IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PURCHASING IN OFFSHORE TRANSACTIONS AND NOT U.S. PERSONS (EACH AS DEFINED IN REGULATION S)

IMPORTANT: You must read the following before continuing. The following applies to the attached Prospectus (the "**Prospectus**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from (or on behalf of) Akbank T.A.Ş. (the "**Issuer**") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA (WITH ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA, COLLECTIVELY THE "**UNITED STATES**") OR ANY OTHER JURISDICTION TO THE EXTENT THAT IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND SUCH SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) 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 ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS 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, THEN 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 the Prospectus, prospective investors must be purchasing in offshore transactions and not U.S. persons (each as defined in Regulation S). The Prospectus is being sent at your request and by accepting this electronic distribution and accessing the Prospectus, you will be deemed to have represented to the Issuer that: (i) you and any customers you represent in connection herewith are purchasing in offshore transactions and not U.S. persons and, if applicable, that the electronic mail address to which this electronic transmission has been delivered is not located in the United States, (ii) you consent to delivery of the Prospectus by electronic transmission and (iii) you have understood and agree to the terms set out herein.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus 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 the Prospectus 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 to the extent that offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and an underwriter or any affiliate of an underwriter is a licensed broker or dealer in that jurisdiction, then the offering will be deemed to be made by such underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been provided 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 the Issuer, HSBC Bank plc or any person who controls any of them, nor any director, officer, employee, counsel nor agent of any of them or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer.

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

The Prospectus is being distributed only to and directed only at: (a) persons who are outside the United Kingdom, (b) persons in the United Kingdom 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 (c) those persons in the United Kingdom to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Prospectus is directed only at relevant persons and must not be acted on or relied upon by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The Prospectus is being distributed only to and directed at real persons and legal entities domiciled outside of Turkey.

MiFID II product governance / Professional investors and eligible counterparties only target market - Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

AKBANK

AKBANK T.A.Ş.

a Turkish banking institution organised as a joint stock company

U.S$50,000,000 6.05 per cent. Notes due 2024

The U.S.$50,000,000 6.05 per cent. Notes due 2024 (the "**Notes**") are being issued by Akbank T.A.Ş., a banking institution organised as a joint stock company under the laws of Turkey and registered with the Istanbul Trade Registry under number 90418 ("**Akbank**", the "**Bank**" or the "**Issuer**").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities or "blue sky" laws of any state of the United States or any other U.S. jurisdiction and are being offered for sale to non-U.S. persons outside the United States in reliance upon Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*" and "*Plan of Distribution*" below.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "*RISK FACTORS*" HEREIN.

The Notes will bear interest from (and including) 5 August 2020 (the "**Issue Date**") to (but excluding) 15 November 2024 (the "**Maturity Date**") at a fixed rate of 6.05 per cent. per annum. Interest will be payable semi-annually in arrear on each of 15 May and 15 November (each an "**Interest Payment Date**") in each year up to (and including) the Maturity Date, *provided that* if any such date is not a Payment Day (as defined in Condition 7.4) then such payment will be made on the next Payment Day. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein. There will be a short first interest period from (and including) the Issue Date to (but excluding) 15 November 2020.

This Prospectus has been approved by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank of Ireland only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to its official list (the "**Official List**") and trading on the regulated market (the "**Euronext Dublin Regulated Market**"). The Euronext Dublin Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). References in this Prospectus to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Euronext Dublin Regulated Market. There is no assurance that such listing will be granted or maintained and that a trading market in the Notes will develop or be maintained.

This Prospectus will be valid until the admission of the Notes to trading on the Euronext Dublin Regulated Market. The obligation to supplement the Prospectus in the event of any significant new fact, material mistake or inaccuracies does not apply when the Prospectus is no longer valid.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**"), in its capacity as competent authority under Law No. 6362 (the "**Capital Markets Law**") of the Republic of Turkey ("**Turkey**") relating to capital markets, for the issuance and sale of the Notes by Akbank outside of Turkey. The Notes cannot be sold before the necessary approvals and an approved issuance certificate in respect of the Notes are obtained from the CMB. The CMB approval approving the issuance certificate (*ihraç belgesi*) based upon which the offering of the Notes will be conducted was obtained by the CMB's letter dated 24 January 2020 and numbered 29833736-105.02.02-E.1028 (the "**CMB Approval**"), and the written approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) imposed or levied by or on behalf of a Relevant Jurisdiction (as defined in Condition 9) other than Taxes withheld relating to FATCA (as defined in Condition 7.1), unless the withholding or deduction of the Taxes is required by law. In that event, except as provided for in Condition 9, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders (as defined below) after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Turkey varies depending on the original maturity of such bonds as specified under decrees numbered 2010/1182 published on 20 December 2010 and numbered 2011/1854 published on 29 June 2011, and Presidential Decree No. 842 published on 21 March 2019 (the "**Tax Decrees**"). Pursuant to the Tax Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (ii) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 3%, and (iii) with respect to bonds with a maturity of three years and more, the withholding tax rate on interest is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. See "*Taxation — Certain Turkish Tax Considerations*" below.

The Notes are expected to be rated at issuance B+ by Fitch Ratings Ltd. ("**Fitch**"). Fitch is established in the United Kingdom and is registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such, it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered under Regulation S by the Issuer. The Notes will initially be represented by a global notes in registered form which will be issued, offered and sold in reliance on Regulation S (the "**Regulation S Global Note**") and will be registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). It is expected that delivery of the Regulation S Global Note will be made in book-entry form against payment therefor in immediately available funds on 5 August 2020 **(**the "**Issue Date**").

Arranger

HSBC

The date of this Prospectus is 11 August 2020.

IMPORTANT INFORMATION

This prospectus (the "Prospectus") constitutes a prospectus for the purposes of Article 6.3 of the Prospectus Regulation and for the purpose of giving necessary information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is material to an investor to making an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the rights attaching to the Notes, and the reasons for the issuance and its impact on the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the heading "*Book-Entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. All of the information contained in this Prospectus concerning the Turkish market and Akbank's competitors, which may include estimates or approximations, has been obtained (and extracted without material adjustment) 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 Prospectus has been obtained from the BRSA's website at http://www.bddk.org.tr and The Banks Association of Turkey's website at http://www.tbb.org.tr; and all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("Turkstat") at http://www.turkstat.gov.tr, the Central Bank of Turkey (the "Central Bank") website at http://www.tcmb.gov.tr, and the Ministry of Treasury and Finance's website at https://www.hmb.gov.tr/. Data may be based on calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not form a part of, and are not incorporated into, this Prospectus. Where third-party information has been used in this Prospectus, the source of such information has been identified. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from the relevant published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Prospectus, while believed to be reliable, has not been independently verified by the Issuer or any other party.

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

This Prospectus is to be read in conjunction with all documents (or parts thereof) which are deemed to be incorporated herein by reference (see "*Documents Incorporated By Reference*"). This Prospectus shall be read and construed on the basis that such documents (or parts thereof) are incorporated by reference in, and form part of, this Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated By Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised by the Central Bank of Ireland.

The Issuer, having made all reasonable enquiries, confirms that: (i) this Prospectus (including the information incorporated herein by reference) contains all information which is material with respect to the Issuer and the Notes, (ii) the information contained or incorporated by reference in this Prospectus is true and accurate in all material respects and is not misleading, (iii) any opinions, predictions or intentions expressed in this Prospectus (or any of the documents incorporated herein by reference) on the part of the Issuer are honestly held or made by the Issuer and are not misleading in any material respects, and there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect, and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

To the fullest extent permitted by law, HSBC Bank plc ("**HSBC**") accepts no responsibility, and makes no representation, warranty or undertaking, express or implied, for the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement consistent with this Prospectus made, or purported to be made, by HSBC or on its behalf in connection with the Notes. HSBC accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or HSBC.

Neither this Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or HSBC that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained or incorporated in this Prospectus and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer based upon such investigation as it deems necessary. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or HSBC to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as at any time subsequent to the date indicated in the document containing the same. HSBC expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to its attention.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and HSBC do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither (i) this Prospectus nor (ii) any advertisement or other offering material, may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Switzerland and the Republic of Turkey. See "*Subscription and Sale and Transfer and Selling Restrictions*" below.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States and, other than the approvals of the BRSA, CMB and the Central Bank of Ireland described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in any other jurisdiction, nor has any such authority (other than the Central Bank of Ireland to the extent described herein) approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Issuer or HSBC makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has 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 or incorporated by reference in this Prospectus;

(b) has 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 the Notes will have on its overall investment portfolio;

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

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or other 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 from the registration requirements thereof described under "*Subscription And Sale And Transfer And Selling Restrictions*" below. 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, of the Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The Issuer has obtained the CMB Approval and the Banking Regulation and Supervision Agency approval dated 2 January 2020 and numbered 20008792-101.01.04[23]-E.17 (the "**BRSA Approval**" and, together with the CMB Approval, the "**Approvals**") required for the issuance of the Notes. In addition, the required tranche issuance certificate (*tertip ihraç belgesi*) relating to the Notes is expected to be obtained from the CMB on or prior to the Issue Date.

Pursuant to the Approvals, the offering of the Notes has been authorised by the CMB only for the purpose of the sale of the Notes outside of Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**"), the Capital Markets Law No. 6362 and Communiqué Serial VII, No 128.8 on Debt Instruments (the "**Communiqué on Debt Instruments**").

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Approvals. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and Article 15(d)(ii) of Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis; and, (b) in both the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; provided that (for each of clauses (a) and (b)); such purchase or sale is made through licensed banks and/or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under the BRSA regulations. Monies paid for purchases of the Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund of Turkey (the "**SDIF**").

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Securities Depository (*Merkezi Kayıt Kuruluşu*) (the "**CSD**") within three Turkish business days from the Issue Date of the amount, issue date, ISIN, first payment date, maturity date, interest rate, name of the custodian, currency of the Notes and the country of issuance.

The Regulation S Global Note will be deposited on or about the Issue Date with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee for the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect account holders in Euroclear and Clearstream, Luxembourg. Except as described in this Prospectus, owners of beneficial interests in the Regulation S Global Note 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 (as defined below).

IMPORTANT – EEA AND UK RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**") (each, an "**EEA/UK Retail Investor**"). For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II, (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (c) not a qualified investor as defined in the Prospectus Regulation, as amended. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to EEA/UK Retail Investors has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any EEA/UK Retail Investors in the EEA or in the UK might be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and eligible counterparties only target market - Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

TURKISH TAX CONSIDERATIONS

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) other than Taxes withheld relating to FATCA (as defined in Condition 7.1) imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 9), unless the withholding or deduction of the Taxes is required by law. In that event, except as provided for in Condition 9, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Turkey varies depending on the original maturity of such bonds as specified under the Tax Decrees. Pursuant to the Tax Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (ii) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 3%, and (iii) with respect to bonds with a maturity of three years and more, the withholding tax rate on interest is 0%.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Akbank maintains its books of accounts and prepares its statutory financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislation related to the accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (the "**BRSA**") and, in cases where a specific regulation is not made by the BRSA, Turkish Accounting Standards ("**TAS**") and Turkish Financial Reporting Standards ("**TFRS**") and related appendices and interpretations put into effect by the Public Oversight Accounting and Auditing Standards Authority (the "**POA**") (collectively, the "**BRSA Principles**"). Akbank maintains its books in Turkish Lira in accordance with the Banking Law, the Turkish Commercial Code and Turkish tax legislation. Akbank's foreign subsidiaries maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

Akbank's unaudited consolidated interim statutory financial statements and related notes thereto as of and for the six months ended 30 June 2020 (with unaudited comparative information for the six months ended 30 June 2019) (the "**Akbank BRSA Half-Year Financial Statements**"), its unaudited consolidated interim statutory financial statements and related notes thereto as of and for the three months ended 31 March 2020 (with unaudited comparative information for the three months ended 31 March 2019) (the "**Akbank BRSA Quarterly Financial Statements**" and, together with the Akbank BRSA Half-Year Financial Statements, the "**Akbank BRSA Interim Financial Statements**") and its audited consolidated statutory financial statements and related notes thereto as of and for the financial year ended 31 December 2019 (the "**Akbank 2019 BRSA Annual Financial Statements**"), its audited consolidated statutory financial statements and related notes thereto as of and for the financial year ended 31 December 2018 (the "**Akbank 2018 BRSA Annual Financial Statements**") and its audited consolidated statutory financial statements and related notes thereto as of and for the financial year ended 31 December 2017 (the "**Akbank 2017 BRSA Annual Financial Statements**" and, together with the Akbank 2019 BRSA Annual Financial Statements and the Akbank 2018 BRSA Annual Financial Statements, the "**Akbank BRSA Annual Financial Statements**") have been prepared and presented in accordance with BRSA Accounting and Financial Reporting Legislation (the "**BRSA Principles**") and Turkish Financial Reporting Standards ("**TFRS**") for the matters not regulated by the aforementioned legislation. The Akbank BRSA Interim Financial Statements and the Akbank BRSA Annual Financial Statements are collectively referred to herein as the "**Akbank BRSA Financial Statements**".

The Akbank BRSA Financial Statements are prepared on the historical cost basis except for assets and liabilities carried at fair value. The Akbank BRSA Financial Statements are also prepared on a consolidated basis with its financial subsidiaries.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("**PwC**") audited in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No. 29314, dated 2 April 2015 and with the Standards on Independent Auditing, which is a part of Turkish Standards on Auditing promulgated by the POA:

- the Akbank 2019 BRSA Annual Financial Statements and issued an independent auditor's report in respect thereof on 31 January 2020;

- the Akbank 2018 BRSA Annual Financial Statements and issued an independent auditor's report in respect thereof on 31 January 2019; and

- the Akbank 2017 BRSA Annual Financial Statements and issued an independent auditor's report in respect thereof on 31 January 2018.

Unless otherwise indicated, the financial information with respect to Akbank presented in this Prospectus is based upon the convenience translation of Akbank BRSA Financial Statements incorporated by reference herein and has been extracted from the Akbank BRSA Financial Statements without material adjustment. The convenience translations of the Akbank BRSA Financial Statements incorporated by reference into this Prospectus, all of which are in English, were prepared as convenience translations of the Akbank BRSA Financial Statements originally issued in the Turkish language (which translations Akbank confirms are direct and accurate).

The Akbank BRSA Financial Statements, together with the respective notes thereto are incorporated by reference into this Prospectus. See "*Documents Incorporated By Reference*".

BRSA Principles and IFRS

BRSA Principles differ from IFRS. For a discussion of the differences between BRSA Principles and IFRS, see "*Appendix 1 - Overview Of Significant Differences Between IFRS And BRSA Accounting Principles*".

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (e.g., certain U.S. Dollar and Turkish Lira amounts have been rounded to the nearest million and or thousand, as applicable). 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**", including with respect to the Akbank BRSA Financial Statements, are references to the Turkish currency rounded to the nearest thousand. Unless otherwise indicated, references to "**U.S. $**", "**$**", "**U.S. Dollars**" or "**Dollars**" in this Prospectus 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.

Certain Defined Terms, Conventions and Other Considerations in Relation to the Presentation of Information in this Prospectus

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Prospectus.

In this Prospectus and except where the context otherwise requires, references to "**Akbank**", the "**Bank**" or "**Issuer**" or "**Akbank Group**" are to Akbank T.A.Ş., either on a standalone basis or together with its consolidated subsidiaries, as the context requires.

In this Prospectus, all references to "**Turkey**" are to the Republic of Turkey, all references to "**Ireland**" are to Ireland (exclusive of Northern Ireland) and all references to a "**Member State**" are to a Member State of the EEA.

In this Prospectus, any reference to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer and the Fiscal Agent.

The language of this 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. In particular, but without limitation, the titles of Turkish legislation and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translation of these titles and names are direct and accurate.

In the case of the presented statistical information, similar statistics may be obtained 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.

Information regarding Akbank's shareholders (including ownership levels and agreements) in "*Overview Of The Issuer And The Notes", "Information About Akbank—Business"* and *"Information About Akbank—Share Ownership and the Sabancı* Group*—Principal Shareholders*" has been based upon public filings and announcements by such shareholders.

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RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due. It is not possible to identify all such factors, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due on the Notes. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

I. RISKS RELATED 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 is in turn materially affected by the strength of the Turkish economy.

Akbank's loans constituted 55% of its total assets, or TL 214.5 billion, and 52% of its total assets, or TL 219.0 billion, on a consolidated basis as at 31 December 2019 and 31 March 2020, respectively. Approximately 93% of these assets were located in Turkey as at 31 March 2020. Akbank's deposits from customers constituted 63% of its total liabilities and shareholders' equity, or TL 244.7 billion, as at 31 December 2019 and 64% of its total liabilities and shareholders' equity, or TL 270.8 billion, as at 31 March 2020, almost all of which were located in Turkey. In addition, 12% of Akbank's total assets were invested in Turkish government (the "**Turkish Government**") debt securities as at 31 December 2019 and 31 March 2020.

Turkish GDP growth has fluctuated in the past several years, with GDP growing by 7.5% in 2017, 2.8% in 2018, 0.9% 2019 and 4.5% in the quarter ended 31 March 2020, according to TurkStat. Turkey's economic conditions have been negatively impacted since the second half of 2018 due to a number of macroeconomic factors, including the impact of the COVID-19 pandemic (See *"—The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Akbank and/or its clients."*), depreciation of the Turkish Lira, higher interest rates, increasing political uncertainties and global developments. Weaker economic conditions in Turkey have already negatively affected Akbank's business and operating results in 2018 and 2019, and could further adversely impact Akbank's business and operating results due to:

- reduced consumer confidence and decreases in business activity resulting in reduced demand for Akbank's loans and fee and commission generating services;
- deterioration of creditworthiness of companies and individuals, resulting in impairments on assets and/or collateral as well as increased levels of non-performing loans ("**NPLs**") and loan impairment charges;

- reduced, or no, access to capital markets due to unfavourable market conditions increasing funding costs and higher liquidity and financing risks; and

- lower deposit growth and/or increased competition for deposits leading to higher funding costs.

The deterioration of macroeconomic conditions in Turkey has impacted the Turkish banking sector, including Akbank, in several ways, including (i) the high interest rate environment in parts of 2018 and 2019, which has increased the cost of funding and lending rates, (ii) negative/slow economic growth and increased inflation, which negatively impacted demand and supply for lending and the asset quality of both corporate and retail loans and (iii) volatility in exchange rates, which also impacted both the asset quality and the capital ratios of the Turkish banking sector. Although the ultimate impact remains difficult to predict, macroeconomic conditions have been and may continue to be particularly adversely affected by the ongoing COVID-19 outbreak and measures introduced to combat the pandemic. Accordingly, continued weakness in Turkish economic conditions could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects (see "*— Risks Related to Turkey and Other Related Risks–The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Akbank and/or its clients.*").

Credit risks, including risks arising from exposure to clients and the Turkish Government, have materially adversely affected and could continue to have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

Akbank's business, financial condition, results of operations and prospects have been affected 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 Akbank. These parties include borrowers of loans from Akbank, issuers, including the Turkish Government whose securities are held by Akbank, trading and hedging counterparties, customers of letters of credit provided by Akbank and other financial counterparties of Akbank, any of which might default on their obligations to Akbank due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons.

Akbank's core banking businesses have historically been, and are expected to continue to be, lending to commercial businesses, corporate clients, other businesses and consumers. As at 31 December 2019 and 31 March 2020, 37% of Akbank's gross loan portfolio consisted of loans to corporate clients and commercial businesses (both Turkish Lira and foreign currency), compared to 36% as at 31 December 2018. As at 31 December 2019 and 31 March 2020, 72% and 71% of Akbank's gross loan portfolio consisted of business loans (both Turkish Lira and foreign currency), respectively, compared to 75% as at 31 December 2018. Business loans include loans to corporate clients, loans to commercial businesses and other business loans.

As at 31 March 2020 and 31 December 2019, 2018 and 2017, business loans constituted 71%, 72%, 75%, and 76% of Akbank's total loans, respectively. SMEs, which typically have less financial strength than large companies, are a key component of Akbank's current business and growth strategy. The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for large corporate clients. Therefore, notwithstanding the credit risk determination procedures that Akbank has in place, Akbank may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine their long-term financial viability.

Akbank's NPL ratio (defined as the ratio of non-performing loans to total gross loans) as at 31 March 2020 and 31 December 2019, 2018 and 2017 was 6.9%, 6.7%, 3.8%, and 2.1%, respectively, with the increase in 2019 being due in part to the BRSA's directive on NPL classification as well as the classification of a real estate commercial loan in the fourth quarter of 2019 as an NPL, which increased the ratio by 0.9%. During the same periods, the NPL ratio of the Turkish banking sector as a whole were 5.0%, 5.4%, 3.9%, and 3.0%, respectively (*Source: BRSA monthly sector report*). It is generally accepted that lending to the SME segment represents a relatively higher degree of risk than lending to other types of customers. SME and commercial loans accounted for 34%, 35%, 39% and 41% of Akbank's loan portfolio as at 31 March 2020, 31 December 2019, 2018 and 2017, respectively. There can be no guarantee that Akbank's NPLs from such businesses will not materially increase in the near to medium term, in particular if there is a further deterioration in macroeconomic conditions in Turkey or if Akbank is unable to accurately evaluate the risk associated with SME, corporate 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.*").

Credit cards are an important consumer banking product for Akbank and this product tends to entail a higher degree of credit risk compared to other consumer lending products. The volume of Akbank's outstanding retail credit card loans was TL 13.6 billion as at 31 March 2020 and TL 13.5 billion as at 31 December 2019, representing 5.8% and 6.0% of Akbank's total gross loans, respectively, compared to TL 12.0 billion as at 31 December 2018, representing 5.7% of Akbank's total gross loans, and TL 11.4 billion as at 31 December 2017, representing 5.5% of Akbank's total gross loans. Akbank's NPL ratio for credit card loans as at 31 March 2020 and 31 December 2019, 2018 and 2017 was 6.3%, 6.0%, 4.9% and 6.9%, respectively.

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 could be completely outside of Akbank's control. Other factors are dependent upon Akbank's loan growth strategy (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 Akbank's ability to meet its obligations under the Notes and could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

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

Reserve requirements in Turkey have been volatile in recent years, with frequent and significant changes depending on actual and expected economic conditions. The Central Bank has revised reserve requirement ratios for different liabilities from time to time and may materially adjust reserve requirement ratios further (or take other steps) to support the Turkish Lira or slow credit supply in order to curb inflationary pressures or economic imbalances or address other macroeconomic concerns. The reserve requirement for foreign currency was 11% until April 2011, but since then it has been determined on a tiered basis. The reserve requirement for foreign currency is 15-22% (14.50-22% until 31 December 2020) for immediately available funds and 11-18% (10.5-18% until 31 December 2020) for deposits with a maturity of one year or more. For other liabilities with a maturity of up to and including one year, the reserve requirement for foreign currency funds is 19-24% (18.5-24% until 31 December 2020) as at the date of this Prospectus. For foreign currency funds with a maturity of up to and including two years or a maturity of more than five years, the reserve requirement ranges from 3% to 19% (2.50-19% until 31 December 2020) as at the date of this Prospectus. Future increases in reserve requirements could have an adverse impact on Akbank's net interest income, thereby exerting downward pressure on Akbank's net interest margin. In addition, any increases in reserve requirement ratios could also limit or reduce the growth of the Turkish economy and demand for Akbank's products and services.

Furthermore, on 16 February 2019, the Central Bank introduced amendments to the Communiqué Regarding Reserve Requirements and lowered Turkish banks' Turkish Lira reserve requirement ratios by 100 bps for all maturity brackets and all liabilities except for deposits/participation accounts up to one year and longer maturities which is lowered by 50 bps. Moreover, on 28 December 2019, the Central Bank increased the foreign exchange reserve requirement ratio by 200 bps for deposits. Pursuant to the amendment dated 18 January 2020, banks are permitted to maintain (a) up to a maximum of 30% of the Turkish Lira reserve requirements (first 20% at 1.0 times, second 5% at 1.4 times, third 5% at 1.7 times) in U.S. Dollars and/or Euro, (b) up to a maximum of 20% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.6

times, second 5% at 1.7 times) and (c) up to a maximum of 15% of the Turkish Lira reserve requirements in the form of scrap or processed standard gold mined in Turkey, in blocked accounts. The BRSA has also taken certain measures against the depreciation in the Turkish Lira, including the prevention of Turkish banks from using foreign exchange currency swaps, forwards and similar transactions with residents abroad under which the Turkish banks provide Turkish Lira at the start of the transaction, to the extent that such transactions exceed 25% (lowered to 10% effective as at 9 February 2020) of the banks' regulatory capital, calculated daily on a standalone and consolidated basis. On 12 April 2020, the BRSA introduced further measures and lowered the 10% cap to 1% for cross-currency swaps, forwards and options transactions (and certain other types of transactions) that Turkish banks are allowed to conclude with their foreign counterparties. Moreover, banks are required to obtain the BRSA's written approval in order to change the maturity of the foregoing transactions. In addition to these measures, on 5 May 2020, the BRSA announced that the total amount of Turkish Lira placements, deposits, repos and loans of Turkish banks entered into with financial institutions abroad cannot exceed 0.5% of their latest regulatory equity capital. However, on 20 May 2020, the BRSA announced that Euroclear Bank and Clearstream Banking are exempt from the restriction.

Future increases in reserve requirements could have an adverse impact on Akbank's net interest income, thereby exerting downward pressure on Akbank's net interest margin. In addition, any increases in reserve requirement ratios could also limit or reduce the growth of the Turkish economy and demand for Akbank's products and services.

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

Interest rates in Turkey have been volatile in recent years, with frequent and significant changes depending on actual and expected economic conditions. The Central Bank has been actively involved in the Turkish economy. The Central Bank may materially increase interest rates further (or take other steps) to support the Turkish Lira or slow credit supply in order to curb inflationary pressures or economic imbalances or address other macroeconomic concerns.

Between December 2017 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25% seven times and subsequently decreased it by 0.25% three times in 2019. In 2020, in response to the ongoing COVID-19 outbreak, the U.S. federal funds rate was decreased by 0.5% and 1.0% in March 2020. Primarily due to changes in macroeconomic conditions and political uncertainty, the Turkish Lira depreciated against the U.S. Dollar by 40.3% from the second quarter of 2017 to the end of 2019. In this context, the Central Bank has taken certain actions against the Turkish Lira's depreciation: (i) in April 2018, the Central Bank increased its highest interest band, the late-liquidity window lending rate, by 75 bps to 13.5%, (ii) on 23 May 2018, it increased the same rate to 16.5%, (iii) on 28 May 2018, it announced its decision to set the one-week repo rate as the policy rate effective from 1 June 2018, at a level equal to the then-current late-liquidity window lending rate, 16.5%, as part of its efforts to simplify monetary policy and (iv) on 7 June 2018, it raised that policy rate by 125 bps to 17.75%. However, in its monetary meeting on 24 July 2018, the first since the snap general and presidential elections held on 24 June 2018, the Central Bank did not raise the policy rate, leading to an appreciation of the U.S. Dollar against the Turkish Lira of 1.6% from 24 July 2018 to 25 July 2018. Furthermore, from 29 June 2018 to 31 December 2019, the Turkish Lira depreciated from TL 4.56 to 1 U.S. Dollar, to TL 7.23 to 1 U.S. Dollar, based on various factors, including: (i) the imposition of sanctions by the Office of Foreign Assets Control ("**OFAC**") over the detention of an American pastor, which included the freezing of assets of the Turkish Minister of Justice and Interior Minister and the doubling of U.S. tariffs on steel and aluminium imports from Turkey, and the possibility of further increases in political tension between the United States and Turkey, (ii) the tightening, and the potential for further tightening, of monetary policy in the United States and Europe, (iii) concerns regarding the Turkish Treasury's and certain Turkish companies' foreign-currency denominated debt, (iv) concerns around the Central Bank's interest rate policy, particularly in relation to real interest rates, and (v) investors' perception of the Turkish political and economic environment, especially with respect to the independence of Turkey's financial institutions, including the Central Bank. On 13 August 2018, the Central Bank announced certain Turkish Lira and foreign-currency liquidity management measures, including increasing the foreign exchange deposit limits of the Turkish banks, in order to ensure the financial stability and the efficiency of the financial markets. Following the announcement of these measures, the Turkish Lira appreciated from TL 6.88 to 1 U.S. Dollar as at 13 August 2018 to TL 5.94 to 1 U.S. Dollar as at 15 August 2018. Further, on 13 September 2018, the Central Bank increased the policy interest rate (one-week repo rate) from 17.75% to 24%, which led to an appreciation in Turkish Lira by 19.7% against the U.S. Dollar, from TL 6.54 to 1 U.S. Dollar at the end of August 2018, to TL 5.26 to 1 U.S. Dollar at the end of December 2018, along with other factors including the release by a Turkish court of the detained American pastor in October 2018, and the subsequent removal by the United States of the sanctions imposed on Turkish ministers.

In July 2019, the Central Bank cut the one-week repo rate by 425 bps to 19.75%, whereas the U.S. Federal Reserve halted its rate-increasing cycle and cut the U.S. federal funds rate by 0.25% and announced its decision to halt the reduction in its balance sheet on August 1, two months earlier than planned. In this context, due to, among other factors, the tight monetary stance of the Central Bank and the favourable monetary stance of developed country central banks for Turkish Lira and certain other emerging market currencies, the Turkish Lira appreciated by 4.0% from TL 5.76 to 1 U.S. Dollar as at 28 June 2019, to TL 5.52 to 1 U.S. Dollar, as at 1 August 2019. Further, the Central Bank continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019, by 200 bps to 12.00% in December 2019, by 75 bps to 11.25% in January 2020, and by 50 bps to 10.75% in March 2020. In the context of the COVID-19 outbreak, the Central Bank took further steps to loosen monetary policy. On 17 March 2020, it cut rates by 100 bps to 9.75% and announced additional liquidity measures such as reserve requirement ratio cuts and targeted loan rate cuts. Additional liquidity measures were announced on 31 March 2020 which were aimed at (i) strengthening the monetary transmission mechanism by boosting the liquidity of the Government Domestic Debt Securities ("**GDDS**") market; (ii) enhancing banks' flexibility in Turkish Lira and foreign exchange liquidity management; and (iii) securing uninterrupted credit flow to the corporate sector. The Central Bank cut the one-week repo rate by 100 bps to 8.75% on 23 April 2020 and by 50 bps to 8.25% on 21 May 2020. On 25 June 2020 and 23 July 2020, the Central Bank decided to retain the one-week repo rate at 8.25%. Moreover, the swap agreement signed on 17 August 2018 between the Central Bank and Qatar Central Bank (QCB) was amended to increase the overall limit from USD 5 billion equivalent of Turkish Lira and Qatari Riyal to USD 15 billion equivalent of Turkish Lira and Qatari Riyal.

As noted above, the U.S. Federal Reserve cut the U.S. federal funds rate further by 0.25% in each of its Federal Open Market Committee meetings of September 2019 and October 2019, lowering the target range for the federal funds rate to 1.50% to 1.75%. On 3 March 2020, the Federal Reserve further cut rates by 0.5% and on 15 March 2020 it cut rates by 1% in response to the economic effects of the COVID-19 outbreak. The federal funds rate stands at 0% to 0.25% as at the date of this Prospectus. Moreover, the U.S. Federal Reserve announced a USD 700 billion asset purchase program (Treasury: USD 500 billion and mortgage-backed securities: USD 200 billion) on 15 March 2020. On 23 May 2020, the U.S. Federal Reserve announced that it would purchase an unlimited amount of Treasurys and mortgage-backed securities. The U.S. Federal Reserve also announced additional credit support programmes. If the Central Bank lowers the one-week repo rate faster than expected and/or the U.S. Federal Reserve does not further lower the U.S. federal funds rate, while at the same time, the Central Bank further cuts the one-week repo rate; the Turkish Lira may depreciate against the U.S. Dollar, which may adversely affect the financial condition of Akbank's clients, their ability to service debts owed to Akbank, Akbank's ability to service its foreign currency denominated liabilities (including any liabilities under the Notes) and/or the Turkish economy as a whole.

Changes in the Turkish banking regulatory framework may require Akbank 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.

As a bank operating in Turkey, Akbank is subject to a number of banking and other regulations promulgated by the BRSA and the Central Bank that are 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 the implementation of international standards (particularly in regards to Basel Committee on Banking Supervision requirements) as well as Turkish laws and regulations and the laws and regulations of certain other countries where Akbank operates. Banking laws and regulations in Turkey and the manner in which those laws and regulations are applied to the operations of financial institutions such as Akbank are still evolving. New regulations may be implemented rapidly, without substantial consultation with the industry, which may not allow sufficient time for Akbank to adjust its strategy to deal with such changes. In particular, Akbank may be required to increase the quantity and quality of capital that it holds in order to meet evolving capital adequacy requirements, which are described under *"Turkish Regulatory Environment For Banks—Basel III"*. Akbank's cost of compliance may also increase as a result of new laws or regulations that might be adopted or any change in the enforcement or interpretation of existing laws or regulations. For example, regulatory limits imposed on fees and commissions banks may charge for banking services may have an adverse impact on Akbank's fee and commission income growth. In addition, any breach of regulatory guidelines could expose Akbank to potential liabilities or sanctions. Any of the foregoing could have an adverse effect on Akbank's business, financial condition, cash flows and/or results of operations.

Akbank's core banking businesses have historically been focused on, and are expected to continue to be focused on, lending to commercial businesses, corporate clients, other businesses and consumers. As at 31 December 2019 and 31 March 2020, 37% of Akbank's gross loan portfolio consisted of loans to corporate clients and commercial businesses (both Turkish Lira and foreign currency), compared to 36% as at 31 December 2018. As at 31 December 2019 and 31 March 2020, 72% and 71% of Akbank's gross loan portfolio consisted of business loans (both Turkish Lira and foreign currency), respectively, compared to 75% as at 31 December 2018. Business loans include loans to corporate clients, loans to commercial businesses and other business loans.

As at 31 March 2020 and 31 December 2019, 2018 and 2017, business loans constituted 71%, 72%, 75%, and 76% of Akbank's total loans, respectively. SMEs, which typically have less financial strength than large companies, are a key component of Akbank's current business and growth strategy. The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for large corporate clients. Therefore, notwithstanding the credit risk determination procedures that Akbank has in place, Akbank may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine their long-term financial viability.

Akbank's NPL ratio (defined as the ratio of non-performing loans to total gross loans) as at 31 March 2020 and 31 December 2019, 2018 and 2017 was 6.9%, 6.7%, 3.8%, and 2.1%, respectively, with the increase in 2019 being due in part to the BRSA's directive on NPL classification as well as the classification of a real estate commercial loan in the fourth quarter of 2019 as an NPL, which increased the ratio by 0.9%. During the same periods, the NPL ratio of the Turkish banking sector as a whole were 5.0%, 5.4%, 3.9%, and 3.0%, respectively (Source: BRSA monthly sector report). It is generally accepted that lending to the SME segment represents a relatively higher degree of risk than lending to other types of customers. SME and commercial loans accounted for 34%, 35%, 39% and 41% of Akbank's loan portfolio as at 31 March 2020, 31 December 2019, 2018 and 2017, respectively. There can be no guarantee that Akbank's NPLs from such businesses will not materially increase in the near to medium term, in particular if there is a further deterioration in macroeconomic conditions in Turkey or if Akbank is unable to accurately evaluate the risk associated with SME, corporate 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.*").

Credit cards are an important consumer banking product for Akbank and this product tends to entail a higher degree of credit risk compared to other consumer lending products. The volume of Akbank's outstanding retail credit card loans was TL 13.6 billion as at 31 March 2020 and TL 13.5 billion as at 31 December 2019, representing 5.8% and 6.0% of Akbank's total gross loans, respectively, compared to TL 12.0 billion as at 31 December 2018, representing 5.7% of Akbank's total gross loans, and TL 11.4 billion as at 31 December 2017, representing 5.5% of Akbank's total gross loans. Akbank's NPL ratio for credit card loans as at 31 March 2020 and 31 December 2019, 2018 and 2017 was 6.3%, 6.0%, 4.9% and 6.9%, respectively.

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 could be completely outside of Akbank's control. Other factors are dependent upon Akbank's loan growth strategy (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 Akbank's ability to meet its obligations under the Notes and could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects

Customers may bring claims against Akbank seeking damages in relation to violations of the competition and antitrust laws of Turkey.

There are a number of pending lawsuits filed by customers against 12 banks, including Akbank, based on Articles 57 and 58 of the Law on the Protection of Competition, which prohibits restrictive agreements and concerted practices, abuses of dominance and mergers and acquisitions creating or strengthening a dominant position and entitles those who have been harmed due to a violation of the Law to claim damages. As at 11 June 2020, there were 788 lawsuits filed against Akbank on this basis by individual customers claiming damages ranging between TL 10 and TL 40,000. There are 6 lawsuits which are valued at amounts higher than TL 40,000 but lower than TL 200,000. The customers will need to prove the actual damages incurred in order to prevail in these cases, which in turn requires them to prove the interest rate, commissions and fees had there been no violation of the Competition Law. As at 11 June 2020, there have been no final Turkish court decisions and such cases are subject to proof of damages and remain pending. See also "*Information About Akbank—Business—Competition Board Investigations*". If any of these cases are decided adversely to Akbank, it could incur fines, which could be significant and/or Akbank could experience reputational damage. In addition, there could be additional lawsuits brought based on Articles 57 and 58, which could result in further fines and/or reputational damage. This ultimately could adversely impact the price of the Notes.

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

After the deleveraging of 2018, Turkish Lira loan growth gained pace in the three months ended 31 December 2019 while foreign currency loan growth remained muted. Akbank's loan portfolio growth rate year-on-year for the years ended 31 December 2019, 2018 and 2017 was 8.4%, 0% and 17%, respectively, and was 2.4% for the three months ended 31 March 2020. Akbank's loan growth in both Turkish Lira and foreign currencies was muted in 2018 mostly due to asset quality concerns. In 2019, loan demand from customers and corporates remained sluggish as the rate cut cycle delayed demand as a result of the expectation of more affordable rates. Loan demand rebounded only in the third quarter of 2019 and gained pace in the fourth quarter of 2019, mostly led by general purpose loans and business loans. Growth in Akbank's loan portfolio has increased Akbank's credit exposure and requires continued and improved monitoring by Akbank's management of its lending policies, credit quality and adequacy of provisioning levels. Akbank's total performing loans were TL 217 billion as at 31 March 2020, TL 212 billion as at 31 December 2019 and TL 201 billion as at 31 December 2018, compared to TL 209 billion as at 31 December 2017. Its NPLs as at 31 March 2020 and 31 December 2019, 2018 and 2017 were 6.9%, 6.7%, 3.8% and 2.1% of Akbank's total gross loans, respectively. Its NPL coverage through stage 3 provisioning as at 31 March 2020 and 31 December 2019 and 2018 was 59%, 56% and 58%, respectively. Akbank is targeting balanced and selective growth in its loan portfolio as it focuses on high quality asset growth. Negative developments in the Turkish economy could affect micro and medium-sized companies to a greater degree than large companies, resulting in higher levels of NPLs and, as a result, higher levels of provisioning. Any failure by Akbank to manage growth within prudent risk parameters of its loan portfolio or credit quality or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

A significant portion of Akbank's total assets comprises securities issued by the Turkish Government, and thus, in the event 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 historically invested a significant portion of its assets and more than half of its securities portfolio in securities issued by the Turkish Government. As at 31 March 2020 and 31 December 2019, 12% of Akbank's total assets was invested in securities issued by the Turkish Government (8% as at 31 December 2018). A significant portion of such Turkish Government securities are inflation-linked, which have historically positively affected Akbank'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. Moreover, Turkish government securities have come under pressure as a result of a wide variety of factors (see "*—Risks Related to Turkey and Other Related Risks*") which can negatively impact the value of 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 business, financial condition, results of operations and prospects.

Security interests or loan guarantees provided in favour of Akbank 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 secure 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 Akbank'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 Akbank to pursue such proceedings, adversely affecting Akbank's ability to recover its loan losses. Any decline in the value or liquidity of such collateral may prevent Akbank from foreclosing on such collateral for its full value or at all, in the event that a borrower becomes insolvent and enters composition or bankruptcy, and could thereby adversely affect Akbank'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 Akbank 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 46%, 44% and 46% of gross interest income for the years ended 31 December 2019, 2018 and 2017, respectively, and 62% for the three months ended 31 March 2020, and net interest margin (excluding time deposit placements) was 4.9%, 4.6%, 3.8% and 5.6% for the same periods.

Interest rates are highly sensitive to many factors beyond Akbank's control, including monetary policies pursued by the Central Bank, fiscal policies of the Turkish government, domestic and international economic and political conditions and other factors. The years ended 31 December 2019, 2018 and 2017 and the three months ended 31 March 2020 were characterised by a high degree of volatility in interest rates and changes in Central Bank policy, as a result of a number of factors, including continued global volatility as well as increased political volatility in Turkey, which, among other factors, led S&P and Moody's to downgrade Turkey's sovereign credit rating. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below (see also "*—The Central Bank's policy on reserve requirements 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 Akbank'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. 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 which could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

The Turkish banking system is subject to systemic risks

The Turkish financial sector has gone through major changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, the liberalisation of deposit and credit interest rates and liberal exchange rate policies, as well as the adoption of international 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 of the Turkish Lira and foreign exchange markets experienced in 1994, 1998 and in 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 banks.

Following this crisis, the Turkish Government made structural changes to the Turkish banking system to strengthen the private (i.e., non-governmental) banking sector and to allow it to compete more effectively against the state-controlled banks (Türkiye Halk Bankası ("**Halkbank**"), Türkiye Vakıflar Bankası T.A.O. ("**Vakıfbank**") and T.C. Ziraat Bankası ("**Ziraat**")). In 2017, the state shares in Ziraat and Halkbank were transferred to the Turkish Sovereign Wealth Fund (Türkiye Varlık Fonu) (the "**TWF**"). However, there has been no change in the legal status of any of the banks transferred to the TWF, and the TWF is managed by the Turkey Wealth Fund Management Joint Stock Corporation (Türkiye Varlık Fonu Yönetimi A.Ş.), the sole shareholder of which is the Ministry of Treasury and Finance Presidency of Privatization Administration (T.C.Hazine ve Maliye Bakanlığı Özelleştirme İdaresi Başkanlığı) of the Republic of Turkey. Notwithstanding these changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey and the Turkish banking sector in particular were to suffer another crisis, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system. See "*Turkish Regulatory Environment For Banks*" for a further discussion of the Turkish banking regulatory environment.

Increased competition in the Turkish banking sector could have a material adverse effect on Akbank

The level of competition in the Turkish banking sector has remained intense in the past several years as a result of the increased presence of public banks in the private sector and foreign bank interest in Turkey. According to the Bank's Association of Turkey, as at 31 December 2019, the top seven banking groups in Turkey (including Akbank), three of which are state-controlled, held in aggregate, approximately 74% of the Turkish banking sector's total loan portfolio, approximately 74% of total banking assets in Turkey and approximately 80% of total deposits in Turkey. Loan growth in the banking sector in Turkey was 21% during 2017, 14%

during 2018 and 11% during 2019, while deposit growth was 16%, 19% and 26%, respectively, according to BRSA weekly data.

In addition to private banks, Akbank also faces competition from state-owned financial institutions, such as Halkbank, Vakıfbank and Ziraat. These government-owned financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector (including retail and SMEs), thereby increasing competition and pressure on margins. In particular, such government-owned institutions may have access to payroll accounts of state employees, low cost deposits (on which such institutions pay low or no interest) through State Economic Enterprises owned or administered by the Turkish Government, which could result in a lower cost of funds that cannot be duplicated by private banks. Such actions by government-owned financial institutions, in addition to ongoing competitive pressures from private financial institutions, have caused net interest margins to decline across the Turkish banking market.

During recent years, foreign banks have shown an increased interest in the banking sector in Turkey. Foreign banks such as BNP Paribas, Banco Bilbao Vizcaya Argentaria S.A., Industrial and Commercial Bank of China, Burgan Bank, ING, Qatar National Bank, Commercial Bank of Qatar and Emirates NBD have acquired interests in Turkish banks. In addition, various banks, such as Odeabank, Intesa San Paolo and Bank of China, have also established their own franchises. Akbank believes that further entries into the Turkish banking sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could further increase competition in the market. In addition to direct investment, foreign banks are expanding their business presences in Turkey, further increasing competitive pressures. Most recently, the transfer of a 99.85% stake in Denizbank to Emirates NBD was completed on 31 July 2019 and UniCredit sold its 11.93% stake in Yapı Kredi through an accelerated bookbuilding in February 2020. There can be no assurance that further competitive pressures will not result in continued margin compression, which may have a material adverse effect on Akbank's business, financial condition and/or results of operations.

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 48.8% of the outstanding share capital of Akbank as at 31 March 2020. The Controlling Shareholders have the power to elect all of Akbank's directors and to determine the outcome of most matters to be decided by a vote of shareholders of Akbank. There can be no guarantee that the interests of the Controlling Shareholders will coincide with those of the Noteholders.

Although it is Akbank'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 Akbank to transactions with parties not related to or affiliated with Akbank, there can be no assurance that such transactions with parties related to, or affiliated with, Akbank's Controlling Shareholders have been or will be extended on the above basis and terms. Moreover, although Akbank 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 Akbank 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 Akbank'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.

Akbank 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. Akbank is exposed to counterparty risks which 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, Akbank'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 Akbank's business, financial condition, results of operations and prospects.

