from the Bank's IFRS Financial Statements for the years ended 31 December 2011, 2010 and 2009:

	For the years ended 31 December		
	2011	**2010**	**2009**
		(TL millions)	
New NPLs	682	491	1,459
Collections	(369)	(595)	(710)
NPL Sale Revenue	—	(39)	—

On 1 October 2012, Akbank sold TL 500.1 million NPLs to Girişim Varlık Yönetim A.Ş. for TL 95.1 million.

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 2011, 2010 and 2009, 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		
	2011	**2010**	**2009**
Balance at beginning of year	1,832,301	2,344,140	1,635,949
Additions	682,347	491,353	1,459,437
Collections	(369,048)	(595,076)	(710,401)
Write-offs	(132,956)	(408,058)	(40,846)
Exchange differences	19	(58)	1
Balance at end of quarter year	**2,012,663**	**1,832,301**	**2,344,140**

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 48% of Akbank's total customer deposits as at 31 December 2011.

Between 31 December 2010 and 31 December 2011, Akbank's deposits increased by 12.1%, which was higher than the sector average, and topped TL93.2 billion as at 31 December 2011. Over the same period, TL deposits decreased by 6.9%.

The following table (derived from the IFRS Financial Statements) sets forth the principal sources of funds for Akbank's operations as at 31 December 2011, 2010 and 2009, respectively.

	For the years ended 31 December					
	2011	**%**	**2010**	**%**	**2009**	**%**
Customer TL deposits	48,958,980	42.1	52,611,836	53.9	47,120,542	55.8
Customer FC deposits	44,233,112	38.0	30,493,615	31.3	27,580,742	32.7
Interbank funds	640,869	0.6	400,005	0.4	483,572	0.6
Borrowings from financial institutions	14,319,746	12.2	8,172,658	8.4	9,209,340	10.9
Debt Securities in Issue	8,229,379	7.1	5,846,767	6.0	—	—
Total	**116,382,086**	**100.0**	**97,524,881**	**100.0**	**84,394,196**	**100.0**

Deposits

As at 31 December 2011, total deposits were TL93.2 billion, compared to TL83.1 billion as at 31 December 2010 and TL74.7 billion as at 31 December 2009.

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 2011			
	Demand	**Time**	**Total**	**%**
Saving deposits	**3,903,467**	40,858,802	44,762,269	48.0
Located in Turkey	3,903,467	39,358,411	43,261,878	
Located in foreign countries and foreign branches	—	1,500,391	1,500,391	
Funds deposited under repurchase agreements	**—**	12,421,275	12,421,275	13.3
Located in Turkey	—	5,827,071	5,827,071	
Located in foreign countries and foreign branches	—	6,594,204	6,594,204	
Commercial deposits	**5,146,929**	19,325,459	24,472,388	26.3
Located in Turkey	5,123,566	10,208,622	15,332,188	
Located in foreign countries and foreign branches	23,363	9,116,837	9,140,200	
Bank deposits	**392,604**	9,893,214	10,285,818	11.0
Located in Turkey	392,604	1,349,645	1,742,249	
Located in foreign countries and foreign branches	—	8,543,569	8,543,569	
Other	**221,410**	1,028,932	1,250,342	1.34
Located in Turkey	221,410	1,028,932	1,250,342	
Located in foreign countries and foreign branches	—	—	—	
Total	**9,664,410**	**83,527,682**	**93,192,092**	**100.0**

	For the year ended 31 December 2010				For the year ended 31 December 2009			
	Demand	Time	Total	%	Demand	Time	Total	%
Saving deposits	3,827,711	36,955,563	40,783,274	49.1	3,185,461	35,404,228	38,589,689	51.7
Located in Turkey	3,824,960	34,740,057	38,565,017		3,184,956	32,685,412	35,870,368	
Located in foreign countries and foreign branches	2,751	2,215,506	2,218,257		505	2,718,816	2,719,321	
Funds deposited under repurchase agreements	—	11,397,116	11,397,116	13.7	—	13,747,009	13,747,009	18.4
Located in Turkey	—	11,210,726	11,210,726		—	13,230,254	13,230,254	
Located in foreign countries and foreign branches	—	186,390	186,390		—	516,755	516,755	
Commercial deposits	4,196,148	17,554,827	21,750,975	26.2	4,052,446	12,936,460	16,988,906	22.7
Located in Turkey	4,156,016	7,392,753	11,548,769		3,955,064	6,273,916	10,228,980	
Located in foreign countries and foreign branches	40,132	10,162,074	10,202,206		97,382	6,662,544	6,759,926	
Bank deposits	192,116	7,493,638	7,685,754	9.2	194,458	3,848,719	4,043,177	5.4
Located in Turkey	187,819	1,603,857	1,791,676		190,332	191,468	381,800	
Located in foreign countries and foreign branches	4,297	5,889,781	5,894,078		4,126	3,657,251	3,661,377	
Other	493,254	995,078	1,488,332	1.8	375,322	957,181	1,332,503	1.8
Located in Turkey	493,254	995,078	1,488,332		375,322	957,181	1,332,503	
Located in foreign countries and foreign branches	—	—	—		—	—	—	
Total	**8,709,229**	**74,396,222**	**83,105,451**	**100.0**	**7,807,687**	**66,893,597**	**74,701,284**	**100.0**

As at 31 December 2011 and 2010, 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.

As at 31 December 2011, 2010 and 2009 respectively, 31.5%, 20.5% and 19.6% of Akbank's total deposits were denominated in US Dollars (66.3%, 55.9% and 53.1% of total foreign currency deposits) and 14.4%, 14.5% and 16% of total deposits were denominated in Euro (30.3%, 39.6% and 43.2% of total foreign currency deposits).

The interest rate for US Dollar deposits was 3.3% in the year to 31 December 2011, compared to 2.5% in 2010 and 1.8% in 2009. Interest rates for TL deposits have ranged between 7% and 9% for the past three years.

The following table (derived from the IFRS Financial Statements) shows the maturities of deposits as at 31 December 2011, 2010 and 2009, respectively.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
31 December 2011	85,451,382	6,259,661	904,629	576,420	93,192,092
31 December 2010	79,371,496	2,447,456	1,104,302	182,197	83,105,451
31 December 2009	70,760,192	3,065,029	743,400	132,663	74,701,284

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 2011, 2010 and 2009, respectively.

	For the years ended 31 December					
	2011	Percentage of RelatedItem	2010	Percentage of Related Item	2009	Percentage of Related Item
Cash loans	1,640,514	2.2%	951,107	1.6%	635,235	1.4%
Non-cash loans	455,978	3.2%	397,262	3.8%	747,911	9.7%
Cash and due from banks	—	—	—	—	—	—
Finance lease receivables	3,097	0.2%	6,223	0.6%	7,571	0.8%
Deposits	7,708,925	8.3%	6,370,538	7.7%	6,191,548	8.3%
Derivatives[(1)]	4,757,261	5.5%	2,405,244	5.0%	2,005,471	6.5%

Note:
(1) The balance shows the total of sale and purchase amounts of the related transactions.

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 2011, 2010 and 2009, Akbank's total risk-based capital ratio (consisting principally of Tier 1 capital) was 16.79%, 19.93% and 21.04%, respectively. Since July 2012, Akbank has reported its capital adequacy ratio according to the Standard model under the Basel II Guidelines. The Bank does not expect any reduction in its capital adequacy ratio due to implementation of Basel II. 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 2011, 2010 and 2009, respectively.

	For the years ended 31 December		
	2011	**2010**	**2009**
Tier 1			
Share capital	7,111,164	7,111,164	6,605,892
Legal reserves	1,131,877	946,058	796,720
Extraordinary reserves	7,405,267	5,278,744	3,728,637
Other reserves	56,868	40,853	127,514
Retained earnings	2,745,214	3,071,298	2,786,293
Deductions	(150,599)	(274,679)	(247,798)
Total Tier 1 capital	**18,299,791**	**16,173,438**	**13,797,258**
Tier 2			
General loans loss reserves	812,438	527,120	406,629
Subordinated loans	—	—	—
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	236	—	—
Other reserves	(163,311)	817,338	390,795
Deductions	(4,964)	(1,396)	(24,738)
Total qualifying capital	**18,944,190**	**17,516,500**	**14,569,944**
Risk-weighted assets			
With 20% risk	968,614	601,753	801,209
With 50% risk	128,079	31,154	—
With 100% risk	89,641,471	71,154,245	55,449,778
With 150% risk	2,927,141	665,502	744,903
With 200% risk	2,759,170	201,648	57,436
Total risk-weighted assets	**96,424,475**	**72,654,302**	**57,053,326**
Market risk	6,026,525	5,513,788	3,568,963
Operational risk	10,366,918	9,710,271	8,621,035
Total risk-weighted assets and market risk	**112,817,918**	**87,878,361**	**69,243,324**
Risk-adjusted capital ratio	**16.79%**	**19.93%**	**21.04%**

Akbank's excess capital, which is calculated as Tier 1 plus Tier 2 capital, less economic capital (which is the sum of regulatory capital and additional capital to cover other risks) was TL6,949 billion as at 31 December 2011.

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 on 30 January 1948, it was originally established with the core objective of providing funding for local cotton producers. Its first branch was opened 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. The Bank's telephone number is +90 212 385 55 55.

Akbank carries out its activities from its head office and 23 regional offices throughout Turkey. Its network of 950 domestic branches as at 30 June 2012 provides Akbank with the ability to reach a nationwide base of customers.

Akbank operates in five main business segments: (i) Consumer Banking; (ii) Corporate, Commercial and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. It offers a wide range of consumer, commercial and SME, corporate and private banking services as well as international trade financing. Non-banking financial services along with capital markets, brokerage and investment services are provided by Akbank's subsidiaries including AKSecurities, AKAssetManagement and AKLease. Akbank does not have any subsidiaries that are not involved in financial services.

Akbank has an international presence through its subsidiaries in Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited), and through a branch in Malta.

In addition to the Bank's traditional delivery channels such as its branches, Akbank also serves its customers through its Consumer and Corporate Internet Branches, its Telephone Banking Center, approximately 4,000 ATMs, more than 290,000 POS terminals, and the Akbank Banking Centre, which commenced its services in 2010 and as of the date of this Offering Memorandum is one of the highest transaction capacity operations centres in Turkey as well as other high-tech channels.

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, currently holding a 49.03% stake in the Issuer's issued share capital. 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.

In January 2007, Citigroup acquired a 20% equity stake in the Issuer. In May 2012, Citigroup sold 10.1% of its stake in the Issuer due to its capital planning preparations for the application of Basel III requirements. Citigroup has committed to hold the remaining 9.9% of the Issuer's shares for a three year lock-up period following the sale.

As at 30 June 2012, 41.1% of the Issuer's shares were publicly traded on the Istanbul Stock Exchange ("**ISE**") and the Bank's Level 1 ADRs are traded on the OTC in the United States. Akbank's market capitalisation stood at TL26.5 billion as at 30 June 2012.

For the six months to 30 June 2012, Akbank's net profits were TL1.1 billion, a decrease of 19.3% from TL1.4 billion in the six month period to 30 June 2011. Akbank's net profits were TL2.6 billion for the year ended 31 December 2011. The year on year fall in net income was mainly related to the effect of the increasing cost of liabilities due to Central Bank's tight monetary policy and regulatory changes related to general loan loss provisions and fee income. As at 30 June 2012, Akbank's total assets stood at TL144.3 billion, an increase of 3.6% and 20.6% from TL139.3 billion and TL119.7 billion as at 31 December 2011 and 2010, respectively. As at 30 June 2012, Akbank's total shareholder's equity (excluding non-controlling interest) stood at TL19.6 billion, an increase of 7.2% and 8.6% from TL18.3 billion and TL18.0 billion respectively as at 31 December 2011 and 2010, respectively.

Business Segments – Overview

Akbank operates in five main business segments. See "– Akbank's Business Segments": (i) Consumer Banking; (ii) Corporate, Commercial 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 30 June 2012 and as at 31 December 2011 and 2010 differs from the classification as at 31 December 2009.

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 TL554.2 million for the year ended 31 December 2011, which, when compared to the same period in 2010 was a decrease of 16.7% from TL665.5 million and an increase in 2010 of 17.4% from TL566.7 million for the same period in 2009 representing a cumulative decrease of 2.2% from 2009 to 2011. Gross profit from retail banking was TL262.6 million for the six months to 30 June 2012.

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' requirements 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 TL920.5 million for the year ended 31 December 2011, an increase of 2.0% from TL902.5 million for the year ended 31 December 2010, and an increase of 34.7% from TL669.9 million for the same period in 2009, representing a cumulative increase from 2009 to 2011 of 37.4%. Gross profit for Corporate and SME Banking was TL514.1 million for the six months ended 30 June 2012. Gross profit for Corporate and SME Banking before 31 December 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 domestic fixed income 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 TL1.6 billion for the year ended 31 December 2011, a decrease of 25.5% from TL2.1 billion for the same period in 2010 and an increase of 2.2% in 2010 from TL2.1 billion for the same period in 2009, respectively representing a cumulative decrease in the period from 2009 to 2011 of 23.9%. Gross profit from private banking for the six months to 30 June 2012 was TL572.2 million. 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 TL125.9 million for the year ended 31 December 2011, an increase of 21.3% from TL103.8 million for the same period in 2010 and an increase of 36.2% in 2010 from TL76.2 million for the same period in 2009, representing a cumulative increase from 2009 to 2011 of 65.3%. Gross profit from private banking for the six months to 30 June 2012 was TL90.3 million.

International Banking: manages the Bank's international fund raising activities and correspondent banking relationships and sets credit limits and risk management policies for counterparty financial institutions. The International Business Development Division was established in August 2010 within the International Banking Unit. The main responsibilities of this department are to offer a complementary service to its clients to support their business activities within its responsibility area and to originate proprietary deals for the benefit of the Bank. To achieve this, the department plans to use several methods including but not limited to expanding relationships between the Bank and financial institutions and corporates in those countries, strengthening the market share of the Bank in the foreign trade business, more closely monitoring those countries to identify potential clients, referring potential deals to the related business lines and proposing new representative offices, branches or subsidiaries as may be supported by the business.

In addition to financing through Eurobond issuance, 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 TL34.0 million for the year ended 31 December 2011, a decrease of 41.0% from TL57.6 million for the year ended 31 December 2010, and a decrease of 6.7% from TL61.7 million for the same period in 2009, representing a cumulative decrease from 2009 to 2011 of 44.9%. Gross profit from International Banking was TL31.4 million for the six months ended 30 June 2012.

Competitive Strengths

Akbank believes that it has the following competitive strengths:

- ***Strong and Well Known Turkish Franchise, Trusted Brand, Diversified Portfolio of Banking Assets.*** Akbank believes that it has established itself as one of the most widely-recognised and trusted private banks in Turkey as a result of its 64-year operating history through often turbulent Turkish financial markets, its long-standing focus on prudent risk management and its record of financial stability. Akbank has focused virtually all of its business in Turkey, with approximately 95% of its assets in Turkey on the basis that this is the market that it knows best and where it enjoys a strong competitive position. Akbank is Turkey's third largest private bank in terms of asset size as at 30 June 2012 (*Source: The Bank's Association of Turkey*). It offers a broad portfolio of consumer and commercial products and has well-established relationships with its client base. Akbank has a wide distribution network with 950 domestic branches and over 8.5 million customers, as well as a large network of increasing alternative delivery channels, which include the Akbank Banking Center, over 290,000 point-of-sale terminals and approximately 4,000 ATMs, as at 30 June 2012. In the six months to 30 June 2012, Akbank's share (in each case, by lending volume) of the general purpose loans market increased to 9.2% from 8.4%, its share of the mortgage loans market share increased to 10.8% from 10.0% and its share of the credit card loans market increased to 19.1% from 17.4% (*Source: BRSA*). Akbank believes that its strong franchise and position in consumer, commercial and SME banking enables it to benefit from economies of scale and provide a strong platform for sustained profitability in the Turkish banking market. Akbank also has a stable controlling shareholder which allows for fast decision making in case of critical decisions, continued stability in a difficult global environment and gives it the ability to implement the Bank's vision.

  The strength of Akbank's Turkish franchise has been recognised through numerous awards in 2011 and 2012:

  - Most Valuable Turkish Banking Brand – Brand Finance
  - Best Bank in Turkey – EMEA Finance
  - Best Financial Institution Borrower in EMEA – EMEA Finance
  - Best Bank in Turkey – Global Banking and Finance Review
  - Turkey's Best FX Provider Bank – Global Finance
  - Overall Best Private Bank in Turkey – Euromoney
  - SME Loan for Small Businesses Excellence in SME Customer Service – Financial World Innovation Awards
  - Best Bank Use of CRM in Marketing – Retail Banker International
  - First and only Turkish institution to win the award in the "Integrated Marketing" category of Gartner's CRM Excellence Awards

- ***Robust Capital Structure; Conservative Liquidity and Funding Policy.*** As at 30 June 2012, Akbank's robust capital structure was demonstrated by its capital adequacy ratio of 15.8% (under BRSA), Tier 1 ratio of 14.9%, leverage ratio (calculated as total assets divided by total equity) of 7.4x and shareholders' equity of TL19.6 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, overnight interbank deposits, the balances of Akbank's nostro accounts and statutory reserves divided by the Bank's total liabilities) of 8.5% at 30 June 2012. Akbank's funding strategy includes maintaining a substantial percentage of its liabilities in the form of customer deposits. Although customer deposits in Turkey are typically 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 96.95% 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 substantial and stable deposit base and it has benefitted from a "flight to quality" during difficult market conditions, with deposits having grown at a rate of 6.1% from TL98.8 billion as at 30 June 2012 to TL93.2 billion as at 31 December 2011.

Akbank has been a market leader among Turkish financial institutions in domestic and international capital markets, with the first direct issuance of a Eurobond in 2010. Its total outstanding domestic bonds amount to TL2.6 billion and its international Eurobonds amount to US$1.4 billion as of 30 June 2012.

In an environment where banks' financial strength is becoming an indicator of growth prospects, Akbank's robust capital ratio, its high net stable funding ratio, low loans to deposits ratio, low leverage and effective risk management policy are indicative of its financial strength and support the Bank's profitable growth.

- ***Prudent and Effective Risk Management; High Asset Quality.*** Akbank's management believes that 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 continuing through establishing conservative provisioning policies. Under the Sabancı family and group ownership, Akbank successfully weathered the 2000-2001 banking crisis in Turkey with a low NPL ratio and was able to strengthen its position in the market, making strong market share gains after the crisis. Akbank was similarly able to weather the effects of the 2008 global crisis. This has largely been due to the prudent approach of Akbank's Board prior to the crises and decisive action taken in controlling risk. In anticipation of the upcoming risks in credit quality due to global economic downturn, Akbank has implemented and enhanced its risk management systems to ensure a consistently high level of asset quality. Akbank has always believed that banking involves balancing risk and matching assets to liabilities. The Board has continuously stressed the importance of a solid balance sheet and a strong financial position. Akbank's 14.9% Tier 1 capital ratio and it 7.4x leverage ratio are the legacy of this approach. Through effective risk management practices, Akbank's NPL ratio has decreased to 1.6% at 30 June 2012 from 3.8% at 31 December 2009 and is well below the sector average of 2.7% (*Source: BRSA*). Akbank has also established a separate risk division below Board level so that all risks are monitored by its Executive Risk Committee and its Executive Management Committee reviews all aspects of the Bank's business, including the Bank's risks. In addition to the Audit Committee, which assists the Board in reviewing the Bank, the Bank also has a Corporate Governance and Social Responsibility Committee overlooking such risks.

- ***Record of Innovation.*** Akbank has a strong track record of developing an innovative range of products and services, including innovative lending products, such as 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. It has also expanded its investment product portfolio, including introducing Turkey's first mass market structured deposits and structured funds in 2007, BRIC Fund in 2009 as well as Akbank T.A.Ş. Franklin Templeton Umbrella Funds to enable Turkish investors to invest in four continents (Asia, Europe, North America and South America) in 2011.

  In line with its focus on providing top quality products and services to its customers, some of the innovative services Akbank launched during 2011 were as follows:

  - "SMS Loan for Business Owner" – an application which allows small business owners to apply for commercial loans via SMS without the need to visit a branch;
  - "Send Money" – a new mobile banking application which allows customers to make money transfers at any time and location in 20 seconds via their mobile phones;
  - "Akbank Pay from Pocket" – a service which was developed in conjunction with Visa Europe to allow customers to make payments from their mobile phones, turning mobile phones into mobile wallets;
  - the launch of bundled products to increase customer cross sell ratios; and
  - initiating its "Savings Campaign" to enhance saving habits of the public through its pension funds, gold and accumulating savings accounts.

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 while sustaining its profitability. To achieve this objective, Akbank has identified the following strategic priorities for 2013 and beyond.