Akbank's loans and receivables may be concentrated among its largest borrowers and in certain industries

As at 31 December 2019 and 31 March 2020, Akbank's loans and receivables from its 20 largest borrowers or borrower groups amounted to TL 39.8 billion and TL 42.2 billion, or 18.5% and 19.1%, of its total loans and receivables, respectively, as compared with TL 36.6 billion, or 18.2%, of its total loans and receivables as at 31 December 2018, TL 36.1 billion, or 17.2%, of its total loans and receivables as at 31 December 2017. Any impairment in the ability of one or more of these borrowers or borrower groups to service or repay their obligations to Akbank could have a material adverse effect on Akbank's financial condition and results of operations. The Banking Law No. 5411, effective from 1 November 2005 (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.

As at 31 December 2019 and 31 March 2020, Akbank's top ten sectors accounted for 52.9% and 70.3%, respectively, of Akbank's gross cash loans. A further downturn or slower recovery in any of these sectors (particularly the construction and energy sectors, which are primary areas of focus for Akbank), individually or in the aggregate, may adversely affect the financial condition of the companies operating in such sectors and may result in, among other things, a decrease of funds that such corporate customers hold on deposit with Akbank, a default on their obligations owed to Akbank or a need for Akbank to increase its provisions in respect of such obligations. Similarly, the deterioration of any one or more of Akbank's largest customers' financial positions may have similar effects.

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 have a material adverse effect on 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.

Akbank has an internal limit for its loan-to-deposit ratio, which is a maximum of 105%. Its loan-to-deposit ratio was 104.0% as at 31 December 2017, 103.5% as at 31 December 2018, 95.4% as at 31 December 2019 and 88.6% as at 31 March 2020. If deposit growth does not remain at a similar level to loan and asset growth (for example, due to competition), then Akbank 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 Akbank's liquidity profile and could have a material adverse effect on Akbank'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. 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.

A downward change in the ratings published by rating agencies of either Turkey or the Issuer might reduce the availability or increase the costs of new indebtedness and/or the refinancing of the Issuer's existing indebtedness. See "*—Political Developments In Turkey May Have A Material Adverse Effect On Akbank's Business, Financial Condition, Results Of Operations And Prospects*" and "*— Akbank's Credit Ratings May Not Reflect All Risks, And Changes To Turkey's Or Its Credit Ratings May Affect Its Ability To Obtain Funding*".

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

As at 31 March 2020 and 31 December 2019, 2018 and 2017, 61.9% 61%, 57% and 57%, respectively, of Akbank's total liabilities (which includes amounts due to banks and financial institutions, customers' deposits) had repricing maturities of one year or less or were payable on demand. As at the same dates, Akbank had a negative cumulative repricing gap (more short-term liabilities than short-term assets) of TL 149 billion, TL 119 billion, TL 90 billion and TL 97 billion, respectively.

If a substantial portion of Akbank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or Akbank fails to refinance some of its large short- to medium-term borrowings, Akbank may need to utilise more expensive sources of financing to meet its funding requirements, including wholesale funding. No assurance can be given that Akbank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. Akbank's inability to refinance or replace such deposits or other borrowings with alternative funding could have a material adverse effect on Akbank's liquidity, 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 Akbank's financial assets and liabilities is denominated in, or indexed to, foreign currencies, primarily U.S. Dollars and Euro. As at 31 December 2019 and 31 March 2020, 36% and 37% of Akbank's total loans and receivables to customers and banks (of which 43% and 40% were denominated in U.S. Dollars and 57% and 60% were denominated in Euro) and 60.8% and 60.9% of Akbank's total deposits (of which 33.8% and 32.0% were in denominated U.S. Dollars and 23.0% and 20.0% were denominated in Euro) were denominated in foreign currencies (as at 31 December 2019 and 31 March 2020, foreign currency denominated balances were translated into Turkish Lira using the exchange rates of TL 5.92 and TL 6.54 for U.S. Dollars and TL 6.64 and TL 7.18 for Euro), respectively. 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.

Akbank calculates its capital adequacy ratios according to the Capital Adequacy Regulation, which allows Akbank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor's, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as at 12 January 2017, International Islamic Rating Agency ("**IIRA**")) while calculating the risk-weighted assets for capital adequacy purposes. Akbank uses only Fitch's credit rating for such purposes.

In addition, there can be no assurance that the financial conditions of the borrowers to whom Akbank provides foreign currency loans will not deteriorate due to the depreciation of the Turkish Lira.

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

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

Akbank's risk management procedures may not be fully effective or consistently implemented in mitigating Akbank's exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of Akbank's methods of managing risk are based upon its use of historical market behaviour, which, as evidenced by the 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 Akbank customers 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 customers may not serve to adequately measure that risk. It is also possible that certain of Akbank's valuation models, including assets such as derivative contracts that are not publicly traded, may incorrectly value Akbank's assets, resulting in unanticipated losses if such assets are discovered to be incorrectly valued.

Other risk management practices, including "know-your-customer" practices, depend upon evaluation of information regarding the markets in which Akbank operates, its customers or other matters that are publicly available or information otherwise accessible to Akbank. 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.

Akbank also cannot give assurances that all of its staff have adhered or will adhere to its policies and procedures. Akbank 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. Given Akbank's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. Akbank's risk management and internal control capabilities are also limited by the information tools and technologies available to it.

Any material deficiency in Akbank'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 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 Akbank 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. Business continuity will remain a top priority for Akbank with increasing focus on cybersecurity and infrastructure with the impact of increasing digitalisation conditions. 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 Akbank will be unable to comply with its obligations as a company with debt securities admitted to the Official List.

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

Akbank may be exposed to collective labour disputes, strikes and work stoppages which may negatively affect its operations. In particular, in the past Akbank and the Bank and Insurance Employees Union (BANKSİS) have had prolonged negotiations on collective bargaining agreements including unsuccessful mediation processes. There can be no assurance that work stoppages or labour disputes will not occur in the future. Any such action could disrupt operations, result in increased wages and benefits or otherwise have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Akbank and/or its clients.

In December 2019, a novel coronavirus was detected in China, which subsequently spread globally, including to Turkey. The COVID-19 pandemic has caused significant disruption in the global and Turkish economy and financial markets. Within Turkey and many of its important trading partners, the spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business shutdowns, reduction in business activity and financial transactions, labour shortages, supply chain interruptions and overall economic and financial market instability.

Due to the disruptions in economic and commercial activities resulting from the COVID-19 outbreak, the Turkish Government has taken measures to assist customers and restore liquidity. The Central Bank has provided additional liquidity to the market by arranging repo transactions with lower interest rates, arranging for additional currency swap lines with longer maturities and expanding the Credit Guarantee Fund programme to provide TL 50 billion in support with a one-year maturity and three-month grace period. The Turkish Government has also introduced several measures to support the real sector and individuals, such as tax payment postponements, employment benefits, pensioner schemes, etc. In addition, the BRSA introduced the asset ratio (as described in *"Turkish Regulatory Environment for Banks—Capital Adequacy—Asset Ratio"*), which requires banks to compare lending, as the numerator, with deposits and funding, as the denominator. Failure to meet an asset ratio of 100% may result in fines. This has created pressure in the market on loan and deposit volumes and thus on the interest rate environment. Following the introduction of the asset ratio, interest rates on deposits were also reduced, leading to a decreasing interest rate environment for repricing and newly originating loans.

The extent of the ultimate impact the COVID-19 outbreak has on the Turkish economy and on Akbank specifically will depend upon future developments, including actions taken globally and within Turkey to contain COVID-19. The impact on the Turkish economy and banking sector may be significant, which in turn may materially and adversely impact Akbank's business, financial condition and/or results of operations in the following ways, among others:

- reductions in business and consumer activity and financial transactions, which might lead to a reduction in demand for loans and/or Akbank's banking services that generate fee and commissions income;

- the quality of Akbank's loans and other assets (and the value of collateral securing such assets) might deteriorate, particularly in those sectors (such as automobiles, textiles, services, real estate and tourism) or those segments (such as micro and SME lending) that are most dramatically impacted, which might lead, inter alia, to increases in provisions, NPLs and/or reductions in customer payments (e.g., loans under credit cards);

- regulatory measures aimed at easing the impact of COVID-19 might, inter alia, affect customer demand for loans and/or services, affect pricing in Turkey's competitive banking landscape, impose limitations on Akbank's ability to enforce its contracts (including in relation to collateral) and/or, for temporary regulatory changes (e.g., BRSA announced on 23 March 2020 a rule allowing banks to use 31 December 2019 exchange rates in certain capital and other calculations), result in financial calculations that are not comparable to those of previous and later periods (including resulting in potentially material changes after such temporary measures terminate) and/or alter the decision-making process of Akbank and/or make it more difficult for investors to assess financial results on a comparative basis;

- sources of liquidity available to Turkish borrowers (including Akbank) might be reduced and/or more expensive, including if sentiments in capital markets further deteriorate or international investors reduce their exposure to Turkey;

- continued depreciation of the Turkish Lira could affect Turkey's current account deficit and/or the ability of Turkish borrowers to repay obligations denominated in (or linked to) foreign currencies, which could impact not only Akbank's own loan portfolio but also Turkey's economy generally, including by way of increased unemployment; and/or

- some of Akbank's operations might be adversely impacted, such as due to illness among staff or the need to close or limit customer access to branches.

Any of the foregoing could have a material adverse effect on Akbank's business, financial condition and/or results of operations.

The BRSA has issued an administrative monetary fine in the amount of TL 155.5 million on the basis of violation of their directive on Limitation of COVID 19 Effects. The above-mentioned administrative monetary fine will be paid pursuant to Clause 17/6 of the Law No 5326 on Misdemeanors by using a 25% advance payment discount and reserving Akbank's legal rights. While management does not believe that this monetary fine will have any material effect on its business or results of operations, subsequent fines could cause Akbank to experience unexpected reductions in profitability or losses.

Akbank is dependent on its senior management and other personnel.

Akbank is dependent upon its senior management to implement its strategy and the operation of its day-to-day business. In particular, it is dependent upon the expertise of its CEO, Hakan Binbaşgil, its Executive Vice President - Retail Banking, Bülent Oğuz, and its Executive Vice President - Corporate & Investment Banking, Levent Çelebioğlu. In addition, retail, corporate and other business relationships of members of senior management are important to the conduct of Akbank's business. See "*Senior Management*" for further details of these individuals. If members of Akbank's senior management were to leave Akbank, this could have a material adverse effect on Akbank's business, financial condition and/or results of operations. In addition, Akbank's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. Any failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on Akbank's business, financial condition and/or results of operations.

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

The standards of corporate governance under 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. Many aspects of laws and regulations in Turkey relating to public companies and the capital markets have not yet been subject to judicial or regulatory interpretation or review and are therefore still subject to certain uncertainties with respect to their applications. The Corporate Governance Communiqué contains principles relating to (i) shareholders; (ii) public disclosure and transparency; (iii) the stakeholders of the listed company; (iv) board of directors of the listed company; and (v) related party transactions. A number of the Corporate Governance Principles are mandatory, and the remainder apply on a "comply or explain" basis. The Corporate Governance Communiqué dated 3 January 2014 is applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, including Akbank. There can be no assurance that investors who are unfamiliar with the Turkish corporate governance rules will be familiar with Turkish Government rules applicable to Akbank compared to that of a similar bank in other jurisdictions. For more information, see "*Turkish Regulatory Environment For Banks—Corporate Governance Principles*" below.

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

Historically, the reporting, accounting and financial practices of Turkish banks have differed in certain respects from those applicable to similar banks in the EU or in other developed economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other developed markets and any information that is published may only be presented in Turkish. In recent years, Turkish banks have applied IAS and IFRS in accounting and reporting, which are similar to BRSA Principles, except in certain respects, such as provisioning requirements for loans. The BRSA Principles require Turkish banks to publish their financial reports on their websites. Annual financial reports comprise audited financial statements and unaudited activity reports, and quarterly financial reports comprise reviewed financial statements and un-reviewed 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 Borsa Istanbul 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 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. Akbank is not required by law to prepare its accounts under any accounting standards other than BRSA and only Akbank's annual and semi-annually published financial statements are prepared in accordance with IFRS. There are differences between Akbank's BRSA financial statements and its IFRS financial statements. For a discussion of the differences between BRSA Principles and IFRS, see *"Appendix 1 - Overview Of Significant Differences Between IFRS And BRSA Accounting Principles*". 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. For more information, see "*Turkish Regulatory Environment For Banks — Annual Reporting*" below.

The independent auditor's reports in relation to each of the Akbank BRSA Annual Financial Statements incorporated by reference into this Prospectus and the auditor's review report in relation to the Akbank BRSA Interim Financial Statements include a qualification.

The independent auditor's reports for each of the Akbank BRSA Annual Financial Statements incorporated by reference into this Prospectus and the auditor's review report in relation to the Akbank BRSA Interim Financial Statements incorporated by reference into this Prospectus include a qualification regarding a free provision provided by Akbank's management. The free provision as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 March 2020 amounted to TL 700 million, TL 550 million, TL 650 million, and TL 900 million, respectively. Akbank may have similar qualifications in its consolidated financial statements in the future in its consolidated financial statements. See the independent auditor's reports in respect of each of the Akbank BRSA Annual Financial Statements and the auditors' review report in respect of the Akbank BRSA Interim Financial Statements, all incorporated by reference herein. This provision may be reversed or re-allocated by Akbank in future periods, which may cause Akbank's net profit to be higher in future periods than it otherwise would be in the absence of such reversal or re-allocation. Provisions of this type do not currently impact Akbank's level of tax or its capitalisation ratios, although the expected phased implementation by the BRSA of Basel III capital standards may lead to a negative impact on capital ratios. See "*—Changes in the Turkish banking regulatory framework may require Akbank 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.*".

As mentioned in Section Five Part II h.4 (i) of Explanations and Notes to the Akbank 2019 BRSA Annual Financial Statements, such financial statements as at 31 December 2019 include a free provision amounting to TL 650 million, which consists of TL 100 million provided in 2019 and TL 550 million recognised in prior years by Akbank's management. As at 31 March 2020, TL 250 million of free provisions were set aside proactively due to prevailing uncertainties in the first quarter of 2020, taking the total to TL 900 million.

The Akbank BRSA Financial Statements were not prepared under IFRS.

Akbank has prepared its consolidated financial statements in accordance with BRSA Principles, rather than in accordance with IFRS, with which some investors may be more familiar. As a consequence, the Akbank BRSA Financial Statements may not provide investors with the financial information they would typically have received if the financial statements were prepared under IFRS, and investors should take note of the differences between IFRS and BRSA Principles, and how these differences impact their analysis and interpretation of the Akbank BRSA Financial Statements.

In addition to the differences in presentation, and the different disclosure requirements, BRSA Principles also differ in certain other significant respects from IFRS. For example, under BRSA Principles, only subsidiaries and associates in the financial sector are consolidated and equity accounted, whilst others are carried at cost or fair value. Additionally, under BRSA Principles, the definition of control is based on the power to appoint or remove the decision making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital. This differs from IFRS 10, whereby an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

For more information on the differences between the accounting principles, see "*Appendix 1 - Overview Of Significant Differences Between IFRS And BRSA Accounting Principles"*. Potential investors should consult their own professional advisors for an understanding of the difference between IFRS and BRSA Principles and how these differences might affect Akbank's financial information presented in this Prospectus.

Future events may be different from 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. Akbank's provisioning policy was also impacted in 2018 by the adoption of TFRS 9, which in effect increased the sensitivity of Akbank's provisions to macroeconomic volatility, including the impact of exchange rate depreciation on Stage 1 and Stage 2 provisions. 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 Akbank 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, Akbank 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 Akbank. However, following challenges by Akbank, approximately 85% of the fines were rescinded in 2014. If Akbank 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 and prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

Akbank and its subsidiaries have been and may in the future be subject to administrative fines and penalties.

On 30 December 2016, a tax inspection report on Akbank was prepared by the Tax Supervision Committee in respect of the 2011 fiscal year which provided that Akbank has been fined TL 11,472,900.77 due to its failure to apply Resource Utilisation Support Fund ("**RUSF**") tax on commissions received from consumer loans. Akbank filed an administrative lawsuit requesting a stay of execution and cancellation of the administrative decision regarding the tax penalty and the court decided to cancel the fine for the year of 2011. The tax administration appealed the decision. The appeal process was concluded in favour of Akbank.

On 6 June 2017, tax inspection reports on Akbank were prepared by the Tax Supervision Committee for the fiscal years 2012 through 2014, which provide that Akbank has been fined TL 72,492,719.33 due to its failure to apply RUSF on the commissions received from consumer loans. Akbank filed an administrative lawsuit requesting cancellation of the administrative decision regarding the tax penalty. The court decided to cancel the fine for the 2012, 2013 and 2014 years. The tax authority has appealed the relevant court's decisions for cancellation of these fines. The regional court of appeals also ruled in favour of Akbank confirming the decision of the court of first instance. The tax authority has then appealed the relevant decision before the Council of State. As at the date of this Prospectus, the lawsuits are pending and currently under review by the Council of State. The outcome of the lawsuit is unforeseeable as at the date of this Prospectus.

Akbank has been acting as the agent of its insurance subsidiary (Ak Sigorta A.Ş.), and the insurance regulator on 13 December 2019 imposed an administrative fine on Akbank for breaching insurance laws, of TL 94.7 million. Akbank subsequently announced that it will pay the fine immediately, permitting it to benefit from a 25% discount, and paid the fine in the amount of TL 71 million on 6 February 2020. In addition, Akbank's insurance agency activities were suspended from 30 January 2020 to 13 February 2020. While management does not believe that the suspension and monetary fine will have any material effect on its business or results of operations, subsequent suspensions and fines in relation to its insurance agency could cause Akbank to experience unexpected reductions in profitability or losses.

Akbank is dependent on its banking licence from the BRSA as well as other licences.

The banking and other operations performed by Akbank and its subsidiaries require licences by the relevant authorities in each jurisdiction in which they operate. Substantially all of Akbank's assets are located in Turkey and it therefore depends to a significant degree on its Turkish banking licence from the BRSA. If Akbank were to lose its general banking licence, then it would cease to be able to operate as a bank in Turkey. According to Article 67 of Banking Law, if the results of consolidated and unconsolidated audits show that Akbank's assets are likely to become insufficient to cover its obligations as they become due, that it is not complying with liquidity requirements, that its profitability is not sufficient to conduct its business in a sound manner, that its regulatory equity capital is not sufficient or is likely to become insufficient, that the quality of its assets have been impaired in a manner potentially weakening its financial structure and in certain other instances, then the BRSA may require Akbank's Board of Directors to take one or more remedial actions. If Akbank does not take appropriate remedial action within the specified time period, the BRSA, with the affirmative vote of at least five of its board members, may ultimately revoke Akbank's licence and take certain other actions. Although Akbank remains in compliance with its regulatory obligations and believes that it and its subsidiaries have the necessary licences for their banking and other operations and that Akbank and its subsidiaries are currently in compliance with their existing material licences and reporting obligations, there is no assurance that Akbank will be able to maintain its banking licence in the future. Akbank and its subsidiaries also depend on certain other licences, the loss of any of which could adversely affect its business. The loss of a licence, a breach of the terms of any licence or the failure to obtain any further required licences in the future could have a material adverse effect on Akbank's financial condition and/or results of operations. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment For Banks*" and "*Turkish Regulatory Environment For Banks—Cancellation Of Banking Licence*". Any of the foregoing could have a material adverse effect on Akbank's business, financial condition and/or results of operations.

II. GENERAL RISKS

Risks Related to Turkey and Other Related Risks

Any claims against the Issuer under the Notes and the transaction documents will be unsecured claims payable from, among other sources, the Issuer'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 U.S. 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 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.

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

Turkey has from time to time experienced volatile political social conditions, including a failed coup d'état attempt in July 2016. The Justice and Development Party (Adalet ve Kalkinma Partisi) (the "**AKP**") has been in power since 2002 and has been able to govern without reliance upon a coalition partner.

Following the November 2015 elections, the AKP announced its intention to replace the existing constitution with a new constitution and to create an executive presidency and Mr. Recep Tayyip Erdoğan was elected President. In the referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution. Such amendments include articles to extend the powers of the president. As a result (inter alia): (a) the then-current parliamentary system has been transformed into a presidential one, (b) the president has been entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister has been abolished, (d) the parliament's right to interpellate (i.e., the right to submit questions requesting explanation regarding an act or a policy) the cabinet members has been annulled and (e) the president has increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors (Hakimler ve Savcılar Yüksek Kurulu)).

Following the constitutional amendments enacted with the referendum held on 16 April 2017, on 21 May 2017, Mr. Recep Tayyip Erdoğan was re-elected as the chairman of the AKP. Mr. Recep Tayyip Erdoğan was re-elected in snap elections held on 24 June 2018. On 9 July 2018, Mr. Recep Tayyip Erdoğan announced the new cabinet, including non-AKP members and Mr. Berat Albayrak as the new treasury and finance minister. More recently, on 6 July 2019 President Erdoğan announced the removal of Murat Çetinkaya, the governor of the Central Bank, a year before his four-year term was scheduled to end. Murat Çetinkaya has been replaced by his former deputy, Murat Uysal. Significant uncertainty remains regarding the economic agenda of the new government, the independence of the Central Bank, and whether reform plans will be accomplished, all of which could significantly impact investors' perceptions of Turkey and its future growth.

Local elections took place on 31 March 2019. However, the Supreme Election Board of Turkey (T.C. Yüksek Seçim Kurulu) has cancelled the results of the elections in İstanbul (which showed a narrow lead for the opposition party). The repeat local elections were held on 23 June 2019 and resulted in the transition of the control of the İstanbul metropolitan municipality from AKP to the main opposition party the Republican People's Party (Cumhuriyet Halk Partisi).

The events surrounding any future political developments could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions, which could in turn have a material adverse effect on the Akbank's business, financial condition and/or results of operations.

Turkey's economy may be impacted by uncertainty in the EU.

The EU is Turkey's principal export market. If the EU economies suffer any growth setback or if other factors have an adverse impact on Turkey's exports to EU, the country's growth performance would suffer, exposing Akbank and its customers to macroeconomic and operational risks.

Furthermore, in July 2016, the United Kingdom (the "UK") voted to withdraw from the EU. The UK government invoked Article 50 of the Lisbon Treaty on 29 March 2017 marking the beginning of negotiations with the EU relating to the UK's exit. Following the negotiation of a withdrawal agreement between the UK and the EU, and the results of parliamentary elections in the UK on 12 December 2019, the UK ceased to be a member of the EU at 11:00 p.m. (London time) on 31 January 2020. The economic and political consequences for the UK, the EU and other countries like Turkey as a result of this process, including any impact on the European and global economic and market conditions and its possible impact on Sterling, Euro and other European exchange rates, and the related uncertainty, during the following negotiations on the future trade relationship between the UK and the EU, are difficult to predict.

In addition, any future withdrawal by another Member State from the EU and/or European Monetary Union, any significant changes to the structure of the EU and/or European Monetary Union or any uncertainty as to whether such a withdrawal or change might occur could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

Turkey's economy has been undergoing a significant transformation and remains subject to ongoing structural and macroeconomic risks.

Since the mid-1980s the Turkish economy has moved from a highly protected state-directed system to a market-oriented free enterprise system. Reforms have, among other things, largely removed price controls and reduced subsidies, reduced the role of the public sector in the economy, emphasised growth in the industrial and service sectors, liberalised foreign trade, reduced tariffs, promoted export growth, eased capital transfer and exchange controls, encouraged foreign investment, strengthened the independence of the Central Bank, led to full convertibility of the Turkish Lira by accepting Article VIII of the International Monetary Fund's (the "**IMF**") Articles of Agreement and overhauled the tax system.

However, the Turkish economy has also experienced a succession of financial crises and severe macroeconomic imbalances. These include substantial budget deficits, significant current account deficits, high rates of inflation and high real rates of interest. These factors have resulted in a substantial depreciation of the Turkish Lira against major foreign currencies, particularly between 1994 and 2001. As at 31 December 2019, general government nominal debt to GDP ratio was 33.1%. This ratio has remained relatively stable and was 28.2% and 30.4% as at 31 December 2017 and 31 December 2018, respectively.

After having successfully completed the two stand-by arrangements with the IMF in 2001 and 2005, Turkey paid the last instalment to the IMF in May 2013 and is currently not liable for further payments. Although there were negotiations on the conditions of a new stand-by agreement between Turkey and the IMF in 2009, these negotiations were unsuccessful and the Turkish Government has refrained from signing a new agreement with the IMF, citing disagreement over issues such as funding for local government.

In March 2019, the United States announced that imports from Turkey and India would no longer be eligible for tariff relief under the "Generalized System of Preferences" programme, which programme seeks to promote economic growth in countries identified as developing countries. In Turkey's case, the United States cited Turkey's rapid economic development since its entry into the programme and that it thus no longer qualified to benefit from these tariff preferences. Regulatory changes such as these reflect increasing challenges faced by some exporters, which might have a material adverse effect on Turkey's economy and/or the financial condition or one or more industries within Turkey.

Furthermore, Turkey may not be able to remain economically stable during any periods of renewed global economic weakness due to its reliance on external demand and external financing. In 2017, with the contribution from government incentives targeting recovery of the economic activity, GDP growth increased to 7.5%. In 2018, even with the contribution of government spending, GDP growth decreased to 2.8%. GDP increased by 0.9% in 2019 according to data from TurkStat, despite the negative impact of reduced domestic demand mostly driven by contraction in private consumption and investments. On the other hand, external demand supported GDP in the first nine months of 2019, as a result of increase in exports and weakening imports mostly due to depressed consumption and investments. The Turkish economy, after having recovered in 2019 and having posted strong growth performance in January and February in 2020, lost momentum since mid-March due to the economic lockdowns. Despite the loss in growth momentum, GDP grew by 4.5% annually as at 31 March 2020. Private consumption made the most significant contribution to growth. Public consumption rose significantly to support the economy which have been negatively impacted by COVID-19 lockdown measures. Investments fell moderately. Net exports pulled down overall GDP growth because of rising imports due to strong domestic demand and subdued export demand. As was the case in the three months ended 31 December 2019, stock formation continued to make a significant contribution to growth. Future negative developments in the Turkish economy and the failure to achieve growth targets could impair Akbank's business strategies and have a material adverse effect on Akbank's business, financial condition and results of operations.

In October 2016, the Turkish Government announced a three-year medium-term economic program from 2017 to 2019. Under this program, the Turkish Government set growth targets of 4.4% for 2017 and 5.0% for each of 2018 and 2019, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. In October 2017, the Ministry of Development announced a new medium-term economic program, covering the years from 2018 to 2020, setting growth targets of 5.5% for each of 2018, 2019 and 2020, and inflation rates of 7.0%, 6.0% and 5.0% for 2018, 2019 and 2020, respectively. This medium-term economic programme was replaced in September 2018 by a new medium-term economic programme announced by the Directorate of Strategy and Budget of the Presidency of the Republic of Turkey (T.C. Cumhurbaşkanlığı Strateji ve Bütçe Başkanlığı) (the "**Strategy and Budget Directorate**"), which includes projections for 2019 to 2021. According to the programme for 2019 to 2021, GDP growth estimates were revised to be 3.8%, 2.3%, 3.5% and 5.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 figure has since been announced as only 2.8%) and the inflation rate was estimated to be 20.8%, 15.9%, 9.8% and 6.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 figure has since been announced as 20.3%).This medium-term economic programme was replaced in October 2019 by a new medium-term economic programme announced by the Strategy and Budget Directorate, which includes projections for 2020 to 2022. The new programme set the GDP growth estimates as 0.5% for 2019 and 5.0% for each of 2020, 2021 and 2022. Further, it has estimated the inflation rate as 12.0%, 8.5%, 6.0% and 4.9% for 2019, 2020, 2021 and 2022, respectively. There can be no assurance that these targets will be reached, that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy while maintaining a lower funding rate, the current account deficit and macroeconomic and political factors, such as changes in oil prices and uncertainty related with conflicts in Iraq and Syria (See "*—Conflict and uncertainty within Turkey or in neighbouring and nearby countries may have a material adverse effect on Akbank's business, financial condition, results of operations or prospects*") and the political developments in Turkey, including the uncertainty resulting from the structural changes to implement the new constitutional presidential system entered into force with the snap general and presidential elections held on 24 June 2018. (See "*—Political* *developments in Turkey may have a material adverse effect on Akbank's business, financial condition, results of operations and prospects*").

Any of these developments might cause Turkey's economy to experience macro-economic imbalances, which might impair Akbank's business strategies and/or have a material adverse effect on Akbank's business, financial condition and/or results of operations. See "*—Risks Related to Turkey and Other Related Risks—*

The profitability and profitability growth of Turkish banks in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector".

The value of the Turkish Lira has fluctuated significantly against other currencies and may continue to do so.

A significant portion of Akbank's assets and liabilities are denominated in foreign currencies, particularly U.S. Dollars and euros. Akbank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/(losses) realised upon the sale of such assets, to Turkish Lira when preparing its financial statements. As a result, Akbank's reported income is affected by changes in the value of the Turkish Lira against foreign currencies (primarily the U.S. Dollar and euro). The overall effect of exchange rate movements on Akbank's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. In addition, Akbank has a portfolio of derivative securities which expose it to fluctuations in the value of the Turkish Lira against foreign currencies. For a description of Akbank's risk management strategies, see "*Risk Management*".

Until February 2001, it was the stated policy of the Central Bank to devalue the Turkish Lira against the U.S. Dollar in line with inflation. However, in recent years the depreciation of the Turkish Lira has not been consistent with inflation rates as a result of a variety of factors, including both domestic and international factors. The value of the Turkish currency against the U.S. Dollar has been volatile over the last years, primarily as a result of uncertainties surrounding the political and economic landscape. The Turkish Lira depreciated by 12.5%, 39.3% and 7.8% against the U.S. Dollar in 2019, 2018 and 2017, respectively. The exchange rate was TL 3.80 per U.S. Dollar as at 31 December 2017, TL 5.29 per U.S. Dollar as at 30 December 2018, TL 5.95 per U.S. Dollar as at 31 December 2019 and TL 6.61 per U.S. Dollar as at 31 March 2020 (*Source: Bloomberg*). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Akbank's Results of Operations—Exchange Rates*".

Any significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies, or any actions taken by the Central Bank or the Turkish Government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) may adversely affect the financial condition of Turkey as a whole, including its inflation rate, current account deficit and level of foreign currency reserves, which in turn may have an adverse effect on the customers of the Issuer which in turn may have a negative effect on the Issuer's business, financial condition and/or results of operations.

Turkey's economy is subject to inflation and risks relating to its current account deficit.

In the past, Turkey has experienced high annual rates of inflation. This has historically been considered one of the most significant problems faced by the Turkish economy.

Although prior policies have had some success in reducing inflation from its formerly high levels, inflation has increased again in recent years and such policies may not be successful in the future, especially given Turkey's substantial current account deficit and global liquidity conditions. As at 31 December 2017, CPI stood at 11.9%, mainly driven by the pass-through effects of the depreciation of the Turkish Lira and rising food prices. As at 31 December 2018, CPI stood at 20.30%, mainly driven by the increase in the prices of home appliances and food and non-alcoholic beverages. As at June 2019, CPI stood at 15.72% on a yearly basis and 0.03% on a monthly basis, driven upwards mainly by the increase in restaurant and hotel prices and downwards primarily by the decrease in the prices of food and non-alcoholic beverages. As at October 2019, CPI stood at

8.55% on a yearly basis, which is a lower rate of increase compared to the rates experienced in the first half of 2019, such lower rate being primarily attributable to the positive base effect created by CPI in October 2018, which was 25.24% on a yearly basis. In 2019, CPI, which had peaked at 20.35% in January and reached the lowest level of the last three years at 8.55% in November, ended the year at 11.84%. The main contributors to annual inflation in 2019 were food, transportation, alcoholic beverages and tobacco and housing items, which accounted for 2.54 ppt, 2.05 ppt, 1.82 ppt and 1.50 ppt respectively. In 2020, CPI fell gradually until May, after having reached 12.37% in February. CPI rose to 11.39% in May 2020. The fall in oil prices was the main driver of the fall in inflation, but fuel oil prices started to rise again in May because of both the recovery in oil prices and depreciation of the Turkish Lira. As at January 2020, CPI on a yearly basis stood at 12.15% and as at May 2020, CPI on a yearly basis stood at 11.39%.

If the level of inflation in Turkey fluctuates or increases significantly (for any reason), then Akbank's costs may increase, and, if not accompanied by an increase in interest rates, then its operating and net margins may decrease. Inflationary pressures may also curtail Akbank's ability to access foreign financial markets and may lead to further Government intervention in the economy, including the introduction of Government policies that may adversely affect the overall performance of the Turkish economy. The various impacts of inflation thus may have a material adverse effect on Akbank's business, financial condition and/or results of operations.

The Central Bank closely monitors the U.S. Federal Reserve's actions and takes action to maintain price and financial stability. Between December 2017 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25% seven times. However, in July 2019, the U.S. Federal Reserve halted its rate increasing cycle, cut the U.S. federal funds rate by 0.25% and announced its decision to halt the reduction in its balance sheet on 1 August 2019, two months earlier than planned. The U.S. Federal Reserve further cut the U.S. federal funds rate by 0.25% in each of September and October 2019. Whether the U.S. Federal Reserve will further cut the U.S. federal funds rate, or rather increase the rate, and the impact of such changes is uncertain. The Turkish Lira and certain other emerging market currencies may depreciate against the U.S. Dollar if the U.S. Federal Reserve does not ease monetary policy to the degree expected by the financial markets. Primarily due to changes in macroeconomic conditions and the political uncertainty, the Turkish Lira depreciated against the U.S. Dollar by 30% from the second quarter of 2017 to the second quarter of 2018, and from TL 4.56 to 1 U.S. Dollar at the end of June 2018 to TL 6.88 to 1 U.S. Dollar on 13 August 2018, as a result of heightened tensions in relations between Turkey and the United States.

The size of Turkey's current account deficit or adverse changes in its balance of payments position (including the availability of external financing for Turkey) could lead to exchange rate adjustments and higher inflation, which could have a material adverse effect on Akbank's business, financial condition and/or results of operations. Turkey had current account deficits of U.S.$40.6 billion (4.8% of GDP) in 2017. However, Turkey's current account deficit significantly decreased to U.S.$20.7 billion (2.6% of GDP) in 2018, on a 12-month basis. Turkey's current account posted a U.S.$8.7 billion surplus (1.2% of GDP) in 2019, and a U.S.$1.5 billion surplus (0.2% of GDP) as at 31 March 2020 on a 12-month rolling basis. Various events including any deterioration in economic conditions in Turkey's primary export customers and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey), as well as an increase in energy prices, might result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues.

Turkey is an energy-dependent country and any geopolitical development concerning energy security could have a material impact on Turkey's current account balance. In 2017, Turkey's current account deficit and net energy imports stood at U.S.$40.6 billion and U.S.$32.9 billion, respectively. In 2018, Turkey's current account deficit and energy imports were U.S.$20.7 billion and U.S.$37.8 billion, respectively. As at December 2019, Turkey's 12-months rolling current account posted a U.S.$8.7 billion surplus and net energy imports were U.S.$33.3 billion. As at 31 March 2020, Turkey's 12-month rolling current account posted a U.S.$1.3 billion surplus and net energy imports were U.S.$32.6 billion. As at 30 April 2020, Turkey's 12-month rolling current account posted a U.S.$3.3 billion deficit and net energy imports were U.S.$30.8 billion. Recovering oil prices since 2016 have had an adverse impact on Turkey's current account balance and may face further adverse impacts if oil prices continue to increase. If geopolitical tensions escalate in the Middle East and lead to further concerns around global energy supply, such as any events prejudicing the oil trade in the Strait of Hormuz or any country which is a major global oil supplier (such as Saudi Arabia) or any prospective sanctions imposed by the United States and/or the EU on Iran; oil prices may increase and this may entail a higher current account deficit for Turkey. A higher current account deficit may have an adverse effect on the overall performance of the Turkish economy and thus may have a material adverse effect on Akbank's business, financial condition and/or results of operations.

The current account deficit still remains a significant concern for policy makers and may be subject to further intervention. Should the Central Bank adopt any additional measures to limit any increase in the current account deficit, such measures would likely reduce economic growth and, in turn, have a material adverse effect on Akbank's business, financial condition and/or results of operations. However, given Turkey's savings and investments structure, it is not possible for Turkey to achieve its targeted growth figures without current account imbalances. Should the current account deficit widen persistently, this may lead to a sudden adjustment in the Turkish Lira with inflationary consequences, similar to the depreciation in the value of Turkish Lira against foreign currencies and the subsequent rise in inflation in the second half of 2018.

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 the Issuer's, which could adversely affect the market price of the Issuer's securities.

Emerging markets such as Turkey are subject to a greater risk of being perceived negatively by investors based upon external events (for example, volatility in the emerging markets, monetary policies in the United States and the Eurozone, continued violence in Syria and Iraq or a slowdown in China's growth) than more-developed markets are, and financial turmoil in any emerging market (or global markets generally) could have a "contagion" effect and disrupt the business environment in Turkey. Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of issuers in other emerging market countries, as investors may move their investments 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.

An increase in the perceived risks associated with investing in emerging economies could adversely affect the Turkish economy, and the investors' interests in the Notes (and thus their market price) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of Akbank. While the impact of the recent global financial crisis on Turkey was relatively limited, Turkey has been adversely affected by such contagion effects on a number of occasions in the past, including following the financial crises in 1994 and 2000 to 2001. Similar developments can be expected to affect the Turkish economy in the future, which might, in turn have an adverse impact on the prices of obligations of Turkish capital markets issuances, including the Notes.

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

Turkey is located in a region that has been subject to on-going political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring and nearby countries, such as

Iraq, Syria, Iran, Georgia, Cyprus, Egypt, Ukraine and Armenia has historically been one of the potential risks associated with an investment in Turkish securities.

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Syria, Iraq, Egypt, Libya, Tunisia, Jordan, Bahrain and Yemen. Tensions have also increased between a number of Middle Eastern states, notably Iran and Saudi Arabia. Unrest in these countries (as well as global tensions with Iran and between Russia and Ukraine) may have political implications in Turkey or otherwise have a negative impact on Turkish economy, including through both financial markets and the real economy.

Risks associated with the conflicts in Syria and Iraq

Political instability in the Middle East was recently exemplified by the internal conflict in Syria and Iraq and tension between Iran and Israel.

Although Akbank does not have significant direct exposure with respect to Iraq, many Turkish companies, including many of Akbank's clients, do have such exposure. Therefore, the unrest in Syria and Iraq could have a material negative impact on the Turkish economy, the business of Akbank's clients and consequently also Akbank.

On 25 September 2017, the Kurdish Regional Government in Northern Iraq held a referendum for the independence of the region administered by the Kurdish Regional Government in Northern Iraq. Turkish government officials announced that Turkey will not recognise the outcome of the referendum and might take punitive measures, including economic sanctions (e.g. cutting off the pipeline that allows the transport of oil from Northern Iraq to third countries) and closing its airspace and border crossing to Northern Iraq. On 16 October 2017, Turkey closed its airspace to the Northern Iraqi Kurdish region and, in 2018, the Turkish military began a cross-border operation in Northern Iraq to prevent terrorist activities against Turkey. Furthermore, on 14 June 2020, the Turkish military launched an air-strike called "Claw-Eagle" against the terrorist groups, mainly the PKK in northern Iraq.

On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organisations that Turkey deems to be terrorist organisations. On 13 April 2018, the United States, the United Kingdom and France launched airstrikes against targets in Syria following a suspected chemical attack on civilians by the Syrian forces in Damascus, Syria, escalating tensions between Russia and the United States. Turkish government officials announced that they consider the United States-led operation to be an appropriate response to the suspected chemical attack. In the meantime, the Turkish military's operations against organisations that Turkey deems to be terrorist organisations continue in Syria. Given the continuing hostilities in Syria and the number of parties involved, it is very difficult to predict the impact of the continuing tensions on the geopolitical stability in the broader region, including Turkey, and any potential resulting adverse effect on the Turkish economy, as well as on Akbank's business, financial condition, results of operations and prospects.

Elevated levels of conflict in Iraq and Syria have also caused a significant displacement of people. The high number of refugees within Turkey's borders and foreign intelligence agents infiltrating both refugee camps and local communities remain current threats. Turkey is among the countries that have taken a significant number of Syrian refugees with a negative economic, political and social impact on Turkey.

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Turkey has been involved in armed conflict in Syria and such conflicts are inherently susceptible to volatility and escalation, particularly given the involvement of a number of international parties. The Presidency made a statement after the Turkish Security Council meeting of 30 July 2019 chaired by the President Recep Tayyip Erdoğan, that Turkey will continue its operations against the PKK in the northern Iraq and is determined to make efforts to create a "peace corridor" along the Turkish border with Syria. On 9 October 2019, the Turkish Air Force launched "Operation Peace Spring" with airstrikes in northern Syria intended to expel armed groups which the Turkish Government views as terrorist organisations, including the Syrian Democratic Forces ("**SDF**") which Turkey views as linked to the PKK, from the border area and create a "peace corridor". On 14 October 2019, the President of the United States issued an executive order and the OFAC added the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence, as well as the relevant ministers, to its list of specially designated nationals and blocked persons. Several European countries imposed an arms embargo on Turkey. On 17 October 2019, the U.S. and Turkey agreed on a deal in which Turkey agreed to suspend its operations in Syria for 5 days in return for a complete withdrawal by the SDF from a safe zone south of the Syria-Turkey border. On 22 October 2019, the President of Turkey Recep Tayyip Erdoğan and the President of the Russian Federation Vladimir Putin agreed to maintain the status quo in the northern Syria reached as a result of "Operation Peace Spring". On 23 October 2019, the President of the United States announced that there was a "permanent" ceasefire in the region and sanctions on Turkey would therefore be lifted. On 29 October 2019, in response to the recent operations in northern Syria, the U.S. House of Representatives passed a bill with a majority of 403 votes to 16, envisaging potential sanctions on Turkey and on any foreign financial institution that the U.S. State Department determines to have knowingly facilitated significant transactions for the Turkish Armed Forces or Turkey's defence industry related to "Operation Peace Spring"; however, such bill has not been introduced to the Senate yet and does not have legal power as at the date of this Prospectus. Further, on 27 February 2020, the Syrian army launched an airstrike against Turkish military forces in Idlib, a city located in northern Syria which resulted in casualties of Turkish soldiers. Following the airstrike, on 1 March 2020, Turkey announced that it had launched "Operation Spring Shield" against the Syrian forces with an aim to stabilise the Idlib region. The fighting in the Idlib region, however, halted after the ceasefire brokered by Turkey and Russian Federation came into effect on 6 March 2020.

As a result of any further events in northern Syria (including continued operations of Turkey), tensions with international stakeholders could further increase, and Turkey may face increased economic and/or security risks, if terrorists seek to retaliate for increased military actions, or if the U.S. or European countries take restrictive or punitive actions against Turkey, Turkish economy or Turkish institutions. Such restrictive or punitive actions, escalating diplomatic and political tensions with the U.S. or other countries, and/or other political circumstances (and related actions, rumours and/or uncertainties) might have a material adverse effect on Akbank's business, financial condition and/or results of operations and/or on the market price of the Notes. In addition, any escalation of political instability or international military intervention in Syria and/or a more aggressive stance by Assad's allies, Russia, Iran, and China against Turkey and opposition supporters may act as a destabilising factor for Turkey.

Risks from events affecting Turkey's relationship with Russia

Heightened tensions between Turkey and Russia over Syria or events in Ukraine could materially negatively affect the Turkish economy, including through any negative impact on Turkey's tourism revenues or its access to Russian energy supplies. Russia has become Turkey's second largest trading partner and the largest supplier of natural gas to Turkey. Any disruption to the relationship with Russia might have a material adverse effect on Akbank's business, financial condition and/or results of operations and on the market price of the Notes.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which has resulted in deterioration in the relationship between Turkey and Russia and led to Russia implementing certain sanctions against Turkey.

In addition, in early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and on its borders, including Russia effectively taking control of Crimea (followed by Crimea's independence vote and absorption by Russia) have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. In addition, the United States and the EU have implemented increasingly impactful sanctions against certain Russian entities, persons and sectors, including Russian financial, oil and defence companies, as a result of the conflict. While not directly impacting Turkey's territory, the dispute could negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies. This, in turn, may have an adverse effect on Akbank's business, financial condition, results of operations and prospects.

Risks from events affecting Turkey's relationship with the United States

On 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in İstanbul. On the same date, Turkey retaliated by issuing a statement that restricts the visa application process for United States citizens. While visa services have since returned to normal, relations between the two countries remained strained on various topics, including the conviction of an executive of a state-controlled bank, Türkiye Halk Bankası A.Ş. (who was released in July 2019 after serving his sentence), for alleged bank fraud and conspiracy to violate U.S. sanctions laws in assisting Iran to evade U.S. sanctions and the related judicial process against Halkbank. Furthermore, in August 2018 the United States had imposed sanctions on two Turkish ministers and increased import taxes on Turkish steel and aluminium. Nonetheless, on 12 October 2018, a Turkish court released a detained American pastor who had been arrested in October 2016, and the United States removed the sanctions imposed on Turkish ministers. In addition, on the week of 2 November 2018, certain U.S. sanctions on Iranian financial and energy sectors and on certain other imports from Iran, were re-imposed.

Nevertheless, the United States granted Turkey a partial exemption allowing it to import limited amounts of oil from Iran for six months. However, such exemption was not renewed at the end of the six month period and it remains uncertain whether Turkey will, or will be able to, comply with such U.S. sanctions against Iran.

Any similar events in the future, including any operations of the Turkish armed forces in Syria targeting organisations that Turkey deems to be terrorist organisations related to People's Congress of Kurdistan (formerly known as the PKK), in connection with the potential U.S. withdrawal from Syria, including any restrictive or punitive actions adopted by the U.S. and/or EU institutions in connection with operations and/or actions of Turkey in the northern Syria and/or Turkey's compliance with any further prospective U.S. sanctions against Iran might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and might have a negative impact on the Turkish economy. The relationship with the United States was also impacted by Turkey's agreement to acquire a U.S.$2.5 billion S-400 air and missile defence system from Russia in December 2017. In response, the United States announced that Turkey will be removed from the F-35 program under which Turkey acquires fighter jets from the United States and the United States has threatened further sanctions. As at the date of this Prospectus a bill to impose new sanctions as the result of Turkey's acquisition of the S-400 defence system and for Turkey's military involvement in Syria is under consideration in the U.S. Senate. As such, political uncertainty might continue.

Furthermore, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the judicial process against Halkbank) might lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. As at the date of this Prospectus, the final outcome in relation to the judicial process, including any appeal and whether any sanction, fine or penalty will be imposed by the OFAC or any other U.S. regulatory body on Halkbank or any other Turkish bank or person in connection with those matters, as well as the possible reaction of the financial markets to any such events or speculation regarding such events, is unknown. Actual or perceived political instability in Turkey, escalating diplomatic and political tensions with the United States or other countries, and/or other political circumstances (and related actions, rumours and/or uncertainties) might have a material adverse effect on Akbank's business, financial condition and/or results of operations and/or on the market price of the Notes.

Risks from events affecting Turkey's relationship with the EU

In March 2016, Turkey signed an agreement with the EU in an effort to control the irregular flow from Turkey to the EU of the refugees, mainly displaced due to the conflict in Syria. However, such agreement has not been fully implemented in accordance with its terms as at the date of this Prospectus, and the Turkish officials stated in 2019 that the EU has not fulfilled yet its undertakings made under such agreement. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy. Diplomatic or political tensions between Turkey and Member States of the EU or other countries might impact trade or demand for imports and exports.

In the recent years, several important natural gas reserves have been discovered in the eastern Mediterranean, in the territorial waters and exclusive economic zone of the island of Cyprus. Both the Republic of Southern Cyprus, an EU member but not legally recognised by Turkey, supported by Greece, and the Turkish Republic of Northern Cyprus, not legally recognised by the EU and supported by Turkey, lay claim to gas in these waters and launched drilling activities. In its conclusions of 15 July 2019, the Council of the EU recalled its previous conclusions, and stated that (i) such drilling activities of Turkey, which the Council deems illegal, have a serious immediate negative impact across the range of EU-Turkey relations, (ii) it has decided not to hold further meetings of the EU-Turkey high-level dialogues for the time being, (iii) it endorses the European Commission's proposal to reduce the pre-accession assistance to Turkey for 2020, and (iv) it invites the European Investment Bank to review its lending activities in Turkey, notably with regard to sovereign-backed lending. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities. The events described above and any similar events in the future, including deterioration of the relations between Turkey and Greece due to the matter of eastern Mediterranean natural gas reserves and any prospective actions which might be taken by the EU in response to Turkey's aforementioned activities in the eastern Mediterranean or northern Syria, might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and might have a negative impact on the investors' perceptions of Turkey and the broader Turkish economy, for reasons including the lack of Turkey's access to EU funding.

Risks relating to domestic terrorism

Terrorist attacks and the threat of future terrorism have had and could continue to have a material adverse effect on Turkey's capital markets, the level of tourism, foreign investment and other elements of the Turkish economy and ultimately on Akbank's financial condition and results of operations. On 1 January 2017, 39 people were killed and 69 were injured following a shooting in a nightclub in Istanbul. The attack was linked to ISIL. On 5 January 2017, two people were killed and 11 other were wounded in a terrorist attack in Izmir which was further claimed by TAK.

While Akbank's property and business interruption insurance covers damage to insured property directly caused by terrorism, such amounts may be insufficient to cover any losses that it may incur.

Other risks from events affecting Turkey's international relations

On 2 October 2018, a Saudi journalist went missing after entering the Saudi consulate in Istanbul. The Istanbul prosecutors started a criminal investigation about the incident, and on 31 October 2018, the chief prosecutor of Istanbul issued a written statement about the investigation. According to such statement, evidence was found that the Saudi journalist was killed intentionally in the Saudi consulate and investigations are continuing. As at the date of this Prospectus and to the best of Akbank's knowledge, judicial process in Turkey and Saudi Arabia is continuing, and the outcome of such process and their implications on the relationship between Turkey and Saudi Arabia are not clear or predictable.

Akbank's credit ratings may not reflect all risks, and changes to Turkey's or its credit ratings may affect its ability to obtain funding

As a bank that depends significantly on the issuance of senior and subordinated debt securities in the international capital markets, Akbank is dependent upon the credit ratings assigned to such securities, to itself as an issuer and to the Turkish sovereign. Moody's has assigned Akbank a Long-Term Foreign Currency Deposit rating and a Long-Term Local Currency Deposit rating of B3 and B2, respectively. Fitch has assigned Akbank a Long-Term Foreign Currency issuer default rating and Long-Term Local Currency issuer default rating of B+. If either of these credit rating agencies were to downgrade Akbank or change the outlook of these ratings, this could adversely affect Akbank's ability to access the international capital markets. Furthermore, any change in Akbank's credit rating could adversely affect its calculation of its capital adequacy ratio, since Akbank calculates its capital adequacy ratio according to the Capital Adequacy Regulation published by the BRSA, which allows Akbank to use only Fitch ratings to calculate the risk-weighted assets for capital adequacy purposes. See "*Selected Statistical And Other Information—Capital Adequacy*".

In addition, since substantially all of Akbank's assets are located in Turkey, any downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception of Akbank and could lead to a corresponding downgrade in its own credit ratings, which could adversely affect its ability to raise capital. For example, in both 2018 and 2019, each of Moody's, S&P and Fitch downgraded Akbank's credit rating or those of its financial products following the downgrade or negative review of the Turkish sovereign's rating, debt rating or its foreign currency deposit ceiling. Any future such downgrades could adversely affect Akbank's access to capital and hence its business, financial condition and/or results of operations. 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 Prospectus, 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.

Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate related projects and various renewable energy-related projects. For example, significant growth in the number of hotels is projected to occur over the coming years in anticipation of a continuing growth in international tourism, which might or might not in fact occur in light of geopolitical, economic or other factors. Any such overdevelopment might lead to a rapid decline in prices of these and other properties or the failure of some of these projects. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this could have a material adverse effect on Akbank's business, financial condition and/or results of operations.

Turkey is subject to the risk of earthquakes.

Seismologists classify almost all of Turkey as a high-risk earthquake zone. Furthermore, a significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). In October 2011, an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country, causing significant property damage and loss of life. On 6 February 2017, two earthquakes with preliminary measurements of 5.3 on the Richter scale struck Turkey's northern Aegean coast and damaged dozens of homes in at least five villages and injured at least five people. On 2 March 2017, an earthquake measuring 5.5 on the Richter scale struck the southeastern region of Turkey and injured at least five people. More recently, on 26 September 2019, an earthquake measuring 5.8 on the Richter scale struck the Sea of Marmara, damaging a number of buildings in Istanbul, and on 24 January 2020, an earthquake measuring 6.8 on the Richter scale struck the eastern province of Elazığ.

A number of Akbank's properties, businesses and customers are located in earthquake risk zones in Turkey and the direct impact of future earthquakes could have a material adverse effect on Akbank's business, financial condition and results of operations.

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

The profitability and profitability growth of Turkish banks in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector.

The activities of Akbank are highly regulated and changes to other applicable regulations might have a material adverse effect on Akbank's profitability, especially as competition or regulation limit the ability of Akbank to control interest rates or loan rates.

For example, the Central Bank has adjusted reserve requirements for various banking products for different purposes, including to both support and limit credit growth and as a result of foreign currency fluctuations. Further revisions to such reserve requirements, particularly any increased requirements, could have a negative impact on the profitability of the banking sector (including Akbank), especially if competition or other factors limit banks' ability to increase loan pricing or loan growth (see also "*Turkish Regulatory Environment For Banks—Liquidity, Coverage Ratio and Reserve Requirements*" for a summary of the current reserve requirements).

In addition, the Regulation on Equities of Banks published in the Official Gazette No. 28756 dated 5 September 2013 (the "**Equity Regulation**") and the Regulation on the Calculation and the Evaluation of Banks' Capital Adequacy the "**Capital Adequacy Regulation**") published in the Official Gazette No. 29511 dated 23 October 2015, which regulate, among other things, stress testing for liquidity and the calculation of internal capital adequacy, have been subject to frequent amendment in recent years in order to, among other aims, accomplish BRSA's target of promulgating Basel III (as defined below in "*Turkish Regulatory Environment For Banks—Basel III*") requirements by April 2014 (see also "*—Changes in the Turkish banking regulatory framework may require Akbank 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.*"), introduce changes to BRSA's authority to write off Tier 1 and Tier 2 debt instruments and change the items included in equity calculation, introduce changes to the calculation of risk-weighted assets and the risk-weighing of mortgages. If further amendments prove adverse to Akbank they could have a material impact on its profitability and results.

The Central Bank has recently published two communiqués amending current legislation relating to fees and commissions to be collected from their clients, both of which became effective as at 1 April 2020. Pursuant to the communiqués, deposit interest, loan interest and participation rates to profit and loss in participation accounts are capped, and the type of fees to be collected from commercial clients (except for banks and financial leasing, factoring and finance companies) are categorised under four main types of fees, all of which can be freely determined unless restricted under the communiqué. See "*Turkish Regulatory Environment For Banks—Consumer Loan, Provisioning and Credit Card Regulations*".

Still other regulations limit the expansion of individual loans (especially credit card instalments) and set the fees and commissions that banks may charge customers and limits their levels. The Central Bank's approval is required for any Turkish bank to charge any fees and commissions other than as cited in the regulation. See "*Turkish Regulatory Environment For Banks*" and "*Management's Discussion And Analysis Of Financial Condition And Results Of Operations—Significant Factors Affecting Akbank's Results of Operations*" for details on these amendments and other regulations impacting Akbank.

Akbank's profitability may be materially and negatively affected in the short term and possibly in the long term as a result of a number of such regulatory factors that are generally impacting the Turkish banking sector.

If the pressure on net reversals on loans, investment securities and credit related commitments continues, this may have a material adverse effect on Akbank's financial condition and results of operations as well as Akbank's ability to make payments under the Notes. Such factors include increased competition, particularly as it impacts net interest margins (see "*—Risks Related to Turkey and Other Related Risks—Increased competition in the Turkish banking sector could have a material adverse effect on Akbank*") and the Central Bank and BRSA regulatory actions that seek to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased interest rates, increased reserve requirements, increased general provisioning requirements, changes in the foreign exchange legislation and higher risk weighting for general purpose loans.

Akbank is also subject to competition and antitrust laws. Akbank from time to time has been, and in the future might be, subject to investigations by the Turkish Competition Board (Rekabet Kurulu) (the **"Competition Board"**) some of which have resulted in material fines. See also "*Business— Legal Proceedings*."

III. RISKS RELATED TO THE NOTES

Set out below is a description of material risks relating to the Notes.

Effective Subordination – Claims of Noteholders under the Notes will be subordinated to those of certain other creditors.

Under Turkish law, certain obligations of Akbank will rank in preference to the Notes (including, without limitation, liabilities that are preferred by reason of reserve and/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 amount that such depositors are not fully able to recover from the Savings Depositary Insurance Fund (the "**SDIF**"), claims that the SDIF may have against Akbank and claims that the Central Bank may have against Akbank with respect to certain loans made by it to Akbank). Any such preferential claims may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of Akbank and may result in an investor in the Notes losing all or some of its investment.

The Notes constitute unsecured obligations of the Issuer.

The Issuer's obligations under the Notes 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 asset flows.

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

Although application has been made for the Notes to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market, there can be no assurance that such application will be accepted or that an active trading market will develop or, if one does develop, that it will be maintained. Accordingly, the Issuer can give no assurance as to the development or liquidity of any trading market for the Notes. 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 the Issuer.

Redemption for Taxation Reasons – The Issuer will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay increased withholding taxes with respect to interest or other payments

on the Notes or which result in it no longer being entitled to claim a deduction in calculating its tax liability in respect of the payment of interest or the value of such deduction being reduced.

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14592 dated 12 January 2009, which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 published on 29 June 2011, and Presidential Decree No. 842 dated 20 March 2019 (together, the "**Tax Decrees**"). Pursuant to the Tax Decrees, (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 3%, and (c) with respect to bonds with a maturity of three years or more, the withholding tax rate on interest is 0%. However, in case of early redemption, the redemption date might be considered to be the maturity date and (if so) higher withholding tax rates might apply in this regard. The Issuer is also entitled to claim a deduction in calculating its tax liability under Turkish tax law in respect of payments of interest on the Notes.

The Issuer will have the right to redeem all, but not some only, of the Notes, subject to having obtained the prior approval of the BRSA, at any time at their then outstanding principal amount together with interest accrued to (but excluding) the date of redemption if, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or any change or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change, clarification or amendment becomes effective after 8 July 2020, on the next Interest Payment Date, the Issuer would:

(a) be required to (i) pay additional amounts as provided or referred to in Condition 9 and (ii) 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 prevailing applicable rates on such date, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on the next Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 8 July 2020, is reduced.

Upon such a redemption, investors in the Notes might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the Notes.

This redemption feature is also likely to limit the market value of the Notes at any time when the Issuer has the right to redeem them as provided above, as the market price at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in any prior period when any relevant change in law or regulation is yet to become effective.

Transfer Restrictions – Transfers of Notes will be subject to certain restrictions and interests in Global Notes can only be held through Euroclear, Clearstream, Luxembourg.

Although the Notes have been authorised by the CMB pursuant to Decree 32 regarding the Protection of the Value of the Turkish Currency and the Capital Markets Law and its related legislation as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered under any applicable state's or other jurisdiction's securities laws, or any applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes (or beneficial interests therein) will be made outside of the United States pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Notes may be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer.

Because transfers of interests in the Regulation S Global Note can be effected only through book entries at Clearstream, Luxembourg and/or Euroclear (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Regulation S Global Note may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg or Euroclear, as applicable. The ability to pledge interests in the Notes (or beneficial interests therein) may be limited due to the lack of a physical certificate. In the event of the insolvency of Euroclear, Clearstream, Luxembourg or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

Enforcement of Judgments - Investors may have difficulty enforcing foreign judgments against the Issuer or their respective management.

Akbank is a public joint stock company organised under the laws of Turkey. Many of the Issuer's directors and executive officers are residents of Turkey and a substantial portion of the assets of the Issuer and such persons are located in Turkey. As a result, it may be difficult for investors to effect service of process upon the Issuer or such persons outside Turkey, or to enforce judgments or arbitral awards obtained against such parties outside Turkey.

Under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country, other than the Republic of Turkey, may not be enforced in Turkish courts in certain circumstances. Although Turkish courts have recognised enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the United Kingdom and Turkey with respect to enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey setting out the reciprocal enforcement of judgments expressly. For further information, see "*Enforcement Of Judgments And Service Of Process*".

The Conditions of the Notes are governed by English law and the terms are specified with reference to that law as in effect as at the date of this Prospectus. Similarly, the enforcement rights of the Noteholders against the Issuer and its assets in Turkey assume the application of Turkish law as presently in effect. Any possible judicial decision or change to English or Turkish law or administrative practice after the date of this Prospectus may impact the Notes.

Furthermore, any claim against the Issuer which is denominated in a foreign currency would, upon pronouncement of bankruptcy of the Issuer, only be payable in Turkish Lira, thereby shifting the currency exchange risk from the Issuer to the Noteholders. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the Central Bank's exchange rate for the purchase of the relevant currency which is effective on the date when the relevant court's decision on the bankruptcy is rendered in accordance with Turkish law. Such exchange rate may be less favourable to a Noteholder than the rate of exchange prevailing at the relevant time.

Holders of Notes held through Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders.

The Notes will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (each as defined under "*Form Of The Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Regulation S Global Note held through it. While the Notes are represented by the Regulation S Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by the Regulation S Global Note, 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 the Regulation S Global Note 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 the Regulation S Global Note.

Holders of beneficial interests in the Regulation S Global Note will not have a direct right to vote in respect of the Notes so represented. 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.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to vote upon matters affecting their interests generally or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority. As a result, such binding decisions made by majorities of Noteholders may be adverse to the interests of potential investors.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could have a material adverse effect on the value of any Notes affected by it.

IV. RISKS RELATED TO THE MARKET

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

No Secondary Market – An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

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 the Issuer's and its group's operating results, adverse business developments, changes to the regulatory environment in which the Issuer and its group 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 notes issued by or on behalf of the Republic of Turkey as a sovereign borrower. For example, there have been significant fluctuations in the value of the Turkish Lira and in interest rates in recent years, which have affected Akbank and could affect the price of the Notes. See "*—The Central Bank's policy on interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects".* 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 the Issuer's and its group's results of operations or financial condition. Finally, financial turmoil in emerging markets generally can impact the price of the Notes.

Exchange rate risks and exchange controls - If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in U.S. Dollars into the Investor's Currency, which could have a material adverse effect on the market value of the Notes. There may also be tax consequences for investors.

Interest Rate Risk – The value of the Notes may be adversely affected by movements in market interest rates.

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes.

Credit ratings - Credit ratings assigned to the Issuer or the Notes may not reflect all the risks associated with an investment in the Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer or 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. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. 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 rating agency. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

In general, European (including United Kingdom) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European (including United Kingdom) regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European (including United Kingdom) regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit ratings agencies and ratings is set out on the cover of this Prospectus.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

Akbank is a public joint stock company under the Turkish Commercial Code (No. 6102). Substantially all of the assets of the Issuer are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Issuer outside Turkey or to enforce against it 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 Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment 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 Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon 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:

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

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

(iii) 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,

(iv) the judgment is not of a civil nature,

(v) the judgment is clearly against public policy rules of Turkey,

(vi) the judgment is not final and binding with no further recourse for appeal or similar revision process under the laws of the country where the judgment has been rendered, or

(vii) 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.

Process may be served on the Issuer at Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX United Kingdom in relation to any proceedings in England in connection with the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Prospectus:

(a) the convenience translation into English of the Akbank 2019 BRSA Annual Financial Statements (including PwC's independent auditor's report dated 31 January 2020 issued in respect thereof), published at: https://www.akbank.com/en-us/Documents/akbank-en-consolidated_4Q19.pdf

(b) the convenience translation into English of the Akbank 2018 BRSA Annual Financial Statements (including PwC's independent auditor's report dated 31 January 2019 issued in respect thereof), published at: https://www.akbank.com/en-us/Documents/Akbank_ENG_SOLO_31122018.pdf

(c) the convenience translation into English of the Akbank 2017 BRSA Annual Financial Statements (including PwC's independent auditor's report dated 31 January 2018 issued in respect thereof), published at: https://www.akbank.com/en-us/Documents/Akbank_Consolidated_Financial_Statements_31-12-2017.pdf

(d) the convenience translation into English of the Akbank BRSA Quarterly Financial Statements (including PwC's independent auditor's review report dated 28 April 2020 issued in respect thereof), published at: https://www.akbankinvestorrelations.com/en/images/pdf/akbank_en_consolidated_1q20.pdf

(e) the convenience translation into English of the Akbank BRSA Half-Year Financial Statements (including PwC's independent auditor's review report dated 28 July 2020 issued in respect thereof), published at https://www.akbankinvestorrelations.com/en/images/pdf/akbank_en_consolidated_2q20.pdf

Where only parts of a document are being incorporated by reference, the non-incorporated parts of that document are either not material for an investor in the Notes or are covered elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The financial statements, including relevant PwC independent auditors' reports thereto, incorporated by reference into this Prospectus and referred to above, all of which are in English, were prepared as convenience translations of publicly announced consolidated financial statements of Akbank as of and for the relevant periods stated above, originally issued in Turkish (which translations Akbank confirms were direct and accurate). See note I.b of Section three in notes to the convenience translations of each of the Akbank 2019 BRSA Annual Financial Statements, the Akbank 2018 BRSA Annual Financial Statements and the Akbank 2017 BRSA Annual Financial Statements, incorporated by reference into this Prospectus.

OVERVIEW OF THE ISSUER AND THE NOTES

The following overview does not purport to be complete and is taken from, should be read in conjunction with, and is qualified in its entirety by, the remainder of this Prospectus. Prospective investors should see "Risk Factors" above for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein).

Overview of the Issuer

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Prospectus, including "Information About Akbank" and the Akbank BRSA Financial Statements.

Akbank was founded as a local privately-owned commercial bank in Adana on 30 January 1948. Established originally with the core objective of providing funding to local cotton growers, Akbank opened its first branch in the Sirkeci district of Istanbul on 14 July 1950. In 1954, after relocating its head office to Istanbul, Akbank rapidly expanded its branch network and had automated all banking operations by 1963.

Akbank's core business is banking activities, consisting of consumer banking, commercial banking, SME banking, corporate banking, private banking, foreign currency exchange, money markets and securities trading, and international banking services. In addition to traditional banking activities, Akbank also carries out insurance agency operations through its branches on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

Akbank conducts overseas operations through its subsidiary in Germany (Akbank AG) as well as through a branch in Malta. Akbank's other subsidiaries; AkInvestment, AK Asset Management, AKLease, and AkÖde provide non-banking financial services alongside capital markets, investment and E-Money services.

In addition to providing banking services through approximately 758 branches, Akbank's traditional delivery channel, Akbank also serves customers through Akbank Direkt Internet Branches, Akbank Direkt Mobile, a full-service call centre (the "Call Center"), 5,133 ATMs and approximately 610,000 point-of-sale terminals.

Since its establishment, a majority of the shares in Akbank have been owned or controlled by the Sabancı family and the Sabancı Group, which is one of the two largest financial and industrial corporate groups in Turkey. Floated to the public in 1990, Akbank's shares began trading on international markets and as American Depository Receipts ("**ADRs**") after its secondary public offering in 1998.

Overview of the Notes

The following sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this overview. See "Terms and Conditions of the Notes."

Issue:	U.S.$50,000,000 6.05 per cent. Notes due 2024.
Issuer:	Akbank T.A.Ş. LEI: 789000TUMN63Z28TJ497
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date (i.e., 5 August 2020) to (but excluding) the Maturity

	Date (i.e., 15 November 2024) at a fixed rate of 6.05 per cent. per annum. Interest will be payable semi-annually in arrear on each Interest Payment Date (i.e., 15 May and 15 November in each year) up to (and including) the Maturity Date; *provided that*, as described in Condition 7.4, if any such date is not a Payment Day (as defined in Condition 7.4), then such payment will be made on the next Payment Date and Noteholders shall not be entitled to further interest or other payment in respect of such delay. There will be a long first interest period from (and including) the Issue Date to (but excluding) 15 November 2020.
Maturity Date:	The Notes will be redeemed by the Issuer on the Maturity Date (i.e., 15 November 2024).
Use of Proceeds:	The net proceeds from the issuance of the Notes is expected to be U.S.$50,000,000 and will be allocated or reallocated from time to time to the financing and/or refinancing, in whole or in part, one or more projects relating to renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, eco-efficient and/or circular economy adapted products, production technologies and processes and green buildings. Pending the allocation or reallocation, as the case may be, of the net proceeds of the Notes to above mentioned categories, the Issuer will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalent and/or other liquid marketable instruments.
Status:	The Notes will be direct, unconditional and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference amongst 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.
Negative Pledge:	The terms of the Notes contain a negative pledge provision binding on the Issuer as further described in Condition 4.1.
Certain Covenants:	The Issuer will agree to certain covenants. Please refer to Condition 5 for further information.
Taxation; Payment of Additional Amounts:	Subject to Condition 9, all payments by the Issuer under the Notes will be made without withholding or deduction for or on account of any taxes in Turkey, unless the

	withholding or deduction of the taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order for the net amounts received by the holders of the Notes after such withholding or deduction to be equal to the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. Please refer to Condition 9 for further information. Under current Turkish law, withholding tax at the rate of 0% applies to interest on the Notes. See "*Certain Turkish Tax Considerations*" in this Prospectus.
Optional Redemption for Tax Reasons:	The Issuer may, having given not less than 30 and not more than 60 days' notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all, but not some only, of the Notes outstanding at any time at 100 per cent. of the principal amount thereof plus interest accrued and unpaid to (but excluding) the date of redemption in the event of certain changes in applicable tax law or regulation or the application thereof. Please refer to Condition 8.2 for further information.
Events of Default:	The terms and conditions of the Notes contain certain events of default as further described in Condition 11.
Form, Transfer and Denominations:	The Notes will be represented by beneficial interests in the Regulation S Global Note in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with the Common Depositary and registered in the name of a nominee for the Common Depositary. Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Regulation S Global Note. Interests in the Regulation S Global Note will be subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*" below. Interests in the Regulation S Global Note will be represented in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect participants, as applicable). Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 thereafter.
ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended

	("**ERISA**"), a "plan" as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), or any entity whose underlying assets include "plan assets" of any of the foregoing. See "*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*" below.
Governing Law:	The Notes, the Agency Agreement and the Deed of Covenant and any non-contractual obligations arising out of or in connection with any of them will be governed by, and construed in accordance with, English law.
Listing:	An application has been made to Euronext Dublin to admit the Notes to listing on the Official List and trading on the Euronext Dublin Regulated Market; however, no assurance can be given that such application will be accepted. The estimate of the total expenses related to admission to trading on the Euronext Dublin Regulated Market is €4,000.
Turkish Selling Restrictions:	The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See "*Subscription and Sale and Transfer and Selling Restrictions—Selling Restrictions—Turkey*" in this Prospectus.
Other Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the U.S. or other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act). The offer and sale of Notes is also subject to restrictions in the United Kingdom and Switzerland. See "*Subscription and Sale and Transfer and Selling Restrictions*" below.
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, including certain risks relating to the structure of the Notes and certain market risks, see "*Risk Factors*".
Issue Price:	100 per cent. of the principal amount of the Notes.
Yield:	6.05 per cent. per annum.
Regulation S Notes Security Codes:	ISIN: XS2211119313
	Common Code: 221111931
Representation of Noteholders:	There will be no trustee.
Expected Ratings:	B+ by Fitch.

	A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Fiscal Agent, Exchange Agent, Principal Paying, Calculation and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG

USE OF PROCEEDS

The Issuer will incur various expenses in connection with the issuance of the Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from the issuance of the Notes is expected to be U.S.$50,000,000. The net proceeds will be allocated or reallocated from time to time to the financing and/or refinancing, in whole or in part, one or more projects relating to renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, eco-efficient and/or circular economy adapted products, production technologies and processes and green buildings. Pending the allocation or reallocation, as the case may be, of the net proceeds of the Notes to above mentioned categories, the Issuer will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalent and/or other liquid marketable instruments.

INFORMATION ABOUT AKBANK

Selected Historical Consolidated Financial Information

The following tables set forth, for the periods indicated, Akbank's selected historical consolidated financial and other information. Akbank's selected historical consolidated financial information as at and for the three-month period ended 31 March 2020 is derived from the unaudited Akbank BRSA Interim Financial Statements. Its selected historical consolidated financial information as at and for each of the years ended 31 December 2019, 2018, and 2017 is derived from the audited Akbank BRSA Annual Financial Statements all incorporated by reference herein. The following selected historical consolidated financial and other information should be read in conjunction with, and is qualified in its entirety by reference to, the Akbank BRSA Financial Statements incorporated by reference herein. The Akbank BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with the aforementioned legislation and TFRS for the matters not regulated by the BRSA Principles, as described in more detail in the notes to the Akbank BRSA Financial Statements.

Prospective investors should read the following information in conjunction with "*Presentation Of Financial And Other Information*" and the Akbank BRSA Financial Statements incorporated by reference herein.

Consolidated Balance Sheet Data

	As at 31 March 2020	As at 31 December 2019	As at 31 December 2018
	(TL thousands)		
ASSETS			
Cash and Balances with Central Bank	44,686,890	29,893,929	30,113,824
Financial Assets at Fair Value Through Profit or (Loss) (Net)	7,757,584	7,264,839	6,869,024
Banks	19,936,017	17,940,027	18,959,365
Money Markets	2,546,446	66,120	544,657
Financial Assets at Fair Value Through Other Comprehensive Income	67,768,007	67,518,440	44,340,042
Loans and Receivables (Net)[1]	219,046,821	214,470,932	201,332,183
Factoring Receivables	0	0	0
Financial Assets Measured at Amortised Cost	21,216,543	15,565,525	12,215,096
Investments in Associates (Net)	8,421	5,521	5,521
Subsidiaries (Net)	0	0	0
Joint Ventures (Net)	0	0	0
Financial Lease Receivables (Net)	4,713,650	4,738,608	5,914,353
Hedging Derivative Financial Assets	19,608,736	16,517,762	22,605,903
Property and Equipment (Net)	5,060,144	4,919,697	3,959,052
Intangible Assets (Net)	965,995	953,188	646,193
Investment Property (Net)	0	0	0
Current Tax Asset	11,138	9,971	306,034
Deferred Tax Asset	70,318	135,972	143,808
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	189,794	666,067	264,384
Other Assets	7,807,756	6,505,838	6,462,171
Total assets	**421,394,260**	**387,172,437**	**354,681,610**
LIABILITIES			
Deposits	270,780,320	244,712,333	208,629,900
Trading Derivative Financial Liabilities	9,268,645	8,044,598	12,180,045
Borrowings	35,844,407	34,836,481	43,649,883
Money Markets	17,874,109	10,106,550	14,275,016
Securities Issued (Net)	11,695,005	13,536,945	13,071,447
Funds	0	0	0
Miscellaneous Payables	8,779,306	9,152,859	8,009,180
Other Liabilities	2,316,352	2,251,872	3,364,070
Factoring Payables	0	0	0
Financial Lease Payables (Net)	631,318	624,154	0
Hedging Derivative Financial Liabilities	1,599,149	901,104	644,958
Provisions	1,823,754	1,592,642	1,342,384
Tax Liability	956,529	1,668,911	943,208
Liabilities for Property And Equipment Held for Sale	0	0	0
Subordinated Loans	5,918,959	5,381,534	4,784,477
Shareholders' Equity	53,906,407	54,362,453	43,787,041
Total liabilities and shareholders' equity	**421,394,260**	**387,172,437**	**354,681,610**

Note:
(1) The balances of loans at fair value profit or loss are not included.

	As at 31 December 2017
	(TL thousands)
ASSETS	
Cash and Balances with Central Bank	35,363,176
Financial Assets at Fair Value Through Profit or (Loss) (Net)	8,355,939
Banks	10,029,729
Money Markets	1,552,346

	As at 31 December 2017
	(TL thousands)
Available-for-Sale Financial Assets (Net)	42,829,788
Loans and Receivables	209,478,389
Factoring Receivables	0
Held-to-Maturity Securities (Net)	18,883,032
Investments in Associates (Net)	3,923
Subsidiaries (Net)	0
Joint Ventures (Net)	0
Financial Lease Receivables (Net)	5,865,418
Hedging Derivative Financial Assets	1,136,284
Property and Equipment (Net)	3,425,916
Intangible Assets (Net)	478,542
Investment Property (Net)	0
Tax Asset	37,525
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	133,515
Other Assets	4,036,435
Total assets	**341,609,957**
LIABILITIES	
Deposits	201,455,528
Trading Derivative Financial Liabilities	5,423,828
Borrowings	33,627,199
Money Markets	29,357,798
Securities Issued (Net)	15,855,225
Funds	0
Miscellaneous Payables	6,641,090
Other Liabilities	1,178,360
Factoring Payables	0
Financial Lease Payables (Net)	0
Hedging Derivative Financial Liabilities	74,911
Provisions	3,860,946
Tax Liability	1,620,501
Liabilities for Property And Equipment Held for Sale	0
Subordinated Loans	1,900,999
Shareholders' Equity	40,613,572
Total liabilities and shareholders' equity	**341,609,957**

Consolidated Income Statement Data

	For the three-month period ended 31 March 2020	For the year ended 31 December 2019	2018
		(TL thousands)	
INCOME AND EXPENSES ITEMS			
Interest Income	8,460,481	36,498,492	35,445,105
Interest Expense	3,219,355	19,560,065	19,849,235
Net Interest Income	**5,241,126**	**16,938,427**	**15,595,870**
Net Fee and Commission Income	**1,263,983**	**4,958,293**	**3,718,214**
Dividend Income	235	6,743	6,567
Trading Income/(Loss) (Net)	(485,684)	(1,145,675)	(637,489)
Other Operating Income	393,246	855,488	1,015,593
Total Operating Income	**6,412,906**	**21,613,276**	**19,698,755**
Expected Credit Loss	1,455,271	6,704,938	6,657,054
Other Provision Expenses	1,128,704	1,099,204	102,920
Personnel Expense	807,898	2,757,578	2,261,321
Other Operating Expenses	1,247,109	4,124,730	3,541,026
Net Operating Income/(Loss)	**1,773,924**	**6,926,826**	**7,136,434**
Excess Amount Recorded as Income After Merger, Income/(Loss) from Investments in Subsidiaries	0	0	0
Consolidated Based on Equity Method	0	0	0
Income/(Loss) on Net Monetary Position	0	0	0
Profit/Loss before Tax from Continued Operations	**1,773,924**	**6,926,826**	**7,136,434**
Tax Provision for Continued Operations	471,253	1,574,487	1,427,281
Current Period Profit/Loss from Continued Operations	**1,302,671**	**5,352,339**	**5,709,153**
Income from Discontinued Operations	0	0	0
Expenses for Discontinued Operations	0	0	0
Profit/Loss Before Tax from Discontinued Operations	**0**	**0**	**0**
Tax Provision for Discontinued Operations	0	0	0
Current Period Profit/Loss from Discontinued Operations	0	0	0
Net Income/(Loss)	**1,302,671**	**5,352,339**	**5,709,153**
Income/(Loss) from Akbank Group	**1,302,666**	**5,352,325**	**5,709,166**

	For the year ended 31 December 2017
	(TL thousands)
INCOME AND EXPENSES ITEMS	
Interest Income	24,389,468
Interest Expense	13,096,669
Net Interest Income	**11,292,799**
Net Fee and Commission Income	**2,961,964**
Dividend Income	2,658
Trading Income/(Loss) (Net)	(529,945)
Other Operating Income	1,247,964
Total Operating Income	**14,975,440**
Provision for Loan Losses and Other Receivables	2,441,912
Other Operating Expenses	4,879,293
Net Operating Income/(Loss)	**7,654,235**
Excess Amount Recorded as Income After Merger, Income/(Loss) from Investments in Subsidiaries	0
Consolidated Based on Equity Method	0
Income/(Loss) on Net Monetary Position	0
Profit/Loss before Tax from Continued Operations	**7,654,235**
Tax Provision for Continued Operations	1,633,953
Current Year Profit/Loss from Continued Operations	**6,020,282**
Income from Discontinued Operations	0
Expenses for Discontinued Operations	0
Profit/Loss Before Tax from Discontinued Operations	**0**
Tax Provision for Discontinued Operations	0

Current Year Profit/Loss from Discontinued Operations	0
Net Income/(Loss)	**6,020,282**
Income/(Loss) from Akbank Group	**6,020,273**

Key Ratios

The following tables set out certain key ratios calculated based on the Akbank BRSA Interim Financial Statements as at and for the three-month period ended 31 March 2020 and on the Akbank BRSA Annual Financial Statements as at and for each of the years ended 31 December 2019, 2018, and 2017 incorporated by reference herein. These ratios are not calculated on the basis of BRSA Principles and are not BRSA Principles measures of financial performance. The basis for calculation of ratios that are non-BRSA financial measures is set out in the notes below. Non-BRSA Principles financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles.

	As at or for the three-month period ended 31 March 2020	**As at or for the year ended 31 December**	
		2019	**2018**
		(%)	
Return on average shareholders' equity excluding minority interest	9.6	10.9	13.6
Net interest margin(1-a)	5.62	4.93	4.62
Capital adequacy ratio(2)	20.4	19.66	16.8
Cost to income(3)	33.8	32.9	30.4
Free capital ratio(4)	11.3	12.4	11.0
Non-performing loans to total cash loans	6.9	6.7	3.8
Cost to average total assets(5)	2.0	1.8	1.6
Cost of Risk(6)	1.6	2.6	1.1
Fees to Cost(7)	61.5	72.0	64.1
Tier I Ratio	17.4	16.9	14.3
Loan-to-deposit ratio(8)	88.6	95.4	103.5
NPL coverage ratio(9)	58.8	56.2	58.2

	As at or for the year ended 31 December 2017
	(%)
Return on average shareholders' equity excluding minority interest	16.2
Net interest margin(1-b)	3.80
Capital adequacy ratio(2)	15.8
Cost to income(3)	36.3
Free capital ratio(4)	10.7
Non-performing loans to total cash loans	2.1
Cost to average total assets(5)	1.6
Cost of Risk(6)	0.5
Fees to Cost(7)	60.7
Tier I Ratio	14.2
Loan-to-deposit ratio(8)	104.0
NPL coverage ratio(9)	96.6

Notes:

(1-a) In the calculation of net interest margin, annualised net interest income is divided by the average of interest earning assets published in the quarterly financial statements of the related year and previous year end. Interest earning assets consist of Reserve Requirement, Banks, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Financial Assets at Amortised Cost, Interbank Money Market Placements, Loans and Financial Lease Receivables.

(1-b) In the calculation of net interest margin, annualised net interest income is divided by average of interest earning assets published in the quarterly financial statements of related year and previous year end. Interest earning assets consist of Reserve Requirement, Banks, Financial Assets at Fair Value through Profit or Loss (Net), Interbank Money Market Placements, Available for Sale Financial Assets (Net), Loans, Held to Maturity Investments (Net) and Financial Lease Receivables.

(2) Calculated in accordance with BRSA regulations.

(3) In the calculation of the cost to income ratio, the Other Operating Expenses balance is divided by income items of the related year after the deduction of NPL collections. Income items consist of Net Interest Income, Net Fee and Commission Income, Dividend Income, Trading Income/(Loss) and Other Operating Income.

(4) In the calculation of the free capital ratio, Total Shareholders' Equity excluding intangible assets, tangible assets, assets held for resale, investments in equity participations, is divided by total assets.
(5) In the calculation of the cost to average total assets ratio, the annualized Other Operating Expenses balance is divided by the average of Total Assets published in the quarterly financial statements of the related year and previous year end.
(6) In the calculation of the Cost of Risk ratio, the annualised Net Provisions for Loan Loss (additions to non-performing balance minus collections and sales premium balance from NPL) during the period is divided by the average of loans published in the quarterly financial statements of the related year and previous year end.
(7) In the calculation of the Fees-to-Cost ratio, Net Fees and Commission Income is divided by Other Operating Expense, which is published in the quarterly financial statements of the related year and previous year end.
(8) In the calculation of the Loan-to-Deposit ratio, Loans and Receıvables is divided by Deposits, which is published in the quarterly financial statements of the related year and previous year end. Calculations include loans provided to LYY.
(9) In the calculation of the NPL coverage ratio, Specific Provisions are divided by Loans Under Follow-up, which is published in the quarterly financial statements of the related year and previous year end.

Capitalisation

The following tables, which are extracted from the Akbank BRSA Financial Statements, set forth the consolidated capitalisation of Akbank as at 31 March 2020, 31 December 2019, 2018 and 2017. These tables should be read in conjunction with the Akbank BRSA Financial Statements and the notes thereto, incorporated by reference in this Prospectus. All Turkish Lira amounts in this section, unless otherwise indicated, are presented in thousands of Turkish Lira.

		As at 31 December	
	As at 31 March 2020	**2019**	**2018**
	(TL thousands)		
Long-term debt(1)(2)	44,180,763	45,036,347	52,397,241
Capital stock; legal reserves, retained earnings and other equity accounts	52,603,577	49,009,069	38,077,749
Current period income or (loss) attributable to Akbank's Equity Holders	1,302,666	5,352,324	5,709,166
Total shareholders' equity	53,906,243	54,362,294	43,786,915
Total capitalisation(3)	**98,087,006**	**99,397,740**	**96,184,156**

	As at 31 December 2017
	(TL thousands)
Long-term debt(1)(2)	43,189,603
Capital stock; legal reserves, retained earnings and other equity accounts	34,593,160
Current period net income attributable to Akbank's Equity Holders	6,020,273
Total shareholders' equity	40,613,433
Total capitalisation(3)	**83,803,036**

Notes:

(1) See Notes (c) and (d) of Part II of Section Five to the Akbank BRSA Annual Financial Statements.
(2) Long-term debt includes the funds borrowed and securities in issue (net) with an original maturity over one year.
(3) Total capitalisation is equivalent to the sum of long-term debt and total shareholders' equity.

As at 31 December 2019 and 31 March 2020, 36% and 38%, respectively, of listed shares in Akbank were held by foreign investors.

Business

Overview

Akbank T.A.Ş. is a Turkish banking institution organised as a joint stock company with registration number 90418. Founded as a local privately-owned commercial bank in Adana on 30 January 1948, it was originally established with the core objective of providing funding for local cotton growers. Akbank opened its first branch in the Sirkeci district of Istanbul on 14 July 1950. Akbank operates under the Turkish Commercial Code. Akbank currently carries out its activities from its head office and 21 regional offices throughout Turkey. Akbank's head office is currently located at Sabancı Center 4, Levent 34330, Istanbul, Turkey. Akbank's telephone number is +90 212 385 55 55.

Akbank's core business is banking activities, consisting of corporate, investment and private banking, commercial banking, SME banking, consumer banking, payment systems and treasury transactions, and international banking services. In addition to traditional banking activities, Akbank also carries out insurance agency operations through its branches on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

Akbank conducts overseas operations through its subsidiary in Germany (Akbank AG) as well as a branch in Malta. Akbank's other subsidiaries, AkInvestment, AK Asset Management, AkLease, and AkÖde provide non-banking financial services alongside capital markets, E-Money and investment services.

Akbank has an expanding digital footprint combined with a wide distribution network with 757 domestic branches as at 31 March 2020 and around 18.1 million customers, as well as a large network of alternative delivery channels, which include Akbank Direkt, Akbank Direkt Mobile, and the call centre, approximately 610,000 point-of-sale terminals and 5,133 ATMs as at 31 March 2020.

There has been a gradual shift in consumer dynamics from physical banking to mobile banking due to the digitalisation trend. Akbank has catered for the changing needs of its customers by investing in digitalisation and direct banking. Due to its successful strategy, Akbank's digital banking customers have grown from 4.1 million as at 31 December 2017 to 4.7 million and 5.1 million as at 31 December 2018 and 2019, respectively, and 5.2 million as at 31 March 2020. Digitalisation has helped Akbank to optimise its traditional channels, continuing to improve the cost/income ratio since 2015. During the COVID-19 outbreak and the ensuing lockdowns, Akbank's digital banking has grown further. The number of average daily financial transactions through Akbank Mobile from mid-March 2020 to 3 April 2020 increased by 16%. The share of Akbank Mobile in Akbank's financial transactions increased by 7% over the same period. The share of digital channels in credit card sales and general purpose loans sold increased significantly to almost 80% of the total as at 31 March 2020. This has demonstrated Akbank's ability to support its customers during this difficult time. Akbank's management plans to continue to invest in further digitalisation.

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. The Sabancı Group currently holds a 48.8% stake in Akbank's issued share capital. The balance of Akbank's share capital, 51.2%, is listed on the Istanbul Stock Exchange, with 38% of the listed shares being held by foreign investors. Akbank's Level 1 ADRs are traded on the over the counter market in the United States. Akbank's market capitalisation stood at U.S.$7.1 billion as at 31 December 2019 and U.S.$4.4 billion as at 31 March 2020.

For the three months ended 31 March 2020, Akbank's net profits were TL 1.3 billion, which reflected a 7.5% decrease compared to the same period in 2019. For the year ended 31 December 2019, Akbank's net profits were TL 5.4 billion, which reflected a 6.3% decrease compared to the same period in 2018. For the year ended 31 December 2018, Akbank's net profits were TL 5.7 billion, which reflected a 5.2% decrease compared to the same period in 2017 (TL 6.0 billion).

As at 31 March 2020, total assets stood at TL 421.4 billion, an increase of 8.8% from TL 387.2 billion as at 31 December 2019. As at 31 December 2019, total assets stood at TL 387.2 billion, an increase of 9.2% from TL 354.7 billion as at 31 December 2018, which in turn represented a 3.8% increase from TL 341.6 billion as at 31 December 2017.

As at 31 March 2020, Akbank's total shareholder's equity stood at TL 53.9 billion, a decrease of 0.8% from TL 54.4 billion as at 31 December 2019. As at 31 December 2019, Akbank's total shareholder's equity stood at TL 54.4 billion, an increase of 24.2% from TL 43.8 billion as at 31 December 2018. As at 31 December 2018, Akbank's total shareholders' equity stood at TL 43.8 billion, an increase of 7.8% from TL 40.6 billion as at 31 December 2017.

Financial Reporting Segments and Operational Business Units -- Overview

As at 31 March 2020, Akbank has three main financial reporting segments: (i) Retail Banking; (ii) Corporate, Commercial, SME and Private Banking; and (iii) Treasury.

Akbank currently operates across 12 Business Units, six of which are considered principal Business Units. Akbank's principal Business Units are: (i) Retail Banking; (ii) Corporate and Investment Banking; (iii) Commercial Banking; (iv) Private Banking and Wealth Management, (v) Strategy, Digital Banking and Payment Systems, and (vi) Treasury. For details of the remaining Business Units, see *"—Organisation"* below.

The Retail Banking reporting segment includes the following two principal Business Units: (i) Retail Banking; and (ii) Strategy, Digital Banking and Payment Systems. Through these Business Units, Akbank offers a variety of retail services such as deposit accounts, consumer loans, commercial instalment loans, credit cards, insurance products and asset management services.