- ***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 in Selected Customer Segments and Products.* Turkey is a rapidly growing country with GDP having grown at 8.5% year-on-year in 2011. After achieving high growth rates in 2010 and 2011, the economy is projected to have a soft landing in the first half of 2012 with a GDP growth rate of 3.2% (*source: Turkstat*). According to the "Medium-Term Program (2013-2015)" prepared by the Republic of Turkey Ministry of Development, which was approved by the Council of Ministers on 10 September 2012, and published in the Reiterated Official Gazette dated 9 October 2012 and numbered 28436, GDP growth forecasts in 2012 were updated to 3.2% (from 4%), and 4% in 2013 (from 5%). The strong growth in the Turkish economy has contributed to growth in Akbank's consumer loans in 2011 and the first half of 2012, with consumer loans (excluding credit cards) increasing at a rate of 19% compared to 2010. In addition, despite growth in the Turkish banking sector, a considerable portion of the Turkish population use limited or no banking services, which is expected to yield additional opportunities to grow the customer base as the Turkish economy develops. As a result of these factors, management believes that Akbank will be able to continue growing this business by focusing on selected customer segments and products, and increasing 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 to continue to emphasise service quality.
  - *Focus on Commercial and SME Customers.* Akbank believes that a key driver of growth in Turkey will be the increasing importance of SME customers (those with annual revenues of between TL1 million and TL100 million). In order to take advantage of this growth, in early 2010, Akbank combined its small business and commercial banking activities into one Corporate and SME Banking segment to benefit from synergies between these two segments. It also restructured and expanded its branch network to extend specialised services and target commercial customers. The SME business has proved to be one of the fastest growing and most lucrative customer groups during 2011 for the Turkish banking sector (*source: BRSA*). As a result of these factors, Akbank's SME loans grew at a rate of approximately 20% as at 31 December 2011 compared to the same period in 2010. On the deposit side, total SME TL deposits grew by 22.0% from TL5.9 billion as at 31 December 2011 to TL7.2 billion as at 30 June 2012, and total SME foreign currency deposits grew by 23.5% from US$1.7 billion as at 31 December 2011 to US$2.1 billion as at 30 June 2012. Going forward, Akbank expects that the SME segment will be a key driver of its growth and profitability and is actively seeking to further increase its SME lending business through focused marketing efforts and new product and service developments, combined with increased availability of funding to this sector.
  - *Optimise Branch Network and Multi-Channel Distribution.* Akbank has a combined strategy of optimising its branch network to reach its highest-value customers who need personal advice and service, while developing cost-effective alternative distribution channels. With its wide branch network that covers 79 out of 81 cities in Turkey, the Bank already has a wide distribution network and believes that it is therefore well placed to benefit from the projected growth of Turkey. To that end, Akbank's priority in 2013 will be to focus on increasing the efficiency and productivity of its current network to better realise this potential. Akbank will seek opportunistic branch openings in a selective manner based on micro-market analyses. In particular, as at 30 June 2012, only 33% of Akbank's domestic branches were located in the greater Istanbul area (which Akbank expects will be a primary region of growth in Turkey). Supporting its wide branch network, Akbank has

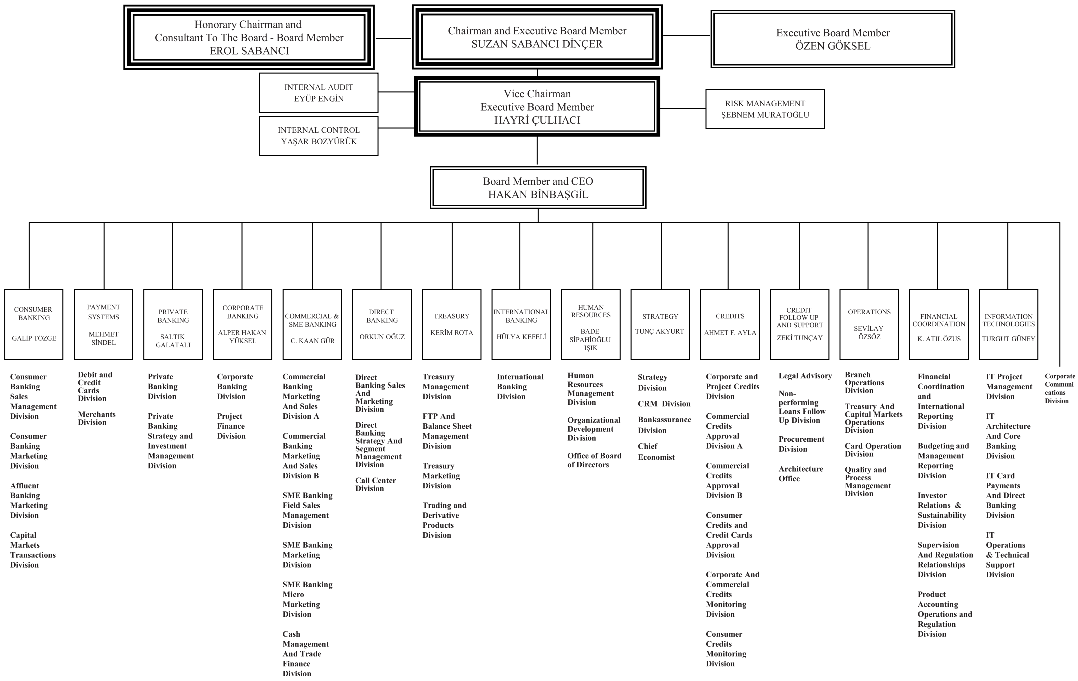
developed a full multi-channel distribution network (including telephone banking, ATMs, internet and mobile banking) under the "Akbank Direkt" brand, that has the dual purpose of cost efficiency and maximising customer access. Akbank considers internet and mobile banking as one of the most important emerging channels in the Turkish market. In particular, the Turkish population has shown a willingness to use internet banking, with 8.9 million customers across Turkey using internet banking services as of June 2012 (*source: The Banks Association of Turkey*), with this figure expected by the Bank to rise substantially in the short to medium term. Accordingly, Akbank upgraded its internet banking service in 2011 and expanded its mobile banking offering in particular to address the demands of Turkey's young and growing population.

- *Increase New Deposits and Deposit Offerings.* A key aspect of Akbank's funding strategy is to maintain a strong base of stable, low-cost demand deposits. 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 moderated 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 with a focus on higher-yield products. In addition, to improve the Bank's deposit position both in terms of volume and pricing of deposits, the Bank has adopted a more tailored deposit pricing approach, that permits flexibility based on customer segments, but is also centrally overseen to ensure consistent implementation, to differentiate and optimize its pricing strategy according to customer segments.
- *Develop Additional Fee Generating Products and Businesses.* As the Turkish economy continues to develop, Akbank believes that Turkish retail customers will increasingly utilise fee-based banking products such as credit cards and investment funds as the population becomes more familiar with such products. On the commercial side, many Turkish companies have wide supplier and distribution networks as well as a higher level of trade with international markets, resulting in growing needs for advanced cash management and trade financing products. Accordingly, in order to benefit from these trends, Akbank intends to continue to focus on fee-generating products such as credit cards, bancassurance, trade financing and cash management products.
- *Maximise long-term customer value.* In a highly competitive banking market such as Turkey, Akbank believes that maximising the long term value of existing and new customers is crucial for achieving future growth. As a result, Akbank is employing advanced CRM tools to better understand the needs of its customers and to proactively offer products that meet these needs. Going forward, Akbank intends to focus on greater utilisation of these tools across all its distribution channels to increase cross-selling of its growing variety of products and services.
- *Achieve Effective Multichannel Integration.* Akbank, which continually monitors global and local trends in banking and consumer behaviour, has historically pioneered the Turkish Banking Sector with its innovative products and service models. To that end, Akbank considers multichannel excellence as the biggest milestone in taking clients' banking experience to the next level. One of the most important strategic priorities of Akbank in 2013 will be utilising all of its distribution channels to achieve customer excellence and cost efficiency and provide a unique and fully integrated multichannel service model to guarantee transparent and seamless customer experience. Branches will continue to be the Bank's most important channel in meeting the needs of high value customers. Akbank intends also to continue to develop direct channels. The Akbank Banking Centre, which as of the date of this Offering Memorandum is one of the highest transaction capacity operations centre in Turkey, commenced operations in 2010. The Bank's award-winning call centre with its specialist teams is designed to meet the needs of customers who want personal service without leaving their homes. On and off-site ATMs offer a wide range of banking products and services and are accessible throughout Turkey.

- ***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 programme. 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), the development programmes designed according to specific development needs of high potential managers, and the leadership mentoring programme are the key retention programmes for top personnel applied within the Bank. 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 14 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 30 June 2012:

	Total Number
Branches	950
Regional Offices	23
Foreign Representative and Branches	1
ATMs	3,961
POS Terminals	296,176
Active Alternative Delivery Channels Customers(1)	4,069,117

Note:

(1) Number of active customers using internet and telephone banking in June 2012. "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, Affluent Banking and Alternative Delivery Channels. Since the beginning of 2010, Small Business Banking has become part of the Corporate and SME Banking Unit.

Consumer Banking

Consumer Banking's share of Akbank's overall business activity has remained fairly steady over the last years. As at 30 June 2012, outstanding loans (including credit cards) to the consumer banking market represented 35.5% of Akbank's total loan portfolio (compared to 33.2% and 33.6% as at 31 December 2011 and 2010, respectively). On the deposit side, Akbank's consumer client base provides a significant portion of Akbank's activity, accounting for 45.8% of overall deposits, and TL deposits accounting for 58.6% of the Bank's total TL deposits as at 30 June 2012. As at 31 December 2011, Akbank had over 5.6 million individual customers. The Bank's market share of the highly competitive credit card business has increased from 15.3% in 2010 to 17.6% in 2011, reaching 19.4% as of June 2012. 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 has been 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 910 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.

Affluent Banking

Akbank places particular emphasis on its affluent customers (customers whose assets under management with Akbank exceed TL100,000 or who have a mortgage greater than TL120,000), who account for 3.7% 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 affluent customers who have high asset portfolios and expect personal service for investment products. As at 30 June 2012, 284 One-to-One Banking RMs in 239 branches offered one-to-one services to approximately 205,000 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 18-26 age group. 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, Axess exi26, Neo exi26, general-purpose loans and auto loans to employed young people, as well as insurance products and services geared uniquely towards the youth market.

Retail Mortgages

The residential mortgage lending market is developing in Turkey, and Akbank's market share was 11.6% of the Turkish residential mortgage market at the end of June 2012 (*source: 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 channels for Akbank's customers. As at 30 June 2012, Akbank had an aggregate amount of TL8.5 billion in outstanding mortgage loans, with an average term of 70 months and an average LTV of 46% (compared to TL7.5 billion, TL6.2 billion and TL4.6 billion as at 31 December 2011, 2010 and 2009, respectively).

Consumer Loans

Akbank's consumer loans include general purpose loans and car loans. In light of the growing demand for cars in Turkey, Akbank has concentrated its efforts on capturing a leading share of the car loan 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 12.32% as at 30 June 2012.

Car loans have an average maturity of 39 months and an average LTV of 80% and amounted to TL878 million as at 30 June 2012, compared to TL866 million and TL804 million as at 31 December 2011 and 2010, respectively. Other general purpose and other consumer loans (excluding mortgages and car loans) have an average maturity of 38 months and amounted to TL8.6 billion as at 30 June 2012.

Credit Cards

Akbank considers credit cards as one of the most profitable consumer banking products and therefore a strategically important business. Credit card 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 70.0% of the Bank's Retail Banking gross profit as at 30 June 2012, compared to 53.9% and 45.9% as at 31 December 2011 and 2010, respectively. The Bank's marketing of credit cards incorporating loyalty schemes has also helped the Bank increase its volume market share over the last few years from 13.7% as at 31 December 2010 to 16.2% as at 30 June 2012.

The Axess card offers a loyalty scheme through which Akbank cardholders accrue points that are redeemable for products and services from participating vendors. As at 30 June 2012, Akbank had issued 12 million cards (5.6 million credit cards and 6.5 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 steady, having fallen from approximately 10.5% in 2010, to 10.4% as at 30 June 2012. The volume of outstanding retail credit card loans was TL12 billion as at 30 June 2012 (compared to TL9.6 billion and TL6.6 billion as at 31 December 2011 and 2010, respectively). Akbank is in a leading position in terms of outstanding retail credit card loans in the market, with a share of 19.4% at the end of June 2012.

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 290,000 installed with merchants throughout Turkey. Akbank's management estimates that Akbank has a 15.1% 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 30 June 2012, Akbank had TL80.4 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 initiative 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. As at 30 June 2012, approximately 4.1 million customers (compared to 4 million, 3.7 million and 3.6 million as at 31 December 2011, 2010 and 2009 respectively) were actively using Freedom Banking.

Akbank's alternative delivery channels include Akbank Direkt (internet banking and mobile banking), telephone banking, SMS banking, mobile applications and in-branch kiosks. Akbank launched "Akbank Direkt", an online direct banking initiative in June 2012. Using the Akbank Direkt "become a customer" option on www.akbank.com, new customers can apply to become an Akbank customer without branch contact. The Bank also branded its internet and mobile banking services as Akbank Direkt in June 2012.

As at 30 June 2012, the Bank had 3,961 ATMs. Akbank had an 11.6% market share of the cash-in/cash-out machine network in Turkey (*source: Turkish Bankers Association*).

The total number of monthly active telephone banking customers was 1.3 million as at 30 June 2012, with 18 million calls received between 1 January 2012 and 30 June 2012. Akbank's internet site received an average of 3 million visitors per month in the first half of 2012, with 8 million visits per month overall.

The total number of active Akbank Direkt internet customers was 973,142 with approximately 20 million transactions per month. As at 30 June 2012, Akbank had a 15% market share in internet banking (*source: Turkish Bankers Association*).

The Bank has increased the volume of its mobile banking and the number of its mobile banking customers in last two years through the rapid development of mobile technology and its focus on its image as an innovative bank, demonstrated by the launch of new products such as its Send Money and Mobile Budget Planner applications. As at 30 June 2012, Akbank had more than 2 million customers using SMS Banking, which is a type of mobile banking.

Corporate and SME Banking

Overview

The Corporate and SME Banking Unit encompasses two divisions: the Corporate Banking Division and the Commercial & SME Banking Division. The Corporate Banking Division is responsible for customers with annual revenue in excess of TL100 million. The Commercial & SME Banking Division covers those customers with the equivalent of between TL500,000 and TL100 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 Commercial & SME Banking Division by merging the Commercial Banking Division and the Small Business Banking Division (previously part of the Retail Banking Unit). The Commercial & SME Banking Division comprises Commercial Banking, which deals with customers with an annual revenue of between TL10 million and TL100 million, and Small Business Banking which deals with customers with an annual revenue of up to TL10 million. The top ten customers for Corporate and Commercial & SME Banking as at 31 December 2011 accounted for 11.6% of the Bank's total loan portfolio.

Corporate Banking

Overview

Akbank has more than 2,000 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 eight corporate banking centres (dedicated branches for corporate customers): six in Istanbul and one in each of Ankara and İzmir. 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, trade 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 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 diversify its portfolio and take the first steps into new markets.

Project Finance and Syndicated Loans

As part of a long term strategy, 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 December 2011, Akbank's Project Finance and Syndicated Loans exposure under this category was TL10.2 billion (compared to TL8.3 billion and TL6.9 billion as at 31 December 2010 and 2009, respectively). The compound annual growth rate ("**CAGR**") of Project Finance and Syndicated Loans in Turkish Lira terms between the years 2009 and 2011 was 13.5%. As at 30 June 2012, Akbank's Project Finance and Syndicated Loans exposure under this category was TL11.4 billion.

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.

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 TL18.6 billion as at 31 December 2011 (compared to TL12.8 billion and TL11.0 billion as at 31 December 2010 and 2009, respectively). The CAGR of corporate loans, excluding Project Finance and Syndicated Loans, in TL terms was 19.2% for the period between 2009 and 2011. 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 TL28.8 billion as at 31 December 2011 (compared to TL21.1 billion and TL17.9 billion as at 31 December 2010 and 2009, respectively). The 20 largest corporate customers accounted for 16.7% and 17.0% of the Bank's total loan portfolio as at 31 December 2011 and 30 June 2012, respectively.

As at 31 December 2011, the Bank had approximately 2000 corporate banking customers with at least TL100 million in gross sales per year.

Loans to corporate customers accounted for 38.4% of the Bank's total loan portfolio as at 31 December 2011 (compared to 36.9%, 39.4% and 40.3% as at 31 December 2010, 2009 and 2008, respectively).

Commercial & SME Banking

The Commercial & 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 collateral provided. 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.

In line with its strategy to increase its focus on the SME sector, at the end of 2009, Akbank changed its customer segmentation criteria to focus more closely and effectively on the SME sector and formed the Commercial & SME Banking Business Unit by merging the Commercial and Small Business Banking Units. The Commercial & SME Banking Business Unit branch organisation is administered by the head office and 23 regional head offices. Separate credit approval units have also been formed to cooperate with the regional head offices in order to provide a rapid response to our clients and to better perform risk management activities, and dedicated commercial account officers have been assigned to a number of branches in the Akbank network. The aim of the unit is to maintain sustainable and profitable growth and to increase market share in every product; to increase the customer base by continuously improving service quality. It also aims to develop a low cost deposit base, increase efficiency through cost management, achieve net fee and achieve commission income growth through growth in consumer loan, asset management, insurance and alternative distribution channel commissions. The Commercial Banking Department is targeting existing active customers, inactive customers and those that do not at present have the desired transaction size and cross-sell ratios.

The Commercial Banking branch organisation is administered by Akbank's head office and 23 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 161 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 54 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 August 2012 Akbank had 388 Commercial Banking account managers, compared to 358 as at 31 December 2011. 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**"). Over the course of 2012, Akbank continued to offer its customers low cost loans utilising the funds previously obtained from these institutions.

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 competitive levels. 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 2.9% as at 31 December 2011 (compared to 2.8% and 5.5% as at 31 December 2010 and 2009, respectively).

Small Business Banking

Small businesses are classified as those with an annual revenue of up to TL10 million.

As at 31 August 2012, Akbank had approximately 687,165 small business customers and had a total of approximately 884 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 cash flows, 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.

In 2011, Akbank participated in different international and domestic credit programmes, the goal of which was to increase availability of funding to micro, small and medium sized enterprises.

Akbank worked in cooperation with the Small and Medium-Sized Industry Development Organisation ("**KOSGEB**"), a quasi-governmental institution affiliated to the Ministry of Industry and Trade of the Turkish Republic, on two 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 TL80,000 for small and medium size firms. The second model offers interest-subsidised financing to export oriented small and medium-sized firms that meet the initial criteria for this loan. Qualifying firms can borrow up to US$300,000 with a maturity of 6 months. In addition to KOSGEB cooperation, Undersecretariat of Treasury and Akbank have implemented a support programme based on providing an interest subsidy for SME's financial needs up to TL500,000.

Transaction Banking

Transaction Banking offers solutions for collection and payment transactions of customers with a broad array of products and services. Transaction Banking products include basic collection and payment products, such as tax and social insurance ("**SGK**") premium collections, cheque clearing, utility payments, all cash transactions, and collections from dealers and distributors with direct debit systems and also innovative products such as Collective Foreign Currency Payments, Supplier Finance Systems and Stock Finance Systems.

Transaction Banking aims:

- To manage all the payments and collections in the cash flow of the Banks' target customer;
- To develop new products and services in order to facilitate the Bank's customers' payments and collections and offer easy and tailor made solutions according to their needs; and
- To create synergy between different business divisions in the Bank by connecting cash flows of different segment customers in most of the projects.

Target customers are:

- corporate and commercial firms whose payment and collection network is wide and is technologically capable;
- retail and micro firms which are distributor, supplier, retailer, vendor of corporate and commercial firms; and
- utility firms.

Micro-Businesses

In January 2012, the business segment of customers with less than TL1,000,000 of annual sales revenue (categorised by the Bank as "micro-business customers") was transferred from Consumer Banking to Small Business Banking. As at 31 August 2012, Akbank had approximately 540,986 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.

Treasury

Akbank's Treasury is based at Akbank's head office and provides Treasury Management services to domestic and foreign branches of Akbank. The Treasury consists of the Balance Sheet Management and FTP Division, Treasury Marketing Division, Treasury Management Division, Trading & Derivative Product Division. Akbank's Treasury function engages in proprietary trading according to comprehensive VAR limits on the product types set by the Board.

Balance Sheet Management and FTP Division

The division manages the balance sheet and off balance sheet interest rate exposure of the Bank in line with the medium term market view of the Bank determined by ALCO and the Senior Risk Management Committee risks and other limits by the Board.

In addition, the division models and calculates Funds Transfer Prices for other business units in the Bank. The department seeks to optimise profitability and risk management principles and directs the Bank's balance sheet and income statement.

Treasury Marketing Division

The Treasury Marketing Division prices and markets treasury products and financial solutions to corporate, commercial, private and retail customers by direct contact and through alternative delivery channels. 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 related payment transactions.

The 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 analyses corporate/commercial customers' needs and creates products for corporate risk management. The Division also offers return enhancing products, such as dual currency deposits for all of its clients.

The Treasury Marketing Division plays a key role in the pricing of both domestic and foreign currency deposits. In addition to providing regular updates on markets, the Treasury Marketing Division's sales section regularly visits existing and potential customers to introduce new products and services.

Treasury Management Division

The Treasury Management Division manages the foreign currency and Turkish Lira liquidity of the Bank. The Division engages in foreign currency and Turkish Lira borrowings and placements through domestic and international money markets. Foreign currency swaps are another product which the division actively uses for liquidity purposes.

The Division provides quotations in the interbank market and engages in foreign exchange and Turkish Lira OTC money market trading. Akbank also actively participates in the open market operations of the Central Bank.

The Treasury Management Division is responsible for management of the Bank's reserve requirement obligations. In this respect, the Bank's FX/TL reserve requirement obligations are met flexibly in accordance with the liquidity policy.