The Corporate, Commercial, SME and Private Banking reporting segment includes the following three principal Business Units: (i) Corporate and Investment Banking; (ii) Commercial Banking, and (iii) Private Banking and Wealth Management. Through these Business Units, Akbank provides financial solutions and banking services to large-, medium- and small-sized corporate and commercial customers.

The Treasury reporting segment includes the following principal Business Unit: Treasury. Through this Business Unit, Akbank conducts TL and foreign currency spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities.

The Other and Unallocated reporting segment includes the operations of Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş. and Ak Portföy Yönetim A.Ş., which are consolidated as subsidiaries of Akbank.

Retail Banking

On 22 November 2018, the Retail Banking Business Unit was established by merging the Consumer Banking Business Unit and the SME Banking Business Unit. Bülent Oğuz was appointed as the Executive Vice President for the Retail Banking Business Unit.

Akbank seeks to continuously place the customer at the focal point of the products and services that it develops, and seeks to develop technological innovations. Akbank has an extensive domestic branch network with 12,750 employees (excluding security officers) as at 31 December 2019 and 12,682 employees (excluding security officers) as at 31 March 2020. As part of the "Next Generation Akbank Branch Model", as at 31 March 2020, Akbank had completed the transformation of 312 branches across Turkey to Akbank's new human-focused and technology-driven "phygital" branch model in which the physical service model is combined with digital capabilities.

Retail Banking

As at 31 March 2020, Akbank had approximately 18.1 million Retail Banking individual customers. Akbank seeks to place the customer at the focal point of the products and services that it develops, and seeks to develop technological innovations continuously. Akbank provides an extensive domestic branch network with 12,682 employees as at 31 March 2020. In an effort to get to know the customers, differentiate their needs, and offer suitable solutions, the Retail Banking Business Unit seeks to generate fast, tailor made solutions for the financial needs and expectations of its customers. The Retail Banking Business Unit works closely with its customers to protect family assets and assist customers in passing these on to the next generation. The Business Unit seeks to make available information regarding alternative investment products consistent with the needs, risk profile, and return expectations of each customer.

This Business Unit also provides retail services such as deposit accounts, consumer loans, credit cards, insurance products and wealth management services. Akbank's line of retail banking products and services also includes bankcards, 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.

The Retail Banking Business Unit includes the following four divisions: (i) Retail Banking Sales Management; (ii) Retail Banking Marketing, (iii) Affluent Banking Sales and Marketing, and (iv) Bancassurance and Consumer Finance.

Strategy, Digital Banking and Payment Systems

On 31 May 2019, Emin Tolga Ulutaş, Executive Vice President for Digital Banking Business Unit resigned. The Digital Banking Business Unit was renamed as Strategy, Digital Banking and Payment Systems Business Unit.

On 31 May 2019, Burcu Civelek Yüce was appointed as the Executive Vice President for Strategy, Digital Banking and Payment Systems Business Unit.

As the variety of transactions that can be performed through direct banking channels expands, customers are increasingly using direct banking channels to execute their banking transactions. According to a December 2019 report of the Banks Association of Turkey, more than 10.7 million retail banking customers in Turkey actively use internet banking. Active users of mobile banking number more than 47.8 million in Turkey. The number of customers using online banking increases every day along with rising internet and smartphone penetration. Direct banking channels are very popular particularly for viewing account information and balances, money transfers, and payment transactions.

Anticipating changes in consumer dynamics and a shift to direct banking channels, Akbank established The Direct Banking division in December 2012 when the Alternative Delivery Channels division of the Retail Banking Business Unit was reorganised as a separate unit and renamed "Akbank Direkt Banking".

In addition to traditional branches, Akbank provides services to consumers through various alternative distribution channels. Akbank's digital channels include internet and mobile services, the Call Centre, ATMs, in-branch kiosks and social media. Currently, Akbank has almost 5.2 million digital customers. Akbank had 5,133 ATMs and had a 9.7% market share of the cash-in/cash-out machine network in Turkey as at 31 March 2020 (Source: BRSA).

Corporate, Commercial, SME and Private Banking

The Corporate, Commercial, SME and Private Banking reporting segment includes the following three principal Business Units: (i) Corporate and Investment Banking; (ii) Commercial Banking; and (iii) Private Banking and Wealth Management.

Corporate and Investment Banking

In addition to financial intermediation, Akbank aims to offer broad and structured corporate finance solutions in line with international standards in accordance with customer needs. For example, it has begun offering digital solutions customised to individual customer needs.

During 2015 and 2016, the former Corporate Banking Business Unit was reorganised in order to meet evolving market needs and began serving customers as the Corporate, Investment and Private Banking Business Unit. On 2 January 2018 the Corporate, Investment and Private Banking Business Unit was renamed the Corporate and Investment Banking Business Unit. Under the new structure, in addition to financial intermediation, Akbank aims to offer broad and structured corporate finance solutions at international standards in accordance with customer needs. For example, it has begun offering digital solutions customised to individual customer needs. Export credit programmes, infrastructure investments, acquisition finance and project finance deals all registered significant growth in 2016.

The Corporate and Investment Banking Business Unit includes the following three divisions: (i) Corporate Banking; (ii) Investment Banking; and (iii) International Banking.

International Banking. Akbank's International Banking division manages the international fund raising activities of Akbank, as well as Akbank's correspondent banking relationships.

Commercial Banking

The Commercial Banking Business Unit 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).

Private Banking and Wealth Management

On 2 January 2018, the Private Banking and Wealth Management Business Unit was established and Alp Keler was appointed as the new Executive Vice President for Private Banking and Wealth Management Business Unit. The Private Banking and Wealth Management Business Unit has two divisions: (i) Private Banking; and (ii) Wealth Management.

Treasury Reporting Segment

The Treasury reporting segment comprises the Treasury Business Unit.

Treasury

The Treasury Business Unit operates through four divisions: (i) Liquidity Management; (ii) Treasury Marketing; (iii) Trading; and (iv) Chief Economist. It primarily manages Akbank's securities investment portfolio, asset-liability management activities and overall liquidity and provides treasury services to Akbank's Retail Banking and Corporate, Commercial, SME and Private Banking customers.

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 more than 72 year operating history through often turbulent Turkish financial markets, its longstanding focus on prudent risk management and its record of financial stability. Akbank's business is almost solely concentrated in Turkey and substantially all of its assets are located in Turkey since this is the market it knows best and where it has a strong competitive position. Akbank is Turkey's fourth largest private bank in terms of assets as at 31 December 2019 (*Source: The Banks Association of Turkey*). It offers a wide range of consumer and commercial products and has well-established relationships with its client base. Akbank has a wide distribution network with 757 domestic branches as at 31 March 2020 and around 18.1 million customers, as well as a large network of alternative delivery channels, which include Akbank Direkt, Akbank Direkt Mobile, and the call centre, approximately 610,000 point-of-sale terminals and 5,133 ATMs as at 31 March 2020. Akbank believes that its strong franchise and position in consumer, corporate, commercial and SME banking enable it to benefit from economies of scale and provide a strong platform for sustained profitability in the Turkish banking market. Akbank also has stable controlling shareholders, which facilitate an agile decision-making process, continued stability in a difficult global environment and the ability to implement Akbank's vision.

Strong Capital Structure; Conservative Liquidity and Funding Policy

As at 31 December 2019 and 31 March 2020, Akbank's strong capital structure was demonstrated by its capital adequacy ratio of 19.7% and 20.4% (under BRSA) (including forbearances for the first quarter of 2020), Tier

1 ratio of 16.9% and 17.4% (including forbearances for the first quarter of 2020), leverage ratio (calculated as total assets divided by total equity) of 7.1x and 7.8x and shareholders' equity of TL 54.4 billion and TL 53.9, respectively. Supporting its capital structure, Akbank maintains strong liquidity, with a liquidity coverage ratio of 216.2% at 31 December 2018, and 198.1% as at 31 December 2019 and 200.9% as at 31 March 2020. 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's deposits grew at a rate of 17.3% from TL 208.6 billion as at 31 December 2018 to TL 244.7 billion as at 31 December 2019 and at a rate of 10.7% from TL 244.7 billion as at 31 December 2019 to TL 270.8 billion as at 31 March 2020.

Akbank has been a market leader among Turkish financial institutions in the domestic and international capital markets, with the first direct issuance of a Eurobond in 2010, the first TL-denominated Eurobond in 2013 and the first mortgage-covered bond out of Turkey in 2015. Its total outstanding domestic bonds amounted to TL 4.8 billion (including mortgage covered bonds), its outstanding U.S.$ denominated benchmark senior unsecured issuances amounted to approximately U.S.$1.5 billion and it had U.S.$900 million of subordinated debt (Basel III compliant Tier 2) as at 31 December 2019.

In an environment where banks' financial strength is an indicator of growth prospects, Akbank's strong capital ratio, low loan-to-deposit ratio, low leverage and effective risk management policy are indicative of its financial strength and support Akbank'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 organisation, beginning with careful customer selection to support a high quality asset base and continuing through to 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 in the aftermath of 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 and management prior to the crises and decisive action taken in managing risk. In anticipation of increased credit risks, Akbank has implemented and enhanced its risk management systems with the aim of ensuring a consistently high level of asset quality. Akbank had always believed that banking involves balancing risk and matching assets to liabilities. The Board and management have continuously stressed the importance of a solid balance sheet and a strong financial position. This approach has contributed to Akbank's 16.9% and 17.4% Tier 1 capital ratio (excluding forbearance measures announced by BRSA), 19.7% and 20.4% capital adequacy ratio (excluding forbearance measures announced by BRSA) and its 7.1x and 7.8x leverage ratio as at 31 December 2019 and 31 March 2020, respectively. Despite its low leverage, Akbank has generated sound pre-provision income and has set aside significant reserves of almost TL 13 billion over the last two years and TL 2.2 billion in the first quarter of 2020, including TL 250 million of free provisions set aside due to prevailing uncertainties.

Akbank's NPL ratio was 6.7% and 6.9% as at 31 December 2019 and 31 March 2020, respectively, compared to approximately 5.4% and 5.0% for the Turkish banking sector as a whole at the same dates. Akbank also has a separate risk division below the level of the Board such that all risks are monitored by its Executive Risk Committee which reviews all aspects of Akbank's business, including Akbank's risks. In addition to the Audit Committee, Akbank has a Corporate Governance Committee overseeing such risks.

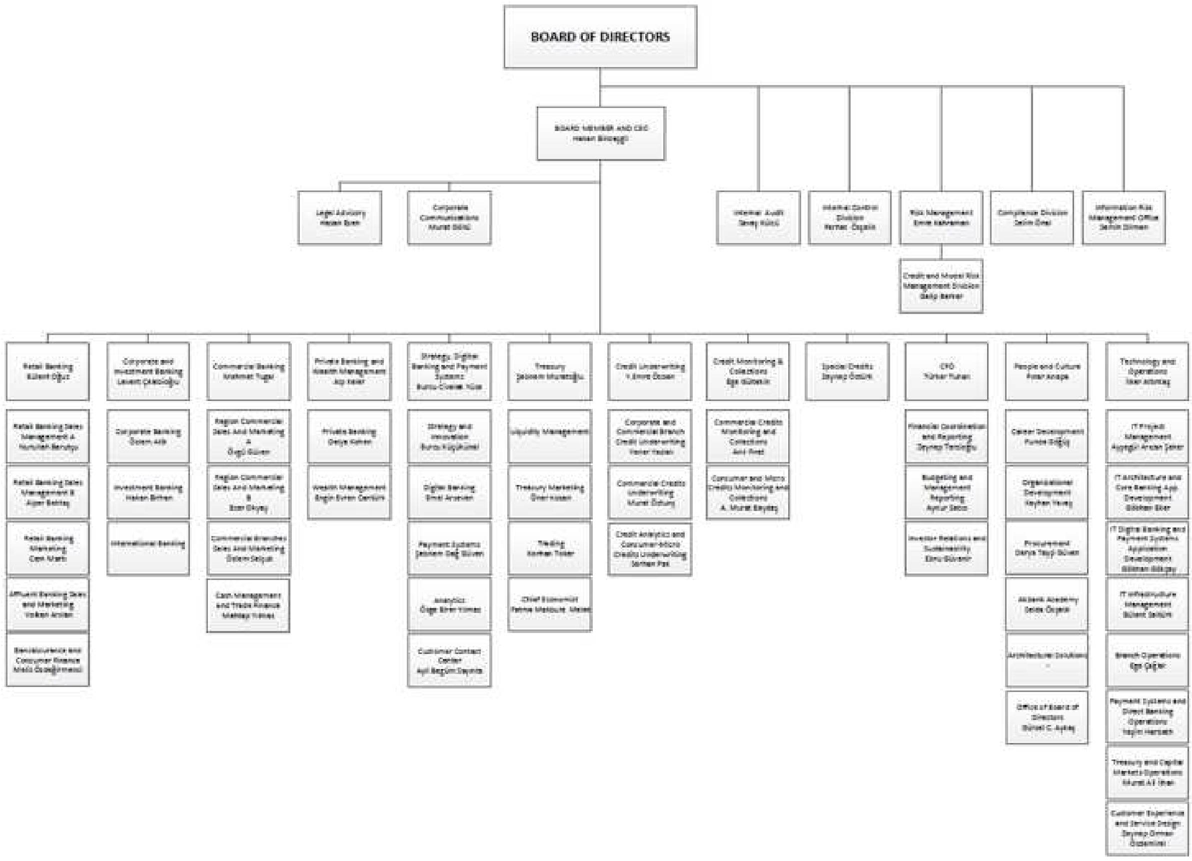
Strategy

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 multispecialist bank in Turkey while sustaining its profitability. To achieve this objective, Akbank has identified the following strategic priorities for 2020 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:
    - Increase customer driven profitability;
    - Improve output and cost efficiency;
    - Pursue a balanced loan growth strategy;
    - Diversify funding mix and expand the deposit base;
    - Continue to focus on fee and commission generating businesses;
    - Increase cross sell ratio through successful Customer Relationship Management ("CRM");
    - Concentrate on superior customer service and excellence in distribution (physical and digital);
    - Control risk through focus on risk management; and
    - Continue to Focus on Human Capital Recruitment and Development;
- Solidifying its position as house bank for foreign trade and investment flows of Turkish and international companies;
- Serving the investment needs of customers through Akbank Wealth Management;
- Customer acquisition with increased mobile penetration; and
- Increasing the use of digital channels.

Organisational Structure

The following chart shows Akbank's organisational structure as at the date of this Prospectus. Akbank's organisational structure consists of 12 Business Units. Each Business Unit is managed by an Executive Vice President. Six of the Business Units are considered principal Business units: (i) Retail Banking; (ii) Corporate and Investment Banking (iii) Commercial Banking; (iv) Private Banking and Wealth Management, (v) Strategy, Digital Banking and Payment Systems and, (vi) Treasury.



Recent Developments

The BRSA has issued an administrative monetary fine in the amount of TL 155.5 million on the basis of violation of their directive on Limitation of COVID 19 Effects. The above-mentioned administrative monetary fine will be paid pursuant to Clause 17/6 of the Law No 5326 on Misdemeanors by using a 25% advance payment discount and reserving Akbank's legal rights. While management does not believe that this monetary fine will have any material effect on its business or results of operations, subsequent fines could cause Akbank to experience unexpected reductions in profitability or losses.

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).

One of Akbank's primary strategies is to continue to develop its digital offering. Akbank currently has approximately 5.2 million digital customers.

In order to continue the trend towards digitalisation, Akbank's current strategy is to increase its digital presence by acquiring new digital customers, migrating existing customers to digital channels, increasing its share of the digital banking market, increasing the number of products available on its digital platforms, expanding digital marketing and increasing effectiveness of it, preparing for mobile-only banking, continuing to expand mobile payment methods, and acting as a pioneer in the market. With this strategy in mind, Akbank has commenced the implementation of a campaign called "Next Generation Akbank", which focuses on a number of initiatives including the increased digitalisation of the business, as well as a branch optimisation programme and other initiatives. Akbank is mainly targeting customers aged 25 to 35 and has around 60% digital penetration within this group. The digital penetration ratio increases to around 80% for the white collar segment of this age group.

Other projects undertaken by Akbank to attract more customers to its branches include a branch renovation project. In line with this strategy, Akbank has also implemented a customer service representation system in each branch to further improve quality of service. The following table sets out Akbank's principal distribution outlets as at 31 March 2020:

	Total Number
Branches	757
Regional Offices	21
Foreign Branches	1
POS Terminals	610,000 (approximate)

Retail Banking Reporting Segment

Retail Banking Business Unit

Akbank's Retail Banking strategy primarily comprises the following elements: (i) grow its high-value customer base; (ii) increase its retail market share; (iii) improve customer loyalty; and (iv) increase efficiency and convenience through migration to digital channels. Akbank continuously invests in building core capabilities in these perspectives, and drives improvements in the customer base and market share. The Retail Banking Business Unit covers customers with annual revenue of up to TL 25 million, with customers with annual revenue above this amount being included in the Corporate and Investment Banking and Commercial Business Units.

As at 31 March 2020, Akbank had approximately 18.1 million Retail Banking individual customers. Akbank delivers its consumer banking products and services through its network of approximately 757 domestic branches and approximately 1,871 relationship managers. Akbank centralised its operations so that back office functions have been moved out of the branches, enabling Akbank's retail branches to focus on providing services and marketing products to retail customers.

Consumer Deposits. Akbank has traditionally been one of the preferred savings banks for clients. Akbank's market share in deposits was 9.5% as at 31 March 2020 and 9.2% as at 31 December 2019 (8.2% and 8.1% in TL deposits and 10.3% and 10.7% in foreign currency deposits, respectively) (*Source: Weekly BRSA statistics and based on the un-consolidated financials*). Akbank also maintained its strong position in foreign currency deposits particularly in the retail market. With a view to growing its retail deposit base at a relatively low cost, Akbank thoroughly analyses its customer database and potential competition in its regions of operation. Akbank then introduces deposit rate promotions aimed at low cost customer segments in the regions with lower competition levels. Akbank currently uses what it refers to as a Deposit Pricing Optimisation Tool, which is based on customer penetration, local competition, growth pattern, customer and relationship manager behaviour and market developments. Akbank also reinforces such promotions through extensive low cost local marketing. Akbank also aims to lower its operational costs by migrating its time deposit customers to alternative delivery channels.

Consumer Lending. Akbank's retail lending business includes mortgages, car loans and unsecured lending, which comprises general purpose loans (including personal loans and overdrafts) and credit cards. Between 2017 and 2019, retail loans grew by a CAGR of 2%. As at 31 December 2019 and 31 March 2020, mortgages accounted for 20% and 19.4%, car loans accounted for 0% and 0%, personal loans accounted for 47% and 52.6%, overdrafts accounted for 3% and 3% and credit cards accounted for 29.7% and 27.7% and of gross retail loans, respectively. These products are described in further detail below:

- *Mortgages.* Akbank's market share of the residential mortgage lending market in Turkey was 6.1%, 5.0% and 4.9% as at 31 December 2018, 31 December 2019 and 31 March 2020, respectively (*source: BRSA*). Akbank was the first Turkish bank to enter into a strategic partnership with real estate agents and extends mortgage loans to numerous residential construction projects. As at 31 December 2019 and 31 March 2020, Akbank's had TL 9.3 billion and TL 9.5 billion of retail mortgage loans, with an average remaining term of 5.2 years and 5.3 years, respectively.

- *Car loans*. Akbank's market share of the car loan market in Turkey was 2.4%, 2.6% and 2.7% as at 31 December 2018, 31 December 2019 and 31 March 2020, respectively (*source: BRSA*).

- *General purpose loans.* Akbank's market share of the general purpose loan market in Turkey was 8.9%, 8.7% and 8.8% as at 31 December 2018, 31 December 2019 and 31 March 2020, respectively (*source: BRSA*). Akbank experienced growth from 31 December 2017 to 31 December 2019 in personal loans, with a CAGR of 10%. With the use of its technologically-advanced lending system, Akbank offers its customers pre-approved loan limits and loans through all direct channels (internet, mobile and the Call Centre), with the ability to respond to requests on virtually a real-time basis, which provides further opportunities for sales alongside the branch network. 69% of personal loans are sold through digital channels. Akbank was the first bank in Turkey to introduce "mobile loans" in 2005, and also pioneered "self-service loan machines", which have been recognised in banking awards.

  At the end of 2016, the BRSA introduced a 48-month maximum term cap for general purpose loans as part of macroprudential measures. As a consequence of that regulation, general purpose loans have an average maturity of 38 months and amounted to TL 21.3 billion with an overdraft balance as at 31 December 2019 and TL 25.8 billion at 31 March 2020.

- *Credit Cards*. See *"—Payment Systems"* below for further detail of Akbank's credit card offering.

Capital Markets Transactions. One of the main objectives of the Retail Banking Unit is to establish and develop appropriate service models to increase Akbank's market share of equity and futures products for retail clients. This is done through Akbank Investment Products Management, which acts as an intermediary in equity and futures markets on behalf of the Retail Banking Business Unit as well as Corporate, Commercial, SME and Private Banking customers.

Bancassurance. Akbank sells the products of AKSigorta Insurance Company and AvivaSA Pensions and Life Insurance Company, both of which are among the leading companies in their respective sectors. Akbank's growth in bancassurance in recent years continued in 2019 mainly as a result of the diversified product offering for clients and efficient use of distribution channels. More than 2 million active customers had chosen Akbank for nearly 3.5 million active insurance and Private Pension System (BES) products as at 31 December 2019. Approximately 2 million active customers had chosen Akbank for nearly 3.3 million active insurance and Private Pension System (BES) products as at 31 March 2020.

Affluent Banking. Akbank places particular emphasis on its affluent customers (customers whose assets under management ("**AUM**") with Akbank exceed TL 200,000 or who have a mortgage with an appraisal value greater than TL 750,000). Akbank Affluent Banking, referred to as One-to-One Banking, provides value propositions to cover the financial and non-financial needs and expectations of affluent customers. One-to-One Banking, launched in 2004, serves more than 278,000 affluent customers with 320 relationship managers in 260 branches and 110 remote relationship managers across the country. Specially trained dedicated relationship managers provide financial support to customers seeking professional and qualified investment services for their assets on a priority and privileged platform.

Strategy, Digital Banking and Payment Systems Business Unit

The Direct Banking Business Unit was formed in December 2012 when the Alternative Delivery Channels Division of the Retail Banking Business Unit was reorganised as a separate unit and renamed "Akbank Direkt Banking". On 31 May 2019, Emin Tolga Ulutaş, Executive Vice President for the Digital Banking Business Unit resigned. The Digital Banking Business Unit was renamed as the Strategy, Digital Banking and Payment Systems Business Unit. On 3 June 2019, Burcu Civelek Yüce was appointed as the Executive Vice President for the Strategy, Digital Banking and Payment Systems Business Unit.

Under its new organisation structure, all alternative delivery channels and the CRM Division are managed by the Strategy, Digital Banking and Payment Systems Business Unit. Akbank's direct channels include internet and mobile services, call centre, ATMs, in-branch kiosks and social media. The purpose of this reorganisation was to increase the efficiency of branches as well as to generate revenue through new and current delivery channels. Akbank is enhancing the range of available delivery channels and alternative products in order to move more banking transactions away from traditional branches. Currently, the total number of active Akbank Direkt customers is more than 4 million with over 360 million transactions per month by digital channels.

The Call Centre has become one of the key support channels of Akbank. In addition to using product centric divisions like the Equity Team and the Personal Loans, Akbank has also continued its development by utilising more complicated service structures such as the Affluent Remote Centre, the POS Support Remote Centre, the Expat Banking Remote Centre and the SME Remote Centre.

As at 31 March 2020, Akbank had 5,133 ATMs. Akbank had a 9.7% market share of the cash in/cash out machine network in Turkey (*Source: BRSA*). The total number of monthly active telephone banking customers was 1.72 million as at 31 March 2020, with 42.2 million calls received in the year ended 31 December 2019 and 12.0 million calls received in the three months ended 31 March 2020. The total number of monthly active telephone banking customers was 1.86 million as at 31 December 2018, with 46.7 million calls received in the year ended 31 December 2018. The total number of monthly active telephone banking customers was 1.37 million as at 31 December 2017, with 45.4 million calls received in the year ended 31 December 2017. Akbank's internet site received an average of 5.2 million visitors per month in the year ended 31 December 2019 and 7.1 million visitors per month in the three months ended 31 March 2020.

Analytics Division. Since 1 October 2013, the CRM Division has been a part of the Direct Banking Unit, while previously it was a part of a separate Strategy Unit. With a view to design a strategy aimed at creating competitive advantage in the market, the CRM team comprises seven groups in charge of setting up a comprehensive structure towards designing, planning, executing and monitoring customer relationship management systems. On 8 December 2016, the CRM Division was renamed as the "Analytics Division", and a separate division titled "Direct Banking Designing and Innovation Division" was formed.

Payment Systems. Akbank's payment systems business was reorganised in 2017. The Issuing-Acquiring Businesses are managed together and the unit is covered by five divisions: Consumer Cards Sales and Marketing, Acquiring and Commercial Cards Sales and Marketing, Portfolio Management, Brand Partnership and New Payment Systems.

Credit Cards. Credit card products in Turkey have "instalment" and "revolving" features by which a customer does not have to repay its credit card balance in full at the end of the credit card statement period, but can pay only a minimum amount while the outstanding portion of the credit card balance is rolled over into the next credit card statement period. With the advantage of a low cost of funding and a cash advance feature, which generates both commission and interest rate payments, credit cards generate profit faster than other loan instruments, provided the portfolio is properly managed in terms of cost of credit, NPLs and other costs.

Akbank's Axess card offers a loyalty scheme through which Akbank cardholders accrue points that are redeemable for products and services from participating vendors. As at 31 March 2020, Akbank had issued approximately 16.6 million cards (6.6 million credit cards and 8.7 million debit cards). Akbank's share of the domestic credit card issuing business, based on the number of cards issued, decreased from approximately 10.5% in 2017 to 9.35% as at 31 March 2020. The volume of outstanding retail credit card loans was TL 13.5 billion as at 31 December 2019 (compared to TL 12 billion and TL 11.4 billion as at 31 December 2018 and 2017, respectively) and TL 13.6 billion as at 31 March 2020. Akbank's market share of retail credit loans in Turkey was 11.4% and 11.5% as at 31 December 2018 and 31 December 2019, respectively and 11.99% as at 31 March 2020 (source: BRSA).

Corporate Banking Reporting Segment

The Corporate, Commercial, SME and Private Banking reporting segment includes the following three principal Business Units: (i) Corporate and Investment Banking; (ii) Commercial Banking, and (iii) Private Banking and Wealth Management. The Corporate and Investment Banking Business Unit is responsible for customers with annual revenue in excess of TL 300 million, the Commercial Banking Business Unit covers customers with annual revenues between TL 25 million and TL 300 million.

Corporate and Investment Banking Unit

Akbank has more than 2,500 active Corporate customers to which it offers a full range of products and services. Active customers are defined by Akbank as customers who currently use at least one product or service of Akbank.

Akbank has eight corporate banking branches (dedicated branches for corporate customers): six in Istanbul and one in each of Ankara and İzmir. The Corporate and Investment Banking Business Unit at Akbank's head office monitors the activities of the corporate banking branches. Akbank offers a full range of products and services to corporate clients, in addition to conventional banking products and services, such as project finance, trade finance, cash management, treasury and hedging services. The Corporate and Investment Banking Business Unit 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, the Corporate and Investment Banking Business Unit manages its relationships through its branch coverage, while its centrally located teams in the head office offer specialised services. Due to an increase in foreign investment in Turkey, Akbank launched the "Multinational Desk" within the Corporate and Investment Banking Unit in 2013 to provide customised solutions and superior quality services to multinational clients in various fields through eight branches and dedicated relationship managers. In addition, due to its presence in Frankfurt and Malta, the Corporate and Investment Banking Business Unit 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.

Investment Banking and Project Finance. As part of its long-term strategy, Akbank has been increasing its focus on investment banking and project finance activities, as well as infrastructure, real estate, leveraged and structured finance markets in Turkey. Increases in domestic and foreign investment through privatisation and acquisition transactions have fuelled growth in these specialised loan markets and the syndicated loan market. Akbank plans to increase the volume of specialised loan markets and syndicated loan markets products it offers as these products are typically "high value-added" products and offer cross-selling opportunities. Akbank extends these loans to customers operating in a variety of sectors, including infrastructure and transportation, construction, telecommunications, energy and tourism. In addition, the Corporate and Investment Banking Business Unit 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, transfer of operating rights and hydroelectric power generation projects.

Turkey's exports mainly comprise manufactured industrial goods for which most of the raw materials are imported. In other words, Turkish industries process mostly imported raw materials for production and export industrial products. This has been the main driver of the Turkish economy for decades. Turkish manufacturing exporters require pre-shipment credits to finance not only the imported raw material but also the working capital for their production processes. Turkish exports are mostly (almost 60% of whole export) on a Cash Against Documents ("**CAD**") basis, so the appetite for pre-export loans in the sector is higher in comparison with post-financing facilities. Akbank's aim is to carry on its performance in terms of supporting its clients by providing them working capital by way of pre-export loans as well as post-financing facilities such as direct loans, letters of credit discounts and forfeiting. Due to the structure of Turkish exports, Akbank offers credit insurance and factoring to mitigate commercial and political risks and for finance insured or guaranteed by factoring receivables. Akbank offers competitive rates and products, such as the Discounting Loans Program of the Central Bank, to support Turkish exports.

Akbank provides cash and noncash loan products to finance imports through Turkish Lira and foreign currently laws and through letters of credit and trade finance facilities.

In addition to the working capital facilities mentioned above, Akbank also offers long term investment loans of up to 10 years either directly or through ECAs within its network.

Loans to Corporate customers accounted for 37% of Akbank's total loan portfolio as at 31 March 2020, 37% as at 31 December 2019, 36% as at 31 December 2018 and 64.5% as at 31 December 2017.

International Banking. Akbank's International Banking division manages the international fund raising activities of Akbank, as well as Akbank's correspondent banking relationships, which are essential for supporting Akbank's customers in their cross-border payments and foreign trade transactions in the form of letters of credit and letters of guarantee. Akbank has a comprehensive network of international correspondent banks spanning around 155 countries. Through its international business development activities, the division offers a complementary service to clients to support their business activities internationally and to originate proprietary deals for Akbank. Akbank's international fund raising activities are focused around obtaining long-term and short-term funding at competitive rates by using various borrowing instruments and diversifying sources of funding by reaching new investors.

Commercial Banking Business Unit

On 15 September 2017, Mehmet Tugal was appointed as the new Executive Vice President for the Commercial Banking Business Unit.

The Commercial Banking Business Unit branch organisation is administered by Akbank's head office and 21 regional head offices. Today, Akbank has 16 fully dedicated Commercial Banking branches which provide services to businesses with annual revenues of between TL 25 million and TL 300 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 a further 173 branches with both Commercial and SME customer relationship managers. These branches are located in 57 cities and report to Akbank's head office via regional head offices.

The Commercial Banking Business Unit 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). When pricing loans, Commercial Banking uses "Smart Pricing" infrastructure (a system adopted across various business segments of Akbank in 2009) which applies Akbank'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 creditworthiness of the customer and the collateral provided.

Commercial customer relationship managers working in Commercial Banking branches are each assigned a portfolio of approximately 60 Commercial customers. Commercial customer relationship managers have detailed specialised knowledge of commercial products and services and offer additional expertise, particularly in the areas of export/import financing and trade finance. 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. Akbank provides its Commercial customers with the same or similar products and services as 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, export letter of credit discounts, Turkish Eximbank loans and short-term export loan insurance (KVIKS). Akbank also offers tailored solutions for its 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, Akbank may provide loans directly to a customer's potential buyers, thereby increasing both Akbank'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 December 2019, Akbank had 360 Commercial Banking account managers, compared to 390 as at 31 December 2018. As at 31 March 2020, Akbank had 363 Commercial Banking account managers.

Private Banking and Wealth Management Business Unit

On 2 January 2018, the Private Banking and Wealth Management Business unit was established and Alp Keler was appointed as the new Executive Vice President for the Private Banking and Wealth Management Business Unit. The Private Banking and Wealth Management Business Unit has two divisions: (i) Private Banking; and (ii) Wealth Management. As at 31 December 2019, the total value of AUM of the Private Banking and Wealth Management Unit amounted to TL 30.4 billion, compared to TL 23.6 billion and TL 23.2 billion as at 31 December 2018 and 2017, respectively. As at 31 March 2020, the total value of assets under the management of the Private Banking and Wealth Management Unit amounted to TL 36 billion.

Private Banking. The Private Banking division seeks to provide exclusive and customised banking and investment services for high net worth individuals. The minimum account opening limit is TL 3 million of total AUM with Akbank for Private Banking customers. Private Banking services are offered through eight dedicated Private Banking branches across Turkey, with five in Istanbul and one each in Ankara, Bursa and Izmir. In addition, a Private Banking "corner" is located in each of the Akbank Zorlu branch and Bursa Fatih Sultan Mehmet Bulvarı branch.

Akbank Private Banking offers core banking products along with alternative financial products to its clients with a greater level of specialization. In an effort to get to know the clients, differentiate their needs and risk profiles, the Private Banking division works with AkInvestment and AK Asset Management in order to monitor customers' investment strategies and provide them with exclusive solutions. Akbank Private Banking works closely with its clients to protect family assets and assist customers in passing assets on to the next generations. The Unit provides the necessary information regarding alternative investment products consistent with the needs, risk profile, and return expectations of the customers.

The "Next Generation Programme" that was launched at the end of 2015 with the support of Sabancı University is the first service of its kind in Turkey, aimed at preparing the next generation for the future. As part of the programme, Akbank meets with high school and college aged people to educate them on such subjects as the responsibility that comes with family wealth, diversity of investment products, the concept of risk, the global economy and philanthropy.

Launched in June 2016, UHNW Services offers clients with wealth above TL 30 million a holistic approach for family wealth, understanding sophisticated needs and providing customized solutions.

Akbank Wealth Management. In order to provide specialized services and assistance to customers investing in the financial markets, Akbank, together with Ak Asset Management Inc. and AkInvestment, created "Akbank Wealth Management".

In order to assist customers with the management of their investments in the financial markets, Akbank Wealth Management (i) analyses customers' personal investment trends and assesses their unique risk profile related thereto; (ii) together with Ak Asset Management, offers "Strategic Asset Distribution" advice that is suitable for such specific risk profile; and (iii) provides customers personalized advice to manage their investments. Akbank Wealth Management offers "Portfolio Ideas", which is a single-transaction model where the allocated asset distribution is updated in parallel to market conditions; "Fund Baskets", which provides customers an advised asset distribution for such customer's risk profile; video conferencing services with AkInvestment's investment advisors; and general investment advice.

Treasury Reporting Segment

Akbank's Treasury is based at Akbank's head office and provides Treasury Management services to domestic and foreign branches of Akbank. The Treasury reporting segment consists of the Liquidity Management, Treasury Marketing, Trading and Chief Economist divisions. Akbank's Treasury function engages in proprietary trading according to comprehensive value at risk ("**VaR**") limits on the product types set by the Board.

Liquidity Management

The Liquidity Management division manages the foreign currency and Turkish Lira liquidity of Akbank. 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 also provides quotations in the interbank market and engages in foreign currency and Turkish Lira OTC money market trading. Akbank also actively participates in the open market operations of the Central Bank.

The Liquidity Management division is responsible for the management of Akbank's reserve requirement obligations. In this respect, Akbank's foreign currency/Turkish Lira reserve requirement obligations are met flexibly in accordance with the liquidity policy. The Liquidity Management division also operates Akbank's banknote business, including the import and export of cash if needed.

Treasury Marketing Department

The Treasury Marketing division prices and markets treasury products and financial solutions to Corporate, Commercial, SME and Private Banking and Retail Banking 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.

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 and 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.

Trading Department

The Trading division consists of three areas: Foreign Exchange Trading, Rates Trading and Derivatives Trading.

The Foreign Exchange Trading area is responsible for providing competitive spot and forward prices to all internal and external customers for Turkish Lira and G7 currency pairs as well as spot gold prices. It also focuses on managing the fixed income portfolio of Akbank according to limits set by the Board. The section engages in high volume transactions executed via the ISE, OTC markets, brokers and electronic trading channels. Akbank is officially a primary dealer for domestic fixed income securities.

The Derivative Trading area prices Akbank's client derivative flow and manages Akbank's foreign exchange options book. Akbank provides two-way prices to international banks and to the Borsa İstanbul options market. It closely monitors its risks and dynamically hedges with respect to market sensitivities and risk limits.

Chief Economist

The Chief Economist division is responsible for macroChief Economist, as well as global and domestic financial analysis. Moreover, the division makes projections to be used in Akbank's short- and long-term plans.

The division aims to expand the relationship between Akbank and the financial institutions and corporates in target countries, to strengthen the market share of Akbank in foreign trade business, to identify potential clients in target countries and refer potential deals to the related business lines.

Capital Markets and Non-Banking Financial Activities

Akbank conducts its non-banking financial activities through its subsidiaries, namely AkInvestment, Ak Asset Management and AKLease. Product and service offerings of these subsidiaries are also marketed through Akbank branches.

AkInvestment

Founded in 1996 to provide brokerage services for capital markets, AkInvestment is a 100% owned subsidiary of Akbank. Domestic retail customers perform their transactions through Akbank's Private Banking branches, Akbank Capital Markets Unit and approximately 757 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, AkInvestment offers foreign institutional customers' brokerage services for Turkish capital markets products. With its specialized and experienced employees, and comprehensive research reports and customer-oriented service approach, AkInvestment serves both individual and corporate investors. Delivering a range of international and domestic capital markets products to individual and corporate investors, AkInvestment has 10 branches in six major Turkish cities. AkInvestment branches are committed to offering capital markets products and services tailored for customers' needs and expectations, and in line with market conditions. The branches establish long-running relations that generate added value for the customers.

AK Asset Management

Established in 2000 to provide asset management services in capital markets to institutional and individual investors, AK Asset Management is a wholly-owned subsidiary of Akbank. AK Asset Management conducts operations in three core business lines: pension fund management, discretionary portfolio management and mutual funds. AK Asset Management is the market leader in pension fund management and the sector leader in total assets managed outside liquid investment funds. AK Asset Management also designs and manages the investor risk profile tests that form the basis of the Akbank Investment Services and Akbank Robo Advisory concepts, as well as investment management products such as Portfolio Ideas, which aim to help investors with different profiles manage their savings via asset distribution recommendations.

AK Asset Management is one of the leading companies in the Turkish pension investment fund sector. As at 31 March 2020, AK Asset Management managed assets of TL 47.2 billion, with a fund size of TL 24.5 billion and market share of 18.7%. As at 31 December 2019, AK Asset Management managed assets of TL 44.3 billion, with a fund size of TL 24.1 billion and market share of 18.9%.

AKLease

AKLease provides financial leasing support to corporate and commercial segment customers who are keen to undertake investments, expand, enter new markets and enhance their capacity. AKLease helps its customers finance investments in new machinery and equipment purchases or new investments, in line with the concept of Akbank One-Stop Corporate and Investment Banking. AKLease offers long-term funds to clients at attractive interest rates, and provides one-to-one solutions that are perfectly suited to meet the changing needs of clients, thanks to its vast funding capacity.

AKLease continued to offer ongoing support to the national economy with its strong financial and partnership structure, robust shareholders' equity, 12 branch locations as at 31 March 2020, vast funding network, and most importantly, a dynamic workforce highly specialised in the field.

AKLease has started work to upgrade its technology platform and software, which the company employs to perform financial leasing transactions, so that they function in a swift, practical, mobile-enabled fashion in sync with the latest technologies, and are readily accessible by clients.

AKLease has ramped up its investments in cutting edge technologies to measure customer loyalty and satisfaction by means of specialized companies.

AKLease's net leasing receivables decreased to TL 4.9 billion in 2019, down 15.6% compared to year-end 2018, while net profit went up by 274% year-on-year to TL 95 million. AKLease's net leasing receivables decreased to TL 4.4 billion as at 31 March 2020, down 18.3% compared to the comparable period in 2019, while net profit increased by 16.1% year-on-year to TL 34.2 million. Securing its position among the sector's leaders by recording solid financial results based on high return on equity and asset quality, AKLease's operations are characterised by a consistent, healthy and stable growth performance.

AKLease is committed to conducting its operations in a sustainable manner and intends to remain a complementary force for growth with its investments in Turkey's future.

Other Business Units

Akbank's other Business Units include: the Credit Underwriting Business Unit, the Credit Monitoring and Collections Business Unit, the Special Credits Business Unit, the CFO Business Unit, the People and Culture Business Unit and the Technology & Operations Business Unit.

Credit Underwriting

The Credit Underwriting Business Unit evaluates Akbank's loan offers in line with Akbank's objectives and credit policies. It plays an active role in Akbank's growth by ensuring optimal operation and development of Akbank's processes related to risk analysis, financial analysis, risk monitoring, scoring and intelligence. The department strives to maintain Akbank's asset quality through dynamic operations sensitive to cyclical developments and periodic portfolio scanning.

Credit Monitoring and Collections

With an organisational change in January 2015, the Credit Unit was divided into a Credit Allocation Unit and a Credit Monitoring and Collections Unit. The Credit Monitoring and Collections Unit is comprised of two divisions, namely the Commercial Credits Monitoring and Collections Division and Consumer and Micro Credits Monitoring and Collections Division.

Special Credits

On 4 January 2019, the Special Credits Business Unit was established and Zeynep Öztürk was appointed as the Executive Vice President for the Special Credits Business Unit.

Financial Coordination Unit (CFO)

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

People and Culture

On 11 September 2019, the Human Resources Business Unit was renamed as the People and Culture Business Unit. The People and Culture Unit consists of Career Development, Organisational Development, Procurement, Architectural Solutions, Office of the Board of Directors, and Akbank Academy.

As at 31 March 2020, Akbank had 12,682 employees, 8,346 of whom were based in regional directorates and branches. The average age of employees as at that date was 37 years old, with 53% of Akbank's employees being female. The following table sets out the number of domestic branch employees (excluding security officers) as at 31 March 2020, and 2019 and as at 31 December 2019, 2018 and 2017.

	Number of Employees
31 March 2020	7,606
31 December 2019	7,666
31 March 2019	7,970
31 December 2018	8,106
31 December 2017	8,584

Akbank places emphasis on ensuring that employees have the level of education suitable for operational effectiveness and a career at Akbank. Approximately 10% of employees at Akbank have PhD or Masters Degrees, which Akbank believes to be among the highest percentage among Akbank's peers. Akbank Academy serves numerous training programmes designed for all levels of Akbank's staff. Akbank's employees receive 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 Akbank.

Systematic studies and educational content revision studies have been carried out since 2016 in order to make the existing career diplomas within Akbank more segment-specific, compact, personal, independent of time and space, and allowed easier access.

Employees complement their technical training, which has been redesigned with new generation learning techniques, through online methods, and reinforce and improve their competencies by hands on applications in their classroom training.

Akbank's leadership programme is designed for Akbank's leaders and future leaders in different levels. In order to enrich multidisciplinary approach of Akbank's employees, Akbank Academy provides seminars, events, workshops in several fields such as art, culture, parenting, design, trends and innovation.

Akbank put into practice the "Akbanker: Reflection of the Future" programme as a holistic "talent" and "competency development program" involving around 13 thousand Akbankers. The program focuses on the employees and personal development.

The "Geleceğe Hazırız" technological development program was launched in 2018, which includes modules on digital transformation, design thinking, advanced analytics and digital marketing.

Akbank Academy supports its training programmes with the latest educational technological trends such as Adaptive Learning Journeys, Mobile Learning, Social Learning, Video Tube, Gamification and Virtual Reality.

Akbank Lab, an innovation centre within Akbank, provides opportunities for employees to collaborate with more than 100 international FinTech companies.

Technology & Operations

Akbank's Technology & Operations Unit is divided into eight divisions: (i) the IT Project Management division, (ii) the IT Application Development divisions (two divisions), (iii) the IT Infrastructure Management division, (iv) the Branch Operations division, (v) the Payment Systems and Direct Banking Operations division, (vi) the Customer Experience and Service Design division, and (vii) the Treasury and Capital Markets Operation division.

Overall expenditure on IT, including infrastructure as well as software projects and new distribution channels, was approximately U.S.$180 million in 2019 and approximately U.S.$45 million in the three months ended 31 March 2020.

Akbank's IT production environment, which is located in Istanbul Sabancı centre, is being migrated to new data centre located in ABM (Akbank Banking Campus) at Kocaeli.

The new data centre has disaster-proof features such as new generation security systems, continuous operation of data centre (designed to continue through 9.2 Richter scale earthquakes), 24/7 building monitoring and energy automation system, LEED Gold and Uptime TIER3 design certifications, fire proof walls and doors, and 1-month generator backup supply systems.

The new data centre and Sabancı Data centre will also be backed up 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 Akbank's production system, using the latest available data through digital lines. System and banking application tests at the disaster recovery centre are carried out at least twice a year.

Akbank's IT projects are designed to improve customer service and deliver products by integrating the branch network with the central IT processes and to make Akbank's services and products conveniently available to its customers through means such as ATMs, internet banking (web), the Call Center, interactive voice response system, Mobile banking, API Banking and Smart Digital Assistant (Chatbot & Voicebot).

Since 2002, Akbank has been centralizing its operations with a primary focus on moving routine operations away from the branches and providing more relationship management services in branch. Many operational processes, such as Money Transfers, Check and Bill Operations, Trade Finance Operations, Loan Operations, Archiving, Direct Channel Services, Insurance Transactions and Account Openings are being handled at an operations centre (Akbank Banking Center) located in Şekerpınar, İzmit. The operations centre continuously improves its processes to run more efficiently, at lower costs, with lower operational risks. Akbank is improving its digitalization rate each year by migrating customers' manual transactions to digital channels and products for building the future of banking. High automation rates result in faster transaction times and improved customer satisfaction. Akbank will continue its digitalization and migration strategy in the following years as well. Improving usage of new and innovative technologies, robotic process automation (RPA), chatbots, voicebot, machine learning and Artificial Intelligence (AI), Mobile Banking Face Recognition Login, Mobile Banking IQ (Customer Insights), FIZ (Intelligent CRM), OCR will continue to be focus areas.

Subsidiaries and Affiliated Companies

The following table sets out Akbank's ownership interest in its subsidiaries and affiliates and the carrying value of those interests as at 31 December 2019:

	% of share	**Business**
Ak Portföy Yönetimi A.Ş.(Ak Asset Management)	100%	Portfolio
Ak Finansal Kiralama A.S. (AKLease)	99.99%	Leasing
Ak Yatırım Menkul Değerler A.S. (AkInvestment)..................................	100%	Brokerage
Akbank AG	100%	Banking
Ak Öde	100%	Payment

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

Akbank's subsidiaries' contribution to consolidated net profits was 5% in 2018, 12% in 2019 and 14% for the three months ended 31 March 2020.

AK Asset Management

Established in 2000 to provide asset management services in capital markets to institutional and individual investors, AK Asset Management is a wholly owned subsidiary of Akbank. See *" — Capital Markets and Non Banking Financial Activities—AK Asset Management"* for further details of AK Asset Management.

AKLease

Established in 1988, AKLease provides financial leasing support to corporate and commercial customers who are keen to undertake investments, expand, enter new markets and enhance their capacity. See *" — Capital Markets and Non Banking Financial Activities—AKLease"* for further details of AKLease.

AkInvestment

AkInvestment was founded in 1996 to engage in capital markets activities in accordance with the provisions of the Capital Market Law and other applicable legislation. See *" — Capital Markets and Non Banking Financial Activities—AkInvestment"* for further details of AkInvestment.

Akbank AG

Akbank AG's assets were approximately EUR 4.3 billion and shareholder's equity was EUR 737 million as at 31 March 2020. As at 31 March 2020, Akbank AG's loans to Turkish clients exceeded EUR 3.2 billion, equal to nearly 9% of the loans extended from Germany to Turkish firms.

Akbank AG has a 7.3% share in terms of consolidated assets and a 6.7% share of the consolidated net profits of Akbank as at 31 March 2020.

Akbank AG's major products and services include various credit instruments, trade finance, factoring, money transfers and deposit services. Target clientele for lending activities primarily consist of multinationals based in Turkey as well as in the EU, Turkey's main trading partner. Standing out with its high asset quality since the bank's incorporation, Akbank AG has remained committed to maintaining asset quality and recorded a NPL ratio of 0% in 2019.

Akbank AG has an extensive portfolio of funding sources, including retail, corporate and German public sector deposits as well as funding through the European Central Bank's refinancing program (MRO and LTRO).

Also active in retail banking, Akbank AG serves more than 20,000 retail deposit customers in Germany with a direct banking model. All these sources of funding help Akbank AG to diversify its funding base.

Ak Öde

Ak Öde is a wholly owned subsidiary of Akbank, established on 19 February 2018, which provides digital cash and payment services.

Ak Öde launched its first mobile application "Tosla", in September 2019. Tosla targets the youth market segment, primarily between ages 15-25, and provides core financial services.

Competition

The banking industry in Turkey is highly competitive across each banking segment and sector, and despite some ownership changes, international banks have maintained a presence through local operations or investments. 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 the BRSA at the end of 2007. In 2007, Citigroup acquired a 20% stake in Akbank, which was reduced to 9.9% in May 2012 and sold its remaining holding of 9.9% of Akbank's shares through an accelerated equity offering on 4 March 2015. 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 Doğuş Holding A.Ş., together with an option to acquire further shares from Doğuş Holding

A.Ş. in five years' time. On 14 February 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 9 April 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 8 June 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. Thereafter, Bank Audi and Commercial Bank of Qatar have acquired interests in Turkish banks. On 20 December 2012 Bank of Tokyo Mitsubishi UFJ Türkiye A.Ş., and on 4 September 2014, Rabobank A.Ş. were granted operation licences by the BRSA to commence banking operations in Turkey. On 19 November 2014, Doğuş Holding sold 14.89% of its shares in Garanti Bank A.Ş. to BBVA, a transaction approved by the BRSA in July 2015 and which increased BBVA's total shares to approximately 40%. On 2 April 2015, the BRSA approved the acquisition of approximately 75% issued shares in Tekstilbank A.Ş. by Industrial and Commercial Bank of China and on 22 May 2015, Industrial and Commercial Bank of China acquired 75.5% issued shares in Tekstilbank A.Ş. from the textile group GSD Holding. The acquisition of 99.81% of Finansbank A.Ş.'s shares by Qatar National Bank was approved by the BRSA and the Turkish Competition Board on 7 April 2016 and 3 May 2016, respectively. It later changed its business name to QNB Finansbank A.Ş. on 5 May 2016. The transfer of 99.9% of shares of HSBC Bank A.Ş. owned by HSBC Bank plc to HSBC Middle East Holding B.V. and HSBC Bank Middle East Limited was approved by the BRSA on 21 June 2017 and was completed on 29 June 2017. The transfer of 99.85% shares of Denizbank A.Ş. to Emirates NBD was approved by the BRSA on 27 June 2019 and was completed as at 31 July 2019. Most recently, UniCredit S.P.A. acquired 31.93% of shares of Yapı ve Kredi Bankası A.Ş. pursuant to the BRSA's approval on 26 December 2019 and the Turkish Competition Board's approval on 29 January 2020. Later on 6 February 2020, Yapı ve Kredi Bankası A.Ş. announced that 11.93% of its shares owned by UniCredit S.P.A. was sold to third parties.

The BRSA granted the establishment and operation license to Bank of China to commence banking operations in Turkey. Türkiye Halk Bankası A.Ş. (state-owned bank) (51.11%) and Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (largest state-owned bank) (100%) were transferred to the Turkey Wealth Fund.

The Turkish banking sector has been restructured substantially and has been harmonising its legislation in line with EU standards. During the restructuring, the sector has undergone a substantial consolidation as the number of banks has declined from 84 in 1999 to 47 in 2019. 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.

According to the latest announced data of the Banks Association of Turkey, as at 31 December 2019, state banks represent approximately 41.5% of the sector's assets, the four largest private banks approximately 38.2%, and the remaining banks including the medium sized banks and the smallest banks have approximately 20.3% of the sectors assets.

As at 31 December 2019, Akbank had a 7.4% market share in total loans (standalone) in Turkey (7.8 % in TL loans and 6.8% in foreign currency loans) while its market share in total deposits was 9.2% (8.1% in TL deposits and 10.3% in foreign currency deposits) (*Source: Weekly BRSA statistics and based on the unconsolidated financials (excluding accruals)*. As at 31 March 2020, Akbank had a 7.0% market share in total loans (standalone) in Turkey (7.2 % in TL loans and 6.8% in foreign currency loans) while its market share in total deposits was 9.5% (8.2% in TL deposits and 10.7% in foreign currency deposits).

Properties

As at 31 March 2020, the total net book value of the properties of Akbank (comprising land and buildings) was TL 5.1 billion. As at 31 December 2019, the total net book value of the properties of Akbank (comprising land and buildings) was TL 4.9 billion. As at 31 December 2018, the total net book value of the properties of

Akbank (comprising land and buildings) was TL 4.0 billion compared to TL 3.4 billion as at 31 December 2017. As at 31 March 2020, 357 branches (as compared to 361 as at 31 December 2019) are located on sites owned by Akbank, and the remainder are leased by Akbank. As at 31 December 2019, 361 branches (as compared to 364 as at 31 December 2018) are located on sites owned by Akbank, and the remainder are leased by Akbank. In addition, Akbank owns its head office, with a TL 490 million appraisal value as at 31 December 2019 and TL 490 million as at 31 March 2020.

Legal Proceedings

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

Competition Board Investigations

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.

The Competition Law entitles those who have been harmed due to a violation of the Competition Law to claim damages. As at 11 June 2020, there were 788 pending cases initiated by individual customers claiming damages. Out of these 788 lawsuits, 187 of them were finally resolved and 180 of them were concluded in favour of Akbank. 7 lawsuits which were concluded against Akbank became final with the decision of court of first instance, since the court decisions were not appealable due to the claims being under the monetary appeal limit. However, the customers will have to prove the actual damages incurred in order to prevail in these cases and in order to show actual damages, the customer will have to prove the interest rate, commissions and fees had there been no violation of the Competition Law.

In addition to the foregoing, in January 2020, the Competition Board initiated a preliminary inquiry (*ön araştırma*) against a number of Turkish banks, the names of which have not been disclosed, including Akbank. The purpose of the preliminary inquiry is to check banks' compliance with competition laws in their activities relating to deposits, loans, foreign exchange, bonds, shares and brokerage services, and as at the date of this Prospectus, no formal investigation has been initiated.

18th Term Collective Bargaining

The negotiations between Akbank and the Bank and Insurance Employees Union (BANKSİS) have been concluded with an agreement and the Collective Bargaining Agreement covering the years 2018-2020 has been signed.

Customer Protection

An administrative fine of TL 116,254,138 was imposed on Akbank pursuant to Consumer Protection Law No. 6502 in respect of allegations of violating consumer legislation while providing banking services, following the audit carried out by the Ministry of Trade. The administrative fine amounts to TL 87,190,603.50 in advance to take advantage of the discount in accordance with Article 17/6 of Misdemeanors Law No. 5326, reserving all objection rights.

Akbank filed a lawsuit in Istanbul Administrative Court for the cancellation of the fine. The lawsuit has been rejected by the Istanbul Administrative Court and Akbank appealed the judgement before the Regional Administrative Court. As at the date of this Prospectus, the lawsuit is currently pending before the Regional Administrative Court.

Tax Fine

Akbank filed a lawsuit before the 9th Administrative Court of Istanbul for the cancellation of the administrative decision of the Tax Inspection Board Istanbul Large-Scale Taxpayers Group Presidency on accrual of principal and penalty interest for RUSF, after which the Istanbul Administrative Court decided to suspend the decision.

The 9th Administrative Court of Istanbul has cancelled the RUSF principal amounting to TL 3,665,872.93 and penalty interest amounting to TL 7,807,027.84 which were accrued for 2011. The relevant legal process has been completed in favour of Akbank with the decision of 10th Chamber of the Counsel of State.

The 9th Administrative Court of Istanbul decided to cancel the RUSF principal of TL 11,463,336.17 and penalty interest of TL 8,231,914.68 that accrued for 2014, and principal of TL 23,488,296.32 and the penalty of TL 29,309,172.15 that accrued for 2012 and 2013. The Tax Inspection Board Istanbul Large-Scale Taxpayers Group Presidency has appealed the 9th Administrative Court of Istanbul's decisions for cancellation. The regional court of appeals also ruled in favour of Akbank confirming the decision of the court of first instance. The tax authority has then appealed the relevant decision before the Council of State. As at the date of this Prospectus, the lawsuits amounting to TL 52,797,468.47 in total (principal of TL 23,488,296.32 and the penalty of TL 29,309,172.15 that accrued for 2012 and 2013) are pending and currently under the Council of State's review.

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. Akbank believes that assessment and control of risk is an essential component of the performance of Akbank. Akbank seeks to closely identify, measure, monitor, model, report 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, counterparty credit 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 identification, risk principles and the determination of risk appetite and capacity. The Board of Directors manages risk through the ERC supported by the Risk Management Office. Akbank's risk management function is independent of the commercial business lines, but at the same time is integrated into Akbank's business processes.

Risk Management Organisation

The Board of Directors and senior management are responsible for building up a risk appetite framework, 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 Akbank applies in controlling and managing its risks. There are three committees which Board members attend periodically: the Credit Committee, the Executive Risk Committee and the Conduct Risk Management Committee. In addition to these Board level committees, the Risk Management Office, Information Risk Management Office (the "**IRMO**"), Internal Control, Compliance and Internal Audit divisions report directly to the Board. The risk management organisation also encompasses the Assets and Liabilities Committee (the "**ALCO**"), the Retail Credits Committee, the Information Risk Governance Committee and the Operational Risk Committee.

Credit Committee

The Credit Committee is comprised of two members of the Board of Directors including the CEO and is responsible for lending processes at Akbank. The Credit Committee has ultimate authority to ratify lending decisions and to assess the compliance of approved loan applications with applicable legislation, banking principles, objectives and Akbank'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.

Executive Risk Committee

The Executive Risk Committee (the "**ERC**") has ultimate responsibility for risk management and reports to the Board of Directors. The ERC meets twice a year to review Akbank's position and other developments in the economy. The ERC is comprised of two Executive Board Members and the CEO. The ERC establishes the policies, procedures and rules for risk management at Akbank, and develops risk management strategies which are incorporated into Akbank's long-term strategy. Subject to approval of the Board of Directors, the ERC also sets risk limits for liquidity risk, credit risk, counterparty credit risk, interest rate risk, market risk and operational risk in line with Akbank's risk appetite. Through close monitoring of the markets and overall economy, the ERC adjusts such limits as necessary. Risk limits and the implementation of risk management policies are broken down into various levels of authority within the 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.

Conduct Risk Monitoring Committee

Conduct risk is defined as any action or behaviour of Akbank and its employees towards customers, stakeholders or markets that is unfair and leads to customer detriment, financial penalties or reputational damage within Akbank. The members of the Conduct Risk Monitoring Committee are the Vice Chairman of the Board, the CEO, the CRO and related executives. This committee meets twice a year and aims to measure, monitor and decide on action plans if necessary.

Risk Management Office

The Risk Management Office is responsible for identifying, measuring, modelling, monitoring, managing and reporting all major risk types. Within this Office, there are separate teams for credit risk, liquidity risk, interest rate risk, market risk, counterparty credit risk, operational risk and other material risks for Akbank. The Office is also responsible for developing risk management systems and infrastructure, analysing results and reporting on the management and integration of the risks. Additionally, the Office has responsibility for on-going work within the framework of compliance with the Basel Guidelines, as implemented in Turkey and for handling Akbank's relationships with the Turkish regulatory authorities, principally the BRSA and the Central Bank.

Information Risk Management Office

The IRMO reports directly to Board through the Chief Information Risk Officer (the "**CIRO**"). The coverage area of this organisation is not only information security but, rather, the broader information risk. The advantages of having such an organisation are: governance and coordination of all information risk management activities, closer Board oversight (Especially for Information Security), strong coordination with Information Risk Governance Committee.

The responsibilities of the IRMO include:

- Providing an information risk perspective to the Board and establishing the processes, tools and systems required to identify, assess, measure, manage, monitor and report information risks;

- Implementing security technologies and security threat and incident management via the Security Operations Center;

- Owning the process for developing information risk policies and procedures and approval authorities;

- Performing necessary controls via an "Information Systems Control" function to identify and reporting information risks within the organisation, including those necessary for compliance with relevant regulations and legislation. With these activities, the IRMO ensures that information risk policies and controls are being delivered by responsible parties in the businesses;

- Coordinating the follow-up of the actions notified by the official institutions, especially by the BRSA; and

- Implementing and following necessary controls and actions to prevent external fraud and protect Akbank's customers.

Internal Control

Internal control is carried out by the Internal Control Division (the "**ICD**"), which is independent of all business and management units and reports directly to the Audit Committee. The ICD 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, all financial and management reporting is reliable and complete and Akbank complies with applicable laws, regulations, internal policies, and procedures. The ICD carries out its activities from its headquarters in İstanbul and Akbank's 21 regional offices throughout Turkey.

The ICD consists of three teams, namely Branch Controls (Branch Control Tests & Monitoring Systems & Data Analysis and Reporting), Head Office and Process Controls. ICD personnel comprises one Chairman, three Vice Chairmen, eight managers, and 52 controllers.

Branch Control Tests comprises two different control approaches/teams, which are on-site and off-site (remote) control tests. Both control tests are carried out in branches that belong to 21 regional offices as well as corporate, commercial, and private branches. All core banking functions/processes of the branches (deposits, consumer and corporate loans, bank and credit cards, accounting, alternative distribution channels, treasury and derivative products and payment systems) are controlled and evaluated. The outputs of Misselling Detection and Sales Monitoring Systems are also in use in our control tests.

In addition to Branch Control Tests, starting from 2018, with the help of in-house monitoring systems, namely Employee Fraud, Device Monitoring, Transactions and the Cash Operation Centre Monitoring Systems- the trends and anomalies in respective areas can effectively be monitored and communicated.

Also, a specialised team named Data Analysis and Reporting, carries out centralised monitoring projects on the basis of the data taken from different operating areas within Akbank's database with the aim of mitigating operational, credit and fraud risks throughout Akbank.

Head office and process controls consist of the establishment and execution of an effective control environment for the processes of Akbank, risk recognition and assessment, control activities, monitoring and remediation. Head office and process controllers make control tests for control the following Bank processes: deposit process, consumer/corporate credit process, accounting process, bank and credit cards process, merchant process, financial reporting process, foreign trade, treasury/securities and fund management process and conduct risk process . In addition to those processes, new procedures and workflows to be established in Akbank are also evaluated by ICD controllers.

The Information System Control team was separated from the ICD in 2017 and is directly connected to the Board of Directors.

Akbank's Regulatory Affairs team became a part of the ICD in May 2014, having previously been a separate division. The Regulatory Affairs team facilitates communication with regulators and provides information on regulatory issues.

Internal Audit

The Board of Internal Audit (the "**BIA**") audits Akbank's head office units, domestic and foreign branches, the companies under its control and the business activities of all units with respect to compliance with Akbank's mission, strategies and policies, as well as relevant laws and regulations. The BIA's function is to support Akbank 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 comprises one Chief Audit Executive, five deputy heads and 117 auditors.

The BIA evaluates risk management, internal control and governance processes in accordance with the BRSA directives and Audit Charter of Akbank. While auditing Akbank's branches in a risk-oriented manner, the Board of Internal Audit also examines systems, models and many of the activities of Akbank's head office and subsidiaries. Additionally, the Central Auditing Unit assesses the loan portfolio according to rating classes, industry sectors, categorisation types among other criteria, manages R&D and examines processes products and applications. The financial statements and accounting system are also reviewed through financial statement auditing. Furthermore, IT practices are audited through the evaluation of information systems security and IT processes. The BIA is also responsible for conducting fraud investigations and inquiries.

Evaluating Loan Approval Processes. Audit procedures for loan approval processes are as follows:

- Department/Process Audit: departments which are in charge of granting loans and the loan approval processes for Corporate, Commercial and SME loans, consumer loans and credit cards are evaluated and audited in terms of, among other things, efficiency of workflows, policies and procedures and governance of human resources and organisation;

- Branch Audit: branches in charge of providing loans which are approved by branch directors, regional directorates, head office or board of directors 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; and

- 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.

Allegations of Illegal Conduct. A separate team within the BIA deals with customer and/or employee complaints, which are processed according to their seriousness and importance. Separately, fraudulent activities and other 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 head office and subsidiary audits are categorised as low, moderate or high risk. Findings from branch audits are rated on a scale from one to five, from very low risk to very high risk.

Outstanding matters categorised as "high" or "5" are processed as follows: (i) results of subsidiaries' audits are reported via internal memoranda 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 executive management via an executive summary; and (iii) results of important investigations and enquires are reported to the Board of Directors via an internal memorandum.

These matters are also uploaded to an internal network (intranet), 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.

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 holdings 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 activities, the balance sheet is structured taking into account interest rate, liquidity and foreign exchange risks as well as demand for credit, existing asset and liability positions, and general market conditions.

In order to achieve the primary objective of Akbank's asset and liability management, the ALCO manages 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, Corporate & Investment Banking, Commercial Banking, Private Banking & Wealth Management, Strategy, Digital Banking and Payment Systems and the Chief Risk Officer (the "**CRO**"). 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.

Retail Credits Committee

The Retail Credits Committee evaluates macroeconomic indicators, market conditions, portfolio growth and risk limits to decide on retail credit politics. The analyses are conducted by the Credits Department and validated by Risk Management Office. The Retail Credits Committee consists of the CRO and EVPs in charge of Credit Underwriting, Retail Banking, Credit Monitoring and Collection, Digital Banking and Payment Systems.

Market Risk Committee

The Market Risk Committee monitors market and interest rate risk, evaluates the analysis of risks and proposes measures for risk mitigation. In addition to risk monitoring, the committee provides alternative scenarios and revisions for risk limits. The Market Risk Committee meets quarterly and consists of the CRO, the CFO and the EVP in charge of Treasury.

Information Risk Governance Committee

Information risk is the risk associated with the use, ownership, operation, involvement, influence and adoption of Information Technology within an organisation. Akbank has an independent unit named the IRMO, which is described above. It is responsible for information risk management and reports directly to the Board. Regular members include the CRO, the CFO, the CIO, the Head of Internal Control, the Head of Human Relations and the Legal Affairs Manager. The committee meets quarterly and is responsible for effective information risk management, developing risk policies and procedures.

Operational Risk Committee

The Operational Risk Committee monitors operational risk, evaluates inherent risks and proposes measures for risk mitigation. In addition to risk monitoring, the committee also determines risk policies and procedures and reviews alternative risk scenarios. The Operational Risk Committee meets quarterly and consists of the CRO, the CFO, the CIO, the Head of Internal Control and the EVP in charge of Human Relations.

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 Akbank.

Akbank's exposure to credit risk is concentrated in Turkey, where the majority of Akbank'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 or 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, SME and Private Banking and Retail Banking reporting 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 90% of its Commercial and SME portfolios are collateralised, according to Akbank's management estimates.

Various application and behavioural scorecards are in use at Akbank to improve its loan evaluation and underwriting, loan monitoring, collection, pricing and TFRS 9 processes. The models include corporate, commercial, and small business rating models, consumer loans, overdraft and credit cards applications models, and behavioural models for the Retail and Corporate Banking portfolios. The performances of the rating models are monitored periodically, and when found necessary models are redeveloped/realigned. Akbank believes that by using advanced models, it can better assess the creditworthiness of its loan customers. For this purpose, Akbank has started to develop rating models/scorecards with Machine Learning ("**ML**") algorithms and has embedded ML models into certain daily processes of the bank.

TFRS 9

Rating models are at the core of TFRS 9 Expected Credit Loss calculations. PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default) models used in IFRS 9 processes are reviewed and revised on at least an annual basis and more frequently if needed. Akbank also uses macro-economic models (projections) for the next three years for provision calculations. In terms of forming different scenarios for calculation, there are three versions, namely base, favourable and adverse scenarios with different weights.

Market Risk

Banks are exposed to market risk due to movements in foreign currency exchange rates, interest rates and market prices for stocks.

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

Internal Model

The internal model calculates market risk on the basis of the 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 for an asset is U.S.$100 million at a one-week, 99% confidence level, it means that there is only a 1% chance that the value of the asset will decrease more than U.S.$100 million over any given week.

Akbank applies historical simulation models for VaR calculations. Akbank uses software that can perform calculations with an advanced yield curve and volatility models. The 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.

Standard Model

For regulatory capital adequacy calculations, Akbank uses its standard model which is similar to the capital adequacy framework commonly known as Basel 2.5, 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 Office prepares market risk analysis reports according to the standard model in line with BRSA requirements.

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, Turkish banks can carry a maximum of 20% net open position relative to their capital base. However, Akbank has traditionally maintained a nearly square open position.

The ERC sets the maximum foreign currency open position limit (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. 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 31 March 2020, as at 31 December 2019, 2018 and 2017. Included in the table are Akbank's assets and liabilities and shareholders' equity shown at carrying amounts categorised by currency.

	As at 31 March 2020			
	EUR	USD	Other FC[(1)]	Total
	(TL thousands)			
Assets				
Cash Equivalents and Central Bank[(1)]	16,862,453	17,464,688	2,763,617	**37,090,758**
Banks	4,151,618	11,981,451	2,229,976	**18,363,045**
Financial Assets at Fair Value through Profit or Loss (Net)	112,615	7,553,097	-	**7,665,712**
Interbank Money Market Placements	-	-	-	-
Financial Assets measured at other comprehensive income	6,023,968	26,122,048	1,053,414	**33,199,430**
Loans[(2)]	54,825,788	35,896,699	81,205	**90,803,692**
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets measured at amortised cost	935,499	3,809,423	-	**4,744,922**
Hedging Derivative Financial Assets	151,199	239	63,196	**214,634**
Tangible Assets (Net)	48,390	6,997	-	**55,387**
Intangible Assets (Net)	4,667	15	-	**4,682**
Other Assets [(3)]	3,141,525	5,609,404	7,879	**8,758,808**
Total Assets	**86,257,722**	**108,444,061**	**6,199,287**	**200,901,070**
Liabilities				
Bank Deposits [(4)]	1,111,969	544,533	2,746,107	**4,402,609**
Foreign Currency Deposits [(5)]	62,720,758	87,533,671	10,152,276	**160,406,705**
Funds from Interbank Money Market	949,834	10,093,166	-	**11,043,000**
Borrowings	7,747,371	27,356,748	-	**35,104,119**
Marketable Securities Issued (Net) [(6)]	71,885	12,369,486	-	**12,441,371**
Miscellaneous Payables	2,498,037	1,298,427	224,814	**4,021,278**
Hedging Derivative Financial Liabilities	-	842,521	-	**842,521**
Other Liabilities	794,934	2,040,975	22,746	**2,858,655**
Total Liabilities	**75,894,788**	**142,079,527**	**13,145,943**	**231,120,258**
Net on Balance Sheet Position	**10,362,934**	**(33,635,466)**	**(6,946,656)**	**(30,219,188)**
Net off-Balance Sheet Position	**(7,426,441)**	**30,937,078**	**6,986,302**	**30,496,939**

Notes:

(1) Of the Cash Equivalents and Central Bank and Other FC, TL 2.554.917 (31 December 2019: TL 1.224.161) are precious metal deposit account in demand.
(2) The foreign currency indexed loans balance in the Turkish Lira accounts is TL 828.543 (31 December 2019: TL 936.478).
(3) Derivative financial assets and expected credit losses are classified under other assets. The expected loss amount of foreign currency indexed loans balance is TL 18.690 (31 December 2019: TL 17.794). Prepaid assets amounted TL 54.260 (31 December 2019: TL 62.849) is excluded in the financial statements.
(4) Of Bank Deposits Other FC of the TL 4.481 (31 December 2019: TL 3.314) and the foreign currency deposits TL 6.984.883 (31 December 2019: TL 4.491.847) are precious metal deposit account in demand.
(5) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(6) Presents the net balance of receivables and payables from derivative transactions. Foreign Exchange spot dealings shown under "Asset purchase commitments" in the financial statements are included in the net off-balance sheet position.

	As at 31 December 2019			
	EUR	USD	Other FC[(1)]	Total
	(TL thousands)			
Assets				
Cash Equivalents and Central Bank	9,942,565	16,281,123	1,427,015	**27,650,703**
Banks	6,241,860	9,244,553	2,361,889	**17,848,302**
Financial Assets at Fair Value through Profit or Loss (Net)	76,564	6,992,556	-	**7,069,120**
Interbank Money Market Placements	-	-	-	-
Financial Assets measured at other comprehensive income	5,340,645	25,018,710	955,812	**31,315,167**
Loans	49,359,650	37,056,191	99,635	**86,515,476**
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets measured at amortised cost	34,448	3,726,311	-	**3,760,759**
Hedging Derivative Financial Assets	83,764	35,156	65,807	**184,727**

Tangible Assets (Net)	46,194	6,976	-	**53,170**
Intangible Assets (Net)	4,867	16	-	**4,883**
Other Assets	1,867,752	4,935,184	2,322	**6,805,258**
Total Assets	**72,998,309**	**103,296,776**	**4,912,480**	**181,207,565**
Liabilities				
Bank Deposits	2,222,713	1,135,325	2,468,154	**5,826,192**
Foreign Currency Deposits	54,008,179	81,655,611	7,368,072	**143,031,862**
Funds from Interbank Money Market	1,480,827	7,862,525	-	**9,343,352**
Borrowings	7,595,238	26,692,628	-	**34,287,866**
Marketable Securities Issued (Net) (2)	67,154	13,927,049	-	**13,994,203**
Miscellaneous Payables	2,628,523	1,109,794	9,193	**3,747,510**
Hedging Derivative Financial Liabilities	-	244,871	-	**244,871**
Other Liabilities	983,381	1,046,532	38,430	**2,068,343**
Total Liabilities	**68,986,015**	**133,674,335**	**9,883,849**	**212,544,199**
Net on Balance Sheet Position	**4,012,294**	**(30,377,559)**	**(4,971,369)**	**(31,336,634)**
Net off-Balance Sheet Position	**(1,675,480)**	**30,698,654**	**4,940,754**	**33,963,928**

Notes:

(1) "Other" includes GBP, JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.
(2) Including subordinated loans.

	As at 31 December 2018			
	EUR	**USD**	**Other FC(1)**	**Total**
	(TL thousands)			
Assets				
Cash Equivalents and Central Bank	9,326,100	12,382,346	3,680,044	25,388,490
Banks	4,107,382	13,347,369	1,492,441	18,947,192
Financial Assets at Fair Value through Profit or Loss (Net)	-	137,461	-	137,461
Interbank Money Market Placements	-	539,374	-	539,374
Financial Assets measured at other comprehensive income	5,391,376	13,703,750	623,000	19,718,126
Loans	47,130,022	43,377,526	41,218	90,548,766
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets measured at amortised cost	951,599	5,369,038	-	6,320,637
Hedging Derivative Financial Assets	337	296,048	68,272	364,657
Tangible Assets (Net)	724	7,039	-	7,763
Intangible Assets (Net)	5,570	24	-	5,594
Other Assets	5,912,694	7,436,714	7,180	13,356,588
Total Assets	**72,825,804**	**96,596,689**	**5,912,155**	**175,334,648**
Liabilities				
Bank Deposits	2,297,302	2,089,238	1,917,785	6,304,325
Foreign Currency Deposits	39,683,901	76,413,283	4,843,763	120,940,947
Funds from Interbank Money Market	1,212,378	9,144,340	-	10,356,718
Borrowings	10,451,055	32,440,600	1,515	42,893,170
Marketable Securities Issued (Net) (2)	60,868	12,805,970	134,358	13,001,196
Miscellaneous Payables	2,451,422	840,953	5,739	3,298,114
Hedging Derivative Financial Liabilities	-	41,041	-	41,041
Other Liabilities	1,002,239	1,135,127	70,137	2,207,503
Total Liabilities	**57,159,165**	**134,910,552**	**6,973,297**	**199,043,014**
Net on Balance Sheet Position	**15,666,639**	**(38,313,863)**	**(1,061,142)**	**(23,708,366)**
Net off-Balance Sheet Position	**(13,231,096)**	**38,120,115**	**831,974**	**25,720,994**

Notes:

(1) "Other" includes GBP, JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.
(2) Including subordinated loans.

	As at 31 December 2017			
	EUR	**USD**	**Other FC(1)**	**Total**
	(TL thousands)			
Assets				
Cash Equivalents and Central Bank	5,500,516	16,101,262	5,299,814	**26,901,592**

Banks	3,025,251	6,625,484	89,295	**9,740,030**
Financial Assets at Fair Value through Profit or Loss (Net)	557,550	2,278,107	86,339	**2,921,996**
Interbank Money Market Placements	-	-	-	**-**
Available-for-sale Financial Assets (Net)	2,949,103	15,825,745	602,237	**19,377,085**
Loans	39,720,323	39,751,787	79,707	**79,551,817**
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	**-**
Held-to-maturity Investments (Net)	3,443,374	9,444,617	-	**12,887,991**
Hedging Derivative Financial Assets	947	161,707	-	**162,654**
Tangible Assets (Net)	856	7,039	-	**7,895**
Intangible Assets (Net)	2,059	13	-	**2,072**
Other Assets	3,854,341	2,703,891	347	**6,558,579**
Total Assets	**59,054,320**	**92,899,652**	**6,157,739**	**158,111,711**
Liabilities				
Bank Deposits	3,783,259	7,628,843	1,050,006	**12,462,108**
Foreign Currency Deposits	40,133,549	52,917,469	3,150,049	**96,201,067**
Funds from Interbank Money Market	992,678	23,848,225	-	**24,840,903**
Borrowings	11,494,584	21,753,490	4,051	**33,252,125**
Marketable Securities Issued (Net) [(2)]	45,283	10,399,840	173,831	**10,618,954**
Miscellaneous Payables	1,022,556	701,526	5,743	**1,729,825**
Hedging Derivative Financial Liabilities	-	74,911	-	**74,911**
Other Liabilities	1,084,255	508,584	99,871	**1,692,710**
Total Liabilities	**58,556,164**	**117,832,888**	**4,483,551**	**180,872,603**
Net on Balance Sheet Position	**498,156**	**(24,933,236)**	**1,674,188**	**(22,760,892)**
Net off-Balance Sheet Position	**124,378**	**25,986,201**	**(1,691,694)**	**24,418,885**

Notes:
(1) "Other" includes GBP, JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.
(2) Including subordinated loans.

Interest Rate Risk

Akbank 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 Akbank's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimise the effects of changes in interest rates. Special emphasis is given to providing a balance between the duration of assets and liabilities. Repricing/duration, gap, sensitivity and scenario analysis are the main methods used to manage the risks.

The tables below summarise Akbank's exposure to interest rate risk as at 31 March 2020, as at 31 December 2019, 31 December 2018 and 31 December 2017. Included in the table are Akbank's assets and liabilities and shareholders' equity shown at carrying amounts categorised by currency.

	As at 31 March 2020						
	Up to 1 Month	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Non-interest Bearing**	**Total**
				(TL thousands)			
Assets							
Cash Equivalents and Central Bank	5,820,315	-	-	-	-	38,866,575	**44,686,890**
Banks	4,021,707	1,444,313	-	-	-	14,470,308	**19,936,328**
Financial Assets at Fair Value through Profit or Loss (Net)	63,702	119,779	7,228,006	71,737	44,649	229,711	**7,757,584**
Interbank Money Market Placements	2,546,446	-	-	-	-	-	**2,546,446**
Financial Assets at measured Fair Value Other Comprehensive Income	3,781,757	12,520,653	15,522,560	26,921,222	8,655,843	365,972	**67,768,007**
Loans[(1)]	60,282,256	28,180,747	56,125,273	70,101,241	6,214,300	16,417,050	**237,320,867**
Financial Assets measured at amortised cost	374,391	2,716,105	10,400,167	6,999,422	737,215	-	**21,227,300**
Other Assets[(2)]	6,081,710	6,243,167	8,590,991	2,897,952	982,490	(4,645,472)	**20,150,838**

	As at 31 March 2020						
	Up to 1 Month	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Non-interest Bearing**	**Total**
				(TL thousands)			
Total Assets	**82,972,284**	**51,224,764**	**97,866,997**	**106,991,574**	**16,634,497**	**65,704,144**	**421,394,260**
Liabilities							
Bank Deposits	3,771,935	1,016,984	75,455	-	-	714,499	**5,578,873**
Other Deposits	150,581,184	30,631,815	11,514,551	8,772,726	1,171,088	62,530,083	**265,201,447**
Funds from Interbank Money Market	8,727,662	2,883,985	6,208,267	54,195	-	-	**17,874,109**
Miscellaneous Payables	779,685	1,162,667	1,297,291	300,382	11,030	5,228,251	**8,779,306**
Marketable Securities Issued (Net) (3)	1,556,753	1,761,474	154,489	8,236,637	5,904,611	-	**17,613,964**
Borrowings	12,210,824	21,205,944	1,128,520	1,229,317	69,802	-	**35,844,407**
Other Liabilities(4)	2,613,862	3,608,717	4,446,211	1,157,181	616,289	58,059,894	**70,502,154**
Total Liabilities	**180,241,905**	**62,271,586**	**24,824,784**	**19,750,438**	**7,772,820**	**126,532,727**	**421,394,260**
Balance Sheet Long Position	-	-	73,042,213	87,241,136	8,861,677	-	**169,145,026**
Balance Sheet Short Position	(97,269,621)	(11,046,822)	-	-	-	(60,828,583)	**(169,145,026)**
Off- Balance Sheet Long Position	3,139,806	12,916,410	23,780	1,548,505	976,149	-	**18,604,650**
Off-Balance Sheet Short Position	(16,329)	(16,600)	(7,289,185)	(16)	-	-	**(7,322,130)**
Total Position	**(94,146,144)**	**1,852,988**	**65,776,808**	**88,789,625**	**9,837,826**	**(60,828,583)**	**11,282,520**

Notes:

(1) Included lease receivables. Non-performing loans are shown in the "non-interest bearing" column. Interest rediscount started to be calculated for non-performing loans as at 1 January 2018, said amount was indicated on "without interest" column since there is no other suitable column in the above table.
(2) Derivative financial assets and expected credit losses are classified under other assets.
(3) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(4) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

	As at 31 December 2019						
	Up to 1 Month	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Non-interest Bearing**	**Total**
				(TL thousands)			
Assets							
Cash Equivalents and Central Bank	726,416	-	-	-	-	29,167,513	**29,893,929**
Banks	3,978,963	13,417	-	-	-	13,948,294	**17,940,674**
Financial Assets at Fair Value through Profit or Loss (Net)	20,042	2,672	6,860,315	121,421	27,121	233,268	**7,264,839**
Interbank Money Market Placements	21,263	44,857	-	-	-	-	**66,120**
Financial Assets at measured Fair Value Other Comprehensive Income	5,617,995	5,626,542	20,937,234	25,214,664	9,680,956	441,049	**67,518,440**
Loans(1)	64,889,342	24,291,100	51,365,711	69,302,548	6,506,434	15,561,482	**231,916,617**
Financial Assets measured at amortised cost	2,843,838	1,155,013	6,008,502	4,907,947	659,558	-	**15,574,858**
Other Assets(2)	5,442,631	6,180,818	4,844,638	2,885,880	1,066,276	(3,423,283)	**16,996,960**
Total Assets	**83,540,490**	**37,314,419**	**90,016,400**	**102,432,460**	**17,940,345**	**55,928,323**	**387,172,437**
Liabilities							
Bank Deposits	3,296,911	1,664,155	258,941	-	-	1,555,546	**6,775,553**
Other Deposits	132,490,853	33,970,761	11,311,844	7,469,389	980,691	51,713,242	**237,936,780**
Funds from Interbank Money Market	2,997,414	4,393,016	2,226,509	-	-	489,611	**10,106,550**
Miscellaneous Payables	891,208	1,363,963	1,111,225	176,860	2,155	5,607,451	**9,152,862**
Marketable Securities Issued (Net) (3)	4,474,181	1,136,751	246,560	4,878,114	8,182,873	-	**18,918,479**
Borrowings	11,396,262	20,443,056	1,883,764	1,028,179	85,220	-	**34,836,481**
Other Liabilities(4)	1,973,290	3,799,673	3,277,469	649,051	633,535	59,112,714	**69,445,732**
Total Liabilities	**157,520,119**	**66,771,375**	**20,316,312**	**14,201,593**	**9,884,474**	**118,478,564**	**387,172,437**
Balance Sheet Long Position	-	-	69,700,088	88,230,867	8,055,871	-	165,986,826
Balance Sheet Short Position	(73,979,629)	(29,456,956)	-	-	-	(62,550,241)	**(165,986,826)**
Off- Balance Sheet Long Position	6,118,715	8,950,376	-	1,876,541	921,275	-	**17,866,907**
Off-Balance Sheet Short Position	(37,065)	(14,222)	(7,849,822)	-	-	-	**(7,901,109)**
Total Position	**(67,897,979)**	**(20,520,802)**	**61,850,266**	**90,107,408**	**8,977,146**	**(62,550,241)**	**9,965,798**

Notes:

(1) Included lease receivables. Non-performing loans are shown in the" non-interest bearing" column. Interest rediscount started to be calculated for non-performing loans as at 1 January 2018, said amount was indicated on "without interest" column since there is no other suitable column in the above table.
(2) Derivative financial assets and expected credit losses are classified under other assets.
(3) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(4) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

	As at 31 December 2018						
	Up to 1 Month	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Non-interest Bearing**	**Total**
				(TL thousands)			
Assets							
Cash Equivalents and Central Bank....	14,451,277	-	-	-	-	15,662,547	**30,113,824**
Banks..	5,669,725	691,374	-	-	-	12,598,299	**18,959,398**
Financial Assets at Fair Value through Profit or Loss (Net)	7,759	4,134	10,113	-	-	156,810	**178,816**
Interbank Money Market Placements .	544,657	-	-	-	-	-	**544,657**
Financial Assets at measured Fair Value Other Comprehensive Income..	3,678,381	4,880,167	13,649,466	15,263,375	6,617,448	251,205	**44,340,042**
Loans(1)	58,270,975	25,574,235	58,416,662	63,467,197	7,843,859	363,816	**213,936,744**
Financial Assets measured at amortised cost	2,486,106	1,484,991	4,220,066	2,968,019	1,104,299	-	**12,263,481**
Other Assets(2)	6,154,935	10,223,954	5,407,231	2,593,071	2,392,992	7,572,465	**34,344,648**
Total Assets.......................................	**91,263,814**	**42,858,855**	**81,703,538**	**84,291,662**	**17,958,598**	**36,605,142**	**354,681,610**
Liabilities							
Bank Deposits	4,793,806	1,364,602	406,303	-	-	1,486,674	**8,051,385**
Other Deposits....................................	113,941,371	24,915,246	18,030,445	5,511,751	535,332	37,644,369	**200,578,514**
Funds from Interbank Money Market.	6,411,083	4,890,617	2,529,534	443,782	-	-	**14,275,016**
Miscellaneous Payables	1,144,009	1,264,025	730,525	186,714	4,232	4,679,675	**8,009,180**
Marketable Securities Issued (Net) (3)	764,991	2,408,787	566,668	6,802,096	7,313,382	-	**17,855,924**
Borrowings...	6,007,889	28,133,604	8,091,870	1,220,030	196,490	-	**43,649,883**
Other Liabilities(4)	3,295,363	5,533,259	3,363,956	991,854	90,491	48,986,785	**62,261,708**
Total Liabilities	**136,358,512**	**68,510,140**	**33,719,301**	**15,156,227**	**8,139,927**	**92,797,503**	**354,681,610**
Balance Sheet Long Position	-	-	47,984,237	64,816,933	10,184,783	-	**126,938,343**
Balance Sheet Short Position	(45,094,697)	(25,651,285)	-	-	-	(56,192,361)	**(126,938,343)**
Off- Balance Sheet Long Position	9,526,754	12,226,615	-	1,712,968	1,699,121	-	**25,165,458**
Off-Balance Sheet Short Position	-	-	(11,734,925)	-	-	-	**(11,734,925)**
Total Position....................................	**(35,567,943)**	**(13,424,670)**	**36,249,312**	**70,848,403**	**11,517,792**	**(56,192,361)**	**13,430,533**

Notes:

(1) Included lease receivables. Non-performing loans are shown in the" non-interest bearing" column. Interest rediscount started to be calculated for non-performing loans as at 1 January 2018, said amount was indicated on "without interest" column since there is no other suitable column in the above table.
(2) Derivative financial assets and expected credit losses are classified under other assets.
(3) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(4) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

	As at 31 December 2017						
	Up to 1 Month	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Non-interest Bearing**	**Total**
				(TL thousands)			
Assets							
Cash Equivalents and Central Bank........	22,746,114	—	—	—	—	12,617,062	**35,363,176**
Banks..	1,717,994	715,305	8,190	—	—	7,588,240	**10,029,729**
Financial Assets at Fair Value through Profit or Loss (Net)	2,129,012	601,972	997,618	3,118,746	1,271,347	237,244	**8,355,939**
Interbank Money Market Placements	1,552,346	—	—	—	—	—	**1,552,346**
Available for Sale Financial Assets (Net)	2,741,826	4,194,516	11,749,801	16,282,390	7,485,228	376,027	**42,829,788**
Loans..	47,002,505	29,609,725	53,475,551	69,485,600	9,752,389	152,619	**209,478,389**
Held-to-Maturity Investments	2,548,880	3,854,641	2,623,044	8,897,479	958,988	—	**18,883,032**
Other Assets	1,485,306	1,267,210	1,286,805	3,910,183	948,012	6,220,042	**15,117,558**

	As at 31 December 2017						
	Up to 1 Month	1 to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years and Over	Non-interest Bearing	Total
				(TL thousands)			
Total Assets	**81,923,983**	**40,243,369**	**70,141,009**	**101,694,398**	**20,415,964**	**27,191,234**	**341,609,957**
Liabilities							
Bank Deposits	9,142,618	2,946,956	651,894	—	—	1,187,569	**13,929,037**
Other Deposits	110,630,292	21,596,675	14,287,831	6,693,448	596,050	33,722,195	**187,526,491**
Funds from Interbank Money Market	10,389,624	14,217,274	4,420,744	—	—	330,156	**29,357,798**
Miscellaneous Payables	564,066	523,969	439,295	106,715	—	5,007,045	**6,641,090**
Marketable Securities Issued (Net)[(1)]	1,531,445	4,873,764	2,104,041	4,367,000	4,879,974	—	**17,756,224**
Borrowings	2,970,947	22,192,051	6,386,128	1,822,433	255,640	—	**33,627,199**
Other Liabilities[(2)]	567,653	1,252,877	1,116,185	2,219,502	875,855	46,740,046	**52,772,118**
Total Liabilities	**135,796,645**	**67,603,566**	**29,406,118**	**15,209,098**	**6,607,519**	**86,987,011**	**341,609,957**
Balance Sheet Long Position	—	—	40,734,891	86,485,300	13,808,445	—	**141,028,636**
Balance Sheet Short Position	(53,872,662)	(27,360,197 0	—	—	—	(59,795,777 0	**(141,028,636)**
Off- Balance Sheet Long Position	6,871,805	21,147,637	193,808	—	—	—	**28,213,250**
Off-Balance Sheet Short Position	—	—	—	(19,495,499)	(5,994,678)	—	**(25,490,177)**
Total Position	**(47,000,857)**	**(6,212,560)**	**40,928,699**	**66,989,801**	**7,813,767**	**(59,795,777)**	**2,723,073**

Notes:

(1) Securities issued as subordinated loans classified under subordinated loans in the balance sheet are included.
(2) Shareholders' equity is presented under "Other Liabilities" in the "Non-interest bearing" column.