The Treasury Management Division also operates the Bank's banknote business, including the import and export of cash if needed.

Trading and Derivative Products Division

The Trading and Derivative Products Division consists of four sections; the Foreign Exchange Trading, Fixed Income Trading, Fixed Income Investment and Derivatives Trading sections.

The FX Trading section provides competitive pricing through the markets for the products the Division is responsible for. The product range includes G7 currencies, domestic and international fixed income products, cross-currency and interest rate swaps, hard commodities and derivatives.

The Fixed Income Securities Management Section focuses on managing the fixed income portfolio of the Bank according to limits set by the Board. Akbank Treasury is the market leader in the secondary fixed income market and a major counterparty for international banks for fixed income instruments.

The section engages in high volume transactions executed via the Istanbul Stock Exchange, OTC markets, brokers and electronic trading channels. The Bank is officially a primary dealer for domestic fixed income securities.

In a low interest rate environment, Akbank has focused on high yielding products and shifting its asset mix from securities to loans. Accordingly, over time, the Division expects to reduce the portfolio and increase funds made available for lending.

The Derivative Trading Section runs the Bank's option book and takes proprietary positions on FX options. It manages the option book taking account of the various price sensitivity measures. The section develops various structured products to meet the needs of corporate and commercial clients for tailor made financial solutions. Similarly it also designs plain vanilla products for retail and private banking customers.

The section provides liquidity by taking positions in foreign exchange contracts at Turkdex, Turkish Derivatives Exchange, in the name of the Bank. Akbank is one of the Primary Dealers at Turkdex Foreign Exchange Market.

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, Batı İstanbul 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. It also 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 70 customers and, consequently, has the ability to provide high quality and effective service to each customer.

As at 31 December 2011, the total value of assets under the management of the Private Banking Unit amounted to approximately 24.5 billion, compared to 19.9 billion and 16.4 billion as at 31 December 2010 and 2009, respectively. As at 30 June 2012, the total value of assets under the management of the Private Banking Unit amounted to approximately 27.8 billion.

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. In August 2010, the International Business Development department was established within the International Banking Unit. The main responsibilities of this department are to offer a complementary service to clients to support their business activities internationally and to originate proprietary deals for the Bank. To achieve this, the department uses several methods, including but not limited to expanding the relationship between the Bank and financial institutions and corporates in those countries, strengthening the market share of the Bank in foreign trade business, closely monitoring those countries to identify potential clients, and referring the potential deals to the related business lines. The Foreign Borrowings Division arranges the Bank's cross-border long-term and asset backed financing transactions. 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.

All syndicated loans, multilateral loans, and remittance-backed financing undertaken by the Bank require the approval of the Board of Directors. 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 for the entire Akbank Group (Akbank AG, Ak Finansal Kiralama A.Ş. (Aklease), Ak Yatırım Menkul Degerler A.Ş. (Akyatırım), Ak Porfoy Yonetimi A.Ş. (Akportfoy), Akbank (Dubai) Ltd.).

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 banks spanning 116 countries. Akbank's long standing correspondent banking relationships enable it to obtain 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 9 October 2010 a framework agreement was signed between China Development Bank and Akbank for strategic cooperation on infrastructure projects and trade. The purpose of this framework agreement is to strengthen the business relations between the parties and to reciprocally serve their clients in infrastructure projects, trade and corporate referral businesses which involve Chinese and Turkish components. On 3 September 2012, Akbank signed an agreement with Mizuho Corporate Bank to cooperate in commercial and investment banking operations. Under the agreement, the wholesale banking unit of Mizuho Financial Group Inc. and the Bank will team up in local-currency remittances and loans as well as project financing for Japanese companies in Turkey. In addition, Akbank and the Bank of China Limited signed an agreement in August 2011 to establish the ''China Desk'' at Akbank. The China Desk will serve Chinese-based companies (or their subsidiaries) in Turkey in cooperation with the Bank of China Limited as well as assist Akbank's Turkish corporate and retail clients who have business relations with China.

As part of the Bank's international business development strategy, Akbank (Dubai) Limited, a wholly-owned subsidiary of Akbank T.A.S., was established in 2009 at the United Arab Emirates Dubai International Financial Center (''**DIFC**''). Its banking licence 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 licence, 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.

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 credit, cheque remittances and other third party payment orders). A further US$4.5 billion was issued between 2000 and June 2012, including re-financings. As at 30 June 2012, the outstanding amount was US$1.6 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 of the longest outstanding tranche under this financing is June 2018. On 17 September 2012, Akbank issued an additional US$185 million under its future flow securitisation programme. The issued notes were privately placed with Wells Fargo and Mizuho Corporate Bank.

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 30 June 2012, the outstanding amount was US$137 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.

On 22 July 2010, Akbank issued its first international bond, which raised US$1 billion at a coupon rate of 5.125% with a 5 year maturity. Bank of America Merrill Lynch, J.P. Morgan, Citibank, and Standard Chartered Bank acted as joint lead managers and joint bookrunners. On 3 March 2011, Akbank issued its second international bond, which raised US$500 million at a coupon rate of 6.5% with a 7 year maturity. Citibank, Crédit Agricole, HSBC, and Standard Chartered Bank acted as joint lead managers and joint bookrunners. The bond was rated ''BBB-'' by Fitch and ''Ba1'' by Moody's.

On 23 March 2011, Akbank raised a US$1.3 billion equivalent dual tenor, dual currency term loan facility consisting of US$ 405,708,000 and EUR 652,216,000 tranches to finance its foreign trade activities. The all-in cost of the facility is LIBOR/EURIBOR +1.1%. The term of the loan is one year.

On 17 August 2011, 44 banks participated in a one year dual currency syndicated loan facility paying an all-in cost of LIBOR/EURIBOR +1.00%. The facility was finalised with tranches of US$422 million and EUR 708.5 million.

On 20 March 2012, 46 banks from 16 countries participated in a new one year dual currency syndicated loan facility paying an all-in cost of LIBOR/EURIBOR + 1.45%. The facility was finalized with US$146 million and EUR 795 million.

On 16 August 2012, Akbank raised a US$1.5 billion equivalent dual tenor, dual currency term loan facility, the largest syndicated credit transaction raised by a Turkish financial institution ever with the participation of 46 banks from 20 countries, consisting of approximately EUR 857 million US$450 million. The all-in cost of the facility is LIBOR/EURIBOR + 1.35%. At maturity Akbank is aiming to renew 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.

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 951 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 30 June 2012, AKAssetManagement handled the assets of 56 portfolios for three issuers, 35 mutual funds for Akbank, one mutual fund for AKSecurities, 17 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 to TL8.7 billion as at 30 June 2012 from TL8.4 billion as at 31 December 2011 which had in turn increased from TL8.0 billion as at 31 December 2010.

As at 30 June 2012, 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 TL3.4 billion as at 30 June 2012 (compared to TL3.8 billion and TL4.0 billion as at 31 December 2011 and 2010, respectively), representing a market share of 17.1%.

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 TL3.5 billion as at 30 June 2012 (compared to TL2.9 billion and TL2.6 billion as at 31 December 2011 and 2010, respectively), representing a market share of 20.5%.

Total AUM in the discretionary portfolio management business line amounted to TL1.6 billion as at 30 June 2012 (compared to TL1.4 billion and TL1.3 billion as at 31 December 2011 and 2010, respectively), representing a segment market share of 27% (*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 global commodities fund of funds and the capital protected funds issued by Akbank T.A.Ş. and managed by AKAssetManagement.

AKLease

A 99.99% owned Akbank subsidiary, AKLease has been providing creative and quick leasing solutions to SME, commercial and corporate segment customers since 1988.

As part of its risk management approach, AKLease 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 2011, was almost a quarter of the average NPL ratio throughout the Turkish leasing industry (*source: BRSA*). AKLease's NPL ratio was 3.5% as at 31 December 2011 and 3.2% and 4.2% as at 31 December 2010 and 2009, respectively, compared to the Turkish industry's average NPL ratio of 9%, 12.7%, and 12.4% as at the same dates.

AKLease continued to execute its strategy of long-term, sustainable, profitable and healthy growth without losing any asset quality during 2012. AKLease ranks among the leaders in terms of profitability and asset quality among other companies in its category (*source: BRSA*).

AKLease continues to differentiate itself from the competition with its high asset quality, and reached TL2.1 billion in total assets in the second quarter of 2012. AKLease's leasing receivables increased by 17% (whereas the industry increased by 6%) between 2010 and 2011 (*source: BRSA*). AKLease's net lease receivables were TL1.7 billion as at 31 December 2011 (compared to TL982.2 million and TL962.7 million as at 31 December 2010 and 2009, respectively).

In 2011, the international rating agency Fitch Ratings affirmed AKLease's long-term Turkish lira and long-term foreign currency ratings as BBB-, an investment-grade rating; its long-term national rating was AAA, the highest rating possible.

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 three divisions which deal with (i) Project Management and CIO Office, (ii) Application Development, (iii) Operations and Technical Support and Hardware Maintenance. Overall expenditure on IT, including infrastructure as well as software projects and new distribution channels, amounted to TL138 million for the period ended 31 December 2011 (compared to TL166 million, TL94.7 million and TL107.4 million for the same period in 2010, 2009 and 2008, respectively).

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 have been no reported attacks 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 IS0 9001:2008 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. Since 2010 the COBIT assessment has been carried out by Ernst &Young, with assessments of the Bank (excluding subsidiaries) in 2010 and 2012 and of the Bank's subsidiaries (excluding the Bank) in 2011.

HR Unit

The HR Unit consists of the Personnel and Internal Services Division, Organizational Development, Recruitment, Training, Compensation and Performance Management units, and the Office of the Board of Directors.

Credit Follow-Up and Support Unit

The Credit Follow-Up and Support Unit consists of (i) three divisions: the Legal Advisory Division, the Non-Performing Loans Follow-Up Division and the Procurement Division; and (ii) one group, the Architecture Office which handles the Bank's own purchasing and architectural functions such as branch design and remodelling.

Operations Unit

The Operations Unit consists of six separate divisions: the Branch Operations Division, the Call Centre Division, the Treasury and Capital Markets Operation Division, the Credit Card Operations Division, the Quality and Process Management Division and the Regulations and Application Division. Akbank has centralised its major operations functions since 2002. Many operational processes such as Money Transfers, Check and Bill Operations, Trade Finance Operations, Loan Operations, Archiving, Alternative Delivery Channel Services, Insurance Transactions and Account Openings are now being handled at an operations centre located in Şekerpınar, İzmit. 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.

Financial Co-ordination 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 and Sustainability 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 and 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 four separate divisions: the Strategy Division, the Product and Channel Development Division, the Customer Relationship Management Division (the "**CRM Division**") and the Bancassurance Division.

Strategy Division

The Strategy Division consists of 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 are sent to all relevant parties within the Bank. At the Annual Strategy Meeting, directed discussions on the following year's priorities and targets take place. In November the Board of Directors signs off the results of the Annual Strategy Meeting and provides 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 Product and Channel Development Division, the Alternative Distribution Channels Division and all other relevant parties develop the distribution channel expansion strategies for the next three years and prepare 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 the strategic initiatives that are identified as a result of the annual strategic planning cycle throughout the year. The Group is responsible for planning, managing and executing the Bank's strategic initiatives. The group organises workshops with 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 presented 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 the latest developments and trends in banking products and technologies, as well as customer trends and expectations. The 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 Programme and the training of the sales force. Sales force feedbacks are consolidated and evaluated and CRM systems are monitored for the continuous development of sales automation applications according to business strategies.

Bancassurance Division

The Bancassurance Division consists of the Consumer Insurance Product Management, Corporate Insurance Product Management and Bancassurance Project Management Groups.

The Consumer Insurance Product Management Group is focused on the consumer, affluent, private banking segments, while the Corporate Insurance Product Management Group is focused on the SME, commercial and corporate segments. These groups are responsible for ensuring that the product management processes are compatible with the strategies and that suitable products that meet the needs of the various segments' customers from the associated insurance firms are provided. Their major activities are planning and defining strategies for improving new sales and renewal rates and focusing on the acquisition of new customers for pension, life and non-life insurance products.

The Product management groups are also responsible for agreeing premium and commission targets with the associated insurance firms, coordinating sales activities, communicating campaigns with the units responsible for the sales performance of each of the segments and for monitoring performance against targets. In addition, these groups are responsible for determining targets based on commission generation and for designing campaigns through the alternative delivery channels (Call Centre, ATM, Internet Branch) with the channel managers. They are also responsible for bundling products and creating synergy between the insurance firms and the Bank, packaging products suitable for segments with a view to increasing market share, providing information about all the insurance products in the Bank, as well as evaluating the needs and service requirements for branches. Customer complaints and improving service levels are also the responsibilities of these groups.

The Bancassurance Division is the main organiser of the Steering and Marketing Committees that are held with the insurance firms at predefined intervals. The CEO and other top managers of Sabancı Holding, related board members, CEO of the Bank and business unit managers of the Bank and top management of the insurance firms are involved in the Steering Committee. The steering committee is responsible for establishing and monitoring the bancassurance vision, its business objectives and commercial plans. In the Marketing Committee, related business unit managers and related parties from the bank and the insurance firms are involved in order to determine and monitor the necessary action plans to achieve business objectives, define priorities for the action plans and the list of items to be discussed in the Steering Committee.

The Bancassurance Project Management Group is mainly responsible for planning the implementation of the Bank's Bancassurance operational model, the "NEXT Generation Bancasurrance Model" that is planned to be completed in 2014. This programme has five work streams working in parallel mainly focused on Multichannel Sales and Servicing, Product Management, Operations Effectiveness, CRM and Governance.

The major focus of the group is scoping, planning, analysing and designing the target model (processes & products, capabilities, governance), managing the process of establishing and developing the technological infrastructures and providing support during "go live" and "deployment" steps. During the programme this group's responsibilities include ensuring coordination between insurance firms and the Bank, monitoring and reporting the level of conformity with the specified project plans to top management on a regular basis.

Human Resources

As at 30 June 2012, Akbank had 16,065 employees, 10,730 of whom were based in regional directorates and branches. The following table sets out the number of domestic branch employees (excluding security officers) over 2009, 2010 and 2011 and 30 June 2012:

	Number of Employees
31 December 2009	8,653
31 December 2010	8,817
31 December 2011	8,969
30 June 2012	9,470

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 with the knowledge and skills required by their positions.

Through January to June 2012, a total of 15,374 employees took part in Akbank's various training programmes. During this period, each employee received 39.6 hours of training on average, including in-class, e-learning and on-the-job training. As at 30 June 2012, Akbank had invested TL2.5 million in training programmes. By December 2012 the Bank aims to have provided 84.4 hours of training per employee and has budgeted an investment of TL6.9 million in training programmes.

As at 30 June 2012, Akbank had 16,065 employees on its payroll. Of these, 4,971 were employed at the Bank's headquarters, 391 in regional offices, and 9,483 at the branches. Akbank also employs 1,220 security officers. The average age of Akbank's employees is 32.5 years and, excluding security personnel, 92% of them hold at least one university degree.

For 2012, Akbank provisioned TL87.1 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 2012. Highlights of operations are as follows:

- total assets of the Trust increased from TL927.2 million as at 31 December 2011 to TL959.5 million as at 30 June 2012;
- the number of retired members with allocated pensions rose from 11,581 as at 31 December 2011 to 11,648 as at 30 June 2012;
- in 2011, TL165.5 million was paid out to pensioners, the disabled, widows and orphans (compared to TL149.3 million as at 31 December 2010); and
- healthcare assistance increased from TL80.6 million in 2010 to TL83.8 million in 2011 and to TL31.9 million in June 2012.

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

Subsidiaries and Affiliated Companies

The following table sets out the Issuer's ownership interest in its subsidiaries and affiliates and the carrying value of those interests as at 30 June 2012:

	% of share	Carrying value in TL thousands	Business
Ak Portföy Yönetimi A.Ş. (Ak Asset Management)	99.99	3,592	Portfolio 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 (Dubai) Limited	100.00	2,243	Banking
Akbank AG	100.00	382,292	Banking

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

Akbank AG is a wholly owned subsidiary of the Issuer. Akbank AG was initially founded as Akbank T.A.S. Niederlassung Deutschland, the German branch of the Bank. The branch received its full banking licence 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., a wholly-owned subsidiary of Akbank T.A.Ş. established in 2001 as a Dutch bank under the Banking Law and Regulations of the Netherlands, in May 2007. As part of a restructuring of the Banks' overseas subsidiaries, Akbank N.V. was merged into Akbank AG, with the discontinuation of Akbank N.V.'s activities effective from 15 June 2012. Akbank AG's core business lines include corporate lending and factoring.

The Bank transferred all of its A and B type shares that it owned in Ak B Tipi Yatırım Ortaklığı A.Ş. to Egeli & Co. Yatırım Holding A.Ş. pursuant to a share transfer agreement on 5 April 2012.

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 "Business of Akbank – Akbank's Business Segments – 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 banking industry in Turkey is highly competitive across each banking segment and sector, and international banks have been showing an increasing interest. Moreover, public banks, which typically focused on government and related projects are increasingly focused on the private sector, leading to increased competition and pressure on margins. 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 the Issuer, which was reduced to 9.9% in May 2012. On 2 November 2010, Banco Bilbao Vizcaya Argentaria entered into an agreement to acquire a 24.9% stake in Türkiye Garanti Bankası A.Ş comprising of 18.6% of the share capital of the bank held by General Electric Financial Services and 6.3% held by Dogus Holding A.Ş, together with an option to acquire further shares from Dogus Holdings in five years' time. On February 14, 2011, Fortis Bank A.Ş., a fully owned subsidiary of Fortis Bank, merged into Türkiye Ekonomi Bankası A.Ş., a joint venture of BNP Paribas, with Türkiye Ekonomi Bankası A.Ş. becoming the surviving entity. On April 9, 2012, Burgan Bank and EFG signed a definitive agreement for the acquisition of 70% of Eurobank Tekfen A.Ş.'s issued share capital of Eurobank Tekfen A.Ş. On June 8, 2012, Sberbank and a shareholder of DenizBank (Dexia Participation Belgique) signed a definitive agreement for the acquisition of 99.85% of DenizBank's issued share capital by Sberbank.

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 48 (including six branches of international banks) 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. Akbank's management believes that it is well positioned to compete in the market due to its strong brand, robust capital structure, strong liquidity and conservative funding policy, the diversity and size of its customer portfolio and its widespread branch network.

Out of 48 banks operating in the market, state banks represent approximately 30% of the sector's assets, the four largest private banks approximately 45%, and the remaining banks including the medium sized banks and the smallest banks have approximately 25% of the sectors assets.

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 €24,213. Thus, the maximum level of government support in the case of a liquidity crisis is limited to €24,213 per account. Although the coverage limit is on average approximately €65,000 in Western European countries, the deposit insurance coverage limit in Turkey under the Regulation on Deposits and Participation Funds is in practice similar to 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 in relative terms higher. According to the BRSA's September report, almost 98% of total depositors have deposits of less than €24,213.

Properties

As at 30 June 2012, the total book value of the properties of Akbank (comprising land and buildings) was TL489.2 million compared to TL495.4 million, TL610.9 million and TL494.2 million as at 31 December 2011, 2010 and 2009, respectively. 420 branches are located on sites owned by Akbank, and the remainder are leased by Akbank. In addition, Akbank owns its head office, with a TL259.6 million appraisal value as of 31 December 2011.

Legal Proceedings

The Bank is subject to various ongoing legal proceedings, as described below, but the Bank's management does not believe that such proceedings, individually or taken together, are likely to have a significant effect on the Bank's financial position or profitability.

Competition Board Investigations

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 (the investigation against Halkbank was dropped, at a later stage, due to the expiry of the statute of limitations), Finansbank, İş Bank and Denizbank, regarding 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. On August 20, 2010, the investigation committee established by the Turkish Competition Board served its detailed report on each of the banks involved, which report recommended that the Turkish Competition Board impose a substantial fine upon the banks. On March 8, 2011, the Turkish Competition Board announced that it imposed an administrative fine amounting to TL14,525,268 (approximately US$8 million) on the Bank with the possibility of the Bank's appealing the decision to the Council of State. The Bank has appealed such fine following its receipt of the detailed decision of the Turkish Competition Board; however, according to the Law on Protection of Competition No. 4054, appealing a decision of the Turkish Competition Board will not stop the implementation of the Turkish Competition Board's decisions and the consequent collection of administrative fines. Pursuant to the Law on Misdemeanours No. 5326, if an administrative fine is fully paid prior to appealing a decision, the payer may benefit from a cash allowance in the amount of one fourth of the total fine which is deducted from the fine. Accordingly, the Bank paid three-fourths of the administrative fine amounting to TRY10,893,951 within one month of its receipt of the detailed decision. The appeal process is currently pending, however, Akbank's motion to stay the proceedings was dismissed by the 13th Chamber of the Council of State (Danıştay 13. Daire).