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments as at 31 March 2020 and as at 31 December 2019, 2018 and 2017, respectively:

	As at 31 March 2020			
	EUR	USD	YEN	TL
		(%)		
Assets				
Cash Equivalents and Central Bank	-	-	-	8
Banks	0.03	1.87	-	9.59
Financial Assets at Fair Value Through Profit or Loss (Net)	0.89	5.41	-	10.41
Interbank Money Market Placements	-	-	-	9.14
Financial Assets at Fair Value Other Comprehensive Income	2.77	5.3	3.09	14.28
Loans	4.16	6.62	7.19	13.81
Financial Assets measured at amortised cost	1.58	5.19	-	13.74
Liabilities				
Bank Deposits	0.09	2.16	-	8.18
Other Deposits	0.23	1.2	-	7.85
Funds from Interbank Money Market	0.19	1.85	-	9.57
Miscellaneous Payables	-	1.23	-	-
Marketable Securities Issued (Net)	4	6.06	-	11.97
Borrowings	2.06	3.24	-	11.38

	As at 31 December 2019			
	EUR	USD	YEN	TL
		(%)		
Assets				
Cash Equivalents and Central Bank	-	-	-	10
Banks	0.03	1.41	-	10.7
Financial Assets at Fair Value Through Profit or Loss (Net)	0.9	5.62	-	11.17
Interbank Money Market Placements	-	-	-	17.78
Financial Assets at Fair Value Other Comprehensive Income	2.7	5.2	3.09	14.14
Loans	4.45	6.88	7.19	15.47
Financial Assets measured at amortised cost	3.46	5.22	-	14.74

	EUR	USD	YEN	TL
Liabilities				
Bank Deposits	0.05	2.15	-	9.43
Other Deposits	0.36	1.7	-	8.42
Funds from Interbank Money Market	0.21	2.34	-	9.64
Miscellaneous Payables	-	2.16	-	-
Marketable Securities Issued (Net)	4	5.68	-	12.14
Borrowings	2.11	4.08	-	13.12

	As at 31 December 2018			
	EUR	**USD**	**YEN**	**TL**
		(%)		
Assets				
Cash Equivalents and Central Bank	-	2	-	13
Banks	0.22	2.35	-	23.83
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	13.22
Interbank Money Market Placements	-	2.27	-	23.64
Financial Assets at Fair Value Other Comprehensive Income	2.38	4.55	3.09	20.97
Loans	4.28	7.26	9.06	18.41
Financial Assets measured at amortised cost	3.58	4.89	-	26.7
Liabilities				
Bank Deposits	0.26	3.51	-	22.55
Other Deposits	0.9	3.42	0.01	17.18
Funds from Interbank Money Market	0.15	3.19	-	23.8
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	4	5.63	1.29	19.42
Borrowings	2.32	4.57	-	14.04

	As at 31 December 2017			
	EUR	**USD**	**YEN**	**TL**
		(%)		
Assets				
Cash Equivalents and Central Bank	-	1.5	-	7.83
Banks	0.1	1.79	-	16.21
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	16.16
Interbank Money Market Placements	-	-	-	14.21
Available for sale Financial Assets (Net)	2.47	4.2	3.09	12.48
Loans	3.73	5.93	4.24	14.55
Held to maturity Investments (Net)	3.62	4.11	-	13.22
Liabilities				
Bank Deposits	0.49	1.97	-	10.81
Other Deposits	1.02	2.76	0.04	10.52
Funds from Interbank Money Market	1.92	2.39	-	12.62
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	4	5.44	1.29	12.79
Borrowings	1.23	3.29	-	8.54

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 Akbank'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 at the Central Bank. Short-term funding needs are provided using customer deposits and repos. 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's liquidity risk management policy requires Akbank to develop 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 diversified deposit base.

The tables below analyse assets and liabilities of Akbank into relevant maturity groupings based on the remaining period between the contractual maturity dates and the relevant balance sheet date as at 31 March 2020 and 31 December 2019, 2018 and 2017.

	As at 31 March 2020							
	Demand	Up to 1 Month	1 to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years and Over	Unallocated[(1)]	Total
					(TL thousands)			
Assets								
Cash Equivalents and Central Bank	24,388,778	20,284,423	13,689	-	-	-	-	**44,686,890**
Banks	14,470,308	4,021,707	1,444,313	-	-	-	-	**19,936,328**
Financial Assets at Fair Value through Profit or Loss	229,711	44,555	130,157	7,227,856	80,656	44,649	-	**7,757,584**
Interbank Money Market Placements	-	2,546,446	-	-	-	-	-	**2,546,446**
Financial Assets measured at other comprehensive income	365,972	846,504	5,895,218	10,119,176	39,612,828	10,928,309	-	**67,768,007**
Loans [(1)]	140,868	42,424,591	22,137,010	47,215,026	86,862,347	22,264,842	16,276,183	**237,320,867**
Financial Assets measured at amortised cost	-	374,391	390,069	3,737,156	12,948,707	3,776,977	-	**21,227,300**
Other Assets [(2)]	979,611	1,480,721	471,274	4,262,203	11,626,020	6,648,092	(5,317,083)	**20,150,838**
Total Assets	**40,575,248**	**72,023,338**	**30,481,730**	**72,561,417**	**151,130,558**	**43,662,869**	**10,959,100**	**421,394,260**
Liabilities								
Bank Deposits	714,499	3,771,935	1,016,984	75,455	-	-	-	**5,578,873**
Other Deposits	62,530,083	150,581,184	30,631,815	11,514,551	8,772,724	1,171,090	-	**265,201,447**
Borrowings	-	4,747,509	1,709,084	10,656,784	15,502,292	3,228,738	-	**35,844,407**
Funds from Interbank Money Market	-	8,593,937	2,112,608	663,045	4,578,496	1,926,023	-	**17,874,109**
Marketable Securities Issued (Net) [(3)]	-	1,556,754	1,761,473	154,489	8,236,637	5,904,611	-	**17,613,964**
Miscellaneous Payables	593,527	227,378	128,897	450,380	1,818,478	802,507	4,758,139	**8,779,306**
Other Liabilities [(4)]	544,955	2,542,275	509,343	1,661,872	7,153,025	3,183,988	54,906,696	**70,502,154**
Total Liabilities	**64,383,064**	**172,020,971**	**37,870,205**	**25,176,576**	**46,061,654**	**16,216,955**	**59,664,835**	**421,394,260**
Net Liquidity Excess/(Gap)	**(23,807,816)**	**(99,997,633)**	**(7,388,475)**	**47,384,841**	**105,068,904**	**27,445,914**	**(48,705,735)**	**-**

Notes:

(1) Included lease receivables. The non-performing loans is presented "Unallocatable" column.
(2) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, derivative financial assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column. Expected credit losses are included.
(3) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(4) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

	As at 31 December 2019							
	Demand	Up to 1 Month	1 to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years and Over	Unallocated[(1)]	Total
				(TL thousands)				
Assets								
Cash Equivalents and Central Bank	17,359,130	12,527,839	6,960	-	-	-	-	**29,893,929**
Banks	13,948,294	3,978,963	13,417	-	-	-	-	**17,940,674**
Financial Assets at Fair Value through Profit or Loss (Net)	233,268	9,925	530	6,872,173	121,822	27,121	-	**7,264,839**
Interbank Money Market Placements	-	21,263	44,857	-	-	-	-	**66,120**
Financial Assets measured at other comprehensive income	441,049	444,121	2,126,573	13,755,388	38,853,989	11,897,320	-	**67,518,440**

	As at 31 December 2019							
	Demand	**Up to 1 Month**	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Unallocated(1)**	**Total**
				(TL thousands)				
Loans(1)	130,937	50,318,181	24,201,764	42,137,606	78,158,642	21,538,941	15,430,546	**231,916,617**
Financial Assets measured at amortised cost	-	147,301	280,173	3,752,287	10,735,539	659,558	-	**15,574,858**
Other Assets(2)	859,332	1,638,135	1,135,076	1,258,717	11,704,683	4,683,633	(4,282,616)	**16,996,960**
Total Assets	**32,972,010**	**69,085,728**	**27,809,350**	**67,776,171**	**139,574,675**	**38,806,573**	**11,147,930**	**387,172,437**
Liabilities								
Bank Deposits	1,555,546	3,296,911	1,664,154	258,942	-	-	-	**6,775,553**
Other Deposits	51,713,242	132,490,853	33,937,379	11,321,205	7,493,410	980,691	-	**237,936,780**
Borrowings	-	370,785	2,700,010	13,921,226	14,187,643	3,656,817	-	**34,836,481**
Funds from Interbank Money Market	-	1,209,681	654,391	2,253,559	4,236,210	1,752,709	-	**10,106,550**
Marketable Securities Issued (Net)(3)	-	4,474,181	1,136,750	246,560	4,878,115	8,182,873	-	**18,918,479**
Miscellaneous Payables	610,543	298,188	145,697	282,834	2,001,636	703,013	5,110,951	**9,152,862**
Other Liabilities(4)	528,379	2,284,987	495,401	1,231,865	5,581,003	2,372,071	56,952,026	**69,445,732**
Total Liabilities	**54,407,710**	**144,425,586**	**40,733,782**	**29,516,191**	**38,378,017**	**17,648,174**	**62,062,977**	**387,172,437**
Net Liquidity Excess/(Gap)	**(21,435,700)**	**(75,339,858)**	**(12,924,432)**	**38,259,980**	**101,196,658**	**21,158,399**	**(50,915,047)**	**-**

Notes:

(1) Included lease receivables. The non-performing loans is presented "Unallocatable" column.
(2) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, derivative financial assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column. Expected credit losses are included.
(3) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(4) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

	As at 31 December 2018							
	Demand	**Up to 1 Month**	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Unallocated(1)**	**Total**
				(TL thousands)				
Assets								
Cash Equivalents and Central Bank	18,742,274	11,232,472	139,078	-	-	-	-	**30,113,824**
Banks	12,598,299	5,669,725	691,374	-	-	-	-	**18,959,398**
Financial Assets at Fair Value through Profit or Loss (Net)	156,810	-	-	10,113	11,893	-	-	**178,816**
Interbank Money Market Placements	-	544,657	-	-	-	-	-	**544,657**
Financial Assets measured at other comprehensive income	251,205	2,941	1,212,652	3,997,085	29,373,727	9,502,432	-	**44,340,042**
Loans(1)	407,234	37,596,615	24,049,587	50,028,752	78,223,864	23,674,110	(43,418)	**213,936,744**
Financial Assets measured at amortised cost	-	-	678,442	2,840,029	7,640,711	1,104,299	-	**12,263,481**
Other Assets(2)	358,452	2,921,536	1,098,924	3,471,242	12,851,902	7,980,050	5,662,542	**34,344,648**
Total Assets	**32,514,274**	**57,967,946**	**27,870,057**	**60,347,221**	**128,102,097**	**42,260,891**	**5,619,124**	**354,681,610**
Liabilities								
Bank Deposits	1,486,674	4,793,806	1,364,602	406,303	-	-	-	**8,051,385**
Other Deposits	40,647,162	110,938,582	24,885,087	18,030,441	5,541,910	535,332	-	**200,578,514**
Borrowings	-	853,715	3,130,426	19,696,579	13,969,786	5,999,377	-	**43,649,883**
Funds from Interbank Money Market	-	3,986,527	702,961	1,843,865	5,879,572	1,862,091	-	**14,275,016**
Marketable Securities Issued (Net)(3)	-	764,991	2,408,787	566,668	6,802,096	7,313,382	-	**17,855,924**
Miscellaneous Payables	177,393	5,266,600	348,566	474,823	1,157,968	583,830	-	**8,009,180**
Other Liabilities(4)	16,577	4,972,862	1,918,740	2,569,140	6,429,147	2,568,201	43,787,041	**62,261,708**
Total Liabilities	**42,327,806**	**131,577,083**	**34,759,169**	**43,587,819**	**39,780,479**	**18,862,213**	**43,787,041**	**354,681,610**
Net Liquidity Excess/(Gap)	**(9,813,532)**	**(73,609,137)**	**(6,889,112)**	**16,759,402**	**88,321,618**	**23,398,678**	**(38,167,917)**	**-**

Notes:

(1) Included lease receivables. The non-performing loans is presented "Unallocatable" column.
(2) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, derivative financial assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column. Expected credit losses are included.
(3) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(4) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

	As at 31 December 2017							
	Demand	**Up to 1 Month**	**1 to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 Years and Over**	**Unallocated(1)**	**Total**
				(TL thousands)				
Assets								
Cash Equivalents and Central Bank	11,591,894	23,691,732	79,550	—	—	—	—	**35,363,176**
Banks	7,588,240	1,717,994	715,305	8,190	—	—	—	**10,029,729**
Financial Assets at Fair Value through Profit or Loss (Net)	237,244	444,692	384,342	836,087	3,924,361	2,529,213	—	**8,355,939**

	As at 31 December 2017							
	Demand	Up to 1 Month	1 to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years and Over	Unallocated[1]	Total
				(TL thousands)				
Interbank Money Market Placements	—	1,552,346	—	—	—	—	—	**1,552,346**
Available for Sale Financial Assets	376,027	133,449	692,887	3,086,123	25,772,136	12,769,166	—	**42,829,788**
Loans	—	27,647,535	24,714,381	44,906,086	88,009,406	24,048,362	152,619	**209,478,389**
Held-to-Maturity Investments (Net)	—	—	3,209,899	1,383,788	12,668,937	1,620,408	—	**18,883,032**
Other Assets	1,295,807	817,181	387,233	1,319,670	5,269,223	1,265,836	4,762,608	**15,117,558**
Total Assets	**21,089,212**	**56,004,929**	**30,183,597**	**51,539,944**	**135,644,063**	**42,232,985**	**4,915,227**	**341,609,957**
Liabilities								
Bank Deposits	1,187,569	8,969,327	3,119,827	652,314	—	—	—	**13,929,037**
Other Deposits	35,722,646	108,629,842	21,574,295	14,287,824	6,715,834	596,050	—	**187,526,491**
Borrowings	—	675,750	6,220,883	11,611,815	10,857,317	4,261,434	—	**33,627,199**
Funds from Interbank Money Market	—	7,612,073	2,423,016	2,969,683	14,837,968	1,515,058	—	**29,357,798**
Marketable Securities Issued (Net)[1]	—	1,531,445	4,873,764	2,104,041	4,367,000	4,879,974	—	**17,756,224**
Miscellaneous Payables	501,393	4,933,449	131,155	233,992	524,033	317,068	—	**6,641,090**
Other Liabilities[2]	108,676	1,866,847	718,305	2,069,043	6,106,622	1,289,053	40,613,572	**52,772,118**
Total Liabilities	**37,520,284**	**134,218,733**	**39,061,245**	**33,928,712**	**43,408.774**	**12,858,637**	**40,613,572**	**341,609,957**
Net Liquidity Excess/(Gap)	**(16,431,072**	**(78,213,804)**	**(8,877,648)**	**17,611,232**	**92,235,289**	**29,374,348**	**(35,698,345)**	—

Notes:

(1) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.

(2) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

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, provides 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 are 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 Office, IRMO, Internal Audit, Internal Control, Compliance and Technology and Operations Business Unit are responsible for Akbank's operational risk management framework. Akbank has implemented policies and procedures, control/check points in practice that have been developed by business units, internal audit department and internal control department.

Akbank uses Basel definitions in identifying business lines and event types. Akbank's online internal data collection system was put into place in September 2009.

For regulatory reporting purposes, the capital charge is calculated by the basic indicator approach based on the past three years' gross income. The tables below set out total risk weighted assets according to risk types (which are not calculated in accordance with IFRS but rather for regulatory capital purposes) as at 31 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

	As at 31 March 2020	
	(TL thousands)	(%)
Credit Risk	22,675,491	88.0%
Market Risk	335,709	1.3%
Operational Risk	2,749,428	10.7%
Total	**25,760,628**	**100.00%**

	As at 31 December 2019	
	(TL thousands)	*(%)*
Credit Risk	21,483,326	88.4%
Market Risk	500,491	2.1%
Operational Risk	2,311,413	9.5%
Total	**24,295,230**	**100.00%**

	As at 31 December 2018	
	(TL thousands)	*(%)*
Credit Risk	19,905,334	90.0%
Market Risk	407,019	1.8%
Operational Risk	1,813,258	8.2%
Total	**22,125,611**	**100.00%**

	As at 31 December 2017	
	(TL thousands)	*(%)*
Credit Risk	19,394,057	90.9%
Market Risk	375,955	1.8%
Operational Risk	1,557,620	7.3%
Total	**21,327,632**	**100.00%**

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

Product features. As a legal requirement, consumer loans and car loans are required to have a maximum maturity of 48 months. Further, the maximum maturity of the mortgage loans imposed by Akbank is generally 10 years (240 months in certain specific cases).

Mortgage, consumer and car loans are denominated in Turkish Lira as Turkish law prohibits the use of foreign currency loans or foreign currency indexed loans to individuals.

For mortgages, the financed property or another property must be secured. If the property is under construction, then a guarantee commitment can be secured. For car loans, the vehicle can be pledged and for second-hand car loans, Akbank is able to grant an unsecured loan.

Most loans to individuals are fixed rates but they may also be offered as floating rates.

Individuals can apply for a loan from a local branch or a number of other alternative delivery channels (for consumer loans, these alternative delivery channels consist of SMS, websites, ATMs, call centres and contracted shops; for car loans, these alternative delivery channels consist of websites, call centres and contracted car distributors; and for mortgages these alternative delivery channels consist of websites and call centres). Akbank can offer loans to customers automatically using the customer management tool (Experian-CMDS). Experian-CMDS scans the entire profile of the customer and assigns a pre-approved credit limit which the customer can borrow.

Loan application evaluation process. Retail loans are evaluated based on application scoring models. Any applications below the cut-off score are automatically declined.

The models which are used for personal loans, credit cards and overdrafts were developed by Akbank's Model Development Team who work under the Risk Management Unit. The models used for mortgages and auto loans were developed by FICO.

Applicants are generally required to declare their income and provide documentation evidencing the stated amount. There is also a model income, which calculates applicant's income by taking into account information obtained from the Credit Bureau Database, the national Turkish customer database and demographic information. Then a decision is made as to whether the declared income or calculated income will be used as the customer's income on the application. In some instances, such as the customer's income being paid directly into an Akbank bank account, income documents are not required up to a specific amount of borrowing (the relevant amount is dependent on the nature of the loan). For those customers Akbank use the calculation method of income.

A decision support system (Power Curve SM by Experian) is used to evaluate any application. The system considers credit enquiry and credit policy rules. Then the decision support systems evaluate the application and generates three possible outcome, as follows:

- If the application does not trigger any of the credit enquiry or policy rules, then the application is accepted up to the automatically approved limit;

- If the application triggers one or more of the grey area credit enquiry or policy rules but does not trigger any of the decline rules, then the application is reviewed further. These applications are automatically submitted for manual evaluation by an underwriter. If the requested amount is over the automatically approved limit it is included in the decision review; or

- If the application triggers one or more of the decline credit enquiry or policy rules, then the application is declined. These applications can then be manually submitted from a branch for evaluation by an underwriter.

The decision support system uses Credit Bureau and Central Bank databases in tandem with Akbank's own customer database. The decision support system is used to evaluate consumer loan limit management. Akbank additionally reviews all customers' past performance on a monthly basis to decide pre-approved consumer loan limits.

Legal regulations and originated loans' statistics. As a legal requirement in relation to mortgages, Akbank imposes a credit limit of 80% of the value of the asset. Akbank imposes no limit on credit value, but the average size of Akbank's mortgages in 2019 was TL 168,200. The maximum maturity of these mortgages imposed by Akbank is generally 10 years (240 months in some specific cases).

As a legal requirement in relation to car loans, if the value of a vehicle is up to TL 120,000, Akbank imposes a credit limit of 70% of the value of the vehicle. If the value of the vehicle is more than TL 120,000, Akbank imposes a credit limit of 70% of the value of the vehicle on the first TL 120,000 and 50% on amounts in excess of TL 120,000. There is no limit to the credit value of car loans but the average size of Akbank's car loans in 2017 was TL 53,800. If the value of a vehicle is up to TL 120,000, the maximum maturity of car loans is 60 months and if the value of a vehicle is above TL 120,000 the maximum maturity of car loans is 48 months. For second-hand cars, Akbank is able to grant unsecured loans in comparison to new car loans which require the car as collateral and the relevant car insurance details to be provided.

Collateral valuation. The collateral valuation process for consumer loans depends 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 47 appraisal firms in total, all of which have a valuation license from the CMB. The Appraisal Department employs 10 specialists who review all appraisal reports prepared by the contracted firms. These 10 specialists are also licensed by the CMB. All valuation reports are managed in Akbank's "EKON" digital system. All mortgage collateral values are transferred from EKON into the control loan approval system.

Organisation. The Consumer Credits Allocation Group, a sub-division of the Consumer and Micro Credits Allocation Division, is responsible for approval of loans and credit cards to individuals which cannot be approved automatically by the system. Loans to individuals comprise consumer loans, car loans and mortgage loans.

Credit Cards

Product features. Individuals can apply for credit cards and request increases in credit limits at a local branch or through an alternative delivery channel (including SMS, websites, ATMs, Akbank Direkt Internet Branch for individuals and call centres). Akbank can offer credit cards to certain pre-authorised customers automatically.

Credit cards application evaluation process. Credit card applications are evaluated based on the application of a scoring model and credit card limit increase requests are evaluated based on a behavioural scoring model. Applications below the cut-off score are automatically declined.

The scoring model which is used for determining credit card limits is developed by the Model Development Team who work under the Risk Management Unit.

A decision support system (Power Curve SM by Experian) is used to evaluate any application (both for credit cards and person loans). The system considers credit enquiry and credit policy rules. Then the decision support systems evaluate the application and generates three possible outcomes, as follows:

- If the application does not trigger any of the credit enquiry or policy rules, then the application is accepted up to automatically approved limit;

- If the application triggers one or more of the grey area credit enquiry or policy rules but does not trigger any of the decline rules, then the application is reviewed further. These applications are automatically submitted for manual evaluation by an underwriter. If the requested amount is over the automatically approved limit it is included in the decision review; or

- If the application triggers one or more of the decline credit enquiry or policy rules, then the application is declined. These applications can then be manually submitted from a branch for evaluation by an underwriter.

The decision support system uses Credit Bureau and Central Bank databases in tandem with Akbank's own customer database. The decision support system is used to evaluate consumer loan limit management. Akbank additionally reviews all cardholders' past behaviours on a monthly basis to decide whether to increase or decrease their current credit limits.

Legal regulations. Under current regulations in Turkey, the total limit of credit cards held by an individual holding a credit card for the first time cannot exceed twice the monthly average net income of the customer for the first year and four times thereof for the following years.

Monthly income is declared by each applicant for each credit card application and is compared with results of Akbank's income estimation model. The income model calculates applicant's income by taking into account information obtained from the Credit Bureau Database, the Customer Database and demographic information.

Then a decision is made as to whether the declared income or calculated income will be used as the customer's income on the application. In some cases the applicant's occupation, length of employment and monthly net income are verified by the Payment Systems and the Direct Banking divisions.

Organisation. The Consumer Credits Allocation Group, a sub-division of the Consumer and Micro Credits Allocation Division, is responsible for approval of credit cards and loans to individuals which cannot be approved automatically by the system.

Classification of Loans and Provisioning[1]

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 BRSA Principles:

- Group I – Loans of a Standard Nature and Other Receivables: this group includes loans and other receivables showing no signs of weakness or deterioration and are either timely repaid or repaid with a delay for less than 30 days.

- Group II – Loans Under Close Monitoring (Watchlist): 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, but less than 90 days.

- Group III – Loans with Limited Collection Possibility: 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 IV – Loans with Doubtful Collection Possibility: 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 V – Loans Having the Nature of Loss: 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.

See "*—Turkish Regulatory Environment For Banks—Loan Loss Reserves*".

Due to the COVID-19 outbreak and its impact on the Turkish economy, on 17 March 2020, the BRSA announced that the default period in order for loans to be classified as NPLs has been increased from 90 days to 180 days. Accordingly, until 31 December 2020, Group I and Group II loans will be classified as NPLs if defaulted for more than 180 days. Moreover, pursuant to the BRSA's decision dated 27 March 2020 and numbered 8970, the 30-day default period for Group I loans to be classified as Group II loans was increased to 90 days. Effective from 17 March 2020 and until 31 December 2020, Group I loans will be classified as Group II loans if defaulted for more than 90 days. For loans that continue to be classified in Group I despite the 30-day default and Group II despite the 90-day default, banks are required to continue to set aside provisions in accordance with their own risk models used in the calculation of expected loan loss under TFRS 9. Moreover, banks are no longer required to classify (i) the loans restructured and classified as performing loans and (ii) loans having the principal and/or interest payments that have been overdue for more than 30 days

[1] As at 1 January 2018, Akbank recognises provisions for impairment in accordance with TFRS 9 requirements. For Classification of Loans and Provisioning under TFRS 9, please refer to the sections "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies—Loans*" to "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Taxation*".

or restructured again within the one-year monitoring period as Group III. The BRSA's decision will be effective until 31 December 2020.

Identification and Remediation of Problem Loans

Identification and remediation of problem loans throughout Akbank's Business Units is organised and divided into either the non–retail segment or the retail segment.

Non-Retail Segment

The non-retail segment is organised according to the loan classification criteria noted below:

- Group Two – Loans and Other Receivables Under Close Monitoring (Watchlist) – is executed by two separate credit monitoring groups covering Corporate/Commercial loans and SME loans including project finance loans.

- Group Three, Four and Five are executed by the Non-Performing Loans Follow-Up Division covering all segments. Together with the Commercial Legal Advisory Group, they are responsible for Corporate, Commercial and SME segments.

- The Non-Performing Loans Follow-Up Group is in charge of negotiating with customers and debt restructuring. Akbank negotiates with the customer regarding repayment of the loan including possible restructuring of the debt, or if necessary, liaises with the in house lawyers of Commercial Legal Advisory Group or contracted lawyers to have the collateral liquidated or to take other legal action.

Credit Monitoring Groups. In addition, there are three subsections within the Corporate and Commercial Monitoring Division:

- The Corporate/Commercial/Credits Monitoring Group, which monitors Corporate and Commercial clients;

- The SME Credits Monitoring Group, which monitors SME clients; and

- The 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. There are also regional monitoring teams who are principally responsible for monitoring small SME credit clients with an exposure below TL 3 million. Regional Monitoring Teams work in coordination with the SME Credits Monitoring Group.

Collecting and examining up-to-date financial and non-financial data of projects periodically comparing the projected cash flows and the real performance of the projects, testing the covenants in the loan documentation and paying on-site visits are the main responsibilities of the Project Finance Loans Monitoring Group.

A common monitoring system is used by both Corporate/Commercial and Retail Credits Monitoring Divisions 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 periodically by members of the Credit Monitoring Group, and loans are manually put on credit watch if necessary.

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.

Retail Segment (including SME (Micro) Segment Customers)

Identification and remediation of problem loans including NPLs are managed by the Retail Monitoring and Legal Follow Up Group.

The Retail and SME Credit Monitoring and Legal Follow up Division is composed of two units:

- The Monitoring and Restructuring Group, which monitors, makes collection calls and restructures retail clients starting with the early collections stage up to legal follow up; and

- The Retail and SME Segment Credits Legal Follow up Group which is in charge of following up the legal agencies performance on collection of customers in legal follow-up. The Retail and SME Segment Credits Legal Follow up Group is responsible for non-performing loans and negotiates with the customer regarding repayment of the loan including possible restructuring of the debt, or, if necessary, liaises with the in-house or contracted lawyers to have the collateral liquidated or to take other legal action.

There is one common monitoring system which is used by the Retail Monitoring Group as noted above.

All clients, regardless of the segment, are subject to the same risk controls. Because of the number of clients in the Retail Banking segment, the process is carried out at Akbank's head office by the Retail Credits Monitoring and Collection Team. 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 Retail Non-Performing Loans Follow-Up Division.

Anti-Money Laundering, Combatting the Financing of Terrorism and Anti-Bribery Policies

Turkey has adopted anti-money laundering laws and regulations in compliance with the 40 Recommendations of the FATF. Formed by the G7 Economic Summit in 1989, the FATF comprises 39 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) establishing permanent business relationships (regardless of the monetary amount involved), (ii) the amount of a single transaction or the total amount of multiple linked transactions is equal to or more than TL 20,000, (iii) the amount of a single transaction or the total amount of multiple linked transactions is equal to or more than TL 2,000 in wire transfers, (iv) in cases requiring suspicious transaction reporting (regardless of the monetary amount), and (v) in cases where there is suspicion about the adequacy and the accuracy of previously acquired identification information (regardless of the monetary amounts). 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 TL 20,000 and above, Akbank'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 (the "**Law No. 5549**") and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism (the "**Anti-Money Laundering Regulation**") published in the Official Gazette No. 26751 on 9 January 2008.

Law No. 6415 on the Prevention of the Financing of Terrorism came into force on 16 February 2013. With this law, offences constituting "financing of terrorism" have been redefined, an administrative mechanism has been established in order to execute the United Nations Security Council's Resolutions, and formal procedure relating to gaining access to frozen funds for necessary expenses, has been introduced. In all cases, the Council of Ministers will have the authority to decide whether to freeze assets based on the information provided by the Financial Intelligence Unit of Turkey ("**MASAK**") and other related institutions. Decision on asset freezing will gain legal validity upon its publication on the Official Gazette. All the necessary procedures before and after the asset freezing decision of the Council of Ministers will be implemented by MASAK. 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 KYC procedures, 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. Akbank'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.

Scope of Akbank's Policies and Procedures

Akbank's AML and KYC standards policy is based on (i) compliance with AML and CFT laws and regulations, including local laws (Turkish AML Act, Criminal Act and CFT 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 Banks Association of Turkey's Local Industry Guidance and Best Practices.

The objectives of the policy are to ensure that Akbank 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. Akbank 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 Akbank 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 programme that monitors on-going 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) on-going training in order to improve existing and new employees' awareness of how Akbank'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 Due Diligence Policy

Akbank's customer due diligence policy contains KYC procedures meeting national and international regulations for compliance with the prevention of money laundering and CFT. Akbank undertakes customer due diligence and proceeds with the evaluation of the customer according to the results of monitoring progresses. Despite the termination of active monitoring with the end of the customer relationship, Akbank retains acquired information inside internal intelligence systems. Akbank 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, Akbank will require an official identity document, as well as the individual's ID number. In the case of a corporation and other legal entities, Akbank 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.

Due to Akbank's "Customer Due Diligence Policy", (i) individuals who refuse to provide the required information and documentation; (ii) individuals 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) individuals 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) individuals who have a negative record in Akbank's internal intelligence system for money laundering, financing of terrorism and financial crimes, such as fraud, counterfeiting, organised crime and similar activities are not accepted as a customer.

Within the framework of Akbank's risk-based approach, risk is divided into four main categories as High Risk Products and Services; High Risk Customers; High-Risk Geographical Locations and High Risk Technology/ Delivery Channels. High Risk Products and Services include (i) cross border transfers (ii) cash transactions, such as cash deposits and withdrawals; (iii) "non-face-to-face banking services", such as transactions conducted via internet banking, ATM or telephone banking and credit allocation transactions; (iv) donations; (v) Trade Finance; and (vi) Project Finance. 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) exchange offices; (iv) internal watchlist; (v) cash intensive businesses; (vi) private banking customers; (vii) correspondent banks; (viii) politically exposed persons ("**PEPs**"); (ix) persons or entities listed under Article 2 of the Law No. 5549; (x) Logistics, (xi) Gambling/betting (xii) Gate Keepers; and (xiii) Precious Metals High-Risk Geographical locations, which include (a) tax havens (according to FATF criteria); (b) countries subject to partial or complete embargo by the EU; (c) countries subject to embargo by OFAC; (d) countries and regions included in the list of countries and regions refusing cooperation with FATF; and (e) countries specified in the FINCEN list. Finally, High Risk Technology/ Delivery Channels include (i) Internet Banking; (ii) Mobile/Application; (iii) ATM; (iv) call centre; (v) block chain; and (vi) Fintech.

Among all above high risk categories, Akbank recognises politically exposed persons (including Turkish politically exposed persons) as requiring need special attention and electronic due diligence measures are applied to those accordingly. During the process of account opening, the business sector and occupation of the customer are questioned by customer representative and log it into the system. The system generates alerts upon the related information and escalate the process to the Compliance Department in order to identify whether the customer is a PEP.

Akbank continues to seek new methods of improving its anti-money laundering standards. Akbank uses the "Actimize SAM" software system. Actimize SAM software 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. Alerts generated by Actimize are also analysed using artificial intelligence technology for certain scenarios and robotics technology is used in the process of making SAR files. In implementing this approach, Akbank drew on the experience provided by other available analytical models used by other banks in supporting European, US and Turkish anti-money laundering policies. Additionally, Akbank's cyber-security systems are designed to detect the location of payments for non-face to face transaction.

Actimize software is used to screen cross border wire transfers. This comprehensive software screens Akbank's customers and transactions according to watch lists of individuals, companies, or geographic locations issued by authorities such as atAC, 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 Akbank's Compliance Department. As part of on-going sanctions controls, Trade Finance transactions are also subject to automated screening. Additionally, all vessels including ownerships, previous routes and movements involving in all transactions are closely monitored by using Lloyds List Intelligence vessel tracking system.

Akbank screens all customer on-boarding transactions to detect any sanctioned party. Akbank has a partnership with Dow Jones as a data provider. In addition, high risk countries listed on the Transparency International and Basel Index are added to Akbank's customized country lists and are now subject to Akbank's automated screening performed by the Actimize WLFsystem. Akbank's systems are highly capable and continuously upgraded.

Akbank has also adopted Disciplinary Regulations aimed at preventing all Bank personnel from violating Akbank's Bribery and Corruption Policy. The Disciplinary Regulations have been provided to all Akbank personnel in written form and are also published on Akbank's Intranet portal.

Capital Management

Basel II

The BRSA has published regulations regarding the implementation of Basel II in Turkey. These regulations took full effect in July 2012. All Turkish banks are reporting their risk-weighted assets calculated under the standard approach of Basel II as contained in the "Turkish National Discretions". As well as implementing more stringent capital ratios, the main benefit of Basel II is to have more structured approach to capital management and stress testing, as embedded in the second pillar of the accord. Parallel with Pillar I regulations, the BRSA also announced regulations for Pillar II regarding ICAAP in order to enhance the link between an institution's risk profile, risk management systems and its capital. The BRSA required major Turkish banks to prepare ICAAP reporting in accordance with the Pillar II principles by June 2013. The BRSA published the new Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks on 11 July 2014 (the " **Internal Systems Regulation**") and "Guidelines for ICAAP Report" on 31 March 2016. The Internal Systems Regulation requires banks to internally calculate the amount of capital to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective taking into account banks' near- and medium-term business and strategic plans. This process referred to as "Internal Capital Adequacy Assessment Process - ICAAP" should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an ICAAP Report representing the bank's own assessment of its capital requirements. The first ICAAP Report covering Akbank's activities in 2013 was submitted to the BRSA at the end of September 2014. Since then, the ICAAP Report has been submitted at the end of March each year.

Basel III

In 2013, the Basel Committee adopted further revisions to Basel III, which was implemented in Turkey in phases through 2019. The Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. The BRSA has issued regulations for the implementation of new Basel III capital standards and leverage ratios, which came into force on 1 January 2014. Regulations for the implementation of a liquidity coverage ratio came into force on 1 January 2015 (except for the net stable funding ratio and counterparty credit risk requirements), in line with the Basel III road map. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended some of its other regulations and communiqués as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599, which amendments also entered into force on 31 March 2016. Furthermore, in February 2016, the BRSA published a regulation (the "**D-SIBs Regulation**") regarding systemically important banks ("**D-SIBs**") including Akbank, which introduced additional capital requirements for D-SIBs in line with the requirements of Basel III. Akbank has not experienced any difficulty in meeting the new capital requirements due to the nature of its existing capital base, mostly composed of common equity and retained earnings.

Management

For an overview of Akbank's organisational structure, see "*—Business—Organisational Structure" and "—Business— Financial Reporting Segments and Operational Business Units -- Overview*" above.

Board of Directors

Akbank is managed by its Board of Directors. The Board of Directors makes all major decisions affecting Akbank and acts as a supervisory body for Akbank's activities. It meets at least monthly according to Akbank'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 Akbank's Articles of Association. A meeting of the Board of Directors has a quorum if at least six of its members are present. Akbank's Board of Directors is also responsible for Akbank's vision, mission and short and long-term strategic targets.

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	1997	2021
Eyüp Engin..........................	Vice Chairman and Executive Member of Board of Directors	2019	2021
Ahmet Fuat Ayla	Executive Member of Board of Directors	2017	2021
Ismail Aydın Günter............	Member of Board of Directors	1998	2021
Şakir Yaman Törüner	Member of Board of Directors	1998	2021
Nafiz Can Paker...................	Member of Board of Directors	2015	2021
Emre Derman......................	Member of Board of Directors	2015	2021
Özgür Demirtaş	Member of Board of Directors	2018	2021

Name	Position	Year first appointed to the Board of Directors	Term expires
Mehmet Tuğrul Belli	Member of Board of Directors	2020	2021
Hakan Binbaşgil	Member of Board of Directors and CEO	2012	According to Turkish law, CEO is the Member of the Board of Directors

The address of the Board of Directors is Akbank T.A.Ş., Sabancı Center 4, Levent 34330, İstanbul, Turkey.

The following individuals have been members of the Board of Directors for the last three years: Suzan Sabancı Dinçer, Şakir Yaman Törüner, Aydın Günter, Emre Derman, Nafiz Can Paker and Hakan Binbaşgil (CEO).

The following individuals are former members of the Board of Directors who left the office within the last three years: Erol Sabancı, Hayri Çulhacı, Cem Mengi and Aziz Aykut Demiray.

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

Suzan Sabancı Dinçer CBE

Suzan Sabancı Dinçer is the Chairman of Akbank. Mrs. Sabancı Dinçer is also a board member of Sabancı Holding and a member of the Board of Trustees of Sabancı University. In 2009, Mrs. Sabancı Dinçer founded the Akbank International Advisory Board and currently serves as its chairman. She began her career in banking in 1986 and joined Akbank as Executive Vice President in charge of Treasury in 1989. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed as Executive Board Member to oversee the bank-wide change and transition program in 2001. She was named Chairman in March, 2008.

Mrs. Sabancı Dinçer is a member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board, Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an emeritus member of the Harvard Business School's Middle East and North Africa Advisory Board. Mrs. Sabancı Dinçer is also co-chair of the New York-based American-Turkish Society, a member of the Global Board of Advisors at the Council on Foreign Relations (CFR) and a member of the Board of Managing Directors of Venetian Heritage, Inc.

From 2010 to 2014, Mrs. Sabancı Dinçer served as the chairman of the Turkish-British Business Council for two terms. From 2009 to 2016, Mrs. Sabancı Dinçer sat on the Global Board of Advisors of Chatham House. In 2012, Her Majesty Queen Elizabeth II awarded Mrs. Sabancı Dinçer the title of "Commander of the Most Excellent Order of the British Empire (CBE)" in recognition of her proactive and influential contributions to the development of Turkey-UK relations.

Mrs. Sabancı Dinçer is strongly committed to corporate social responsibility activities and assumes various positions in the fields of culture, education, and the promotion of entrepreneurship. She is a founding member and board member of the leading high-impact entrepreneurship movement, Endeavor Turkey, and chairman of the Executive Advisory Board and member of the board of patrons of the Contemporary Istanbul Art Fair. Mrs. Sabancı Dinçer is also Luxembourg's Honorary Consul in Istanbul. In 2014, Mrs. Sabancı Dinçer was given the Order of Civil Merit (Orden del Mérito Civil) of the Kingdom of Spain by King Felipe VI of Spain for her contributions to the relations between the two countries and for her support to the cultural convergence.

Mrs. Sabancı Dinçer holds a BA in Finance from Richmond College in the UK and an MBA from Boston University in the United States.

Eyüp Engin

Eyüp Engin joined Akbank in 1978 as an Assistant Internal Auditor. Following his auditing assignment, Eyüp Engin served as Department Head in Treasury, International Banking and Overseas Financial Institutions. He was appointed as the Executive Vice President in charge of Corporate Banking in 1996 and after 1998, Engin continued to serve as Executive Vice President in charge of International Banking and Overseas Financial Institutions Marketing.

Mr. Engin was appointed to the position of Head of Internal Audit in 2007 and during 2007-2019 he served on Boards of Directors of Bank's subsidiaries as the President of Audit Committee. He is a graduate of Middle East Technical University, Faculty of Economics and Business Administration. Engin was elected as Executive Board Member in March 2019. Eyüp Engin also serves as Vice Chairman of Türk Telekomünikasyon A.Ş..

Additionally, Eyüp Engin is a Board Member of TT Mobil A.Ş. and TT Net A.Ş. and also Chairman of Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş.

Ahmet Fuat Ayla

Ahmet Fuat Ayla was elected as Executive Board Member in charge of credits effective 12 July 2017. He 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. Before joining Akbank, he worked in marketing and sales department positions at the Head Office and branches 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.

İsmail Aydın Günter

İsmail Aydin Günter served at Sabancı Holding and held various positions including Executive Vice President in charge of Financial Control and Finance from 1974 to 1994. In 1994, he founded his own consulting firm and served as a Member of the Board of Directors in various companies beginning from 1998. Prior to joining the Sabancı Group, Mr. Günter worked at the Ministry of Finance as a Tax Inspector. Mr. Günter is a graduate of the Faculty of Political Sciences at Ankara University.

Şakir Yaman Törüner

Şakir 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, Mr. 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 between February 1994 and January 1996. Additionally, Mr. Törüner is an op-ed columnist in the Milliyet daily.

Nafiz Can Paker

Nafiz Can Paker received his master's degree from Berlin Technical University and continued his education at Yildiz Technical University to receive his PhD in mechanical engineering and at Columbia University for his MBA (1973). Starting his professional career at Turk Henkel in 1971, he held various senior positions in the company, and served as the general manager (from 1984) and president of the Board of Directors until 2004. Paker held positions on the boards of several private companies and civil society organizations such as the Sabancı Holding, Sabancı University, Turkish Industrialists' and Businessmen's Association (TÜSİAD), İstanbul Culture and Arts Foundation (İKSV), The Open Society Foundation in Turkey and Robert College. He served as the Chairman of TESEV (Turkish Economic and Social Studies Foundation) between 1997 and

2015. He is currently the founding and managing partner of B.O.Y. Consulting and a founding member of PODEM (Center for Public Policy and Democracy Studies), an İstanbul based think tank established in 2015.

Emre Derman

Emre Derman has led numerous large cross-border transactions in Turkey as a partner with the international law firm White & Case between 1989 and 2008. In addition to his work in Turkey he has worked in the New York and London offices of the firm and also in former Soviet Union and Eastern European countries during his term as a lawyer for the EBRD in 1994 to 1995. A former board member of Akbank in 2010, Derman has served as a Managing Director and the Senior Country Officer of JP Morgan in Turkey between 2011 and 2014. He is a member of various organizations relating to education and yacht racing and serves as a freelance consultant. Derman holds an LL.B. from Istanbul University Law School and an LL.M. from Harvard Law School.

Özgür Demirtaş

Özgür Demirtaş received his BS degree in Electrical and Electronics Engineering from Bogazici University in 1998. He earned his Ph.D. degree in Finance from Boston College in 2003. In the same year, he was appointed as a tenure track Assistant Professor at Baruch College, City University of New York. In 2007, he earned a tenured Associate Professor position. He was awarded with one of the prestigious medals of the University: The presidential Award for Teaching Excellence. His research is also awarded by Eugene M Lang foundation and Marie Curie Reintegration program. He published more than 30 academic articles in various academic journals. He taught at Boston College, CUNY, NYU Stern School of Business and in 2012, he joined Sabancı University as a Chair Professor of Finance. Since 2014, Professor Demirtaş is the founding chairman of the Center of Excellence in Finance (CEF) at Sabancı University.

Mehmet Tuğrul Belli

Mehmet Tuğrul Belli started his professional career at Iktisat Bank's Corporate Finance Department in 1990. He started serving as General Secretary at Turkish Bank in 1994, and participated in the foundation of Turkish Yatırım in 1997, a subsidiary of the bank. He served as a Member of the Board of Directors of the company until 2005, and also served as General Manager for a period. He still serves as an Economics Advisor at Turkish Bank. Mr. Belli taught at İstanbul Ticaret University on "Banking Management" between 2006 and 2012. Mr. Belli has been an op-ed columnist of Dünya Daily since 2008. An alumni of American Robert College, he holds an undergraduate degree from London School of Economics and Political Science, and a graduate degree from CUNY Baruch College.

Hakan Binbaşgil

Hakan Binbaşgil joined Akbank as the Executive Vice President in charge of Change Management in October 2002. He initiated Akbank's "Restructuring Programme" which has transformed Akbank into one of Turkey's most customer-focused, modern and innovative financial institutions. He 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 Akbank. Prior to joining Akbank, Mr. 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. Mr. Binbaşgil also served on the boards of directors of numerous companies domestically and abroad.