In a decision dated 2 November 2011, the Turkish Competition Board resolved to initiate an investigation against twelve banks and two subsidiaries of one of the banks that is under investigation, operating in Turkey to determine whether they have acted in concert and violated Turkish competition laws in respect of interest rates and fees applicable to banking products such as deposits, loans and credit cards that they offer. As part of this investigation, the Competition Board is investigating the Bank. The investigation is not yet finalised and is expected to be completed by early 2013. The Bank has a right to request a hearing from the Competition Board and may further submit its defences. The Competition Board is not legally bound by an investigation report and may take other facts and information into account when ruling. If it is ultimately determined that the Bank has violated the relevant Turkish competition laws constituting a cartel with the other banks and entities concerned, the Competition Board has broad authority to implement measures to remedy such violations, including the imposition of significant administrative fines. Akbank is unable to quantify the impact, if any, of these investigations.

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 23 regional offices throughout Turkey.

The DIC consists of three teams, namely Branch Controls, Head Office 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 23 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 control 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, alternative distribution channels 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 evaluated by DIC controllers.

Compliance controls are currently carried out by all the controllers and a compliance officer in Akbank's subsidiary in Germany (Akbank AG) and by a controller located in 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. In addition to these controls, compliance controls include 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 and employee-based controls. General controls include reviewing critical changes on the Mainframe environment and checking the security settings of Windows servers, Unix servers, databases, routers and switches, ATMs and kiosks. User access rights and application logs are also periodically reviewed. Employee-based controls, aimed to protect sensitive information, consist of monitoring email and internet traffic for data leakage as well as scanning computers for unauthorised software. 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 by providing internal audit and consulting services in compliance with international standards and to ensure that the Board of Directors' objectives and policies prevail throughout 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 148 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 and governance of 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, modelling, 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 reviewed its internal risk models for SME in 2011 and is planning to review other risk management models on an ongoing basis.

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 specially 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, following which 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 an 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 (whose participants comprise the BIA and the business lines) in bimonthly or quarterly meetings.

RISK MANAGEMENT

General

Akbank's management philosophy is to integrate a risk management culture into its strategic decision processes as well as its daily operational activities. The Bank believes that 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. The Chief Executive Officer ("**CEO**") of Akbank is responsible for ensuring that each Executive Vice President ("**EVP**") operates in line with policies and strategies determined by the Board of Directors. Enforcement of these management strategies and policies is the responsibility of each EVP. 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 in line with the Bank's risk appetite. 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 adherence to risk limits by the various business units of Akbank. 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 EVP in charge of Treasury, the 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 to discuss 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.

Enterprise Risk Management (ERM)

In September 2011, Akbank started adapting an Enterprise Risk Management (ERM) Framework project to implement a new ERM platform using software developed by Algorithmics. The ERM framework is designed to help the Bank to derive business value while meeting regulatory compliance requirements. The project includes implementation of credit risk, market risk, asset and liability management, liquidity risk, operational risk, and risk integration and risk panel modules. Implementing the Credit Risk Standard Method module was completed in July 2012 and all associated regulatory reports are now produced via the ERM tool; implementation of the Market Risk module was started in December 2011 and was finished in November 2012; and implementation of the Operational Risk Module was started in September 2012 and is expected to be finished in June 2013. All remaining modules are due to be implemented by 2014. The new ERM Framework will have all components that help the Bank to manage risk and is intended both to improve value to the business while at the same time meeting regulatory compliance requirements. During implementation, the existing processes will continue to be run in parallel to benchmark the accuracy and reliability of the new system.

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, economic group, industry, and country. 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, 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 such as mortgages, 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 used 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.

The expected loss is used 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. Those risk components are also used in risk based credit pricing for corporate, commercial, small business and retail customers.

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. The Credit Risk module of the ERM platform includes a Basel-II Standard, A-IRB module for Pillar-1 purposes and an Economic Capital Module for Pillar-2 and beyond Basel activities. Implementation of the Standard Module has been completed successfully. The remaining modules will be implemented with a project management approach. 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. 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. 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 the 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 in line with the requirements of 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 aggregate and individual exposures set in compliance with the legal standard ratio of net foreign currency position. According to the applicable regulatory limits, Akbank is required to maintain at all times a maximum limit of 20% net open position relative to its capital base. However, since the beginning of 2011, the maximum level of open position of the Bank has not exceeded 2.9% 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 overall limit is generally broken down into two authority levels; the initial level is the open position limit assigned to the EVP in charge of Treasury under his/her discretion in order to respond to market developments and fluctuations. This limit is monitored on a real-time basis. The second level is the remaining portion of the overall limit, which is under the authority of the ALCO and it is monitored on a daily basis.

The tables below summarise Akbank's exposure to foreign currency exchange rate risk as at 30 June 2012, 31 December 2011, 2010 and 2009. Included in the table are Akbank's assets and liabilities and shareholders' equity shown at carrying amounts, categorised by currency.

	As at 30 June 2012				
	Foreign currency				
	US$	EUR	GBP	Other(1)	Total
Cash and due from banks and balances with the Central Bank of Turkey	4,073,582	5,395,446	36,660	967,356	10,473,044
Trading and investment securities	6,462,508	2,913,869	—	—	9,376,377
Derivative financial instruments	—	—	—	—	—
Loans and advances to customers	25,687,243	10,085,341	40,361	53,451	35,866,396
Property, plant and equipment	1,872	903	—	—	2,775
Intangible assets	104	362	—	—	466
Deferred tax assets	—	5,239	—	—	5,239
Other assets and pre-payments	35,488	53,218	527	1,392	90,625
Total assets	**36,260,797**	**18,454,378**	**77,548**	**1,022,199**	**55,814,922**
Customer deposits	32,889,015	14,743,571	784,515	1,366,559	49,783,660
Derivative financial instruments	—	—	—	—	—
Interbank money market deposits, funds borrowed and debt securities in issue	12,224,639	5,521,776	7,144	24,448	17,778,007
Income taxes payable	1,172	14,875	—	—	16,047
Other liabilities and accrued expenses	134,986	210,123	1,395	11,693	358,197
Deferred tax liability	—	25,420	—	—	25,420
Employment benefit obligations	—	155	—	—	82,467
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**45,249,812**	**20,515,920**	**793,054**	**1,402,700**	**12,561,769**
Net balance sheet position	**(8,989,015)**	**(2,061,542)**	**(715,506)**	**(380,501)**	**(12,146,564)**
Off-balance sheet derivative instruments net notional position	**9,024,987**	**2,447,819**	**716,433**	**372,530**	**12,561,769**

Note:

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

	As at 31 December 2011				
	Foreign currency				
	US$	EUR	GBP	Other[(1)]	Total
Cash and due from banks and balances with the Central Bank of Turkey	10,233,518	1,583,173	19,450	538,743	12,374,884
Trading and investment securities	3,923,564	3,409,830	—	—	7,333,394
Derivative financial instruments	—	—	—	—	—
Loans and advances to customers	24,473,407	10,359,784	41,238	63,470	34,937,899
Property, plant and equipment	1,864	1,733	—	—	3,597
Intangible assets	131	882	—	—	1,013
Deferred tax assets	—	3,779	—	—	3,779
Other assets and pre-payments	59,198	48,469	236	61	107,964
Total assets	**38,691,682**	**15,407,650**	**60,924**	**602,274**	**54,762,530**
Customer deposits	29,335,094	13,398,336	806,782	692,900	44,233,112
Derivative financial instruments	—	—	—	—	—
Interbank money market deposits, funds borrowed and debt securities in issue	15,471,037	5,437,653	7,337	25,700	20,941,727
Income taxes payable	3,979	11,751	—	—	15,730
Other liabilities and accrued expenses	83,963	320,770	3,391	14,319	422,443
Deferred tax liability	—	24,757	—	—	24,757
Employment benefit obligations	—	477	—	—	477
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**44,894,073**	**19,193,744**	**817,510**	**732,919**	**65,638,246**
Net balance sheet position	**(6,202,391)**	**(3,786,094)**	**(756,586)**	**(130,645)**	**(10,875,716)**
Off-balance sheet derivative instruments net notional position	**6,382,269**	**3,954,376**	**756,744**	**130,928**	**11,224,317**

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

	As at 31 December 2010				
	US$	EUR	GBP	Other[(1)]	Total
Cash and due from banks and balances with the Central Bank of Turkey*	2,472,700	3,264,467	10,743	82,911	5,830,821
Trading and investment securities	3,685,370	2,704,985	—	—	6,390,355
Derivative financial instruments	—	—	—	—	—
Loans and advances to customers	19,077,925	8,056,645	41,402	73,109	27,249,081
Property, plant and equipment	1,898	2,994	—	—	4,892
Intangible assets	211	68	—	—	279
Deferred tax assets	—	—	—	—	—
Other assets and pre-payments	14,234	40,910	252	21	55,417
Total assets	**25,252,338**	**14,070,069**	**52,397**	**156,041**	**39,530,845**
Customer deposits	17,061,068	12,089,122	831,701	511,724	30,493,615
Derivative financial instruments	—	—	—	—	—
Interbank money market deposits, funds borrowed and debt securities in issue	8,401,211	4,210,293	5,968	33,291	12,650,763
Income taxes payable	—	30,095	—	—	30,095
Other liabilities and accrued expenses	174,737	131,581	935	4,187	311,440
Deferred tax liability	—	16,902	—	—	16,902
Employment benefit obligations	—	345	—	—	345
Equity and minority interest	—	—	—	—	—
Total liabilities and equity	**25,637,016**	**16,478,338**	**838,604**	**549,202**	**43,503,160**
Net balance sheet position	**(384,678)**	**(2,408,269)**	**(786,207)**	**(393,161)**	**(3,972,315)**
Off-balance sheet derivative instruments net notional position	**452,963**	**2,625,873**	**787,355**	**398,940**	**4,265,131**

Note:
(1) "Other" includes JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.
* The reserve requirements with the Central Bank of Turkey are shown separately in the 2009 Financial Statements.

	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.

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. Special emphasis is given to providing a balance between the duration of assets and liabilities. Repricing/duration, gap, sensitivity and scenario analysis are the main methods used to manage the risks.

In 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, Akbank aimed to decrease its TL maturity mismatch by gradually rebalancing the composition of its bond portfolio from 55/45% fixed/floating rate notes to 30/70%. Currently, the maturity mismatch in Akbank's TL portfolio is eight months for TL-denominated assets and liabilities and three months for foreign currency denominated assets and liabilities.

The tables below summarise Akbank's exposure to interest rate risks as at 30 June 2012, 31 December 2011, 2010 and 2009, 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 30 June 2012					
	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 and balances with the Central Bank of Turkey	1,238,416	1,715	—	—	10,355,356	11,595,487
Trading and investment securities	15,494,104	13,315,558	10,456,525	6,887,714	231,294	46,385,195
Derivative financial instruments	172,134	319,899	34,196	17,917	—	544,146
Loans and advances to customers	42,098,250	23,235,154	15,578,884	2,558,827	91,721	83,562,836
Property and equipment	—	—	—	—	766,419	766,419
Intangible assets	—	—	—	—	112,269	112,269
Deferred income tax assets	—	—	—	—	305,314	305,314
Other assets and pre-payments	435,591	—	—	—	556,255	991,846
Total assets	**59,438,495**	**36,872,326**	**26,069,605**	**9,464,458**	**12,418,628**	**144,263,512**
Customer deposits	76,557,345	6,803,160	2,143,792	2,156,648	11,180,050	98,840,995
Derivative financial instruments	549,604	395,553	46,236	17,250	—	1,008,643
Interbank money market deposits, funds borrowed and debt securities in issue	13,781,079	3,286,794	2,821,555	1,044,347	—	20,933,775
Income taxes payable	—	—	—	—	205,784	205,784
Other liabilities and accrued expenses	127,213	82,546	28,495	32,556	3,279,145	3,549,955
Employment benefit obligations	—	—	—	—	82,467	82,467
Deferred tax liability	—	—	—	—	25,420	25,420
Total liabilities	**91,015,241**	**10,568,053**	**5,040,078**	**3,250,801**	**14,772,866**	**124,647,039**
Net repricing period gap	**(31,576,746)**	**26,304,273**	**21,029,527**	**6,213,657**	**(2,354,238)**	**19,616,473**
Off-balance sheet derivative instruments net notional position	**4,270,689**	**140,045**	**(2,742,972)**	**(1,883,666)**	**—**	**(215,904)**

	As at 31 December 2011					
	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 and balances with the Central Bank of Turkey	1,980,559	64	2,000	—	15,359,069	17,341,692
Trading and investment securities	12,256,580	13,344,930	13,960,271	4,188,565	210,895	43,961,241
Derivative financial instruments	469,274	312,327	45,110	—	—	826,711
Loans and advances to customers	36,498,997	21,713,044	14,388,113	2,265,930	91,843	74,957,927
Property and equipment	—	—	—	—	790,661	790,661
Intangible assets	—	—	—	—	102,215	102,215
Deferred income tax assets	—	—	—	—	279,095	279,095
Other assets and pre-payments	513,336	—	—	—	484,303	997,639
Total assets	**51,718,746**	**35,370,365**	**28,395,494**	**6,454,495**	**17,318,081**	**139,257,181**
Customer deposits	75,853,773	6,192,860	904,628	576,421	9,664,410	93,192,092
Derivative financial instruments	369,525	477,812	38,236	7,313	—	892,886
Interbank money market deposits, funds borrowed and debt securities in issue	14,446,139	5,305,125	2,493,855	944,875	—	23,189,994
Income taxes payable	—	—	—	—	108,047	108,047
Other liabilities and accrued expenses	57,006	25,731	71,680	47,805	3,275,706	3,477,928
Employment benefit obligations	—	—	—	—	77,611	77,611
Deferred tax liability	—	—	—	—	24,757	24,757
Total liabilities	**90,726,443**	**12,001,528**	**3,508,399**	**1,576,414**	**13,150,531**	**120,963,315**
Net repricing period gap	**(39,007,697)**	**23,368,837**	**24,887,095**	**4,878,081**	**4,167,550**	**18,293,866**
Off-balance sheet derivative instruments net notional position	**3,145,351**	**651,293**	**(2,809,494)**	**(912,013)**	**—**	**75,137**

	As at 31 December 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 and balances with the Central Bank of Turkey*	1,310,361	—	—	—	7,210,807	8,521,168
Trading and investment securities	13,057,459	21,318,247	12,064,662	3,978,476	127,514	50,546,358
Derivative financial instruments	333,676	120,186	17,179	—	—	471,041
Loans and advances to customers	28,155,434	15,888,724	12,700,761	1,452,205	—	58,197,124
Investment in associates						
Property, plant and equipment	—	—	—	—	901,341	901,341
Intangible assets	—	—	—	—	93,131	93,131
Deferred tax assets	—	—	—	—	201,873	201,873
Other assets and pre-payments	187,651	—	—	—	535,163	722,814
Total assets	**43,044,581**	**37,327,157**	**24,782,602**	**5,430,681**	**9,069,829**	**119,654,850**
Customer deposits	70,657,955	2,450,545	1,109,395	178,327	8,709,229	83,105,451
Derivative financial instruments	240,330	478,945	27,543	3,185	—	750,003
Interbank money market deposits, funds borrowed and debt securities in issue	9,385,695	3,246,752	1,780,328	6,655	—	14,419,430
Income taxes payable	—	—	—	—	290,507	290,507
Other liabilities and accrued expenses	100,156	30,359	56,385	59,915	2,694,177	2,940,992
Deferred Tax Liability	—	—	—	—	16,902	16,902
Employment benefit obligations	—	—	—	—	71,728	71,728
Total liabilities	**80,384,136**	**6,206,601**	**2,973,651**	**248,082**	**11,782,543**	**101,595,013**
Net repricing period gap	**(37,339,555)**	**31,120,556**	**21,808,951**	**5,182,599**	**(2,712,714)**	**18,059,837**
Off-balance sheet derivative instruments net notional position	**869,784**	**1,390,819**	**(1,409,620)**	**(647,525)**	**—**	**203,458**

Note:
* The reserve requirements with the Central Bank of Turkey are shown separately in the 2009 Financial Statements.

	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**

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments as at 30 June 2012, 31 December 2011, 2010 and 2009, respectively:

	As at 30 June 2012		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks and balance with the Central Bank of Turkey*:			
Time deposits in foreign banks	0.02	0.27	—
Time deposits in domestic banks	0.81	0.70	11.67
Interbank money market placements	—	—	10.80
Trading securities – debt securities	4.72	4.06	6.76
Loans and advances to customers	5.15	5.04	14.00
Investment securities:			
Available for sale	4.49	3.94	11.19
Held to maturity	7.05	7.34	11.81
Liabilities			
Customer deposits and interbank and money market deposits	2.69	2.79	9.08
Funds borrowed	2.22	1.63	8.92
Debt securities in issue	3.35	—	10.49

Note:

* The reserve requirements with the Central Bank of Turkey are shown separately in the 2009 Financial Statements.

	As at 31 December 2011		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks and balance with the Central Bank of Turkey*:			
Time deposits in foreign banks	0.08	0.36	—
Time deposits in domestic banks	0.45	4.79	11.78
Interbank money market placements	—	—	10.76
Trading securities – debt securities	5.09	4.46	11.09
Loans and advances to customers	4.68	5.10	13.03
Investment securities:			
Available for sale	4.45	4.62	10.15
Held to maturity	7.05	7.34	11.11
Liabilities			
Customer deposits and interbank and money market deposits	3.25	2.88	8.98
Funds borrowed	2.06	1.99	7.62
Debt securities in issue	3.21	—	10.21

Note:
* The reserve requirements with the Central Bank of Turkey are shown separately in the 2009 Financial Statements.

	As at 31 December 2010		
	US$(%)	EUR(%)	TL(%)
Assets			
Cash and due from banks and balance with the Central Bank of Turkey*:			
Time deposits in foreign banks	0.06	0.44	—
Time deposits in domestic banks	1.05	—	—
Interbank money market placements	—	—	7.12
Trading securities – debt securities	4.31	4.67	10.06
Loans and advances to customers	3.83	4.40	11.85
Investment securities:			
Available for sale	4.34	4.68	11.16
Held to maturity	6.58	7.34	11.16
Liabilities			
Customer deposits and interbank and money market deposits	2.47	2.05	7.04
Funds borrowed	2.12	1.83	7.14
Debt securities in issue	2.85	—	7.28

Note:
* The reserve requirements with the Central Bank of Turkey are shown separately in the 2009 Financial Statements.

	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	—	—

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 the commitments to customers and to satisfy our 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 TL1,455 million and US$1,1771 billion at the Central Bank, 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 for key risk indicators for liquidity risk management on the maturity mismatch of assets and liabilities. Akbank also seeks to maintain a very diversified deposit base. The Bank's loan to deposit ratio was approximately 97% as at 30 June 2012. The increase in the Bank's loan to deposit ratio from 92% as at 31 December 2011 and 81% as at 31 December 2010 is primarily due to a decrease in the share of securities and an increase in the share of loans among assets.

The tables below analyse 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 30 June 2012					
	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 and balances with the Central Bank of Turkey*	11,593,772	1,715	—	—	—	11,595,487
Trading and investment securities	643,433	4,197,175	26,622,776	14,690,517	231,294	46,385,195
Derivative financial instruments	91,408	121,609	122,756	208,373	—	544,146
Loans and advances to customers	26,612,578	21,122,995	26,548,149	9,187,393	91,721	83,562,836
Property and equipment	—	—	—	—	766,419	766,419
Intangible assets	—	—	—	—	112,269	112,269
Other assets and pre-payments	775,884	—	—	—	215,962	991,846
Deferred income tax assets	—	—	305,314	—	—	305,314
Total assets	**39,717,075**	**25,443,494**	**53,598,995**	**24,086,283**	**1,417,665**	**144,263,512**
Customer deposits	87,851,795	6,695,300	2,137,252	2,156,648	—	98,840,995
Derivative financial instruments	155,706	179,542	289,593	383,802	—	1,008,643
Interbank money market deposits funds borrowed and debt securities in issue	7,519,172	5,655,234	6,364,277	1,395,092	—	20,933,775
Income taxes payable	—	205,784	—	—	—	205,784
Other liabilities and accrued expenses	3,179,454	133,314	28,494	32,556	176,137	3,549,955
Employment benefit obligations	—	—	—	—	82,467	82,467
Deferred tax Liability	—	—	25,420	—	—	25,420
Total liabilities	**98,706,127**	**12,869,174**	**8,845,036**	**3,968,098**	**258,604**	**124,647,039**
Net liquidity gap	**(58,989,052)**	**12,574,320**	**44,753,959**	**20,118,185**	**1,159,061**	**19,616,473**

	As at 31 December 2011					
	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 and balances with the Central Bank of Turkey*	17,339,628	64	2,000	—	—	17,341,692
Trading and investment securities	1,993,872	1,615,339	33,498,802	6,849,305	3,923	43,961,241
Derivative financial instruments	363,477	132,839	141,161	189,234	—	826,711
Loans and advances to customers	24,172,248	16,640,864	25,018,008	9,034,964	91,843	74,957,927
Property and equipment	—	—	—	—	790,661	790,661
Intangible assets	—	—	—	—	102,215	102,215
Other assets and pre-payments	848,932	—	—	—	148,707	997,639
Deferred income tax assets	—	—	279,095	—	—	279,095
Total assets	**44,718,157**	**18,389,106**	**58,939,066**	**16,073,503**	**1,137,349**	**139,257,181**
Customer deposits	85,451,382	6,259,661	904,629	576,420	—	93,192,092
Derivative financial instruments	181,268	189,465	186,950	335,203	—	892,886
Interbank money market deposits funds borrowed and debt securities in issue	6,685,149	8,650,038	6,378,024	1,476,783	—	23,189,994
Income taxes payable	—	108,047	—	—	—	108,047
Other liabilities and accrued expenses	3,058,610	58,648	71,680	47,805	241,185	3,477,928
Deferred tax Liability	—	—	24,757	—	—	24,757
Employment benefit obligations	—	—	—	—	77,611	77,611
Total liabilities	**95,376,409**	**15,265,859**	**7,566,040**	**2,436,211**	**318,796**	**120,963,315**
Net liquidity gap	**(50,658,252)**	**3,123,247**	**51,373,026**	**13,637,292**	**818,553**	**18,293,866**

	As at 31 December 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 and balances with the Central Bank of Turkey*	8,521,168	—	—	—	—	8,521,168
Trading and investment securities	1,299,560	10,469,056	32,951,553	5,698,675	127,514	50,546,358
Derivative financial instruments	305,932	34,685	46,449	83,975	—	471,041
Loans and advances to customers	17,902,779	11,091,243	22,668,218	6,534,884	—	58,197,124
Property and equipment	—	—	—	—	901,341	901,341
Intangible assets	—	—	—	—	93,131	93,131
Other assets and pre-payments	543,988	—	—	—	178,826	722,814
Deferred income tax assets	—	—	201,873	—	—	201,873
Total assets	**28,573,427**	**21,594,984**	**55,868,093**	**12,317,534**	**1,300,812**	**119,654,850**
Customer deposits	79,371,496	2,447,456	1,104,302	182,197	—	83,105,451
Derivative financial instruments	63,566	140,199	393,021	153,217	—	750,003
Interbank money market deposits funds borrowed and debt securities in issue	3,689,399	4,510,325	5,328,415	891,291	—	14,419,430
Income taxes payable	—	290,507	—	—	—	290,507
Other liabilities and accrued expenses	2,453,537	90,044	56,385	59,915	281,111	2,940,992
Deferred tax Liability	—	—	16,902	—	—	16,902
Employment benefit obligations	—	—	—	—	71,728	71,728
Total liabilities	**85,577,998**	**7,478,531**	**6,899,025**	**1,286,620**	**352,839**	**101,595,013**
Net liquidity gap	**(57,004,571)**	**14,116,453**	**48,969,068**	**11,030,914**	**947,973**	**18,059,837**

Note:
* The reserve requirements with the Central Bank of Turkey are shown separately in the 2009 Financial Statements.