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

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:

Hakan Binbaşgil - Board Member and CEO

For Mr. Binbaşgil's biographical information, see *" —Board of Directors"* above.

Bülent Oğuz – Executive Vice President – Retail Banking

Bülent Oğuz joined Akbank in March 2003 and served as Vice President and Senior Vice President of SME and Consumer Banking respectively. He was appointed as Executive Vice President in charge of SME Banking in July 2013 and he has been in charge of Retail Banking since November 2018. Before joining Akbank, Mr. Oğuz held various managerial positions at Corporate Banking and Loans divisions at different private sector banks. Mr. Oğuz is a graduate of Middle East Technical University, Political Science and Public Administration and holds an Executive MBA degree from Sabancı University.

Burcu Civelek Yüce – Executive Vice President - Strategy, Digital Banking and Payment Systems

Burcu Civelek Yüce joined Akbank in 2006 and was appointed as Senior Vice President of Strategic Management in 2009, Executive Vice President in charge of Human Resources and Strategy in 2014 and since June 2019 she has been serving as Executive Vice President in charge of Strategy, Digital Banking and Payment Systems. Prior to joining Akbank, she worked in international consulting and technology companies. She has a B.Sc. degree in Industrial Engineering and an MBA degree from Boğaziçi University, both first in rank. She also participated in courses at Harvard Business School and Koç University. She is an alumni of IIF Future Leaders and a mentee in Women on Boards Initiative. She also acts as the Chairwoman of e-payment company AkÖde, and Board Member of Akbank AG, AkInvestment, Sabancı DX and Interbank Card Center (BKM).

Ege Gültekin - Executive Vice President - Credit Monitoring and Collections

Ege Gültekin joined Akbank in February 2015 as Executive Vice President in charge of Credit Monitoring and Follow Up of Consumer, Corporate, Commercial and SME Loans. Before joining Akbank, she held various senior management positions at different banks and asset management companies. Mrs. Gültekin is a graduate of Middle East Technical University, Department of Faculty of Economics and Administrative Sciences and holds a Master's degree from John Hopkins University, Faculty of Engineering, Department of Information and Telecommunication Systems.

Levent Çelebioğlu - Executive Vice President - Corporate & Investment Banking

Levent Çelebioğlu joined Akbank in May, 2015 as Executive Vice President in charge of Corporate and Investment Banking. Prior to joining Akbank, he held various senior management positions at different private sector banks. He is also the Chairman of Akbank AG and AkInvestment. He is a graduate of 9 Eylul University, Faculty of Economics, Monetary Economics & Banking Department.

İlker Altıntaş – Executive Vice President - Technology and Operations

İlker Altıntaş joined Akbank in March 2012 as Vice President of IT Enterprise Architecture and later became Senior Vice President of the IT Architecture and Core Banking Department. In January 2017, he was appointed as Executive Vice President in charge of Technology and Operations. Before joining Akbank, he completed two banking transformation projects during his career as an executive of technology companies, involved in the development of finance/banking products and led engineering processes. Mr. Altıntaş is a graduate of

Middle East Technical University, Department of Computer Engineering and holds a PhD degree of software engineering from the same university. İlker Altıntaş has published many technical articles for international conferences, journals and is a committee member for various national and international conferences.

Mehmet Tugal - Executive Vice President – Commercial Banking

Mehmet Tugal joined Akbank in September 2005 and worked as Corporate Branch Manager and Senior Vice President of Commercial Banking respectively. He was appointed as Executive Vice President in charge of Commercial Banking in September 2017. Mr. Tugal is also the Chairman of AKLease and Vice Chairman of AkInvestment. Prior to joining Akbank, he held various senior management positions at different private sector banks. Mehmet Tugal is a graduate of Bilkent University, Business Administration and holds an MBA degree from Central Michigan University.

Türker Tunalı – Chief Financial Officer (CFO)

Türker Tunalı joined Akbank in September 2008 as Senior Vice President in charge of Financial Coordination and International Reporting. Prior to joining Akbank, he held various managerial positions since 1999. He was appointed as Executive Vice President (CFO) in charge of Financial Coordination in October 2017. He is the Vice Chairman of Ak Asset Management and a board member of AKLease and Akbank AG. Mr. Tunalı is a graduate of Boğaziçi University, Department of Business Administration and is a CFA (Chartered Financial Analyst) since 2006.

Alp Keler, PhD – Executive Vice President – Private Banking and Wealth Management

Alp Keler was appointed as Executive Vice President in charge of Wealth Management and Private Banking in January 2018. Prior to this appointment, he served as CEO of Ak Asset Management since 2011. He has over 20 years of experience in capital markets and asset management. He is also the Chairman of Ak Asset Management. Keler is a graduate of METU Civil Engineering Department. He also received an MBA degree from Bilkent University, the Master of Law in Economics (LLM) from Galatasaray University, Management Program of Harvard Business School and PhD in Banking from Marmara University. Mr. Keler is a CFA charterholder. He served as a chairman, board and audit member in various local and global capital market associations.

Yunus Emre Özben – Executive Vice President – Credit Underwriting

After working at various companies since 1996, Yunus Emre Özben joined Akbank in October 2005 as Assistant Manager in the Project Finance Division and was promoted to Senior Vice President in charge of Investment Banking in March 2011. He was appointed as Executive Vice President in charge of Credit Allocation in August 2018. Mr. Özben is also the Board Member of Ak Asset Management, a subsidiary of Akbank. Mr. Özben is a graduate of Marmara University Business Administration and holds an executive MBA degree from Sabancı University.

Zeynep Öztürk- Executive Vice President- Special Credits

After working at various companies in the sector since 1990, Zeynep Öztürk joined Akbank in January 2011 as Senior Vice President in charge of Corporate and Commercial Credits Monitoring and afterwards worked as Senior Vice President in charge of Corporate And commercial monitoring and collection, and Head of Special Restructuring Consulting respectively. Mrs. Öztürk was appointed as Executive Vice President in charge of Special Credits in January 2019. Mrs. Öztürk is a graduate of METU Business Administration and received MBA degree from İhsan Doğramacı Bilkent University.

Şebnem Muratoğlu- Executive Vice President - Treasury

Şebnem Muratoğlu joined Akbank in April 1995 as Management Trainee. Muratoğlu has been working at the Risk Management since 2002 and appointed as Vice President in charge of Risk Management in November 2003, Senior Vice President responsible from Risk Management in November 2006 and CRO in March 2017. She was appointed as Executive Vice President in charge of Treasury in January 2019. Mrs. Muratoğlu is a graduate of University of Kent in Economics and holds a Master's degree from Macquarie University and FRM (Financial Risk Manager) certificate holder since 2003.

Pınar Anapa- Executive Vice President - People and Culture

Pınar Anapa joined Akbank in 1999 and after taking various responsibilities in the Internal Audit division, she worked as Deputy Head of Internal Audit between 2007-2014. She began serving as Human Resources Management Senior Vice President in 2014. She was appointed as Executive Vice President in charge of Human Resources in June 2019. Her areas of responsibility cover human resources and branch channel development. She is a graduate of METU Economics and received Executive MBA degree from Sabancı University. She attended in trainings on the transformation of human resources in London Business School and she is also a member of Ethics Committee in Banking.

The address of the Senior Management is Akbank T.A.Ş., Sabancı Center 4, Levent 34330, Istanbul, Turkey.

Conflict of Interests

There is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors and the Senior Management team and their respective private interests or other duties.

Remuneration and Related Party Transactions

The members of the Board of Directors receive a fee for attending Board meetings. In addition, a maximum of 2% of the distributable profits remaining after taxes, legal reserves and a first dividend to shareholders may be distributed to members of the Board.

The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the year ended 31 December 2019 was approximately TL 69.2 million.

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

Akbank 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 Akbank 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 CMB and the Borsa Istanbul 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 Audit Committee, a Corporate Governance Committee, a Credit Committee and an Executive Risk Committee.

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:

- Eyüp Engin, Chairman (Executive Board Member); and
- Şakir Yaman Törüner, Member (Board Member).

Corporate Governance Committee

The Corporate Governance Committee is responsible for attaining, overseeing and communicating Akbank's compliance with the Corporate Governance Principles; overseeing the activities of the Investor Relations and Sustainability Department; creating a transparent system in the areas of identification, evaluation and training of suitable candidates for the Board of Directors and devising policies and strategies in this matter.

The members of the Corporate Governance Committee include:

- Eyüp Engin, Chairman (Executive Board Member);
- Şakir Yaman Törüner, Member (Board Member); and
- Türker Tunalı, Member (Executive Vice President – CFO).

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 Akbank's goals and loan policies.

The members of the Credit Committee include:

- Ahmet Fuat Ayla, Chairman (Executive Board Member);
- Eyüp Engin, Member (Executive Board Member); and
- 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 Akbank. Unless excused, all Committee members attend the meetings.

The members of the Executive Risk Committee include:

- Eyüp Engin, Chairman (Executive Board Member);
- Ahmet Fuat Ayla, Member (Executive Board Member); and

- Hakan Binbaşgil, Member (Board Member and CEO).

Share Ownership and the Sabancı Group

Share Capital of Akbank

As at 31 March 2020, the issued and paid-in share capital of Akbank was TL 5,200,000,000, consisting of 520,000,000,000 shares, each with a nominal value of TL 0.01. Consolidated total shareholders' equity as at 31 March 2020 amounted to TL 53.9 billion. As at 31 December 2019, the issued and paid-in share capital of Akbank was TL 5,200,000,000, consisting of 5,200,000,000 shares, each with a nominal value of TL 0.01. Consolidated total shareholders' equity as at 31 December 2019 amounted to TL 54.4 billion. At the Annual General Assembly of Akbank held on 28 March 2017, the registered capital ceiling of Akbank was increased to TL 10,000,000,000 from TL 8,000,000,000, consisting of 10,000,000,000,000 shares, each with a nominal value of TL 0.01. 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 is 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 Akbank. However, in order to increase the capital after 2021, 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 Banking Law, shares are issued in registered form.

In April 1998, 4.03% of the outstanding share capital of Akbank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and ADRs. As at 31 December 2019, approximately 51.2% of the shares are publicly traded, including the ADRs. As at 31 December 2019, Akbank's market capitalisation was U.S.$7.1 billion. As at 31 March 2020, Akbank's market capitalisation was U.S.$4.4 billion.

Principal Shareholders

Shareholdings in Akbank as at 31 March 2020 are set forth below.

	Percentage of Outstanding Shares[(1)]
Total Sabancı Group, affiliated companies and family.	48.8%
Other	51.2%
Historical share capital	100.00%

Note:

(1) Shareholder composition calculation is based on the "Ordinary General Assembly Meeting Shareholder List" dated 25 March 2019.

Controlling Shareholders

The Sabancı family and the Sabancı Group (the "**Controlling Shareholders**") owned 48.8% of the outstanding share capital of Akbank as at 31 March 2020. The Controlling Shareholders have the power to elect all of Akbank's directors and to determine the outcome of most matters to be decided by a vote of shareholders of Akbank. There are no other parties who exercise or could exercise control over Akbank. Akbank's code of corporate governance provides that minority shareholders' rights are protected in conformity with all applicable Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.

The Sabancı Group

Sabancı Holding is the parent company of the Sabancı Group, one of the largest financial and industrial conglomerates in Turkey by market capitalisation.

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 Sabancı family has acquired and holds interests in many sectors of the Turkish economy. Sabancı Family is collectively Sabancı Holding's majority shareholder.

As at 31 March 2020, the Sabancı Group is composed of 65 companies many of which are recognised market leaders in their respective sectors and 11 of which are listed on Borsa Istanbul (BIST). Sabancı Holding's own shares are also listed on Borsa Istanbul with a free float of 47.3% as at 31 March 2020. Sabancı Holding's main business ventures are widely diversified, encompassing banking and financial services, as well as energy, retail, building materials, automotive, tyre and tyre reinforcement materials, IT, and tourism.

As at 31 March 2020, companies of the Sabancı Group currently operate in 12 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, Carrefour, E.ON, Heidelberg Cement, Marubeni Corporation, and Philip Morris.

In addition to coordinating finance, planning and human resources functions, Sabancı Holding determines the Sabancı Group's vision and strategies, thus creating shareholder value through synergies across the Sabancı Group companies. As at 31 March 2020 consolidated revenues of Sabancı Holding stand at U.S.$2.2 billion and net income stands at U.S.$342 million.

In addition to Akbank, other Sabancı Group companies are listed below.

Financial Services. **Aksigorta**: Aksigorta is a non-life insurance company established in 1960. Continuing to build upon its strong brand recognition and value with the partnership of Ageas and Sabancı Holding in the company since 2011, Aksigorta seeks to maintain profitable growth in the insurance business. As at 31 March 2020, Aksigorta is the third largest non-life insurance company in the Turkish market, rendering service to retail and corporate customers all over Turkey with its 664 employees, 10 regional headquarters, about 3,000 independent agencies, and 5,750 contracted institutions.

Avivasa: The Avivasa joint venture was formed in 2007 with the merger of AK Emeklilik, a subsidiary of Sabancı Holding, and Aviva Hayat ve Emeklilik, a subsidiary of UK insurance company Aviva operating in Turkey. It became one of the leading private pension and life insurance companies in Turkey under the name of Avivasa Emeklilik ve Hayat (Avivasa Pension and Life Insurance). As at 31 March 2020, Avivasa Emeklilik ve Hayat is the largest company in the sector in terms of individual pension fund size with a market share of 18.6%, conducting its operations through the channels of direct sales, bancassurance, institutional projects, agencies, and telesales.

Other Financial Services Companies: The Sabancı Group's other financial services are provided by Akbank and are described above under *"—Business—Subsidiaries and Affiliated Companies"*.

Industrials. **Brisa**: Brisa was originally founded by Sabancı Holding and its partners in 1974 and the company began tire manufacturing under the Lassa brand name in 1978. Pursuant to the developments in the global tire industry, the company was named Brisa following the partnership between Bridgestone Corporation and Sabancı Holding in 1988. As one of the world's biggest tire manufacturing facilities under a single roof, Brisa's products and services are provided at approximately 1,289 sign boarded sales points domestically while Lassa branded tyres manufactured with the manual labour of Brisa workers are at the disposal of the vehicle owners in more than 83 countries and at 600 sign boarded sales points and over 6,000 sales points as at 31 March 2020.

Kordsa: Kordsa was established in 1973 with Sabancı Holding's investment in Izmit to produce tire cord fabric for tire manufacturers. Kordsa, primarily producing tire reinforcement technologies, has expanded its lines of business to composite and construction reinforcement technologies, with its investments in 2014. As a global player of tire and construction reinforcement and composites markets, Kordsa operates in 12 facilities throughout five countries including Turkey, Brazil, Indonesia, Thailand, and USA with its approximately 4,500 employees as at 31 March 2020 and with its tire reinforcement technologies, Kordsa reinforces one out of every three automobile tires and two out of every three aircraft tires worldwide.

Retail. **Carrefoursa**: Carrefoursa is a joint venture of Sabancı Holding and Carrefour, the top retailer in Europe and the second largest in the world with over 12,000 stores in over 30 countries, formed in 1996. In 2013, Sabancı Holding acquired an additional 12% stake in Carrefoursa, bringing its share up to 51%, and took over control of and responsibility for the company's operations. With its store network of over 600 markets spanning total net sales area of 504 thousand square metres as at 31 March 2020, Carrefoursa continues its aim to take advantage of projects that promise growth and value creation potential with the focus on lean practices and operational efficiency, product range optimization, advanced data analytics applications and alternative channels.

Teknosa: Teknosa, established in 2000, operates with the philosophy of "Technology for Everyone." Starting out in 2000 with five store locations, Teknosa, as a leading widespread technology retail company in Turkey, provides fast, reliable, uninterrupted, and high-quality services with 196 stores and a total net sales area of 103 square metres as at 31 March 2020 and an e-commerce website, Teknosa.com. The company is executing a transformation programme, New Generation Teknosa, with the aim of accelerating its digitalization initiatives as well as achieving operational excellence targets.

Energy. **Enerjisa Enerji**. Enerjisa was established as an auto producer company in 1996 to meet the electricity requirements of Sabancı companies and became one of the leading players of the growing and developing electricity market of Turkey with its customer and market oriented business models based on efficiency and technology and with its competitive strategies. As at April 2013, a 50% partnership between Enerjisa and E.ON, which is one of the leading global private electricity and natural gas companies, was successfully completed. In 2017, distribution and sales operations were transferred to Enerjisa Enerji while generation and trade operations were transferred to Enerjisa Üretim. Enerjisa Enerji achieved the largest private sector public offering of Turkey by taking 20% of its shares public on February 8, 2018 (each Sabancı Holding and E.ON hold 40% of shares) and started trading on Borsa Istanbul. Enerjisa manages two main business lines of electricity distribution and sales with operational excellence, reaching nearly 10 million customers in 14 provinces and providing distribution services to approximately 21 million users as at 31 March 2020.

Enerjisa Üretim: Enerjisa Üretim manages two main business lines of electricity generation and trading along with a growing portfolio in natural gas sector. Respecting life and functioning with the mission of producing energy for a better future, Enerjisa Üretim has a leading position in private sector with 3.607 MWh balanced and secured electricity generation portfolio and solidified its focus on renewable growth with an additional 500 MW in wind power capacity. By combining strong operational and trading capabilities, the company achieves high trade volumes and is positioned as one of the top players in the Turkish energy market. The company also provides significant contributions to sustainability via carbon reduction opportunities through renewable energy based generation including hydro, wind and solar energy power plants along with technology and efficiency focused investments.

Building Materials. Akçansa: Formed with the merger of Akçimento and Çanakkale Çimento in 1996, Akçansa is the largest Turkish cement producer and a leader company in its industry. The company is a Sabancı Holding and Heidelberg Cement joint venture. Akçansa, which operates in the cement and ready mixed concrete production industry in the Marmara, Aegean and Black Sea regions, operates under the brand 'Betonsa' in nearly 40 ready-mixed concrete plants spread across the Marmara and Aegean regions as a result of its merger with its subsidiary Betonsa in 1998. Today, as the leader of the Turkish cement industry, Akçansa meets 10% of Turkey's cement need as well as 16% of Turkey's total cement and clinker exports as at 31 March 2020 with its products complying with global quality standards. Akçansa Port provides services to third parties from its ports with a modern port management approach and 'boutique service' as well as general cargo, bulk cargo, project cargo, international and internal Ro-Ro, storage, warehouse, container operations, CFS and bulk liquid cargo services.

Çimsa: Commencing operations in 1972, Çimsa is an international cement and building materials company. In addition to grey cement, Çimsa also produces special products such as white cement and calcium aluminate cement. One of the world's top white cement brands, Çimsa is an international cement manufacturer with terminals in Hamburg (Germany), Trieste (Italy), Seville and Alicante (Spain), Famagusta (TRNC), Constanta (Romania), Novorossiysk (Russia) and a cement grinding plant in Houston (USA). Thanks to this extensive organization, the company is capable of marketing its products to over 65 countries under the Çimsa brand.

Related Party Transactions

Akbank primarily has four types of exposure to related parties: (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 parties, and Akbank's exposure to Sabancı Group companies was within the limit permitted by the regulations as at 31 March 2020. See *"—Turkish Regulatory Environment For Banks—Lending Limits"*. As at 31 March 2020, 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 cash loans and receivables to related parties were TL 7,340,234 thousand, TL 6,723,184 thousand, TL 5,476,437 thousand and TL 5,605,978 thousand as at 31 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017, respectively. Loans provided to employees were TL 129,577,000, TL 132,254,000, TL 114,675,000 and TL 113,133,000 as at 31 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017, 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 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

	As at 31 March	As at 31 December		
	2020	2019	2018	2017
		(TL thousands, except percentages)		
Cash loans	6,723,184	5,476,437	5,605,978	5,605,978
As a % of assets	1.7%	1.5%	1.6%	1.6%
As a % of total cash loans	3.0%	2.6%	2.7%	2.7%
As a % of shareholders' equity	12.4%	12.5%	10.8%	10.8%
Non-cash credits(1)	1,048,264	1,073,121	923,453	923,453
As a % of assets	0.3%	0.3%	0.3%	0.3%
As a % of non-cash loans	2.5%	2.0%	1.8%	1.8%
As a % of shareholders' equity	1.9%	2.5%	1.8%	1.8%

Total group exposure	**7,771,448**	**6,549,558**	**6,529,431**	**6,529,431**

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 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017, respectively.

		As at 31 December		
	As at 31 March 2020	**2019**	**2018**	**2017**
		(TL thousands)		
Deposits (including cash collateral)...............	7,043,576	5,975,949	6,240,268	5,386,120

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 U.S.$7,727 million at the end of 2001 from U.S.$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 SDIF or asked to increase their capital level.

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 Banks Act (Law No. 4389) (the "**Banks Act**"), though 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. Firstly, 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. Secondly, 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.

Pursuant to Council of Ministers Decision No.: 2012/4116 dated 24 December 2012, published in the Official Gazette No. 28515 of 1 January 2013, RUSF rates applicable to cross-border foreign exchange borrowings by Turkish non-financial institution borrowers are as follows:

Average Maturity	RUSF
Up to one year	3%
One (1) year (including) up to two (2) years	1%
Two (2) years (including) up to three (3) years	0.5%
Three (3) years and longer	0%

The RUSF rate on non-commercial consumer loans is 15%.

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 TL 150,000 (since 25 September 2019) 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 For Banks

Turkish banking legislation has changed substantially in the last 20 years and the Banking Law abolishing and replacing Banks Act No. 4389 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 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 Internal Systems Regulation, 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. The Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near and medium-term business and strategic plans. This process, referred to as the "Internal Capital Adequacy Assessment Process," should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an internal capital adequacy assessment process report (the "**ICAAP Report**") representing the bank's own assessment of its capital requirements. An ICAAP Report is required to be submitted annually to the BRSA, together with the stress test analysis, the internal audit report on the internal capital adequacy assessment process and the model validation report by the end of March of the following year. The board of directors of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report.

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 Turkish Government on financial matters. The Central Bank exercises its powers independently. The Central Bank is empowered to determine the inflation target together with the Turkish 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 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.

Pursuant to the recent amendments introduced to the Banking Law, the Central Bank has been empowered to determine maximum interest rates for lending and deposit taking activities of banks, as well as fees, expenses and commissions charged by banks to their clients for any sort of activities.

Furthermore, effective from 1 January 2020, the Central Bank has been designated as the new payment and e-money services watchdog of Turkey, replacing the BRSA by way of stripping it of its powers under the Law on the Payment Systems and Securities Settlement Systems, Payment Services and Electronic Money Institutions No. 6493.

The Role of the Banks Association of Turkey

The Banks Association of Turkey 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. Additionally, the direct and indirect acquisition or the transfer of the shares of a legal entity owning more than 10% of a bank is also subject to BRSA approval if such transfer directly or indirectly results in the total number of the shares held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. If such approval is not sought, then the relevant shares would merely entitle its owner to the dividend rights. In such case, the voting and other shareholding rights are exercised by the SDIF.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of the applicable bank to initiate proceedings for cancellation. If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

Credits extended in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, credits include cash credits and non-cash credits such as letters of guarantee, counter guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.

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 risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, general manager, deputy general managers and, notwithstanding their title, managers employed in equivalent or higher positions in the hierarchy and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit.

Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

The BRSA has taken certain decisions to mitigate the adverse effects of the COVID-19 outbreak on the Turkish economy. In this regard, on 5 May 2020, the BRSA announced that the total amount of Turkish Lira placements, depots, repos and loans of Turkish banks entered into with financial institutions abroad cannot exceed 0.5% of their latest regulatory equity capital, so long as the extraordinary circumstances due to COVID-19 outbreak continue.

Pursuant to Article 55 of the Banking Law, 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 Ministry of Treasury and Finance, the Central Bank, the Privatisation Administration, the Housing Development Administration of Turkey, Türkiye Varlık Fonu Yönetimi A.Ş. or Turkish Sovereign Wealth Fund or against bonds and bills or other securities issued by 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

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.

Procedures relating to loan loss reserves for NPLs are set out in regulations issued by the BRSA. 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 (the "**Old Regulation**") published in the Official Gazette No. 26333 dated 1 November 2006 was in force before the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be Set Aside published in the Official Gazette dated 22 June 2016 numbered 29750 came into effect.

Pursuant to the Old Regulation (i.e., prior to 1 January 2018), banks were required to classify their loans and receivables in one of the following groups:

Group I: Loans of a Standard Nature and Other Receivables

Group II: Loans and Other Receivables Under Close Monitoring

Group III: Loans and Other Receivables with Limited Recovery

Group IV: Loans and Other Receivables with Suspicious Recovery

Group V: Loans and Other Receivables Considered as Losses

Pursuant to the Old 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 loans or receivables have been refinanced, were defined as "NPLs". If several loans have been extended to a loan customer by the same bank and if any of these loans are considered an NPL, then all outstanding risks of such loan customer were classified in the same group as the NPLs even if such loans did not otherwise fall under the same group as such NPLs. If an NPL was repaid in full, then the other loans of the loan customer may have been re-classified into the applicable bank as if there were no related NPLs.

Pursuant to the amendment dated 21 September 2012 to the Old Regulation, banks were 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 had been delayed. This regulation also required Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio plus 0.2% of the total non-cash loan portfolio except for some cases listed in the Old Regulation. In addition to the general provision, banks were also required to set aside special provisions for NPLs and receivables in Groups III, IV and V, in the amounts of 20%, 50% and 100%, respectively, of the relevant loan or receivable.

On 22 June 2016, the BRSA published the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (the "**Provisioning Regulation**") which entered into force on 1 January 2018 in lieu of the Regulation on Provisions and Classification of Loans and Receivables published in the Official Gazette dated 1 November 2006 and No. 26333. The Provisioning Regulation aims at ensuring compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme by the International Monetary Fund and the World Bank. The Provisioning Regulation requires banks to have adopted Turkish Financial Reporting Standards 9, which is the TFRS 9 compliant financial reporting standards of Turkey ("**TFRS 9**") principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles. According to the Provisioning Regulation, banks are still required to classify their loans and receivables in groups, but there are certain changes in the content of the groups compared to the Regulation on Provisions and Classification of Loans and Receivables. Please note that group classification and provision levels for periods before and after 1 January 2018 are not directly comparable. Pursuant to the 2016 Provisioning Regulation, banks are required to classify their loans and receivables into one of the following groups:

(a) Group I: Loans of a Standard Nature and Other Receivables:

This group involves each loan (which, for purposes of the Provisioning Regulation, includes other receivables and shall be understood as such elsewhere in this Prospectus):

(i) that has been disbursed to financially creditworthy natural persons and legal entities;

(ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

(iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no repayment problems are expected in the future, and that have the ability to be collected in full without recourse to any security;

(iv) in respect of which no weakening of the creditworthiness of the applicable debtor has been found; and

(v) to which 12 months expected credit loss reserve applies under TFRS 9.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA announced, as part of the measures taken to combat the impact of the COVID-19 pandemic, a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (iii) is replaced with 90 days, resulting in loans remaining categorised as Group I loans longer and then moving into Group II loans at 90 days.

(b) Group II: Loans Under Close Monitoring:

This group involves each loan:

(i) that has been extended to financially creditworthy natural and legal persons and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor;

(ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan;

(iii) in connection with which problems are likely to occur as to principal and interest payments in accordance with the conditions of the loan agreement, and where the failure to resolve such problems might result in risk of non-collection in full without recourse to any security;

(iv) where although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of a weakening due to the debtor's irregular and unmanageable cash flow;

(v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following its payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing;

(vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9;

(vii) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount;

(viii) that has been subject to restructuring when monitored under Group I or Group II without being able to be classified as an NPL; or

(ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA announced, as part of the measures taken to combat the impact of the COVID-19 pandemic, a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (v) is replaced with 90 days, resulting in loans remaining categorised as Group I loans longer and then moving into Group II loans at 90 days.

(c) Group III: Loans with Limited Collection Possibility:

This group involves each loan:

(i) in connection with which the debtor's creditworthiness has weakened;

(ii) that has limited possibility for the collection of the full amount without recourse to any security due to the insufficiency of net realizable value of the security or the debtor's equity to meet the repayment of the full amount on the due date, and that would likely result in losses in case such problems are not resolved;

(iii) collection of the principal and interest (or both) of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date;

(iv) 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 payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor; or

(v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of a restructuring or have been subject to another restructuring within such one year of the previous restructuring.

On 17 March 2020, the BRSA implemented, as part of the measures taken to combat the impact of the COVID-19 pandemic, a temporary rule (effective until 31 December 2020) providing that the 90 days referred to in clauses (iii) and (iv) are replaced with 180 days, resulting in loans remaining categorised as Group II loans longer. As of the date of this Prospectus, the temporary rule does not provide any guidance as to classificiation of loans with payment delays of more than 180 days.

(d) Group IV: Loans with Doubtful Collection Possibility:

This group involves each loan:

(i) principal and/or interest payments of which will probably not be collected in full under the terms of the loan agreement without recourse to any security;

(ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not yet considered as an actual loss by virtue of contribution expected from factors such as merger, the possibility of finding new financing or a capital increase to the debtor's creditworthiness and the collection possibility of the credit;

(iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following its payment due date (including the maturity date); or

(iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following its payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.

(e) Group V: Loans Having the Nature of Loss:

This group involves each loan:

(i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected;

(ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year; or

(iii) the collection of principal and/or interest payments of which has been overdue for more than one year following its payment due date.

Pursuant to the Provisioning Regulation, loans: (a) that are classified under Groups III, IV and V, (b) the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) to which, as a result of a debtor's default, the lifetime expected credit loss reserve applies under TFRS 9 are classified as NPLs. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in situations where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in limbs (a), (b) or (c) above. If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; however, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I. If loans extended to a debtor are classified as an NPL, the creditworthiness of other debtors within the same risk group with that debtor should be evaluated at the date of classification as NPL of that debtor's loans. Accordingly, the loans extended to such other debtors should also be classified as an NPL if such loans fall within the scope of any of the circumstances stated in limbs (a), (b) or (c) above.

The Provisioning Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view as to whether such loans are to be reclassified under different groups, such evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments that pose a risk on such debtor's performance of its obligations, in macroeconomic circumstances, or in the sector in which the respective debtor operates, or solely related to the respective debtor regardless of the macroeconomic circumstances and the sector. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as an NPL have been collected in full without recourse to any security, (b) as at the date of the reclassification, there has been no overdue repayment and the last two repayments preceding such date (except the repayments mentioned in limb (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans (i) that have been fully or partially excluded from the assets of the banks, (ii) security for which has been enforced to satisfy the debt or (iii) repayment of which has been made in kind, cannot be classified as a performing loan.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, to which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL for at least one year following a restructuring, (iii) as at the date of reclassification as a Group II loan, there has been no delay in principal and/or interest payments or any expectation of any such delay in the future and (iv) overdue payments and/or principal payments excluded from assets in relation to the restructured loan have been collected. Furthermore, such restructured NPL being reclassified as a performing restructured Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10% of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists. On 15 August 2018, the BRSA published an amendment regulation to the Provisioning Regulation, introducing the possibility of a performing restructured loan being classified as a Group I loan, after being monitored as a restructured loan at least for three months and if the conditions (C) and (D), above, are met (without seeking the satisfaction of conditions (A) and (B), above). Further, the same amendment regulation has provided that changes to the loan terms for, or partial or full refinancing of, the companies, the loans of which are classified as Group I and that are not in distress, will not be classified as restructuring and may be monitored under Group I.

Pursuant to the Provisioning Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; *however*, the BRSA may, on an exceptional basis, authorise a bank to apply the applicable provisions set forth in the Provisioning Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, "twelve-months expected credit loss reserve" and "lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor" are considered as general provisions while "lifetime expected credit loss reserve set aside due to debtor's default" is considered as special provisions.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the Provisioning Regulation. In this respect, such banks shall set aside general provisions for at least 1.50% and 3.00% of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside shall be calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts; bonds that are issued by the Turkish government and the Central Bank, and guarantees and sureties provided by such, are not subject to the general set aside calculation. Loans extended to the Turkish government and the Central Bank are not to be considered in such calculation. As to special provisions, banks are required to comply with provision rules for NPLs under Groups III, IV and V at 20%, 50%, and 100%, respectively.

In respect of both general and special provisions, banks are required to consider country and transfer risks. In addition, the BRSA may increase such provision requirements on the basis of banks or loans, taking into account the concentration from time to time in matters such as loans' size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, security, and the credit risk level and management.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the Provisioning Regulation increased the number of categories on collaterals (from four to five), amended the content of such categories, and amended the proportions to be deducted, in order to determine the net realisable values of the collaterals, from the borrower's NPLs as follows:

Discount Ratio	**(%)**
Category I Collateral	100
Category II Collateral	80
Category III Collateral	60
Category IV Collateral	40
Category V Collateral	20

According to the amendments to the Equity Regulation (as defined below) and the Capital Adequacy Regulation that will become effective as at 1 January 2022, general provisions will, from that date, no longer be allowed to be included in the supplementary capital (i.e. Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

TFRS 9 Financial Instruments Standard

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 was published by the POA in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 replaced TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. The POA later included amendments to TFRS 16 (Leases) in TFRS 9 and republished the new version of TFRS 9 Standards, including the said amendments, in the Official Gazette dated 15 January 2019 and numbered 30656.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets. According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest" (SPPI).

Assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Akbank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, Akbank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit Akbank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

Akbank fulfils the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("**FVTPL**"), amortised cost or fair value through other comprehensive income ("**FVOCI**"). As the requirements under TFRS 9 are different than the assessments under the previous TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Capital Adequacy

Basel II was first implemented into Turkish law by the BRSA, by a 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%. Despite the 8% minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks with a capital adequacy ratio less than 12% from opening new branches.

The BRSA is authorised 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.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599) in accordance with the Basel Committee's RCAP, which is conducted by Akbank for BIS and reviews Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, include revisions to the Equity Regulation and the Capital Adequacy Regulation.

The BRSA has published the Capital Adequacy Regulation, which entered into force on 31 March 2016 and replaced the former Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337. The Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. Accordingly, amendments to the Capital Adequacy Regulation, entered into force on 31 March 2016, lower the risk weights of certain assets, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35%, (b) the risk weights of consumer loans (excluding residential mortgage loans and credit cards) qualifying as retail loans in accordance with the Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); provided that such receivables are not re-classified as non-performing loans and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%.

The Issuer's management believes that these amendments will have a positive impact on its capital adequacy ratio.

Currently, all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. The risk weights for foreign currency-denominated claims on the Turkish sovereign and the Central Bank were 50% or 100% depending on the external credit assessment institutions used for calculating the risk-weighted assets for capital adequacy purposes. However, the BRSA, with its decision dated 24 February 2019 and numbered 7234, determined that banks may apply a risk weight of 0% for foreign currency required reserves (including gold) at the Central Bank under the Capital Adequacy Regulation. Most recently, on 16 April 2020, the BRSA announced that banks may apply 0% risk weights for foreign currency-denominated claims on the Turkish Government.

On 9 December 2016, the BRSA amended the definition of SME under the Capital Adequacy Regulation. Accordingly, SMEs are now defined as "Enterprises whose turnover is under a threshold to be determined by the BRSA." The BRSA, with its decision dated 18 January 2019 and numbered 8199, determined such threshold value as TL 150,000,000 and that such threshold will not be applied to SMEs whose headquarters are abroad. The BRSA further decided that threshold of such SMEs will be determined by their local banking authorities.

The BRSA issued a press release on 23 March 2020, announcing certain measures to facilitate the calculation of the capital adequacy ratio and net foreign currency positions on banks' balance sheets due to financial market fluctuations caused by the COVID-19 outbreak. Pursuant to the measures introduced by the BRSA, until 31 December 2020, banks will be entitled to:

- use the year-end buying exchange rate of 2019 (i.e., USD 1 = TL 5.94) in calculating the amount subject to credit risk as per Capital Adequacy Regulation for the calculation of (i) the valuated amounts as per TAS and (ii) the relevant reserves to set aside related to their cash and non-cash assets, excluding the assets in foreign currency measures in historical cost;

- calculate the equity amount to be used for capital adequacy ratio in accordance with the Equity Regulation, by disregarding the negative net valuation differences related to the securities the banks held in their "Securities the fair value difference of which is reflected on other comprehensive income" portfolio prior to 23 March 2020 (for the avoidance of doubt, securities acquired after 23 March 2020 will not be subject to this exception); and

- calculate their net foreign currency position by disregarding the value decrement of the securities held by the banks in their portfolio prior to 23 March 2020 (for the avoidance of doubt, the portfolios acquired after 23 March 2020 will not be subject to this exception).

Asset Ratio

The BRSA introduced its (i) decision numbered 9000 and dated 18 April 2020, (ii) decision numbered 9003 and dated 30 April 2020 and (iii) decision numbered 9042 dated 29 May 2020 on the asset ratio. Accordingly, from 1 May 2020, Turkish banks are required to calculate their asset ratio on a weekly basis, and meet on a monthly basis, starting from 1 May 2020, in each case on a stand-alone/solo basis pursuant to the below formula:

Asset Ratio (AR) = [Loans + (Securities x 0.75) + (Central Bank Swaps x 0.5)] / [TL Deposit + (FX Deposit x 1.75(*))]

Note:

(*) Coefficient will be applied as "1", for the part below the bank's foreign exchange loan threshold, and as "1.75" for the part above the threshold.

Pursuant to these decisions, banks whose total Turkish Lira deposits and foreign exchange deposits (except for funds deposited by bank deposits) are below TL 25 billion as at 31 March 2020 (according to the data they reported to the BRSA) will be able to ensure that they are compliant with the BRSA's decision numbered 9000 and dated 18 April 2020 until 31 December 2020.

The "Loans" item provided in the numerator of the calculation of asset ratio will not include non-performing loans, non-cash loans, extended to banks, loans extending to factoring and financing companies, loans extended to non-Turkish residents, loans with maturity less than three months. Moreover, a weighting coefficient of 1.1 will be applied to SME loans, project finance loans and export loans in the "Loans" item.

The "Securities" item provided in the numerator of the calculation of asset ratio includes shares regardless of whether they are domestic or foreign, investment fund interests, securities issued by banks and securities issued by factoring and financing companies.

The "Central Bank Swaps" item provided in the numerator of the calculation of asset ratio will include swap transactions conducted with the Central Bank whereby banks provide gold and receive Turkish Lira, foreign exchange swap transactions in Borsa Istanbul's FX swap market whereby banks provide foreign exchange and receive Turkish Lira and the counterparty is the Central Bank, and gold and foreign exchange deposit transactions conducted with the Central Bank.

The "TL Deposit" item provided in the numerator of the calculation of asset ratio will cover the total amount of all TL deposit and/or participation funds, except for bank deposits. It will also include Turkish Lira repo transactions executed with customers and commercial papers (*finansman bonosu*) with maturity less than six months.

The "FX Deposit" item will cover the total amount of deposit and/or participation funds held in banks in foreign currency (including gold and precious metal accounts), including foreign exchange repo transactions executed with clients. The value of the foreign exchange deposit coefficient will one until foreign exchange loan.

Moreover, the monthly average asset ratio for the relevant month cannot fall below 100% for deposit banks and 80% for participation banks. Banks whose asset ratio is below these thresholds will be subject to an administrative fine up to 5% of the shortfall, which fine shall not be less than TL 500,000 in any case.

Equity

Under the Equity Regulation, the bank's own funds consist of main capital (consisting of common capital and additional main capital) (i.e., Tier I capital) and supplementary capital (i.e., Tier II capital) minus capital deductions. Subordinated debts of a bank are grouped as "primary subordinated debts" (including utilisations in loan and bond format) and "secondary subordinated debts" (including utilisations in loan and bond format) and are listed as one of the items that constitute Tier I and Tier II capital, respectively.

Pursuant to the BRSA Decisions on cyclical capital buffer, the cyclical buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as at 1 January 2016); however, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the cyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as at the date of the relevant public announcement.

Under the Equity Regulation debt instruments and their issuance premia could be included either in additional Tier I capital or in Tier 2 capital subject to certain conditions; however in accordance with the amendment published in the Official Gazette dated 23 October 2016 and numbered 29511, as at 31 March 2016, such amount is required to be reduced (for the purpose of calculating capital) by any investment by a Turkish bank in additional Tier 1 or Tier 2 capital of another bank or financial institution holding such Turkish bank's additional Tier 1 or Tier 2 capital, as applicable.

According to the amendments to the Equity Regulation and the Capital Adequacy Regulation that will become effective as at 1 January 2022, general provisions will, from the effective date, no longer be allowed to be included in the supplementary capital (i.e. Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

Basel III

In December 2009, the Basel Committee published a draft proposal of a new regulatory regime for capital and liquidity standards for banks. A comprehensive quantitative impact study was conducted by banks during the spring 2010 based on the draft proposal, and the Basel Committee issued a final comprehensive framework in December 2010 ("**Basel III**"). Revisions to the Basel III regulations were subsequently issued in 2011 and 2013. The Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements.

More specifically, the Basel III framework includes several key initiatives, which change the Basel II framework. The key changes are, among others:

- The quality, consistency and transparency of the capital base were increased. Under the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier I and Tier II capital, instruments will need to meet more stringent requirements.

- The risk coverage was further strengthened, which impacted the calculations of risk-weighted assets. These changes concerned increased capital requirements for trading book and securitisation activities, and were implemented in December 2011 throughout Europe. Further changes, implemented from 2013, are proposed for counterparty credit risk in OTC market instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment ("**CVA**").

- Increased minimum requirements and new capital buffer requirements were introduced. The Basel Committee defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5% common equity Tier I ratio, 6% Tier I ratio and 8% capital ratio. In addition, the Basel III framework introduced a capital conservation buffer of 2.5% on top of these minimum thresholds. If banks do not meet this buffer, constraints will be imposed on the bank's capital distribution, such as the payment of dividends. In addition, in periods of excess growth, banks are required to hold an additional cyclical buffer of up to 2.5% in order not to face restrictions.

Given the nature of Akbank's existing capital base, mostly composed of common equity and retained earnings, the impact of the Basel III framework on its capital base has been relatively limited and Akbank is in compliance with the capital requirements set forth within the Basel III framework.

The Basel Committee also proposed that the risk sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio. The leverage ratio is calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3% will be evaluated during a parallel run period.

Another key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. The Basel Committee developed two quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio and the net stable funding ratio. The liquidity coverage ratio aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The net stable funding ratio, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which entered into effect on 1 January 2014. The Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, while the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier I capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) change the risk weights of certain items that are categorised under "other assets." The Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In addition to these regulations: (a) the Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks, were published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that have entered into effect as at 1 January 2015 (except net stable funding ratio and counterparty credit risk requirements).

Lastly, the Regulation on Liquidity Coverage Ratios (defined below), through which the BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948, and entered into effect immediately with the provisions thereof becoming applicable as at 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015).

On 23 February 2016, the BRSA issued its regulation on domestic systemically important banks ("**D-SIBs**") (the "**D-SIBs Regulation**"), introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The methodology requires the identification and classification of D-SIBs in Turkey under four different categories. The D-SIBs are initially determined based upon their 2014 year-end consolidated financial statements. According to the D-SIBs Regulation, banks that are identified as D-SIBs will be required to keep additional core capital buffers up to a further 3.0% buffer for Group 4 banks, 2.0% for Group 3, 1.5% for Group 2 and 1.0% for Group 1 as at 1 January 2019. Akbank is currently Group 3 bank that applies a 2.0% buffer.

The table below sets forth the buffer ratios for D-SIBs for the indicated years (at 31 December unless otherwise indicated):

Groups	**2017**	**2018**	**2019**	**31 March 2020**
Group 4 (empty)	1.5	2.25	3.0	3.0
Group 3	1.0	1.5	2.0	2.0
Group 2	0.75	1.125	1.5	1.5

Group 1	0.5	0.75	1.0	1.0

Liquidity, Coverage Ratio 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 Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948 and most recently amended on 15 August 2017 (the "**Regulation on Liquidity Coverage Ratios**") and entered into effect immediately with the provisions thereof becoming applicable as at 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels, which entered into effect on 1 January 2015). The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and non-consolidated liquidity and 80% in respect of total consolidated and non-consolidated foreign exchange liquidity.

The BRSA adopted a phased implementation approach, starting with a minimum liquidity coverage ratio requirement of 60% in 2015. Thereafter, the minimum has been raised annually by 10 points until it reached 100% in 2019. In addition to the minimum total liquidity coverage ratio requirement, the BRSA also requires banks to meet a foreign currency liquidity coverage ratio. The foreign currency liquidity coverage ratio is based on a bank's total net outflows in foreign currency. As for the domestic liquidity coverage ratio, the minimum foreign currency liquidity coverage ratio requirement is implemented in a gradual manner, starting at 40% in 2015 and rising annually by 10 points until it reaches 80% in 2019.

Pursuant to the Regulation on Liquidity Coverage Ratios, unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliances that have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied. However, due to the COVID-19 outbreak, banks are exempt from this requirement until 31 December 2020, per the BRSA's decision dated 26 March 2020 and numbered 8967.

Pursuant to Communiqué Regarding Reserve Requirements numbered 2013/15 and published in the Official Gazette dated 25 December 2013 and numbered 28862 (the "**Communiqué Regarding Reserve Requirements**") and as at the date of this Prospectus, the reserve requirements regarding foreign currency liabilities vary by category and tenor. Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 18 July 2020 and numbered 31189, the reserve requirements starting from 10 July 2020 and onwards for foreign currency liabilities are as set forth below:

Category of Foreign Currency Liabilities Required	Reserve Ratio
Demand deposits, notice deposits, private current accounts and the deposit/participation accounts with up to (and including) 1-month, 3-month, 6-month and up to 1-year maturities	22%
Deposit/participation accounts up to 1-year and longer maturities	18%
Other liabilities up to 1-year maturity (including 1-year)	24%
Other liabilities up to 2-year maturity (including 2-year)	19%
Other liabilities up to 3-year maturity (including 3-year)	14%
Other liabilities up to 5-year maturity (including 5-year)	10%
Other liabilities longer than 5 year maturity	8%
Borrowers' deposit accounts held at development and investment banks(1)	22%

Note:
(1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

The Provisional Article 6 of the Communiqué Regarding Reserve Requirements, regulating the exemptions relating to the reserve requirement for foreign currency liabilities other than deposits and participation banks, has been abolished. The amendment was published on the Official Gazette dated 19 January 2019 and numbered 30660.