	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**

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. In addition, under the ERM project, in order to quantify operational risk internal models will be developed and an integrated risk panel for all types of risks will be implemented.

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 as at 30 June 2012 and as at 31 December 2011. Operational risk is 8% of total risk weighted assets.

	30 June 2012		31 December 2011	
	(thousands of Turkish Lira)	%	*(thousands of Turkish Lira)*	%
Credit Risk	110,367,785	87%	96,424,475	85%
Market Risk	6,204,700	5%	6,026,525	5%
Operational Risk	10,732,015	8%	10,366,918	9%
TOTAL	127,304,500	100%	112,817,918	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, car 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 TL35,000 and car loans up to TL60,000 are automatically approved without manual evaluation if the suggestion of the decision model is "approve".

Branches can only grant mortgages that are approved by the decision model and within their approval authorities. Branch approval authority limit is TL150,000 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 legal regulation, Akbank imposes a credit limit of 75% of the value of the asset for mortgages. The average LTV for mortgages was 66%, 62%, 67%%, 59% and 59% for loans granted in 2008, 2009, 2010, 2011 and the first half of 2012 respectively. The Bank imposes no limit on credit value, but the average size of Akbank's mortgages as at 30 June 2012 was TL99,656. Maturity is generally between five to 10 years. The average maturity in the six months to 30 June 2012 was 88 months.

As a general policy, Akbank imposes a credit limit of 80% of the value of the vehicle for car loans, but the LTV can reach up to 100% in certain circumstances. The average LTV for car loans was 67%, 60%, 65%,61% and 62% for car loans granted in 2008, 2009, 2010, 2011 and 2012 respectively. There is no limit to the credit value but the average size of Akbank's car loans in 2012 was TL45.024. The maximum maturity is five years, with an average of 32 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 31 months. For consumer credits granted in the six months to 30 June 2012, the average limit was approximately TL10,316.

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

For mortgages, branches request appraisal of collateral for loans from the Appraisal Department. The Appraisal Department outsources real estate valuation to one of its contracted independent appraisal firms. It uses 42 appraisal firms, all of which have a valuation license from the Capital Markets Board of Turkey ("CMB"). The Appraisal Department employs 11 engineers who review all appraisal reports prepared by the contracted firms. These 11 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.

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 system (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 eligible 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. Applications go through a decision tree based on application score, Credit Bureau information and other application information. 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 evaluation process is the same as that carried out at branch level.

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.

For limits up to TL150,000, the Micro Credits Approval Group, a sub-division of the Consumer Credits and Credit Cards Approval Division, and for limits over TL150,000, the relevant region is responsible for assessing credit applications submitted by branches.

Regions have been responsible for assessing loan applications submitted by branches since February 2012. 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.

Corporate and Project Finance and SME Banking

Applications by corporate customers are mostly processed by the corporate branches and are therefore assessed by the Corporate and Project Finance Credits Approval Group. Applications by commercial and SME customers are processed by the SME and commercial branches and are therefore assessed by the SME Credits Approval Groups.

Every group is managed by a vice-president. The groups 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.

In corporate and commercial branches, depending on the type of collateral and the amount of the loan, in general, applications for loans of more than TL300,000 without any tangible security and loans of more than TL2.500.000 with tangible security must be submitted for review by the relevant Credit Approval Groups in Head Office.

Corporate and Project Finance Credits Approval Process

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

All applications for commercial and corporate credits are initially submitted to a local Akbank branch. The relevant branch's customer relation 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 analyst at the commercial and corporate branches controls and fulfils all the processes needed for the applications. The credit file is then typically reviewed by the manager of the relevant branch who adds his/her opinion on each application in terms of overall risks including borrower, industry and the project itself in case of project credits. The application is then sent to the relevant approval group to be evaluated.

The Corporate and Project Finance Credits Approval Group consists of two separate teams. One of them is responsible for assessing the applications sent by eight corporate branches. The team evaluates the application of the customers in terms of their financial standing and credit history as well as their market position. The other team is responsible for evaluating long term project finance credits. That team evaluates prospective projects mainly with respect to their cash-flows, constructability, feasibility, market data, debt/equity level, and sponsors.

After their assessment, the teams present the credit applications to the Bank's approval authorities for final approval with their recommendations and views.

SME (corporate and commercial) Credits Approval Process

There are two separate approval groups for SME Credits. SME credits Approval Group A is responsible for assessing the applications sent by commercial branches. SME credits Approval Group B is responsible for evaluating the credit applications sent by SME (mixed) branches.

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.

The credit application process begins at branch level, similar to the corporate and project finance credits approval process. However, after the branch review, credit applications are transmitted to the relevant Regional Directorate or to the Head Office depending on the authorisation limits and the proposed collateral.

SME credits Approval Group A includes the Sector Analysis Division and SME credits Approval Group B includes the Intelligence Division. The Sector Analysis Division prepares reports on the 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.

In principle, the LTV ratio may be up to 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.

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.

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

Authorisation limits for Retail Branches

	Collateral(1)			
	Group I	**Group II**	**Group III**	**Group IV**
	(thousands of Turkish Lira)			
Micro	210	110	60	50
SME	310	160	135	85

Authorisation limits for Mixed (Retail and SME) Branches

	Collateral(1)			
	Group I	**Group II**	**Group III**	**Group IV**
	(thousands of Turkish Lira)			
Micro	210	110	60	50
SME	310	160	135	85
Commercial(1)	400	200	150	100
Commercial(2)	700	350	200	150
Commercial(3)	1,000	500	250	200

Authorisation limits for Corporate and Commercial Branches

	Collateral(1)			
All Branches	**Group I**	**Group II**	**Group III**	**Group IV**
	(thousands of Turkish Lira)			
Authorisation Amount	2,500	1,250	750	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, car pledges

Group III: Machine pledges, other stock

Group IV: Leases, Letter of Comfort, Letter of Support

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	10.000	7.500	4.000
Regional Credit Manager	7.500	4.000	2.500/3.000

These are the maximum authorisation limits and can differ for each Regional Manager.

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, car pledges

Group III: Machine pledges, other stock

Group IV: Leases, Letter of Comfort, Letter of Support

Rating Models for Corporate, Project Finance and SME Banking

For Corporate and Commercial loan applications, Akbank has different rating models according to sector and/or turnover. One of them is the Commercial Model which is a full statistical based model, developed by logistic regression. If a customer has turnover of less than TL100 million, this model is used. If a customer has turnover of TL100 million or over, the Corporate Rating model, which relies on expert based rank ordering, is used. If a customer's sector is construction, turnover is not considered but rather the Construction Rating Model is used which also relies on expert based rank ordering. For Project Finance Credits, a project (not customer) specific expert based model is used according to the sector (energy, tourism, infrastructure, other). The Bank's rating models have been developed by Oliver Wyman and the Bank itself. The corporate, commercial and construction rating models include financial and non-financial criteria, with the financial criteria being the most important part of the model. All rating models rank customers from 1 to 24 with 1 being the best and 24 the worst rating. If a customer's rating is below 13 (the cut off rating), proposals can not be evaluated in the branches and can only can be evaluated in the regional or Head Office.

For the SME segment there are two types of scorecards used, which are an application model and a behavioural model.

The behavioural model is used for existing customers (where the length of relationship with Akbank is at least 3 months). Criteria such as limit usage, interest charged, deposited amount, number of bounced cheques, negative information and delinquency status are used.

Credit Bureau information of main shareholder and Central Bank information forms the most important part of application score card and takes account of KKB Delinquency status, KKB credit card limit usage ratio, KKB overdraft limit usage ratio, the number of bounced cheques and unpaid bills in the Central Bank, and the length of time with Akbank.

The behavioural rating is automatically calculated and implemented on the system at the end of every month. If there is behavioural rating in the system which it is taken into consideration in the credit approval process.

An application rating is calculated for every credit proposal as commercial, corporate and construction credit rating models.

For the SME segment, rating-based credit terms can be allocated by the regional directorates for customers with a 1-13 rating class and for collateralised work for customers with a 14-17 rating. A rating class of 18-24 is outside the target customer base.

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.
- 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 is 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 except consumer loans (other than car loans and mortgages, which are also provisions at 2%) which are closely monitored and 0.4% of the total amount of letters of guarantee, sureties and other non-cash loans. If those cash loans are restructured Akbank allocates general provisions at a rate of 5%. For consumer loans other than car loans and mortgages, the provision rate is 8%, and for restructured ones the rate is 10%.

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 two separate credit monitoring groups covering each, Retail Loans and Corporate/Commercial and SME including project finance Loans.
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/SME Credits Monitoring Division and Retail Credits Monitoring Division are organised according to customers' segment division. The Corporate/Commercial/SME Credits Monitoring Division is composed of three Monitoring Groups.

- The Corporate/Commercial/Credits Monitoring Group, which monitors corporate and commercial clients
- The SME Credits Monitoring Group, which monitors SME clients; and
- Project Finance Loans Monitoring Group which monitors the credit facilities involved in the project finance line allocations.

Each division and 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. The main goal of the Project Finance Loans Monitoring Group is to monitor the financed projects proactively, irrespective of segmentation. 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 and sequestration records on a daily basis.

If a problem is identified, the input is classified by the system as pre-monitoring, blocked 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. Blocked pre-monitoring is evaluated as a more serious early indication and credit lines are blocked from additional limit utilisation. Close monitoring – Group Two – indicates that the customer has internal or external weakness that carries potential risk of default. These customers are also blocked by the system from utilising any additional limits. In addition to the automatic identification of problem loans, indicators that cannot be identified by the monitoring system, such as audit reports and market intelligence, are also reviewed daily by members of the Credit Monitoring Group, and are manually put on credit watch if necessary.

All clients, regardless of the segment, are subject to the same risk controls. However because of the number of clients in the retail 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.

The Project Finance Loans Monitoring Group is organised in order to monitor the credit facilities involved in project finance line allocations. The main goal of the group is to proactively monitor projects which have been financed by Akbank. Hence, collecting and examining up-to-date financial and nonfinancial data of projects periodically, comparing the previous cash flows and the real performance of the projects and testing the covenants in the loan documentation are the main responsibilities of the Project Finance Loans Monitoring Group. Also, for proactive monitoring, client visits are key when considering the forthcoming circumstances. Project monitoring staff visit the clients and report the findings to the related business units in the Bank.

Non-Performing Loans Follow-Up Division

The Non-Performing Loans Follow-Up Division deals with non-performing loans and calculates the specific provisions which need to be distributed monthly over non-performing loans. The Non-Performing Loans Division, together with the Legal Advisory Group, deals with Group Three to Five Loans (''non-performing loans''). The Non-Performing Loans Follow-Up Division negotiates with the customer regarding repayment of the loan including possible restructuring of the debt, or if necessary, liaises with the Legal Advisory Division to have the collateral liquidated or to take other legal action.

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 G7 Economic Summit in 1989, the FATF comprises 34 countries, including the United States and Turkey, as well as two regional organisations, namely, 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 (i) starting customer relationships, (ii) the amount of a single transaction or the total amount of multiple linked transactions is an amount equivalent to TL20,000 or more, (iii) the amount of a single wire transfer transaction or the total amount of multiple linked transactions is an amount equivalent to TL2.000 or more, (iv) regardless of the monetary amount in cases requiring suspicious transaction reporting, and (v) regardless of the monetary amounts in cases where there is suspicion about the adequacy and the accuracy of previously acquired identification information. Such financial institutions in Turkey are required 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 has developed a software solution designed to detect suspicious activity in customer accounts automatically. Akbank uses the "Actimize" software system. This software is composed of two modules: the Suspicious Activity Monitoring Module ("**SAM Module**") and the Watch List Filtering Module ("**WLF Module**"). The WLF Module is used 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. The SAM Module monitors transactional and customer data on a scenario basis and provides coverage to identify and report suspicious transactions related to money laundering and terrorist financing. 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 participated 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 Wolfsberg 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 and 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 approach to 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 Programme and Applications

Akbank 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 programme 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 the 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; and (ix) 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 refusing cooperation with FATF; and (v) countries specified in the FINCEN list.

Basel II

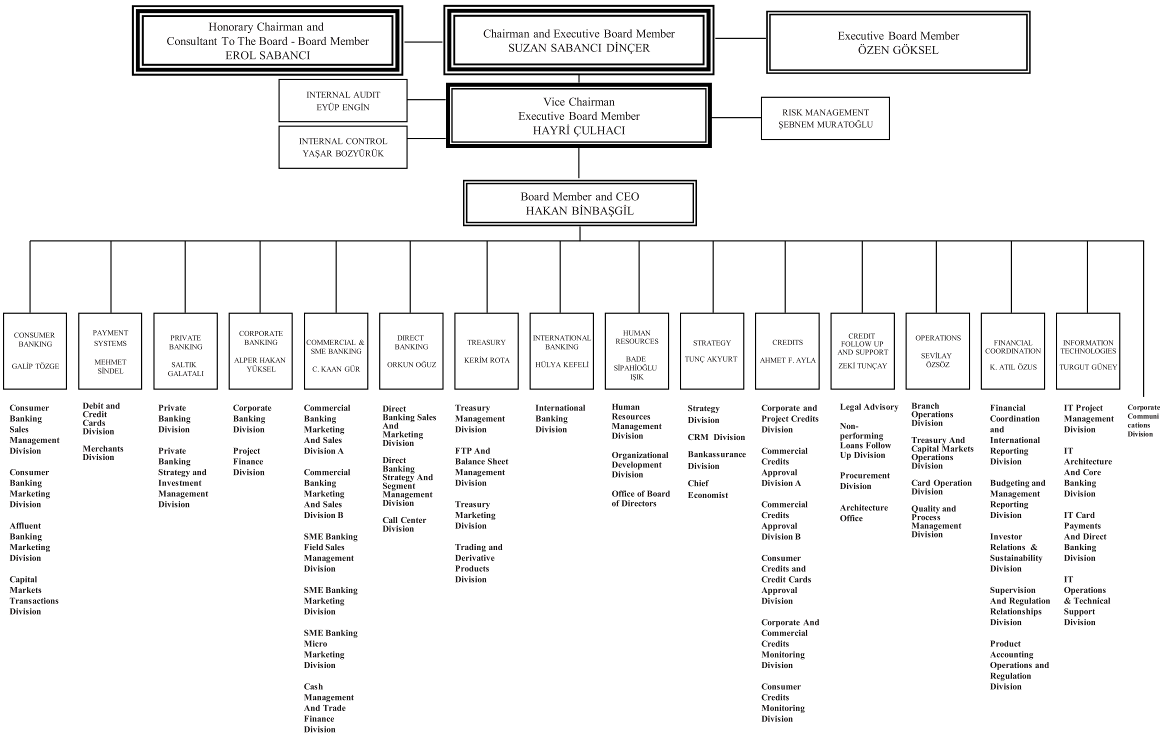
The BRSA has published regulations regarding the implementation of Basel II in Turkey. These regulations took full effect during the second half of 2012. These regulations were implemented on a bank-only basis starting from 1 July 2011, and on a consolidated basis starting from 1 January 2012. As of 31 March 2012, Turkish banks were required to report their risk-weighted assets calculated under the standard approach of Basel II as contained in the "Turkish National Discretions." This reporting period was a "parallel run", since banks continued to report their risk-weighted assets under both Basel I and Basel II requirements until 30 June 2012. Since 30 June 2012, only Basel II standard approach requirements are permitted in the credit risk report for minimum capital calculations.

Basel III

The Basel Committee has recently adopted further revisions to Basel III, but there is no certainty as to whether these most recent Basel III revisions will be implemented by the BRSA in Turkey and, if so, when and in what form. Although an official timetable for the adoption of Basel III in Turkey has not been announced by the BRSA, the regulations are expected to be implemented between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee.

MANAGEMENT

An overview of the Bank's organisational structure is set out below:



The Board of Directors

The Issuer 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 Issuer'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 Issuer's Articles of Association. A meeting of the Board of Directors has a quorum if at least six of its members are present. The Issuer's Board of Directors is also responsible for Akbank's vision, mission and short- and long-term strategic targets.

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
Hayri Çulhacı	Executive Member of Board of Directors and Vice Chairman of the Board of Directors	2009	2013
Özen Göksel	Executive Member of Board of Directors	2011	2013
Hikmet Bayar	Member of Board of Directors	1996	2013
Şakir Yaman Törüner	Member of Board of Directors	1998	2013
Aziz Aykut Demiray	Member of Board of Directors	2012	2013
Kaan Terzioğlu	Member of Board of Directors	2012	2013
Hamid Biglari	Member of Board of Directors	2012	2013
Hakan Binbaşgil	Member of Board of Directors and CEO	2012	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, Hikmet Bayar, Yaman Törüner, and Hayri Çulhacı.

The following individuals are former members of the Board of Directors who left the office within the last three years: Zafer Kurtul, Bülent Adanır, Emre Derman, Ziya Akkurt and William J. Mills.

Set forth below is brief biographical information on the members of the Issuer's Board of Directors.

Suzan Sabancı Dinçer (age 47):

Suzan Sabancı Dinçer was elected Chairman of the Board of Directors on 28 March 2008. Mrs. 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. Mrs. Sabancı Dinçer is the Honorary Consul of Luxembourg as well as a member of the National Bank of Kuwait's International Advisory Board, Blackstone's International Advisory Board, the Chatham House Panel of Senior Advisers, the Institute of International Finance Board of Directors and Emerging Markets Advisory Board, the Chairman of the Turkish-British Business Council of Foreign Economic Relations Board of Turkey (DEIK), the Global Relations Forum Board of Directors and the Forum Istanbul Honorary Advisory Board.

Erol Sabancı (age 74):

Having served as a member of the Issuer's 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.

Hayri Çulhacı (age 56):

Hayri Çulhacı was elected as Vice Chairman on 18 July 2010 and was appointed Chairman of the Audit Committee and Executive Risk Committee on 17 January 2011. Having joined Akbank as an Executive Vice President in 1990, Hayri Çulhacı was consecutively appointed as Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; as Advisor to the Chairman; and as Executive Board Member. Prior to joining Akbank, Hayri Çulhacı worked as a civil servant in the Ministry of Finance. Çulhacı holds a BA degree in Economics from Ankara University, Faculty of Political Sciences and an MBA degree from Northeastern University in the USA. Hayri Çulhacı is a member of the Board of Trustees of Sabancı Foundation and a member of the Board of Trustees of Sabancı University, a Board Member of Aksigorta A.Ş., and AvivaSA A.Ş.

Özen Göksel (age 74):

Özen Göksel started working at Akbank in 1964 as an Assistant Internal Auditor and after serving in various positions, was appointed as Executive Vice President in 1981. From 1994 until November 2000, Özen Göksel served as a member of the Issuer's Board of Directors and as CEO of the Bank. From November 2000 until October 2007, Özen Göksel served as Executive Board Member and from

April 2011 to December 2011 he served as a Board Member. A graduate of the Faculty of Economics at Istanbul University, Özen Göksel serves as an Executive Board Member since December 15, 2011.

Hikmet Bayar (age 80):

Hikmet Bayar joined the Issuer's Board of Directors after retiring from the Turkish Armed Forces in 1996. Having served in various command positions until his retirement, Mr. Bayar was Chief of the Turkish Land Forces between 1994 and 1996.

Ş. Yaman Törüner (age 63):

Yaman Törüner became a member of the Board of Directors in March 1998. Having served as a Member of Parliament between 1995 and 1999, Yaman Törüner also served as a Minister of State in 1996. Between 1990 and 1994, 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.

Aykut Demiray (age 58):

Aykut Demiray joined Akbank as a Member of the Board of Directors on 1 March 2012. Aykut Demiray began his career in 1979 at T. Isbank as an Assistant Internal Auditor and undertook various duties in several units and branches, finally serving as Deputy Chief Executive between 1998 and 2011. A graduate of the Business Administration Department of the Faculty of Administrative Sciences from Middle East Technical University, Aykut Demiray is a Founding Partner of his consulting company, serves as a Member of the Board of Trustees at Istanbul Culture University and is a member of the Turkish Industry and Business Association (TUSIAD).

Kaan Terzioğlu (age 44):

Kaan Terzioglu joined Akbank as a Member of the Board of Directors on 3 April 2012. Terzioğlu began his career at Arthur Andersen and Company in Istanbul as an auditor and financial consultant and moved into management consulting in Chicago and Brussels focusing on information technologies, information security and knowledge management from 1990 to 2000. Terzioğlu worked for Cisco Systems for the last 12 years holding various executive responsibilities and serving in numerous international positions. A member of TUSIAD, Kaan Terzioğlu is a certified public accountant at the Istanbul Chamber of Certified Public Accountants and Sworn Financial Advisors. Kaan Terzioğlu is a graduate of Bosphorus University, Faculty of Business Administration.

Hamid Biglari – (age 54):

Hamid Biglari is Vice Chairman of Citicorp, the strategic operating arm of Citigroup. Prior to this role, Dr. Biglari held a number of senior roles within the organization, including Chief Operating Officer of Citigroup's Institutional Clients Group (ICG), which represents the global investment banking, trading and sales arm of Citigroup/Citicorp. He also served as Partner at McKinsey & Company. His experience base spans the entire spectrum of consumer and wholesale financial services. Prior to that, he was a theoretical research physicist at Princeton University's Plasma Physics Laboratory, the nation's leading center for controlled thermonuclear fusion research. He is a member of the Council on Foreign Relations, a member of the Board of Trustees of the Asia Society, and a Board member of the US-China Business Council. In 2009, Mr. Biglari was awarded the Ellis Island Medal of Honor, given for outstanding contributions by immigrants to the United States. Dr. Biglari holds a Ph.D. in astrophysical sciences from Princeton University.

Hakan Binbaşgil (age 52):

Hakan Binbaşgil joined Akbank as the Executive Vice President in charge of Change Management in October 2002. He initiated the Bank's "Restructuring Programme" which has sought to transform Akbank into one of Turkey's most customer-focused, modern and innovative financial institutions. Hakan Binbaşgil was appointed Executive Vice President in charge of Retail Banking in November 2003, Deputy CEO in May 2008, and since January 2012 as Board Member and Chief Executive Officer of the Bank.

Prior to joining Akbank, Hakan Binbaşgil worked as a Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in a different private sector bank. Binbaşgil also served on the boards of directors of numerous companies domestically and abroad.

Currently, in addition to his position as CEO at Akbank, Hakan Binbaşgil is also the Chairman of Ak Asset Management, Ak Investment, AkLease, Akbank AG and Akbank (Dubai) Ltd.

After graduating from Robert College Hakan Binbaşgil graduated from Bosphorus University, Faculty of Mechanical Engineering. Hakan Binbaşgil also holds MBA and MS degrees in Finance from Louisiana State University-Baton Rouge, USA.

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:

Zeki Tunçay – Executive Vice President – Credit Follow-Up and Support Services (age 57): Zeki Tunçay 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. A graduate of the Academy of Economics and Commercial Sciences in Ankara, Zeki Tunçay continues to serve as Executive Vice President in charge of Credit Follow-Up and Support Services.

Sevilay Özsöz – Executive Vice President – Operations (age 54): Sevilay Özsöz joined Akbank as an Advisor 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 private sector banks. She is a graduate of Istanbul University, Faculty of Economics.

Ahmet Fuat Ayla – Executive Vice President – Credits (age 46): 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 SME loans. Before joining Akbank, Ahmet Fuat Ayla held various managerial positions at different private sector banks. Ahmet Fuat Ayla is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration.

Hülya Kefeli – Executive Vice President – International Banking (age 52): Hülya Kefeli has held various positions in the Foreign Relations and International Banking Divisions of Akbank since 1983 before being appointed as Executive Vice President in charge of International Banking in 2007. Kefeli is also a Member on the Board of Directors of Akbank (Dubai) Limited and AKLease. After attending Robert College, Hülya Kefeli graduated from Istanbul Technical University, Faculty of Business Administration and Engineering.

K. Atıl Özus – Executive Vice President – CFO (age 42): Atıl Özus joined Akbank in November 2000 as Vice President of Financial Control and Risk Management, and later became Senior Vice President. In December 2007, he was appointed as Executive Vice President (CFO) in charge of Financial Coordination. Before joining Akbank, Atıl Özus served as an Audit Manager at Ernst & Young. A graduate of Boğaziçi University, Department of Business Administration, Atıl Özus is a Board Member on all of Akbank's subsidiaries.

A. Galip Tözge – Executive Vice President – Consumer Banking (age 45): 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 a different private sector bank. A graduate of Marmara University, Department of Business Administration, A. Galip Tözge holds an MBA degree from the University of Missouri in the US.

Tunç Akyurt- Executive Vice President – Strategy (age 41): Tunç Akyurt has been serving as Executive Vice President in charge of Strategy, CRM, Product & Channel Development, Economic Research and Bancassurance since February 2010. A graduate of the Industrial Engineering Department at Boğaziçi University Tunç Akyurt holds a masters degree in Management Systems Engineering from Virginia Tech University. Before joining Akbank, Akyurt worked at various financial institutions locally and abroad and at McKinsey & Company in Turkey holding various managerial positions.

Bade Sipahioğlu Işık – Executive Vice President – Human Resources (age 41): Bade Sipahioğlu Işık joined Akbank in 2001 as Human Resources Planning Vice President. After serving as Human Resources and Organization Senior Vice President, she was appointed as Executive Vice President in charge of Human Resources in September 2010. Prior to joining Akbank, Bade Sipahioğlu Işık held various positions in the field of human resources at Intertech, Humanitas and other private sector banks. A graduate of Marmara University, Department of Public Relations Bade Sipahioğlu Işık has a masters degree in business management from Institut Des Etudes Politiques in Paris.

Mehmet Sindel – Executive Vice President – Payment Systems (age 42): Mehmet Sindel joined Akbank in November 2010 as Executive Vice President in charge of Payment Systems. Prior to joining Akbank, he held various managerial positions at different private sector banks. Mehmet Sindel is a graduate of Boğaziçi University, Faculty of Business Administration.

Kerim Rota – Executive Vice President-Treasury (age 47): Kerim Rota joined Akbank in November 2010 as Executive Vice President in charge of Treasury. Before joining Akbank, Kerim Rota served as Executive Vice President at various different private sector banks. Kerim Rota is a graduate of Gazi University, Faculty of Engineering. Rota also received a masters degree in operational management from Bilgi University.

Kaan Gür – Executive Vice President – Commercial and SME Banking (age 48): Kaan Gür joined Akbank as Executive Vice President of Commercial and SME Banking by on 14 January 2011. Prior to joining Akbank, he held various managerial positions at different private sector banks. A graduate of Gazi University, Department of Banking and Insurance, Gür is also a member of the Foreign Economic Relations Board (DEİK) and the Turkish Industrialists and Businessmen Association (TUSİAD).

Alper Hakan Yüksel – Executive Vice President – Corporate Banking (age 44): Alper Hakan Yüksel joined Akbank in March 2011 as Executive Vice President in charge of Corporate Banking. Prior to joining Akbank, Yüksel held various managerial positions at different financial institutions locally and abroad. Alper Hakan Yüksel holds a B.S. in Industrial Engineering from Middle East Technical University.

Saltık Galatalı – Executive Vice President – Private Banking (age 43): Saltık Galatalı joined Akbank in November 2009 as Senior Vice President in charge of Private Banking Investment and Strategy and was appointed as Executive Vice President in charge of Private Banking in July 2011. Saltık Galatalı began his career at the Istanbul Stock Exchange and before joining Akbank, he held various managerial positions at different financial institutions. A graduate of Istanbul University, Department of Economics Saltık Galatalı holds an MBA degree in Investment Management and Banking from Adelphi University in the US.

Turgut Güney – Executive Vice President – Information Technology (age 44): Turgut Güney joined Akbank in October, 2011 as Executive Vice President in charge of Information Technology. Prior to joining Akbank, Güney served as a senior advisor at Computer Task Group and Oracle Consulting in the US and held various managerial positions at different banks, locally. Turgut Güney is a graduate of Hacettepe University, Department of Computer Engineering and holds a masters degree from Southern Illinois University, Faculty of Engineering, Department of Computer Engineering.

The address of the Senior Management is Akbank T.A.Ş. Genel Müdürlüğü Sabancı Center 34330 4. Levent/Istanbul.

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 average percentage of such distributions in the last five years was 0.02%.

The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the year ended 30 June 2012 was approximately TL15,291,000. The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the year ended 31 December 2011 was approximately TL24,441,000.

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 and 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, Remuneration 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)
- Hayri Çulhacı, Member (Vice Chairman and Executive Board Member)
- Özen Göksel, Member (Executive Board Member)
- Hakan Binbaşgil, (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:

- Hayri Çulhacı, Chairman (Vice Chairman and Executive Board Member)
- Aykut Demiray, Member (Board Member)

Corporate Governance, Remuneration and Social Responsibility Committee

The Corporate Governance, Remuneration and Social Responsibility Committee was established with the purpose of evaluating the bank's corporate governance practices and to supervise its corporate social responsibility activities. The Committee meets at least twice a year.

- Hayri Çulhacı, Chairman (Vice Chairman and Executive Board Member)
- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Hakan Binbaşgil, Member (Board Member and CEO)
- Bade S Işik, Member (Executive Vice President – Human Resources)
- Atıl Özus, Member (CFO)
- Cenk Göksan, Member (Senior Vice President – Investor Relations)
- Derya Bigalı, Member (Head of Akbank Art Center)

Board of Directors Members Hayri Çulhacı and Hikmet Bayar are Remuneration Committee Members.

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

- Özen Göksel, Member (Executive Board Member)

- Suzan Sabanci Dinçer, Member (Chairman and Executive Board Member)
- Hakan Binbaşgil, Member (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 in the overall long-term strategy of the Bank. Unless excused, all Committee Members attend the meetings.

The members of the Executive Risk Committee include:

- Hayri Çulhaci, Member (Vice Chairman and Executive Board Member)
- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Özen Göksel, Member (Executive Board member)
- Hakan Binbaşgil (Board Member and CEO)

OWNERSHIP

Share Capital of Akbank

As at 30 June 2012, the issued and paid-in share capital of the Issuer 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 30 June 2012 amounted to TL19,616,473,000. At the Annual General Assembly of the Issuer held on 30 March 2012, the registered capital ceiling of the Issuer was increased to TL8,000,000,000 from TL5,000,000,000, consisting of 800,000,000,000 shares, each with a nominal value of TL0.01. The registered capital ceiling permit granted by the CMB in respect of this new ceiling will be valid for five years. The Board of Directors are entitled to increase the capital within the registered capital ceiling limit and issue new shares without requiring any affirmative resolution of the general assembly of the Issuer. However, in order to increase the capital after 2016, even if the registered capital ceiling has not been reached by that time, the Board of Directors must obtain a new permit from the CMB either for the current permitted ceiling (if not reached by then) or for a new capital ceiling.

Pursuant to the Banks Act, shares are issued in registered form.

In April 1998, 4.03% of the outstanding share capital of the Issuer was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR"). As at 30 June 2012, approximately 41% of the shares are publicly traded, including the ADRs. As at 30 June 2012, Akbank's market capitalisation was US$14.7 billion.

Principal Shareholders

Registered ordinary shareholdings in the Issuer as at 30 June 2012 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	1,961,177,721.79	49.03
Citibank Overseas Investment Corp[1]	395,999,979.99	9.90
Other	1,642,822,298.22	41.07

Note:

(1) Citigroup Inc. and its subsidiaries and affiliates ("**Citigroup**") holds 395,999,979.99 registered ordinary shares of the Issuer (9.90% of the Issuer's total issued share capital) which are held through Citigroup's wholly-owned subsidiary Citibank Overseas Investment Corp. 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 49.03% of the outstanding share capital of the Issuer as at 30 June 2012. The Controlling Shareholders have the power to elect all of the Issuer's directors and to determine the outcome of most matters to be decided by a vote of shareholders of the Issuer. There are no other parties who exercise or could exercise control over the Issuer.

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 30 June 2012. See "Appendix C: Regulatory Environment". As at 30 June 2012 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 arms-length basis and expects to continue to do so in the future. Akbank's loans and advances to related parties were TL2,085,834,000 and TL1,640,514,000 for 30 June 2012 and 31 December 2011, respectively. These amounts account for approximately 2.5% of Akbank's total loans for 30 June 2012 and 2.2% for 31 December 2011. Loans provided to employees were TL79,052,000 and TL72,650,000 at 30 June 2012 and 31 December 2011, 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 2011, 2010 and 2009 and as at 30 June 2012, respectively.

	For the years ended 31 December			For the six months ended 30 June
	2011	2010	2009	2012
	(TL thousands except percentages)			
Cash loans	1,640,514	951,107	635,235	2,085,834
As a % of assets	1.18%	0.79%	0.62%	1.45%
As a % of total cash loans	2.19%	1.63%	1.41%	2.50%
As a % of shareholders' equity	8.97%	5.27%	4.36%	10.64%
Non-cash credits[(1)]	455,978	397,262	747,911	296,019
As a % of assets	0.33%	0.33%	0.73%	0.21%
As a % of non-cash loans	3.16%	3.84%	9.67%	1.78%
As a % of shareholders' equity	2.49%	2.20%	5.14%	1.51%
Total group exposure	**2,096,492**	**1,348,369**	**1,383,146**	**2,381,853**

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 2011, 2010 and 2009 and as at 30 June 2012, respectively.

	For the years ended 31 December			For the six months ended 30 June
	2011	2010	2009	2012
	(TL thousands)			
Deposits (including cash collateral)	7,708,925	6,370,538	6,191,548	5,854,410

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.

The Sabancı Group is composed of 78 companies many of which are recognised market leaders in their respective sectors and 13 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, tyre and tyre reinforcement materials, paper and packaging materials, information technology, tourism and international trading.

The companies of the Sabancı Group currently operate in 15 foreign countries and market their products in various parts 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 Ageas, Aviva, Bridgestone, Heidelberg Cement, Carrefour, Dia, Hilton International, Mitsubishi Motor Co., International Paper, Philip Morris and Verbund.

In addition to coordinating 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 2011, the consolidated revenues of Sabancı Holding were US$13.4 billion and net income was US$1.1 billion. 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 is the third largest non-life insurance company in the Turkish market. On 18 February 2011, Sabanci Holding announced that it had entered into a contract to sell 50% of its shares in AkSigorta to Ageas Insurance International N.V. AkSigorta will be jointly controlled by Sabanci Holding and Ageas Insurance International N.V. once the sale is completed.

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 December 2011 data, Avivasa Emeklilik ve Hayat is the second largest company in the sector in terms of individual pension fund size and market share of 21.00%.

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 licence from 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 global merger 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 2011, the company owned 260 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 1,654 MW and its licensed portfolio reached 4,115 MW including existing power plants, projects under construction and projects with ongoing engineering works at the end of 2011. In addition to this portfolio, projects with a total capacity of nearly 1,000 MW are at the licence 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 3.5 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

Sasa. Sasa 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.

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, with Council of Ministers Decision No.: 2012/4116 dated 24 December 2012, published in the Official Gazette No.: 28515 of 1 January 2013, the RUSF rates changed for cross-border F/X borrowings by

Turkish non-financial institution borrowers. According to the new regime, which applies to loan utilisations from 2 January 2013 onwards, are set out below:

Average Maturity	RUSF (old)	RUSF (new)
up to one year	3%	3%
one (1) year (including) up to two (2) years	0%	1%
two (2) years (including) up to three (3) years	0%	0.5%
three (3) years and longer	0%	0%

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 determined RUSF charged on consumer credits to be utilised by individuals (for non-commercial utilisation) at 15% with its decision numbered 2010/974 which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

In accordance with the regulations of the BRSA made in 2003 (decision of BRSA dated 3 July 2003 and numbered 1084), the practice of a full insurance guarantee over savings deposits 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 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 is considered a new stage in 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, 4684, 4743, 4842, 5020, 5189 and 5228) 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 depositors. 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 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, was 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 the 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 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 28 June 2012 and numbered 28337, the banks are obliged to establish, manage and develop (for themselves, all their branches and units 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 audit personnel cannot also be appointed to work in a role conflicting with their internal audit 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 with their balance sheets and profit and loss accounts together with their auditor's report within one month of their general assembly meeting, and audit reports to be prepared by independent audit companies within one month of 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 obliged to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote 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 increasing above or falling 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 above thresholds, 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 for the share transfers, 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 and undertakings having this qualification, 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, interests accrued but not collected, 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 which represents 10% or more 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 or a legal entity, 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 1% or 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 other money markets created 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

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 (the "**Regulation**"), 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.

 The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1% of the cash loan portfolio plus 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) is required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the consumer loans provisions for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; provided that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

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, or anticipation of 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 in the collection of the principal and interest payments due to justifiable reasons, however, which cannot be considered as loans or other receivables with limited recovery; 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.

If a bank has made several loans to a customer and any of these loans is included in this group, then all of the bank's loans to such customer will be classified in this group even though some of the bank's loans to such customer would otherwise have been included in group I above. The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2% of the cash loan portfolio plus 0.4% of the non-cash loan portfolio for closely-monitored loans are required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the consumer loans provisions for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; provided that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

III. Loans and Other Receivables with Limited Recovery – *This group involves loans and other receivables:*

(1) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and where 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 or 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 yet completely considered as an actual loss due to the expected contribution of such other factors as a merger, the possibility of finding new financing or a capital increase and improvement in the debtor's creditworthiness and collectability of loans; 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 completely 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.

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 an adequate level of provisions against impairment in the value of other assets and 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. Banks are under an obligation to establish and operate systems performing all of the foregoing.

All provisions set aside for loans and other receivables in accordance with this Article 53 are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the amendment dated 21 September 2012 to the Regulation, banks are required to reserve adequate provisions for loans and other receivables until the end of the month during which the payment of such loans and receivables has been delayed.

The 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, 25% of such figures will be applied for each check that remains uncollected for a period of five years after issuance. Pursuant to the amendment dated 21 September 2012 to the Regulation, at least 40%, 60%, 80% and 100% of the reserve amount calculated according to the above mentioned ratios shall be set aside until 31 December 2012; 31 December 2013; 31 December 2014; and 31 December 2015, respectively.

In addition to the general provision, 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 receivable.

Pursuant to the 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 NPL 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.

Pursuant to the amendment dated September 21, 2012 made on the Regulation, the BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

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 they are secured with pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Mass Housing Development Administration of Turkey or the Privatisation Administration and funds gained from repurchase 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 by, or under the surety of, the central governments or central banks of countries that are members of OECD or guarantees and sureties given by them;

   d. guarantees and sureties given by the banks operating in OECD member states;

   e. securities issued directly or guarantees and sureties given by the European Central Bank;

   f. sureties and letters of guarantee, aval, acceptance and endorsements issued by banks operating in Turkey in compliance with their maximum lending limits; and

   g. bills and bonds issued by banks operating in Turkey.

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 a bill of lading or carrier's receipt or insured within the scope of export credit insurance policy; and

   i. 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, including pledges of commercial vehicle lines and plate;

   d. mortgages on aircraft or ships;

   e. sureties from real or legal persons, creditworthiness of which is higher than the debtor; and

   f. promissory notes of real and legal persons.

Assets owned by banks and leased to third parties under financial leasing agreements must also be classified in accordance with the above mentioned categories.

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

If the value of the collateral exceeds the amount of the non-performing loan, the above-mentioned rates of consideration are applied only to the portion of the collateral which is equal to the amount of the NPL.

According to article 11 of such regulation, in the event of the borrower's failure to repay the loans or any other receivables, including deferred interests, 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, provisions continue to be set aside at the special provisions rate applicable to the relevant group. Following this six month 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 is collected on a yearly basis.

According to Provisional Article 5 of the Regulation, which will be effective until December 31, 2013, debt classified as Loans and Other Receivables Under Close Monitoring (i.e., group II receivables) granted to real persons or legal entities residing in Libya or engaged in activities relating to Libya can be restructured twice. Furthermore, such restructured debt may be classified Loans of a Standard Nature and Other Receivables (i.e., group I receivables), provided that at least 10% of the total debt has been repaid. Any such debt classified under group I that is reclassified as group II or that is restructured or is continued to be monitored under group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group I, provided that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilized, then such debt shall be classified as Loans and Other Receivables with Limited Recovery (i.e., group III receivables) until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 5 described above, if real persons or legal entities residing in Libya or having business activity relating to Libya (other than those described in the preceding paragraph) incur other debt that is classified under group III, IV or V, then the debt relating to Libya will be reclassified in the same group as such debt; however, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of the bank. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified as "Refinanced/ Restructured Loans and Receivables Account" if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,
- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,
- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and

- the payments foreseen in the payment plan are not delayed.

According to Provisional Article 6 of the Regulation, which will be effective until December 31, 2013, debt classified as group II receivables granted by the banks to be used in the maritime sector can be restructured twice. Furthermore, such restructured debt may be classified as group I receivables; *provided* that at least 10% of the total debt has been repaid. Any such debt classified under group I that is reclassified as group II debt or that is restructured or is continued to be monitored under group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group I debt; *provided* that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilized, then such debt shall be classified as group III debt until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 6 described above, if there are loans or any other receivables classified under groups III, IV and V (excluding loans granted to be used for maritime sector as well as other receivables), then such debt shall be reclassified in the same group as the debt relating to maritime sector as described in the preceding paragraph; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified to the ''Refinanced/ Restructured Loans and Receivables Account'' if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,
- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,
- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and
- the payments foreseen in the payment plan are not delayed.

According to Provisional Article 7 of the Regulation added on 21 September 2012, which will be effective until December 31, 2013, restructured debts classified as group II receivables granted by the banks to real persons or legal entities residing in Syria or engaged in activities relating to Syria may be classified as group I receivables; *provided* that at least 10% of the total debt has been repaid. Any such debt classified under group I that is reclassified as group II debt or that is restructured or is continued to be monitored under group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group I debt; *provided* that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilized, then such debt shall be classified as group III debt until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 7 described above, if there are loans or any other receivables classified under groups III, IV and V (excluding loans granted to real persons or legal entities residing in Syria or engaged in activities relating to Syria), then such debt shall be reclassified in the same group as the debt relating to Syria as described in the preceding paragraph; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified to the ''Refinanced/ Restructured Loans and Receivables Account'' if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,

- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,
- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and
- the payments foreseen in the payment plan are not delayed.

Banks must provide information on the loans and receivables defined above that are subject to the terms of a new contract or restructured in their year-end and interim financial reports to be disclosed to the public.

Capital Adequacy

In order to implement Basel II into Turkish law, on June 28, 2012, the BRSA issued a new regulation on measurement and assessment of capital adequacy of banks which entered into force on 1 July 2012. Article 45 of the Banking Law defines "Capital Adequacy" as having adequate equity against losses that could arise from the risks encountered. 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%.

The BRSA is authorized to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Group as required by the BRSA is currently 8%.

Under the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated 1 November 2006, subordinated loans to a bank are grouped as "primary subordinated loans" and "secondary subordinated loans" and are listed as one of the items that constitute "Tier II" capital. The portion of primary subordinated loans equal to an amount from 15% up to 50% of "Tier I" capital is included in the calculation of "Tier I" capital.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

The reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

Category of Foreign Currency Liabilities Required	Reserve Ratio
Demand deposits, notice deposits, private current accounts, precious metal deposit accounts, deposit accounts, deposit/participation accounts up to 1-month, 3-month, 6-month and 1-year maturities	12%
Deposit/participation accounts and precious metal deposit accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	9%
Other liabilities up to 1-year maturity (including 1-year)	12%
Other liabilities up to 3-year maturity (including 3-year)	10%
Other liabilities longer than 3-year maturity	6%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities Required	*Reserve Ratio*
Demand deposits, notice deposits and private current accounts	11.25%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.25%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.25%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8.25%
Deposits/participation accounts up to 1-year maturity	6.25%
Deposits/participation accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	5%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	11.25%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years)	8%
Other Turkish Lira liabilities longer than 3-year maturity	5%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements will also apply to gold deposit accounts. Furthermore, pursuant to the recent amendments to the Communiqué regarding reserve requirements published on 21 November 2012, banks are permitted to maintain: (a) up to 60% (at least half of which must be in US Dollars) of the Turkish Lira reserve requirements in US Dollars and/or Euro (first 40% at 1.4 times, second 5% at 1.8 times, third 5% at 2.1 times, fourth 5% at 2.3 times and fifth 5% at 2.4 times the reserve requirement) effective as of 7 December 2012 and effective as of 21 December 2012, up to 30% of the Turkish lira reserve requirements in standard gold (first 20% at 1.3 times, second 5% at 1.8 times and third 5% at 2.3 times the reserve requirement), and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold.

Starting in September 2010, reserve accounts kept in TL became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008).

The regulations state that the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100% liquidity 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 (0-31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80% liquidity adequacy for its foreign currency liabilities.

The regulations further state that until December 31, 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities; *however*, such foreign exchange-indexed assets and liabilities shall continue to be deemed TL currency for the calculation of total liquidity adequacy ratios.

Audit of Banks

Pursuant to Article 24 of the Banking Law, a bank's board of directors shall establish an audit committee for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members who must be appointed from among 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 the case of parent undertakings covered by the Banking Law, ensuring that the internal audit functions of the relevant institutions are carried out in a consolidated and coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority, has the right to monitor banks' compliance 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 certain liabilities defined in the regulations.

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 only to a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the banks' 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 28 June 2012 and numbered 28337, banks are required 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 department reports 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 held by 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 to restructure, transfer to third parties and strengthen 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 duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119, are as follows:

(a) Ensuring the enforcement of the SDIF Board's decisions;

(b) Establishing the human resources policies of the SDIF;

(c) Becoming members of international financial, economic and professional organisations, in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall under the SDIF's span of duty;

(d) To insure the savings deposit and participation funds in the credit institutions;

(e) To determine the scope and amount of the savings deposit and participation funds which are subject to insurance with the opinion of the Central Bank, BRSA and Treasury Undersecretaries, to determine risk based insurance premiums timetable, collection time and form and other issues in cooperation with the opinion of BRSA;

(f) To pay the insured deposits and participation funds from its sources, in the credit institutions whose operating permission have been revoked, directly or through another bank;

(g) To fulfil the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights except dividends and management and supervision transferred to the SDIF by BRSA, with the condition that the losses of the partners are reduced from the capital;

(h) To take management and control of the banks whose operating permission has revoked and fulfil the necessary operations regarding the bankruptcy and liquidation of them;

(i) To request from the public institutions and agencies and real persons and legal entities to provide the all information, document and book, continuously, regularly and timely for the SDIF in the framework of the Article 123 of the Law with the charged personnel or official inscription;

(j) To make regulations and communiqué's for the enforcement of the Law with SDIF Board's decision; and

(k) To fulfil the other duties that the Law and other related legislation assign.

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, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

The owners of deposits and participation funds are treated as privileged creditors with respect to the part of their accounts not subject to insurance, pursuant to article 206, line 3 of the Execution and Bankruptcy Law no. 2004, and receive their receivables after the payment of the receivables of the SDIF and the claims of the state and social security organisations covered by the Law No. 6183 in the case of the bankruptcy of credit institutions.

The resources available to the SDIF pursuant to Article 130 of the 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 (whereas a certain notification procedure is followed by SDIF annually) 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 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 SDIF.

Cancellation of Banking License

According to Article 67 of Banking Law, 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 the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then, depending on which events listed above are applicable, the BRSA may require the board of directors of such bank to take one or more of the following actions or any other actions that the BRSA deems necessary:

- 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 extension 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 the BRSA and in accordance with a plan approved by the 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 the 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 extension 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 the failure to comply with the relevant legislation or the increase in risk as set out 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 agree to the implementation of such plan in writing.

In the event that 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, including 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 that: (a) the aforementioned actions are not (in whole or in part) taken by such bank within a period of time stipulated by the BRSA or in any case within twelve months; (b) the financial structure of such bank has not been strengthened despite the fact that such actions have been taken; (c) the BRSA determines that taking these actions will not 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 licence of such bank to engage in banking operations and/or accept deposits, and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of the 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 the current shareholders.

In the event that the licence of a bank to engage in banking operations and/or to accept 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 licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to the assignment of their rights. The SDIF must take measures to protect 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 licence 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 Tariff 8 of the Law on Fees No. 492, as amended by the Law No. 5951, banks are required to pay a financial services fee for each of their branches each year. The amount of the fee is determined by reference to the population of the district in which the relevant branch is located.

Corporate Governance Principles

On December 30, 2011, the Corporate Governance Communiqué was published by the CMB and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the ISE. The Corporate Governance Communiqué became applicable to the Bank starting from December 30, 2012 though the new Capital Markets Law requires the CMB to replace all existing secondary legislation until 30 December 2013 including, *inter alia*, the Corporate Governance Communiqué. The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors.

The new Capital Markets Law authorises the CMB to require the listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with these principles which includes requesting injunctions from the court or filing lawsuits to determing or to revoke the unlawful transactions or actions that contradict with these principles.

Basel II

The BRSA has published regulations regarding the implementation of Basel II in Turkey. These regulations took full effect during second half of 2012. These regulations were implemented on a bank-only basis starting from July 1, 2011, and on a consolidated basis starting from January 1, 2012. As of March 31, 2012, Turkish banks were required to report their risk-weighted assets calculated under the standard approach of Basel II as contained in the "Turkish National Discretions." This reporting period was a "parallel run", since banks continued to report their risk-weighted assets under both Basel I and Basel II requirements until June 30, 2012. Since June 30, 2012, only Basel II standard approach requirements are permitted in the credit risk report for minimum capital calculations.

Basel III

The Basel Committee has recently adopted further revisions to Basel III ("Basel III"), but there is no certainty as to whether these most recent Basel III revisions will be implemented by the BRSA in Turkey and, if so, when and in what form. Although an official timetable for the adoption of Basel III in Turkey has not been announced by the BRSA, the regulations are expected to be implemented between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee.

Anti-Money Laundering

Turkey is a member country of the Financial Action Task Force and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

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 Capital Markets Board ("**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 New Capital Markets Law

The new Capital Markets Law entered into force on 30 December 2012 and introduces major changes in the Turkish capital market regime. The registration requirement for public offerings and private placements has been abolished. Under the new regime, the issuer in a public offering is required to prepare a prospectus (*izahname*) or, in the case of a private placement, an issuance certificate (*ihraç belgesi*). Both the prospectus and the issuance certificate are subject to the CMB's approval. The new law also facilitates subsequent offerings to be made by the same issuer by introducing a simplified approval procedure, which would be applicable for a term of 12 months from the approval of the original prospectus.

Further, the new Capital Markets Law contains important amendments relating to the (i) issue of new shares below its nominal value; (ii) corporate governance principles; (iii) public disclosure rules; (iv) lising requirements; (v) profit distribution; (vi) exit rights and squeeze outs; (vii) reporting requirements; (viii) regulatory sanctions and administrative fines; (ix) collective investment schemes; and (x) certain capital market instruments including derivatives and capital market activities in line with the European union legislation standards.

Although the new law introduces major changes to the existing regulatory regime, the interpretation of these new rules and requirements will only become clearer upon the CMB bringing the secondary legislation in line with the new Capital Markets Law. The new law requires the CMB to replace all existing secondary legislation before 30 December 2013. Until then, the existing secondary legislation shall remain in force to the extent its provisions do not contradict the new Capital Markets Law.

The Istanbul Stock Exchange

Governance

The Istanbul Stock Exchange ("**ISE**") is governed by a board of directors composed of five members. The Chairman of the board of directors, who also acts as the chief executive officer, is appointed by the Minister to whom the Capital Markets Board relates and the remaining four members of the board of directors are appointed by the general assembly of the ISE. 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 TurkDEX has ISE-30 and ISE-100 index future contracts.

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). The local withholding tax is applied on the income derived from derivatives (i) with underlying shares and (ii) with underlying share index at a rate of 0% for all types of investors.

On the other hand, in case of capital gains derived by resident and non-resident real persons from other types of derivatives, the applicable rate of withholding tax is 10%. A 0% withholding tax rate is applied on the income derived from these remaining types of derivatives, if such income is derived by resident or non-resident capital companies, Turkish investment funds and similar foreign investment funds, as describes under Turkish tax legislation. It was recently announced in the CMB bulletin dated 29 August 2012 numbered 2012/35 that derivatives exchange agreements based on a single ISE share certificate will be traded at the ISE, and that the relevant draft legislation can be submitted to the ISE by the CMB.

Borsa Istanbul

A new stock exchange named Borsa Istanbul has been established to replace the ISE and the Gold Exchange with the enactment of the new Capital Markets Law. Borsa Istanbul will become operative when its articles of association to be prepared by the CMB are approved by the authorised ministry and registered with the Istanbul trade registry. These procedures will have to be completed by 30 June 2013 though the ministry may extend this period by up to three months. Once it becomes operational it will assume the assets and liabilities of ISE and Gold Exchange that will cease to exist and Borsa Istanbul will function as a stock exchange and gold exchange in Turkey.

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.

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 an annual and quarterly basis according to CMB standards.
- Audited year-end consolidated financial statements and reports prepared in accordance with CMB accounting standards must be submitted to the ISE within a period of fourteen weeks following the end of the accounting period.
- Reviewed interim period consolidated financial statements must be submitted to the ISE within eight 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 International Accounting Standards Board shall be applied as the 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 Guideline 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.

As per the respective Communiqué, 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 or real persons or legal entities acting for or on behalf of the 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, 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 No. VIII/66 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 Communiqué, prior to its amendment, prohibited the chairman and board members, legal auditors, executive directors, chief executive officers, executive vice presidents and other employees of the issuer who have access to insider information (as well as those of intermediary institutions taking part in a public offering) and their respective spouses, next of kin and marital relatives from directly or indirectly purchasing 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 or other real persons or legal entities acting in concert with this real person or legal entity) 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.

Disclosure under New Capital Markets Law

Although the disclosure Communiqué is still in effect, the new Capital Markets Law broadened the scope of disclosure requirement and those that are required to make public disclosures. Accordingly, issuers and all relevant parties are required to disclose all events, information and developments that may impact the value of the capital markets instruments, market prices or investor decisions. The CMB will determine the details of these requirements under a new regulation to be issued before 30 December 2013.

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 the determination of the 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 and Limited Right in Rem by Companies with Foreign Share Capital and Circular numbered 2010/24 (1717) and dated 14 December 2010 issued by the General Directorate of Land Registry and Cadastre, 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 (except for mortgages) over real estate.

Law No. 4875 provides that foreign investors 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.

Regulation on Application of Law No. 4875 requires a public Turkish company to notify the Foreign Investment General Directorate in the event a foreign investor acquires 10% or more of the share capital or voting rights of such public company. Also, the Capital Market 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 Undersecretariat of Treasury 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 TL 1,000,000,000 7.500% Notes due 2018 (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 a Fiscal Agency Agreement dated 5 February 2013 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**"), Deutsche Bank Luxembourg S.A. as registrar (the **"Registrar"**) 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 5 February 2013 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**") 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 TL 300,000 and integral multiples of TL 1,000 in excess thereof (referred to as the "**principal amount**" of a Note). 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. 6102), the Capital Markets Law (Law No. 6362) 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;

(b) such Security Interest is terminated; or

(c) 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) a bond, note or similar instrument whereby the payment obligations are secured on a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such instrument, 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 principally 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 an issuance of (A) 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 principally 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, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings (collectively, "**Permissions**") which are immaterial in the conduct by the Issuer of the Permitted Business. For the avoidance of doubt, any Permissions relating to the Issuer's ability or capacity to undertake its banking or financial advisory functions shall not be deemed to be immaterial in the conduct by the Issuer of its Permitted Business.

5.2 Transactions with Affiliates

The Issuer shall not, and shall not permit any of its Material 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$50,000,000 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 Material Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Material 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; and

(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.

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 5 February 2013 (the "**Issue Date**") at the rate of 7.500% per annum, payable semi-annually in arrear on 5 February and 5 August in each year (each an "**Interest Payment Date**"). The first payment (for the period from and including 5 February 2013 to but excluding 5 August 2013 and amounting to TL 37.50 per TL 1,000 principal amount of each Note) shall be made on 5 August 2013.

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. CURRENCY EXCHANGE AND PAYMENTS

Payments of principal and interest in respect of the Global Certificates will be made in Turkish Lira. However, each accountholder in Euroclear and/or Clearstream, Luxembourg may make an irrevocable election to receive payment of principal or interest in US Dollars. In respect of any Notes for which an accountholder in Euroclear and/or Clearstream, Luxembourg has made such an irrevocable election to receive a payment in US Dollars, the Fiscal Agent will (through the relevant Paying Agent, as the case may be), pursuant to Condition 7.2, through the facilities of Euroclear and/or Clearstream, Luxembourg credit such accountholder's US Dollar account with such accountholder's pro-rata portion of the US Dollars purchased with the applicable Lira Amount by the Fiscal Agent pursuant to the Agency Agreement.

If for any reason, the Fiscal Agent cannot purchase US Dollars, the relevant payment of interest or principal will be made to the relevant Noteholder in Turkish Lira, as more fully described below.

7.1 Payments in respect of the Notes

Payments of principal and interest will be made by transfer to the registered Turkish Lira account or, as the case may be, the registered US Dollar account of the Noteholder. 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 Turkish Lira or US Dollar account, as the case may be, maintained by or on behalf of it with a bank that processes payments in Turkish Lira or US Dollar, as the case may be, 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 US Dollar Currency Exchange and Payments

(a) Noteholders may, no later than the fifth Business Day before the due date for any payment of interest or principal, give an irrevocable election to the Registrar to receive such payment of interest or principal, as the case may be, in US Dollars. Upon any such election, such interest or principal will be converted into US Dollars by the Fiscal Agent and paid on the relevant payment date in accordance with the provisions of Clauses 8 and 9 of the Agency Agreement.

For the avoidance of doubt, to receive a payment in US Dollars, an election to that effect is required to be made for each such payment.

(b) The Fiscal Agent shall, in accordance with the provisions of the Agency Agreement, purchase US Dollars with the related aggregate Turkish Lira amount (the "**Lira Amount**") for settlement on each date on which a payment becomes due on the Notes (the "**Relevant Note Payment Date**"), at a purchase price calculated on the basis of the internal foreign exchange conversion rate for delivery on the Relevant Note Payment Date which the Fiscal Agent acting in a commercially reasonable manner uses to convert Turkish Lira into US Dollars (the "**Applicable Exchange Rate**"). In no event shall the Fiscal Agent be liable to any party for the conversion rate so obtained.

(c) On each Relevant Note Payment Date in respect of which the Fiscal Agent shall have received such notification, the Fiscal Agent shall give notice to Noteholders in accordance with Condition 13 of (a) the total amount of US Dollars purchased with the related Lira Amount and (b) the Applicable Exchange Rate at which such US Dollars were purchased by the Fiscal Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer by no later than 8.30 a.m. (London time) on the Relevant Note Payment Date in order to make any payments to Noteholders on such Relevant Note Payment Date. If the Fiscal Agent receives cleared funds from the Issuer after such time on the Relevant Note Payment Date the Fiscal Agent will use reasonable efforts to pay the funds as soon as reasonably practicable thereafter.

(d) If, for any reason, it is not possible for the Fiscal Agent to purchase the US Dollars with the Lira Amount or, if the relevant Paying Agent has not been notified of a US dollar account into which a Noteholder's payments should be made, the Fiscal Agent shall so notify Noteholders in accordance with Condition 13 and shall pay to such Noteholder's Turkish Lira account such Noteholder's relevant portion of the Lira Amount.

Notwithstanding any other provision to the contrary (i) all costs of the purchase of the US Dollars with the Lira Amount shall be borne *pro rata* by the relevant Noteholders by deduction from the US Dollar payment made to the Paying Agents, and (ii) the Issuer and the Fiscal Agent shall have no obligation whatsoever to pay any commissions or expenses, or to indemnify the Noteholders against any difference between the US Dollar amount received by such Noteholders and their *pro rata* portion of the Lira Amount.

7.3 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof ("**FACTA**"), or any law implementing an intergovernmental approach to FATCA.

7.4 Payment on Business Days

Where payment is to be made by transfer to a registered Turkish Lira account, or, as the case may be, a US Dollar 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 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).

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 City, 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;

(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 5 February 2018.

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 4 February 2013, 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 incremental withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, beyond the prevailing applicable rates on the Issue Date; 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. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

8.4 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).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

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 Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material 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, subject to any applicable grace period; 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 Material 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) the Issuer or any of its Material Subsidiaries becomes or is declared insolvent, or the Issuer or any of its Material Subsidiaries suspends payment of its debts or is unable or admits in writing its inability to pay its debts as they fall due; 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, provided, however, that such further notes will be fungible for US federal income tax purposes.

16. CURRENCY INDEMNITY UPON AN EVENT OF DEFAULT

Upon the occurrence of an Event of Default, the Turkish Lira shall become the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. In such circumstances, any amount received or recovered in a currency other than the Turkish Lira (including, for the avoidance of doubt, in US dollars) (whether as a result of, or the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Turkish Lira amount which the recipient is able to purchase with the amount so received or recovered in that other currency at the rate of exchange on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Turkish Lira amount is less than the Turkish Lira amount expressed to be due to the recipient under any Note, the Issuer shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgement or order.

For the purpose of this Clause 16, "**rate of exchange**" means the rate at which the relevant Noteholder is able at the relevant date in London to purchase Turkish Lira with the other currency and shall take into account any premium and other costs of exchange.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 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.

17.2 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.

17.3 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 first sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

17.4 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Law Debenture Corporate Services Limited at Fifth Floor, 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.

17.5 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.

18. 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 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 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 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. US DOLLAR CURRENCY ELECTION AND 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 Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the registered Turkish Lira or US Dollar, as the case may be, cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

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.

Payments of principal and interest in respect of the Global Certificates will be made, or procured to be made, by the Fiscal Agent for settlement on the relevant payment date in accordance with Clauses 8 and 9 of the Agency Agreement (i) in US Dollars, to the extent the Fiscal Agent receives notification via the Registrar through the notification procedures of Euroclear and/or Clearstream, Luxembourg from or on behalf of accountholders in Euroclear and/or Clearstream, Luxembourg of their irrevocable election to receive payment in US Dollars, by the relevant Paying Agent crediting the accountholder's registered US Dollar account at Euroclear and/or Clearstream, Luxembourg with the participant's pro-rata portion of the US Dollars purchased with the applicable Lira Amount by the Fiscal Agent pursuant to the Agency Agreement, and (ii) for all other accountholders in Euroclear and/or Clearstream, Luxembourg, by the relevant Paying Agent crediting the accountholder's registered Turkish Lira account at Euroclear and/or Clearstream, Luxembourg with the participant's Lira amount, in each case through the facilities of Euroclear and Clearstream, Luxembourg.

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 such clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

5. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate and a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee 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 and/or Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg 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 Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**" currently in effect. The information in this section concerning the Clearing Systems 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 the Clearing Systems 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 any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Registration and Form

Book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be represented by the Global Certificates registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream, Luxembourg. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear and Clearstream, Luxembourg to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg respectively. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourgas the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg and/or, if individual Certificates are issued in the limited circumstances described under "The Global Certificates-Registration of Title", holders of Notes represented by those individual Certificates. The Fiscal Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, Luxembourg.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date).

Payments

So long as Euroclear, Clearstream, Luxembourg or the common depositary or any nominee of such common depositary is the registered holder of a Global Certificate, Euroclear or Clearstream, Luxembourg, the common depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for the purposes of the Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, in respect of Global Certificates will be made to Euroclear, Clearstream, Luxembourg or such common depositary or nominee, as the case may be, as the registered holder thereof. Neither the Issuer nor any affiliate controlled by it for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions in the United States will be subject to relevant US tax laws and regulations.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear and/or Clearstream, Luxembourg as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg.

General

None of Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above 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 US federal, United Kingdom and Turkish income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of US federal, United Kingdom and Turkish income tax laws 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 Noteholders 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 Beneficial 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

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a general summary of certain US federal income tax consequences of the acquisition, ownership and retirement or other disposition of the Notes by a US Holder (defined below). 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 for US federal income tax purposes, 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, retirement or other disposition of the Notes. Each prospective Noteholder 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 the 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 that (a) purchases the Notes in the offering at the initial issue price (defined below); (b) holds the Notes as capital assets for US federal income tax purposes; 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 or (2) (a) the administration over 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 the Notes, the US federal income tax treatment of the partnership and a partner in such partnership generally will 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 the Notes.

A "**Non-US Holder**" is a Beneficial Owner 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 NOTEHOLDERS 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 for US federal income tax purposes.

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.

Stated interest paid in Turkish Lira will be included in a US Holder's gross income in an amount equal to the US dollar value of the Turkish Lira, including the amount of any withholding tax, regardless of whether the Turkish Lira are converted into US dollars. Generally, a US Holder that uses the cash method of tax accounting will determine such US dollar value using the spot rate of exchange on the date of receipt. A cash method US Holder generally will not realise foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the Turkish Lira received. Generally, a US Holder that uses the accrual method of tax accounting will determine the US dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis US Holder may make an election (which must be applied consistently to all debt instruments from year-to-year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A US Holder that uses the accrual method of accounting for tax purposes will recognise foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognised by such US Holder will be an amount equal to the difference between the US dollar value of the Turkish Lira interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the US dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is in fact converted to US dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense, and generally will be US source provided that the residence of the US Holder is considered to be the United States for purposes of the rules governing foreign currency gain or loss.

Sale, Exchange, Retirement or other Disposition

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, retirement or other disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable in the manner described above) 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. If a US Holder purchases a Note with Turkish Lira, the US dollar cost of the Note generally will be the US dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Note generally will be the US dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Note is traded on an established securities market, a cash basis US Holder (and, if it so elects, an accrual basis US Holder) should determine the US dollar value of the cost of or amount received on the Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis US Holders in respect of the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments from year-to-year and cannot be changed without the consent of the IRS. Subject to the foreign currency rules discussed below, any 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.

Gain or loss recognized by a US Holder on the sale, exchange, retirement or other disposition of a Note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the US Holder held such Note. Such foreign currency gain or loss will equal the difference between (i) the US dollar value of the US Holder's Turkish Lira purchase price for the Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the US dollar value of the US Holder's Turkish Lira purchase price for the Note calculated at the spot rate of exchange on the date of purchase of the Note. If the Note is traded on an established securities market, with respect to a cash basis US Holder (and, if it so elects, an accrual basis US Holder), such foreign currency gain or loss will equal the difference between (x) the US dollar value of the US Holder's Turkish Lira purchase price for the Note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the US dollar value of the US Holder's Turkish Lira purchase price for the Note calculated at the spot rate of exchange on the settlement date of the purchase of the Note. The realisation of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest, will be limited to the amount of overall gain or loss realised on the disposition of the Notes.

Exchange of Amounts in Other than US Dollars

If a US Holder of a Note receives Turkish Lira as interest on a Note or on the sale, exchange, retirement or other or disposition of a Note, such US Holder's tax basis in the Turkish Lira will equal its US dollar value when the interest is received or at the time of the sale, exchange, retirement or other disposition. If a US Holder of a Note purchased such Note with previously owned non-US currency, gain or loss will be recognized in an amount equal to the difference, if any, between the US Holder's tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss and will be treated as from sources within the United States provided that the residence of the US Holder is considered to be the United States for purposes of the rule governing foreign currency transactions.

Reportable Transaction Reporting

Under certain US Treasury regulations, US Holders that participate in ''reportable transactions'' (as defined in the regulations) must attach to their US federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a US Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. US Holders should consult their own tax advisers as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, any non-US currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the Notes.

Additional Notes

Additional Notes issued in further offerings by the Issuer will not be fungible for US federal income tax purposes with Notes of the same series that were issued in the original offering for that series if such additional Notes are not issued in a ''qualified reopening'' and have more than *a de minimis* amount of original issue discount for US federal income tax purposes. The market value of the previously outstanding Notes of a series may be adversely affected if additional Notes are not fungible for US federal income tax purposes unless the additional Notes can be distinguished from the originally issued Notes (for example, by use of a different Common Code and International Securities Identification Number (''**ISIN**'')). In addition, as discussed below, withholding tax liability under FATCA may be triggered if the Bank creates and issues further notes on or after the date that is six months after the date on which final US Treasury regulations define the term ''foreign passthru payment'' that are consolidated and form a single series with the outstanding Notes of a Series as permitted by Condition 15. See ''– FATCA Withholding'' below.

Foreign Financial Asset Reporting Requirements

Under legislation enacted in 2010 which significantly expands certain tax reporting obligations, certain United States persons that own certain types of foreign financial assets, which may include the Notes, have an information reporting obligation when the aggregate value of all such foreign assets exceeds US$50,000 at the end of the taxable year or US$75,000 at any time during the taxable year. These thresholds are higher for US Holders living outside of the United States and for married couples filing jointly. This reporting requirement applies to US individuals and, if specified by the Internal Revenue Service, domestic entities formed (or availed of) for the purpose of holding, directly or indirectly, specified types of foreign financial assets. US Holders should consult their own tax advisers with respect to this and any other reporting requirement that may apply with respect to their acquisition of a Note.

US Backup Withholding and Information Reporting

Backup withholding and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds from the sale or redemption of an obligation, to certain non-corporate holders of the Notes that are US persons. A payor will be required to backup withhold 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 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 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 and may be entitled to a refund provided the required information is furnished to the IRS in a timely manner.

FATCA Withholding

Should the Notes be significantly modified on or after the date (the ''**grandfathering date**'') that is six months after the date on which final US Treasury regulations define the term ''foreign passthru payment,'' then (pursuant to Sections 1471 through 1474 of the Code), any US Treasury regulations issued thereunder, or any similar law implementing an intergovernmental approach thereto

(**"FATCA"**)) the Issuer and other financial institutions through which payments on the Notes are made may be required to withhold US tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of such Notes. In addition, withholding under FATCA may be triggered if the Issuer creates and issues further notes on or after the grandfathering date that are consolidated and form a single series with the outstanding Notes as permitted by Condition 15 (Further Issues in "Conditions of the Notes").

The FATCA withholding tax may be triggered if either: (a) the Bank is a foreign financial institution (as defined in FATCA) (**"FFI"**) that must provide the IRS or other applicable authority with certain information on its account holders (making the Bank a "Participating FFI" (as defined in FATCA)) and (b)(i) an investor does not provide information sufficient for the relevant Participating FFI that is making payment to determine whether the investor is a United States person or should otherwise be treated as holding a "United States Account" of such FFI, or (ii) any FFI through or to which payment on the Notes is made is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of US withholding tax were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

FATCA is particularly complex and its application to the Issuer, the Notes and the Holders is uncertain at this time.

The above description is not intended to constitute a complete analysis of all US tax consequences relating to the ownership of the Notes. Prospective Noteholders should consult their own tax advisers concerning the tax consequences of their particular situations.

Certain Turkish Tax Considerations

The following taxation section describes the principal tax consequences of an investment in the Notes issued outside of Turkey for both Turkish resident and non-resident Noteholders. 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 arising under the laws of any taxing jurisdiction other than 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 Turkish tax for the commercial income made through a permanent establishment 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, a natural person who stays in Turkey for six months or more for a specific job or business or for particular purposes which are specified in the Income Tax Law is 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 Noteholder 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.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Decrees, the withholding tax rates are set according to the maturity of notes issued abroad as follows:

- 10% withholding tax for notes with a maturity of less than one year;
- 7% withholding tax for notes with a maturity of at least one year and less than three years;

- 3% withholding tax for notes with a maturity of at least three years and less than five years; and
- 0% withholding tax for notes with a maturity of at least five years and more.

Resident and non-resident holders of the Notes with a maturity of more than five years are subject to withholding tax of 0% in the Republic of Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is needed. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return.

For resident individuals the entire gain shall be declared if the interest income derived exceeds TL 26,000 for 2013 together with the gains from other marketable securities and rent income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sources in Turkey with respect to the Notes may be subject to declaration, however, pursuant to the change made in Temporary Article 67 with Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons for capital gains from such Notes and no declaration is required.

Capital gains realized by a resident corporation or individual on the sale or redemption of Notes are subject to income tax or corporate tax declaration. The current rate for corporate tax is 20%. The current rate for income tax for individuals ranges from 15% to 35% depending on the level of such individual's income.

For resident individuals, the acquisition cost can be increased at Producer Price Index rate of increase for each month except for the month of discharge, on condition that PPI increase rate is minimum 10%.

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).

The European Commission has proposed certain amendments to the Directive, which may, if implemented 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 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. 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 the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), the Code and Similar Law (as defined below) 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. Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-US plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the Code, but may be subject to similar rules under other applicable laws or documents. Accordingly, assets of such plans may be invested in the Notes without regard to the prohibited transaction considerations under ERISA and the Code described above in this paragraph and further below, subject to the provisions of other applicable federal, state or non-US law ("**Similar Law**").

Under the Plan Asset Regulation issued by the US Department of Labor, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, when a Benefit Plan acquires a significant equity interest (i.e., 25% or more of any class of equity in an entity), the underlying assets owned by that entity will be treated as if they were plan assets of such Benefit Plan, unless it is established that the entity is an "operating company" or another exception applies. Under the Plan Asset Regulation, an "operating company" is defined as "an entity that is primarily engaged, directly or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital". 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. It should be noted, however, that the Issuer is actively engaged in rendering banking services. Accordingly, we are proceeding based on the position that the Issuer qualifies as an "operating company" 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-US 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-US 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.

As noted above, 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 in respect of the Notes dated 4 February 2013 (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**
Citigroup Global Markets Limited	TL 200,000,000
Deutsche Bank AG, London Branch	TL 200,000,000
HSBC Bank plc	TL 200,000,000
J.P. Morgan Securities plc	TL 200,000,000
Merrill Lynch International	TL 200,000,000
Total	TL 1,000,000,000

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the applicable Series of 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 of each Series 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-US 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, US 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 the Issuer with no established trading market. The Issuer 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 Issuer 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 Issuer 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 fourth New York business day following the date of this Offering Memorandum (this settlement cycle being referred to as "T+4"). 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+4, 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 the Issuer, 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.

ADDITIONAL SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF TURKEY

THE INTERNATIONAL OFFERING OF THE NOTES HAS BEEN AUTHORISED BY AND WILL 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 TO REAL AND LEGAL PERSONS DOMICILED OUTSIDE TURKEY AND QUALIFIED INVESTORS (WITHIN THE MEANING OF THE COMMUNIQUE) DOMICILED WITHIN TURKEY OR, BY WAY OF A PRIVATE PLACEMENT, TO LEGAL ENTITIES DOMICILED WITHIN TURKEY, PROVIDED THAT THE NUMBER OF SUCH LEGAL ENTITIES SHALL NOT EXCEED 100.

PURSUANT TO ARTICLE 15(D)(II) OF DECREE 32, THERE IS NO RESTRICTION ON THE PURCHASE OR SALE OF THE CAPITAL MARKET INSTRUMENTS WHICH ARE TRADED ABROAD SUCH AS THE NOTES (OR BENEFICIAL INTERESTS THEREIN) BY RESIDENTS OF TURKEY; PROVIDED THAT THEY PURCHASE OR SELL SUCH NOTES (OR BENEFICIAL INTERESTS) THROUGH BANKS AND/OR LICENSED BROKERAGE INSTITUTIONS AUTHORISED PURSUANT TO CMB REGULATIONS. THE ISSUANCE CERTIFICATE RELATING TO THE NOTES IS EXPECTED TO BE OBTAINED FROM THE CMB ON OR ABOUT 4 FEBRUARY 2013.

THE CMB HAS AUTHORISED THE OFFERING OF THE NOTES; PROVIDED THAT, FOLLOWING THE PRIMARY SALE OF THE NOTES, NO TRANSACTION THAT MAY BE DEEMED AS A SALE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) IN TURKEY BY WAY OF PUBLIC OFFERING OR PRIVATE PLACEMENT MAY BE ENGAGED IN.

FURTHER, AS ALSO STATED IN THE RESOLUTION OF THE BRSA DATED 30 SEPTEMBER 2010 NO. 3875, MONIES PAID TO PURCHASER IN TURKISH LIRA DENOMINATED BONDS (INCLUDING THE NOTES) ARE NOT UNDER THE INSURANCE COVERAGE OF THE SDIF. REAL PERSONS SHOULD TAKE THIS INFORMATION INTO ACCOUNT WHEN INVESTING IN THE NOTES.

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.

According to Article 15 d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey shall be free to purchase and sell securities and other capital market instruments traded on financial markets outside of Turkey, and to transfer their purchasing proceeds abroad through banks and the intermediary institutions authorised in accordance with capital market legislation.

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, US 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-US 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 "**US person**" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a US 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 NOTE 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 OF THE UNITED STATES. NEITHER THIS NOTE 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 NOTE (OR A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR A BENEFICIAL INTEREST HEREIN) (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 THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) 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 ISSUE DATE 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 THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) 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-US 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 NOTE (OR A BENEFICIAL INTEREST HEREIN) 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. 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 "US 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 US person or for the account or benefit of a US 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 "Additional 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 US 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-US 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.

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 Turkey and the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the individual states in the United States. Turkish courts have rendered at least one judgment in the past confirming *de facto* reciprocity between Turkey and the United Kingdom. Furthermore, there may be de jure reciprocity between an individual state of the United States and Turkey. That is to say that law of a state in the United States may contain a provision allowing the enforcement of foreign judgments (inclusive of Turkish judgments) without requiring reciprocity. However, since *de facto* or *de jure* reciprocity is decided by the relevant court on a case-by-case basis, there is to a certain extent, uncertainty as to the enforceability of court judgments obtained in the United Kingdom or 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;

(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; or

(g) the judgment was rendered by a foreign court that has been deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In connection with the issuance of Notes, the Bank will designate Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as their agent upon whom process may be served in connection with any proceedings in England.

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 DLA Piper UK LLP, as to matters of U.S. law, and by YükselKarkınKüçük Avukatlık Ortaklığı as to matters of Turkish law. Certain matters as to US 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 Gedik & Eraksoy Avukatlık Ortaklığı.

OTHER 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 1 February 2013.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market. The admission of the Notes to the Official List will be expressed in Turkish Lira as a percentage of their nominal amount (excluding accrued interest). It is expected that admission to the Official List and to trading on the Main Securities Market will be granted on or about 6 February 2013, subject only to the issue of the Notes. Prior to official listing, dealings will be permitted by the Irish Stock Exchange in accordance with its rules.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Clearing Systems

The Unrestricted Global Certificate (ISIN XS0884723148 and Common Code 088472314) and the Restricted Global Certificate (ISIN XS0884723577 and Common Code 088472357) have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

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 30 June 2012, 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 2011, 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 2009 incorporated by reference in this Offering Memorandum have been audited by Başaran Nas Bag˘ımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.S, a member of PricewaterhouseCoopers, independent 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 auditor's report with respect thereto, which is also incorporated by reference in this Offering Memorandum. PwC is an institution authorised by the BRSA to conduct independent audits of banks in Turkey. The Annual Financial Statements as at 31 December 2010 and 2011, incorporated by reference in this Offering Memorandum, have been audited, and the Interim Financial Statements as at 30 June 2012 and the Quarterly BRSA Financial Statements as at 30 September 2012, incorporated by reference in this Offering Memorandum, have been reviewed, by

Ernst & Young, 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. 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.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer 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 Issuer's consolidated financial position or profitability.

Documents

The Issuer 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 Issuer (in English) delivered by the Issuer pursuant to Condition 5 may be obtained and copies (with certified English translations where the documents at issue are not in English) of the Issuer's articles of association and of its audited financial statements as at and for the years ended 31 December 2009, 2010 and 2011, 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.

As long as the Notes are outstanding, copies of this Offering Memorandum, the constitutional documents of the Issuer and (after the Issue Date) the Deed of Covenant and the Agency Agreement will be available for inspection in physical form at Sabancı Center 4. Levent 34330, İstanbul, Turkey.

Websites

Other than as stated in "Documents Incorporated by Reference", the contents of the Issuer's website or any other website referenced in this Offering Memorandum , including websites accessible by hyperlink on such websites, do not form any part of this Offering Memorandum.

Material Contracts

Save as disclosed in this Offering Memorandum under "Business of Akbank", the Issuer has not entered into any material contract outside the ordinary course of its business, which could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

ANNEX A – SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

The BRSA Principles differ from IFRS. Such differences primarily relate to format of presentation of financial statements, disclosure requirements (e.g. IFRS 7) and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34 standards. Among the differences in accounting policies some of the most important are:

- *Consolidation*

  Only financial sector subsidiaries and associates are consolidated under BRSA Principles, others are carried at cost or at fair value.

- *Associates*

  The definitions of "associate" differ; under the BRSA Principles "associate" is an entity in whose capital the parent bank participates and over which it has significant influence but no capital or management control, whose main operation is banking and which operates pursuant to special legislation with permission and licence and is established abroad. The related associate is consolidated according to the equity method and materiality principle. According to BRSA Principles, if the parent bank has 10% or more of the voting rights in the associate it is presumed to have significant influence on that associate unless proven otherwise, whereas according to IFRS the applicable rate of voting rights is 20% or more.

- *Specific provisioning for loan losses*

  The BRSA provisioning for loan losses is different from the IAS 39 and is based on minimum percentages relating to number of days overdue prescribed by relevant regulations, whereas the IFRS provisioning for loan losses is based on the present value of future cash flows discounted at original effective interest rates.

- *General loan loss provisioning*

  This is required under BRSA Principles but prohibited under IFRS. Instead, IFRS require portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired. Moreover, the BRSA generic provisioning is based on minimum percentages defined in regulations for many asset classes (both on-balance and off-balance sheet), not only for loans, which is not the case with IFRS.

- *Investment property and assets held for sale*

  Definitions and accounting treatment according to BRSA Principles are different from those under IFRS (based on regulations prescribed by the BRSA). Under the BRSA Principles depreciation of assets held for sale is taken into account, whereas pursuant to IFRS it is carried at lower of cost or fair value less cost to sell.

- *Deferred taxation*

  Certain differences exist in this area. According to the IAS 12 Income Taxes deferred taxation is calculated in full on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group, whereas under the BRSA Principles there are some specific exemptions. For example, under the BRSA Principles no deferred tax is computed in relation to general loan loss provisions.

- *Application period for hyperinflationary accounting*

  Under the BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, constituting a one year difference between the two.

  Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing life and non-life insurance services which are subject to Undersecretariat of Treasury policies/requirements and factoring and leasing services which are subject to specific BRSA policies/requirements.

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AKBANK T.A.Ş.

TL 1,000,000,000 7.500%. Notes due 2018

OFFERING MEMORANDUM

4 February 2013

Citigroup Global Markets Limited

Deutsche Bank AG, London Branch

HSBC Bank plc

J.P. Morgan Securities plc

Merrill Lynch International

Joint Lead Managers