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, the reserve requirements starting from 8 February 2019 regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities Required	**Reserve Ratio**
Demand deposits, notice deposits, private current	7%
Deposits/participation accounts up to 1-month maturity (including 1-month)	7%
Deposits/participation accounts up to 3-month maturity (including 3-month)	7%
Deposits/participation accounts up to 6-month maturity (including 6-month)	4%
Deposits/participation accounts up to 1-year maturity	2%
Deposits/participation accounts up to 1-year and longer maturities	1%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	7%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years)	3.5%
Other Turkish Lira liabilities longer than 3-year maturity	1%
Borrowers' deposit accounts held at development and investment banks(1)	7%

Notes:
(1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

The reserve requirements also apply to gold deposit accounts.

The reserve ratios listed in the table above are subject to continuous changes by the Central Bank. Furthermore, pursuant to the Communiqué Regarding Reserve Requirements amended on 18 January 2020, banks are permitted to maintain (a) up to a maximum of 30% of the Turkish Lira reserve requirements (first 20% at 1.0 times, second 5% at 1.4 times, third 5% at 1.7 times) in U.S. Dollars and/or Euro, (b) up to a maximum of 20% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.6 times, second 5% at 1.7 times) and (c) up to a maximum of 15% of the Turkish Lira reserve requirements in the form of scrap or processed standard gold mined in Turkey, in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements banks are required to maintain their required reserves against their U.S. Dollar denominated liabilities in U.S. Dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements entered into force on 17 January 2014, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain parameters. Differentiation as per the leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

(a) its total liabilities,

(b) its total non-cash loans and obligations,

(c) its revocable commitments multiplied by 0.1,

(d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and

(e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
From the 4th quarter of 2013 through the 3rd quarter of 2014	From 3.25% (inclusive) to 3.5%	1.0%
	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
From the 4th quarter of 2014 through the 3rd quarter of 2015	From 3.50% (inclusive) to 4.0%	1.0%
	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
Following the 4th quarter of 2015 (inclusive)	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the Central Bank of their leverage ratios starting from 31 December 2012, and the above described additional reserve requirements were first implemented in 2014 starting with the 2013 year end financials.

The Central Bank amended the Communiqué Regarding Reserve Requirements and limited the mandatory reserve ratios to 2% for banks that attained a loan growth (i.e., the sum of foreign exchange loans and Turkish lira denominated loans (excluding loans extended to banks) loans that are under close monitoring) between 10% and 20%. With its amendment dated 9 December 2019, the Central Bank categorised banks into two groups as (i) banks with a real annual loan growth rate above 15% and an adjusted real loan growth rate below 15% ("**Group 1**") and (ii) banks with a real annual loan growth rate not exceeding 15% and an adjusted real loan growth rate above 5% ("**Group 2**") and imposed different calculation methods applicable to each category in order to determine their required reserve ratio. The Central Bank set the required reserve ratio at 2% for both categories in order to incentivise long-term commercial loans and long-term housing loans. Pursuant to the amendment, the adjusted annual rates of banks (which is calculated by deducting certain loans from the real annual growth rate) are taken as a reference point while determining banks which will be subject to the 2% required reserve ratio. However, the 2% incentive will not be applicable to Turkish Lira liabilities for deposits/participation accounts that has 1-year and longer maturities and longer than 3-year maturities.

Pursuant to the amendment introduced on 18 July 2020, the following foreign currency reserve requirements will be applicable to banks meeting the required real annual growth rate and adjusted growth rate ratios:

Category of Foreign Currency Liabilities Required	Reserve Ratio
Demand deposits, notice deposits, private current accounts and the deposit/participation accounts with up to (and including) 1-month, 3-month, 6-month and up to 1-year maturities	15%
Deposit/participation accounts up to 1-year and longer maturities	11%
Other liabilities up to 1-year maturity (including 1-year)	19%
Other liabilities up to 2-year maturity (including 2-year)	14%
Other liabilities up to 3-year maturity (including 3-year)	9%
Other liabilities up to 5-year maturity (including 5-year)	5%
Other liabilities longer than 5 year maturity	3%
Borrowers' deposit accounts held at development and investment banks[(1)]	15%

The COVID-19 outbreak had an adverse impact on cash flows and thus has increased demand for loans from both individuals and companies. In 17 March 2020 (with retroactive effect from 6 March 2020), the Central Bank issued a press release announcing a temporary rule (effective until 31 December 2020) that foreign currency reserve requirement ratios were reduced by 500 basis points for all types of liabilities and maturities for banks that are in Group 1 and Group 2. In order to support short-term interest rates and to ensure resilience in the economy, the Central Bank amended the Communiqué Regarding Reserve Requirements on 20 June

2020. Pursuant to the amendment, until 25 December 2020, banks with a real annual loan growth rate above 15% and an adjusted real annual growth rate above 15% will also be considered in Group 1.

In view of the likely impacts of the recent surge in consumer loans on growth composition, inflation and external balance, as well as the increase in loan growth triggered by TL loans that were extended to facilitate early repayment or early restructuring of foreign currency denominated cash loans, the Central Bank further amended the Communiqué Regarding Reserve Requirements on 7 March 2020. According to this amendment, only loans that are extended to specific sectors will be deducted from the real annual growth rate for banks categorised under Group 1. These sectors consist of (i) agriculture, forestry and fishery; (ii) mining and quarrying; (iii) manufacturing; (iv) production and distribution of electricity, gas, steam and air-conditioning; (v) transportation and storage; (vi) accommodation and catering services and (vii) information and communication. With the amendment, 75% of the annual real growth change in consumer loans and personal credit cards and 100% of the Turkish lira denominated loans extended prior to 9 March 2020 for the purposes of prepayment or restructuring prior to their maturity of foreign currency denominated cash loans will be deducted from the real annual growth rate.

Starting in September 2010 and until November 2014, reserve accounts kept in Turkish Lira became non-interest bearing (reserve accounts in foreign currencies have not been interest bearing since 2008).

Starting in November 2014, reserve accounts kept in Turkish Lira became interest bearing and reserve accounts in US Dollar became interest bearing, starting from 5 May 2015.

Pursuant to the Regulation on Liquidity Coverage Ratios, the liquidity adequacy ratio of a bank is the ratio of high quality liquid asset reserves to net cash outflows of the bank. A bank must maintain an arithmetic average of 100% liquidity adequacy (both consolidated and unconsolidated) (to be calculated based on a weekly average of the ratios of days for the unconsolidated ratio as defined by the regulation and (to be calculated based on a monthly average of the ratios of the days for the consolidated ratio) and 80% liquidity adequacy (both consolidated and unconsolidated) for its foreign currency liabilities. On 19 August 2019, with the intention of using reserve requirements more flexibly and effectively as a macro prudential tool to support financial stability, the Central Bank decided to change the ratio of and the remuneration applied to required reserves. Accordingly, the reserve requirement ratios for Turkish Lira liabilities and the remuneration rates for Turkish Lira-denominated required reserves are linked to the annual growth rates of the total of banks' Turkish Lira-denominated standardized cash loans and cash loans under close monitoring, excluding foreign currency-indexed loans and loans extended to banks. For banks whose loan growth is between 10% and 20% (reference values), the reserve requirement ratios for Turkish Lira liabilities in all maturity brackets excluding deposits and participation funds with 1-year or longer maturity (excluding deposits/participation funds obtained from banks abroad) and other liabilities with longer than 3-year maturity (including deposits/participation funds obtained from banks abroad), will be set at 2%. The reserve requirement ratios for other banks are left unchanged. Additionally, the current remuneration rate of 13% applied to Turkish Lira-denominated required reserves, is set at 15% for banks with a loan growth between the reference values and at 5% to others. According to the new arrangement, loan growth rates will be calculated in each reserve requirement period and the banks whose loan growth is between the reference values will be subject to the related reserve requirement period and the banks whose loan growth is between the reference values will be subject to the related reserve requirement ratios and remuneration rates in the next three months (six reserve requirement periods).

On December 2019, the Central Bank revalued the loan-growth-based reserve requirement system described in the loan-growth based reserved requirement system described in the paragraph above. It announced that, effective from 29 November 2019, it takes into account lower reference rates to determine which banks can benefit from the special reserve requirement regime, while introducing a mechanism whereby loan growth will be calculated in adjusted terms having regard to Consumer Price Index (CPI).

Accordingly, the Central Bank announced that the following banks are subject to a 2% required reserve ratio on TL deposits for all maturity brackets, except for those with a maturity of (i) 1 year and longer (for deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)); and (ii) more than 3 years (for other liabilities (including deposit/participation accounts held at foreign banks)):

banks that have a CPI-adjusted annual growth rate higher than 15%, provided that such rate would be equal or lower than 15%, if it was calculated by deducting from the numerator of such rate the annual change in (i) housing loans with a maturity of five years or more and (ii) loans with a maturity longer than two years;

- banks that have a CPI-adjusted annual loan growth rate lower than 15%, provided that such rate would be equal or higher than 5%, if it was calculated by deducting from the numerator of such rate half of the annual change in consumer loans (excluding housing loans with a maturity of five years or more) and individual credit cards; and

- banks that had an annual loan growth rate between 10% and 20% (reference values) and thereby met the former loan growth conditions described in the paragraph above announced on 19 August 2019, in the calculation period until (and including) 29 November 2019. These latter banks benefit from this required reserve ratio regime only for six calculation periods starting from the calculation period during which their loan growth rate was between the reference values.

Effective from 10 January 2020, the Central Bank began applying a new commission on required reserves held in foreign exchange and on notice-foreign exchange deposit accounts held with the Central Bank, which commission seeks to encourage a reverse dollarization process for deposit/participation funds. As a result, the annual commission rate on U.S. Dollar-denominated deposits/participation funds is 2.5% while the annual commission rate for foreign currency-denominated deposits/participation funds other than U.S. Dollar-denominated ones is 0.25%.

Foreign Exchange Requirements

Pursuant to a regulation on foreign exchange net position/capital base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, the ratio of a bank's foreign exchange net position to its capital base should not exceed 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Basel II

The BRSA has published regulations regarding the implementation of Basel II in Turkey. These regulations took full effect in July 2012. All Turkish banks are reporting their risk weighted assets calculated under the standard approach of Basel II as contained in the "Turkish National Discretions". As well as implementing more stringent capital ratios, the main benefits of Basel II is to have more structured approach to capital management and stress testing, as embedded in the second pillar of the accord. Parallel to Pillar I regulations, the BRSA also announced the regulations about Pillar II regarding ICAAP in order to enhance the link between an institution's risk profile, risk management systems and its capital. The BRSA required major Turkish banks to prepare ICAAP report in accordance with the Pillar II principles by June 2013. The BRSA published the

Internal Systems Regulation on 11 July 2014 and "Guidelines for ICAAP Report" on 31 March 2016. The Internal Systems Regulation requires banks to internally calculate the amount of capital to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective taking into account banks' near- and medium-term business and strategic plans. This process named "Internal Capital Adequacy Assessment Process - ICAAP" should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an ICAAP Report representing the bank's own assessment of its capital requirements. The first ICAAP Report covering the bank's activities in 2013 was submitted to the BRSA by the end of September 2014. Since then, the ICAAP Report has been submitted by the end of March each year.

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 Independent Audit of the Banks, published in the Official Gazette on 2 April 2015, numbered 29314 (as amended from time to time). Independent auditors are held liable for certain liabilities defined in the regulation. 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 Borsa Istanbul. 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, 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 Internal Systems Regulation, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 and most recently amended on 4 March 2017, 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. The Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near- and medium-term business and strategic plans. This process, referred to as the "Internal Capital Adequacy Assessment Process" should be designed according to the bank's need and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank.

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 Organisation 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, agencies, 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 three 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 on Collection Procedures of Public Receivables in 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 Licence

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 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 other factor impedes the audit;

- 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; or

- failure to immediately take the measures foreseen in the prevention plan prepared in accordance with Article 66/A of the Banking Law, or failure to resolve the issues despite that the measures have been taken, or determination that the issues could not be resolved even if the measures were taken,

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 procure 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 TAS 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.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. 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.

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.

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.

The Regulation on Procedures and Principles of Preparation and Publication of Annual Activity Reports by the Banks, published in the Official Gazette No. 26333 dated 1 November 2006 (as amended with the Official Gazette dated 23 October 2015 and numbered 29511), 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.

Disclosure of Financial Statements

Pursuant to the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of banks were promulgated. The amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk. In addition, new principles were determined with respect to the disclosure of position risks relating from (*inter alia*) securitisation transactions and investments in quoted stocks.

The BRSA published amendments, which entered into force on 31 March 2016, to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (*i.e.*, additional Tier I capital) and supplementary capital (*i.e.*, Tier II capital), on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

Further, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control processes.

On 15 September 2018, the Ministry of Commerce issued a communiqué setting forth the procedures and principles relating to the application of Article 376 of the Turkish Commercial Code, which regulates the measures that Turkish companies (*i.e.* joint stock companies, limited liability companies and limited partnerships, in which the capital is divided into shares, including financial institutions) are required to adopt in case of loss of capital or insolvency. This communiqué aims to clarify and complement the remedial actions that can be taken in relation to the treatment of foreign exchange losses in the calculation of the loss of capital or insolvency. As companies in Turkey prepare their financial statements in Turkish Lira, the value of any foreign currency-denominated asset and liability is converted into Turkish Lira based on the currency rate applicable as at the date of such financial statements; however, until 1 January 2023, the communiqué allows companies to disregard any losses arising from the exchange rate volatility of any outstanding foreign currency-denominated liability while making any capital loss or insolvency calculations. In this respect, companies will not be required to apply any measures set forth in Article 376 of the Turkish Commercial Code to maintain their capital if the relevant loss of capital or insolvency arises from currency fluctuations.

Financial Services Fee

Pursuant to Tariff 8 of the Law No. 492 on Fees, 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 3 January 2014, 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 Borsa İstanbul, including Akbank. There are certain other additional miscellaneous corporate governance requirements under other Turkish law and regulations which it will remain subject to (i.e., those that apply to non-listed companies and banks).

As at the date of this Prospectus, Akbank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where Akbank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will explain any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of Akbank's annual report.

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. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. Akbank is classified as a "Tier I" company.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, which should constitute one third of the board of directors and should not be fewer than two; *however*, publicly traded banks are required to appoint three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee; *provided* that at least one member should meet the mandatory qualification required for independent board members as set out in the applicable legislation. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "Tier I" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee", if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorised to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions, transactions concerning the establishment of security (excluding for financial institutions), pledge (excluding for financial institutions) and mortgage (excluding for financial institutions) for third parties and transactions which are deemed "material". "Material transactions" means (i) a merger, spin-off, conversion, termination, liquidation, winding-up, (ii) a transfer or lease of all or substantial portion of the public company's assets, establishment of rights in rem on all or a substantial portion of the public company's assets, (iii) materially or fully changing the company's field of activity, (iv) introducing a new privilege or modifying the existing privileges of the shareholders, (v) delisting, (vi) an acquisition or renting of material assets from related parties, (vii) capital increases where cash contributed is higher than the existing share capital and related parties' receivables from the company arising from related parties' asset sales to the company are set off against the obligation to inject cash and (viii) transactions that may result in material changes in the company's commercial life. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is two thirds majority of the attendees who may vote; however, in the event of attendance of shareholders representing not less than one-half of the voting rights, a simple majority of the attendees would be sufficient (unless a larger majority is required pursuant to such company's articles of association).

The Capital Markets Law authorises the CMB to require 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 the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

Dividend Distribution

Pursuant to the Capital Markets Law, public companies are required to have a dividend distribution policy which must be determined by the general assembly of shareholders of the relevant company. Pursuant to the Communiqué on Dividend Distribution II-19.1 of the CMB, the dividend distribution policy is required to include information as to whether the public company will distribute dividends and if so, the relevant dividend distribution ratio, form of payment, timing of dividend distribution and whether interim dividends will be paid by the public company.

In order to avoid any decrease in companies' resources that resulted from cash dividend distributions, to protect companies' current equities and to avoid any additional financing need due to the adverse effects of the COVID-19 outbreak, dividend distributions were limited pursuant to the Law on Reducing the Effects of the Novel Coronavirus (COVID-19) Pandemic on Economic and Social Life and the Amendment of Certain Laws No. 7244. In this context, Turkish companies cannot distribute any dividend that is more than 25% of their net profit as an agenda item of their generally meetings for the 2019 financial year. These limitations are also applicable to banks. According to the regulation, until 30 September 2020, Turkish companies cannot not distribute (i) dividends that are more than 25% of their net profit for the 2019 financial year, (ii) retained earnings and free reserve funds or advance dividends, or (iii) advance dividends.

If the general assembly adopted a dividend distribution resolution for the 2019 financial year before the enforcement of the amendment, but the payment has not yet been made or has been partially made, then the payment of the part that exceeds 25% of their net profit for the 2019 financial year must be postponed.

In addition, at the end of 2019, the BRSA issued a letter instructing Turkish banks to prevent cash output in connection with bonus, dividend or similar payments to be made to the shareholders and/or managers/employees of banks.

Anti-Money Laundering

Turkey is a member country of the FATF 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 fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in the Law No. 5549. See *"Information About Akbank— Anti-Money Laundering, Combatting the Financing of Terrorism and Anti-Bribery Policies."*

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.

New measures against the financing of terrorist activities in Turkey were introduced with the entry into force of the Law No. 6415 on Combating the Financing of Terrorism on 16 February 2013 (the "**CFT Law**"). The CFT Law expands the scope of the offence of financing of terrorism (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular, those relating to entities and/or individuals place on sanction lists.

Manipulation and Misleading Transactions in Financial Markets

On 20 February 2020, a new market manipulation concept has been introduced into Turkish law by way of amendments made to the Banking Law.

According to Article 76/A of the Banking Law, manipulation in financial markets will be deemed to occur, where a bank within the remit of the Banking Law, by way of undertaking banking activities as set forth under Article 4 of the Banking Law, (i) engages in activities with a view to making or creating artificial, false or misleading demand, supply or foreign exchange rate, (ii) disseminates false or misleading information through various media, including internet, or (iii) engages in such other activities that would create misleading information for, or otherwise mislead, investors.

On 7 May 2020, the Regulation on Manipulative and Misleading Transactions in the Financial Markets (the "Manipulation Regulation") was published in the Official Gazette. The Manipulation Regulation aims to clarify, which activities fall within the ambit of the recently introduced manipulation offence, thereby aiming at curbing manipulative transactions that could worsen the current volatility of the Turkish Lira or, otherwise, harm the Turkish economy at large.

Pursuant to the Manipulation Regulation, the following acts performed by banks are deemed to be manipulative and misleading transactions and practices in financial markets:

- to be intentionally involved in, mediate, order or carry out similar activities for (i) transactions that give or may give a false or misleading impression of supply, demand or price of a financial instrument; or (ii) transactions that ensure or may ensure that the price of a financial instrument including exchange rate and interest, is abnormal or artificial;

- to be intentionally involved in, mediate, order or carry out similar activities that will affect the price of a financial instrument or reference values such as interest, exchange rate, credit default swaps, in times when the supply-demand balance does not occur under normal conditions by taking advantage of the fluctuations or shallowness of financial markets, in a way that increases the irregularity of financial markets or negatively affects its stability;

- to overcome, by using indirect methods including early redemption of transactions, deferring due transactions and/or not fulfilling obligations, perform or mediate processes and applications for inactivation of the decisions and limitations of the BRSA regarding foreign currency and TL swap, forward, option and other derivative transactions of banks with foreign residents and provision of TL liquidity abroad by banks;

- to be involved in, mediate, order similar activities regarding transactions that affect or may affect the price of a financial instrument, including exchange rate and interest, through a deceptive mechanism or fiction;

- to disseminate false or misleading information or rumours that may or have made false or misleading impressions or keeps or might keep the price abnormally or artificially regarding the supply, demand, or exchange rate and interest price of a financial instrument, by any means of mass media, or by any other means;

- to influence or try to influence the price including interest rate and exchange rate, of a financial instrument that was previously positioned by hiding the conflict of interest regarding the position taken from the public, by giving opinions via the internet or other mass media;

- to disseminate false or misleading information about a reference value, although it is known or should have been known that it is false or misleading, providing false or misleading inputs or taking any action to manipulate the calculation of a reference value;

- taking actions to fix the purchase and sale prices of a financial instrument or to provide another unfair gain by using the dominant role on the supply or demand of the financial instrument;

- to mislead investors that take positions according to the opening or closing prices of the financial markets by conducting purchase or sale transactions that affect or may affect the opening or closing prices of a financial instrument, including interest and exchange rates;

- to direct savings holders in a false or misleading way; and

- to disseminate information and rumours that may harm the trust in the financial system and cause systemic risk.

Turkish banks that engage in manipulative and misleading transactions may have a fine imposed of up to 5% of the sum of interest, profit share income, fees and commissions and other income of banking operations specified in the bank's most recent year-end financial statements, with such fine being no less than twice the benefit that such bank has derived from the concerned transaction.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA introduced amendments to the Regulation on Bank Cards and Credit Cards that aim to limit the expansion of individual loans, especially credit card instalments. The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank and (c) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer's monthly income. On 9 July 2020, the BRSA increased the credit limit from TL 1,300 to TL 2,000 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

Before increasing the limit of a credit card, a bank is required to monitor the income level of the customer and it should not increase the credit card limit if the customer's aggregate credit card limit exceeds four times his or her monthly income. In addition, pursuant to the amendment published in the Official Gazette dated 28 March 2020 and numbered 31082, minimum payment ratios for credit cards will be determined by the BRSA at a rate between 20% and 40%. The amendment also entitles the BRSA to set a minimum limit of credit cards. Accordingly, with its decision dated 30 March 2020 and numbered 8975, the BRSA decided that the minimum payment ratio may not be lower than 20% of the credit card term debt. The decision numbered 8975 also provides that banks may not request any payments from cardholders, including minimum amount, and define non-payment periods until 31 December 2020 due to economic impacts of COVID-19 pandemic.

The Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75% irrespective of their tenor, which was in a range of 100% to 250% depending upon their outstanding tenor.

The Consumer Protection Law, which entered into force in May 2014, imposes rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts). In addition, the consumers have the right of withdrawal from consumer credit agreements (except for mortgage loans) within 14 days without presenting any reason or penalty payment. For mortgage loans, if the payments are made before the relevant maturity dates, the prepayment fee cannot be more than 2% of the prepaid amount which is calculated upon the required interest discount, whereas for the loans of which the remaining maturity is less than 36 months the prepayment fee cannot be more than 1% of such amount.

The Regulation Amending the Regulation on Bank Cards and Credit Cards dated 8 October 2013, introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The amending regulation also provided that if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid. The Regulation on Bank Cards and Credit Cards was most recently amended on 13 June 2019.

On 27 November 2018, the BRSA amended the regulation on bank cards and credit cards published in the Official Gazette dated 10 March 2007 and numbered 26458. The amendment increased the maximum instalment restriction applicable for payments with credit cards for domestic airlines, travel agencies and accommodation expenses from six months to nine months.

The Regulation on Bank Cards and Credit Cards was further amended on 11 January 2019 to revoke the restrictions on the purchase of goods and services. After consultation with the Presidency of Turkey Strategy and Budget Directorate, the Ministry of Treasury and Finance, and the Ministry of Trade, the maximum instalments applicable to purchase of goods and services through credit card will be determined by the BRSA rather than the Regulation on Bank Cards and Credit Cards. On 11 January 2019, the BRSA issued a decision (as amended on 25 February 2019, 27 March 2019 and 12 June 2019, 25 October 2019, 13 January 2020 and 9 June 2020) providing that the instalment payment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals from credit accounts (including for computer purchases, health and social services) is not permitted to exceed 12 months; provided that such limit is only six months for electronic appliance purchases, eight months for jewellery expenditures (except for pressed and bullions jewellery), six months for payments made to clubs and associations, three months for payments made to travel agencies assisting with international travel, airlines and accommodation, 18 months for domestic expenditures relating to travel agencies, airlines and accommodation and 12 months for the purchase of televisions up to TL 3,500, domestic expenditures relating to airlines and accommodation, purchases of health and social services and tax payments. In addition, credit card instalment payments (except for corporate credit cards) are not allowed for pressed and bullion jewellery expenditures, telecommunication related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals from credit accounts is not permitted to exceed 18 months.

On 27 November 2018, the BRSA amended the regulation governing banks' loan transactions published in the Official Gazette dated 1 November 2006 and numbered 2633 (the "**Regulation on Loan Transactions of Banks**") and increased the maximum instalment restriction on loans used to purchase mobile phones that cost less than TL 3,500, from six months to 12 months. The same amendment also included a provisional article that increased the maximum instalment restriction from six months to 12 months for mobile phones that exceed

TL 3,500. However, this provisional amendment for mobile phones that exceed TL 3,500 was only valid until 31 January 2019.

On 25 January 2019, the Regulation on Loan Transactions of Banks was further amended. Accordingly, the board of directors of a bank must determine, in writing, the procedures for assessment, approval and workflow in respect of loan transactions, service agreements, purchase agreements for goods or such other agreements to be entered into with (i) the risk group that such bank is involved in (i.e., a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager, deputy general managers and, notwithstanding their title, managers employed in equivalent or higher positions in the hierarchy and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers); or, (ii) individuals or legal entities specified in Article 50(1) of the Banking Law. In addition, the aforesaid transactions exceeding the materiality threshold to be determined by the board of directors of a bank shall become subject to board of directors' approval. The BRSA is also entitled to introduce restrictions on the materiality thresholds that banks will determine.

On 31 December 2013, the BRSA adopted rules on loan-to-value and instalments of certain types of loans and, on 7 June 2018, 15 August 2018, 27 November 2018, 25 January 2019, 26 February 2019 and 14 January 2020 the BRSA made certain amendments to such rules. Pursuant to these rules, the maximum loan-to-value requirement for housing loans extended to consumers and for loans (except auto loans) secured by houses is 80%. However, under the BRSA's decision dated 19 March 2020 and numbered 8949, the maximum loan-to value ratio is set as 90% for houses worth TL 500,000 and below. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions for autos, the loan-to-value requirement is set at 70%; provided that in each case, the sale price of the respective auto is not higher than TL 120,000. If the sale price of the respective auto is above this TL 120,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%.

As for limitations regarding instalments (as amended by the BRSA from time to time), the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, other loans for the purpose of purchasing real estate and any refinancing of the same) are not permitted to exceed 60 months. The maximum maturity of car loans is 60 months if the value of a vehicle is up to TL 120,000; whereas the maximum maturity of car loans is 48 months, if the value of a vehicle is above TL 120,000. However, the BRSA recently published a decision dated 27 March 2020 and numbered 8971 and decided the aforementioned maturity limitations will not be applicable for principal and interest payments of consumer and car loans, if the payment was postponed until 31 December 2020 upon the request of the customer.

Lastly, the amendments on 25 January 2019 (i) require that a credit rating note from authorised institutions be obtained prior to the extension of certain loans, the scope of which will be determined by the BRSA; and, (ii) have exempted the loans extended to banks that are majority owned, jointly or solely, by the Treasury, the Privatisation Administration, Türkiye Varlık Fonu Yönetimi A.Ş. Fund or other public institutions within the central administration from the lending limits set forth in Article 54 of the Banking Law.

Caps on Credit Card Interest Rates, POS Commission Rates, Demand Deposit Accounts Interest Rates and Fees for Commercial Customers

The Central Bank adjusts from time to time the monthly cap on individual credit card interest rates. Effective from 1 January 2020, the Central Bank replaced the then-existing rates. Pursuant to the most recent amendments: (a) the maximum interest rates for Turkish Lira and foreign currency credit card transactions are 1.25% and 1.00%, respectively, and (b) the monthly maximum default interest rates are 1.55% and 1.30% for credit card transactions in Turkish Lira and foreign currency, respectively, until amended.

Moreover, the Central Bank published two communiqués amending current legislation relating to commission rates, both published in the Official Gazette dated 10 February 2020 and has become effective as at 1 March 2020. With the entry into force of the first communiqué, titled the "Communiqué on Deposit and Loan Interest Rates and Participation Accounts Profits and Loss Participation Rates" (the "**New Communiqué on Deposit and Loan Interest Rates**"), the Communiqué on Deposit and Loan Interest Rates regulating the commission rates mentioned above was abolished. Pursuant to the New Communiqué on Deposit and Loan Interest Rates, deposit interest, loan interest and participation rates to profit and loss in participation accounts are capped. Accordingly, banks may freely determine fixed and variable interest rates, with an annual cap of 0.25% on current deposit interest rate. Variable interest rate can be applied to Turkish lira deposits with at least three months maturity date and foreign exchange deposits with at least six months maturity date. Similarly, banks can determine interest rates for any loan freely except for rediscount and advance credits. The contractual and default interest rates cannot exceed ratios determined by the Central Bank pursuant to Article 26 of Law on Bank and Credit Cards No. 5464.

The Communiqué on Rules and Procedures for Fees Applied by the Banks to Commercial Customers (the "**Commercial Customers Communiqué**") regulates types of fees arising from services provided by banks to commercial clients (except for banks and financial leasing, factoring and finance companies) and applicable caps for each type of fee in order to prevent banks from overpricing commercial clients. Pursuant to the Commercial Customers Communiqué, fees that banks can charge to their commercial clients for products and services are classified as "Commercial Loans", "Foreign Trade", "Cash Management" and "Payment Systems", and are generally subject to certain quantitative and qualitative restrictions. Banks are prohibited from charging any kind of fees to their commercial clients that are not listed thereunder.

Other than the type of fees specifically restricted under the Commercial Customers Communiqué, banks can freely determine the amount and/or percentage of the fees to be collected from their commercial clients. As at the date of this Prospectus, the following fees are restricted under the Commercial Customers Communiqué in particular:

- annual loan allocation fees subject to a cap of 0.25% (loan allocation fees are determined pro rata to the number of months for loans allocated for less than one year);
- loan utilisation fees subject to a cap of 1%;
- prepayment fee subject to a cap of 1% of prepaid amount for loans with up to 24 months of remaining maturity (2% if the remaining maturity exceeds 24 months);
- merchant fees subject to a cap of the sum of the then-applicable monthly reference rate plus 0.45% (in case of payments through instalments, the cap can be increased up to 1.5 times of the foregoing cap); and
- cash advance fee subject to a cap of 1%.

The effective date of the Commercial Customers Communiqué was initially set as 1 March 2020; however, the Central Bank published an amendment in the Official Gazette dated 29 February 2020 and postponed the effective date of certain provisions enacted by the Commercial Customers Communiqué. Accordingly, other than Article 15, which sets out the principles regarding electronic fund transfers, fund transfers and precious metal transfers, and Article 20 determining the merchant fees, the effective date of the remaining provisions of the Commercial Customers Communiqué became effective as at 1 April 2020.

Lastly, pursuant to the recent amendments introduced to the Banking Law, the Central Bank has been empowered to determine maximum interest rates for lending and deposit taking activities of banks, as well as the types and maximum amounts of fees, expenses and commissions charged by banks to their clients for any sort of activities.

Caps on Fees Applicable to Financial Consumers

The Central Bank published the Communiqué on Rules and Procedures for Fees Applicable to Financial Consumers on the Official Gazette dated 7 March 2020 and numbered 31061 (the "**New Financial Consumers Communiqué**"), which regulates the types and maximum amounts of the fees and commissions applicable to financial consumers with respect to the products and services offered by institutions (i.e., banks, financial institutions extending consumer loans and card issuers). Products and services chargeable by these institutions are classified under five categories: "Personal Loans", "Deposit/Participation Fund", "Money and Precious Metals Transfer", "Credit Cards" and "Others". The relevant institutions are prohibited from charging any kind of fees to financial consumers that are not listed under the New Financial Consumer Communiqué; however, the amounts paid to third parties can be charged to the financial consumers. Further, in order to determine a new product or service or a new fee that are not listed under the New Financial Consumer Communiqué, the institutions must obtain the Central Bank's approval. The Central Bank is authorized to amend the categories of the fees thereunder.

Risk Management Disclosure

The BRSA issued Communique on Disclosures to Public Regarding Risk Management published in the Official Gazette dated 23 October 2015 and numbered 29511 (as amended by a regulation published in the Official Gazette dated 20 January 2016 and numbered 29599) which entered into force on 31 March 2016 and outlines procedures and principles of consolidated and unconsolidated risk management disclosure to be made by the banks. According to the Communique, any information regarding risk management must be included in financial reports as a separate section. Disclosures must be easily accessible and must enable measurement and assessment of information given by banks. Banks must keep an online disclosure database, showing five years' worth of records and the online database must be available on a bank's website from 31 March 2016 onward. Disclosures made within the scope of the Communique are subject to independent audit.

Banks' Information Systems

The BRSA enacted a new Regulation on Banks' Information Systems and Electronic Banking Services (the "**IT Systems Regulation**") which was published in the Official Gazette No. 31069 dated 15 March 2020. The IT Systems Regulation was initially going to enter into force on 1 July 2020. However, the BRSA amended the IT Systems Regulation on 22 June 2020 and postponed the effective date from 1 July 2020 to 1 January 2021, except for certain provisions including those relating to track record mechanism, management of the outsourcing of services, reverse transaction in electronic banking, transaction security in mobile banking, electronic and mobile banking in authentication mechanism, transfer of sensitive and/or confidential information to customers via electronic banking, telephone banking and ATM banking.

With the IT Systems Regulation's entry into force, the Communiqué on the Principles on Banks' Information Systems Management (the "**IT Systems Communiqué**") will be fully abolished on 1 January 2021.

Risk Management and Control Mechanisms on Information Systems

As per the IT Systems Regulation, a bank's board of directors is liable for conducting effective supervision to manage any risks arising from the use of information systems. Accordingly, the IT Systems Regulation sets out that the board of directors must approve and establish a strategic plan, a strategy committee and a guidance committee related to information systems.

The IT Systems Regulation also sets forth the standards regarding the following points to control information systems:

- Establishment of authentication mechanisms;
- Establishment of track record mechanism for transactions related to information systems;

- Establishment of network security control systems;
- Security configuration management;
- Security vulnerability management;
- Cyber-attack management and cyber information sharing; and
- Creation of an information security awareness training programme.

Banks' Primary and Secondary Systems

The IT Systems Regulation clarifies the scope of primary and secondary systems, while requiring banks to keep these systems in Turkey. In this regard, except for banking transactions such as payments, and messaging systems that require interaction abroad by nature, the Regulation requires banks to carry out their banking transactions without an approval procedure through a system abroad, and to continue providing banking services in Turkey through their primary and secondary systems even in cases of any disconnection with the networks abroad.

Continuity of Information Systems

As per the IT Systems Regulation, banks are required to set up back-up or hibernation schemes for critical hardware and systems, as well as, to create appropriate alternative communication channels should any interruptions to the network and communication infrastructure occur. Banks are obliged to keep records regarding the frequency, the method and the location of back-ups. Further, banks are required to procure the data requested by (i) the judicial authorities conducting an investigation or prosecution; or (ii) the BRSA, and to retain the original copies of the data and back up the data.

Electronic Banking Services

Pursuant to the IT Systems Regulation, banks must apply an authentication mechanism consisting of at least two independent components and to take measures to ensure the confidentiality of the authentication data. Further, banks are required to establish tracking mechanisms to detect and prevent unusual or fraudulent transactions under the scope of electronic banking services. Clients using the electronic banking services provided by banks will be explicitly informed of the terms, risks and exceptional circumstances regarding such services. The IT Systems Regulation provides for authentication and transaction security provisions related to online banking, mobile banking, telephone banking, open banking services and ATM banking.

Personal Data Protection

The Law on Protection of Personal Data (the "**Law No. 6698**") was accepted on 24 March 2016 and published in the Official Gazette dated 7 April 2016 and numbered 29677. The Law No. 6698 has become fully effective as at 7 October 2016.

Under the Law No. 6698, the main rule to collect and process personal data is to obtain explicit consent of the person whose data will be collected/processed (the "**Data Subject**"). However, personal data can also be collected and processed without the Data Subject's consent if any of the conditions stated below exists:

- if collection and processing is permitted by any specific law provision;
- if the Data Subject is under a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of Data Subjects' or third parties' life or physical integrity;

- if processing is necessary for forming or performance of a contract to which the Data Subject will be/is party;

- if processing is mandatory for data controller to perform his/her legal duties;

- if personal data has been made available to public by the Data Subject himself/herself;

- if processing is mandatory for assigning, using or protecting a right; and

- if processing is mandatory for the data controller's legitimate interest, on the condition that it does not harm the Data Subject's fundamental rights and freedoms.

Any personal data that is related to a Data Subject's race, ethnicity, political views, philosophical beliefs, religion, sect or other beliefs, way of appearance and dressing, association, foundation or union memberships, information related to health, sex life, past criminal convictions and biometric data are considered special categories of data. The conditions to legally process sensitive personal data are as follows:

- obtaining explicit consent of the Data Subject; and

- taking necessary precautions determined by the Data Protection Board.

However, explicit consent of the Data Subject is not required under any of the conditions below:

- collection and processing is permitted by any specific law provision; and

- for data related to health or sexual life, collection and processing by parties or relevant authorities under confidentiality obligations for the purposes of protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

Personal data can be transferred to third parties with explicit consent of the Data Subject. However, personal data can be transferred to third parties without consent of the Data Subject:

- if collection and processing is permitted by any specific law provision;

- if Data Subject is under a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of Data Subjects' or third parties' life or physical integrity;

- if processing is necessary for forming or performance of a contract to which the Data Subject will be/is party to;

- if processing is mandatory for the data controller to perform his/her legal duties;

- if personal data has been opened to public by Data Subject himself/herself;

- if processing is mandatory for assigning, using or protecting a right; and

- if processing is mandatory for the data controller's legitimate interest, on the condition that it does not harm the Data Subject's fundamental rights and freedoms.

If a transfer is made by parties under confidentiality obligation or relevant authorities for the purposes protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

Personal data can be transferred to third countries with Data Subject's explicit consent. Further, the criteria that is applied for transfer of personal data to third parties shall be applied to transfer of personal data to third countries if:

- third country has sufficient protection; or

- data controllers in Turkey and third country guarantee protection of personal data in writing and Data Protection Board allows such transfer.

The Data Protection Board will decide whether a certain third country is qualified as providing sufficient protection for personal data. All personal data processed or collected before the enactment of the Law No. 6698 should be brought in conformity with the articles of Law No. 6698 within two years.

In addition to above, the Banking Law introduced the term "client secret" in February 2020. Consequently, a client secret is any information related to a real or legal person generated upon the bank-customer relationship being established. In that regard, the scope of a client secret is broader than that of "personal data", which is defined under the Law No. 6698. While personal data only belongs to a real person and data only qualifies as personal if it identifies a real person on its own or when matched with other data, a client secret includes all information related to any real or legal person generated in connection with the client relationship.

Pursuant to the amendment introduced to the Banking Law, except for the exemptions enumerated under Article 73 of the Banking Law, client secrets may not be disclosed or transferred to any third party located in Turkey or abroad without a request from the client to this effect, even if the explicit consent of the client is collected in line with the Law No. 6698. The BRSA is authorised to prohibit the transfer of client secrets to third parties abroad after it assesses the client secret's economic security.

Foreign Exchange Legislation

Decree 32 and the Capital Movements Circular of the Central Bank (the "**Capital Movements Circular**") were amended, effective as at 2 May 2018, in order to introduce restrictions on Turkish resident legal entities utilising foreign currency loans. While this regime maintained the previous prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange-indexed loans, it introduced a strict prohibition on Turkish resident non-financial institution legal entities (each a "**Corporate Borrower**") utilising foreign currency-indexed loans and also imposed restrictions on Corporate Borrowers utilising foreign currency loans (the "**F/X Loan Restrictions**").

Accordingly, a Corporate Borrower shall be permitted to utilise foreign exchange loans if (i) it generates sufficient foreign exchnage denominated revenue, which is defined as "the revenue derived from export, transit trade, sales and deliveries considered as export and foreign exchange generating activities ("**FX Revenue Exemption**") in the new legislation; (ii) the purpose of the loan is to finance an activity that is exempt from the FX Loan Restriction ("**Activity Exemption**"); or (iii) if as at the date of the utilisation of the new FX loan, the unpaid outstanding balance of its total foreign exchange loans and/or foreign exchange indexed loans ("**Loan Balance**") is more than U.S.$15 million.

As far as the FX Revenue Exemption is concerned, if the Loan Balance of a Corporate Borrower is below U.S. Dollar 15 million, the sum of (i) the foreign exchange loan to be utilised; and, (ii) the existing Loan Balance must not be more than the combined value of its foreign exchange revenues as stated in its last three years financials. Otherwise, the exceeding portion of the foreign exchange loan must either be cancelled or converted into Turkish Lira. Turkish-resident financial institution lenders are required to control whether a Corporate Borrower complies with this rule. In case of any non-compliance with the F/X Loan Restrictions, Turkish-resident financial institution lenders are required either to cancel or convert into Turkish Lira the portion of the foreign currency loans granted to such Corporate Borrower that exceeds this value. In case of a breach of this obligation, an administrative monetary fine might be imposed.

In regards to the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Turkey in order to utilise foreign exchange loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity in the context of (i) a domestic tender with an international element awarded to such Corporate Borrower; (ii) defence industry projects approved by the Undersecretariat of Defence Industry; (iii) public private partnership projects; (iv) renewable energy investments made under the framework of the Law No. 5346 on Use of Renewable Energy Resources for the Purposes of Generating Electricity; (v) an acquisition finance transaction where the Corporate Borrower is a special purpose vehicle established to acquire the shares of a Turkish company and utilises the foreign exchange loan (up to the amount of the purchase price) for the purpose of such acquisition; (vi) tenders launched in accordance with Privatization Law No. 4046 and other public tenders in which the price was determined in a foreign currency; (vi) an investment incentive certificate or a transaction for financing of the purchase of certain machines and devices; (vii) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency revenues (*muhtemel döviz geliri*). Further, foreign exchange loans to be extended by banks to Turkish residents in Turkey which do not exceed the amount of the receivables kept as foreign exchange in the Turkish branches of banks as collateral and/or the amount of issued securities by the centralized governments and central banks of the member countries of the Organization for Economic Cooperation and Development (OECD) or the amount of securities issued through their sureties are also exempted.

In addition, under the new regime, a Corporate Borrower is not allowed to extend foreign exchange loan to another Corporate Borrower.

However, a Corporate Borrower is allowed to extend foreign exchange loans or Turkish Lira denominated loans to (i) the legal entities where it holds shares; (ii) its parent company; or, (iii) group companies, in each case outside of Turkey, and provided that such loans are transferred through Turkish banks. Therefore, intercompany loans between Corporate Borrowers in Turkey would only be allowed if such loans were denominated in Turkish Lira.

Turkish financial institutions intermediating the foreign exchange borrowing transactions are required to notify the Ministry of Treasury and Finance of any breach of these foreign exchange borrowing restrictions upon becoming aware of them. On 13 September 2018, Decree 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in the following contracts executed between persons residing in Turkey: sale and purchase of movable and immovable property, leasing of all kinds of movable and immovable property (including vehicle and financial leasing), employment, service and construction contract. According to such amendment, Turkish residents were required to amend any relevant contract so that the contract price and all other payment obligations thereunder were re-determined in Turkish Lira within a 30-day transition period (*i.e.* by 13 October 2018). On 6 October 2018 and 16 November 2018, the Ministry of Treasury and Finance issued an amending communiqué that broadened the scope of, but provided certain exemptions to, these restrictions. Among other exemptions, capital market instruments (including any notes issued directly to Turkish investors) are exempt from these restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law may be denominated in, or indexed to, foreign currency.

A communiqué numbered 2018-32/48 regarding export prices was published in the Official Gazette dated 4 September 2018 and numbered 30525. This communiqué requires exporters to transfer export revenues to Turkish banks within 180 days following the date of the export transaction and to sell 80% of their export revenues to Turkish banks (the latter was abolished by an amendment to the communiqué dated 31 December 2019). This obligation applies to all Turkish resident exporters and the exporters are liable for fulfilment of those obligations, which the intermediary banks are required to monitor.

In addition to the foregoing principles, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with foreign entities to 25% of a bank's regulatory capital in 17 August 2018. However, with its press release dated 9 February 2020, the BRSA lowered this threshold to 10%. In this respect, in case of a bank exceeding this level (i.e., 10%), new transactions may not be executed or renewed until the 10% level (which is calculated on a daily basis) is attained; however, transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. On 12 April 2020, the BRSA introduced further measures and lowered the 10% cap to 1% for forward transactions purchasing Turkish Lira with residents abroad. Moreover, banks are required to obtain the BRSA's written approval in order to change the maturity of the foregoing transactions.

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The Enforcement and Bankruptcy Law No. 2004 prevents a contractual arrangement by which a contractual event of default clause is stipulated to be triggered in case any application is made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of this law. The same restriction has become applicable for composition (*konkordato*) following the amendments to this law effective as at 15 March 2018.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the "**Restructuring Regulation**"), which was amended on 21 November 2018 and 12 September 2019, with a view to regulate a financial restructuring opportunity for Turkish companies that have entered into loan transactions with (a) Turkish banks, (b) Turkish financial leasing, factoring and financing companies, (c) banks and financial institutions established outside Turkey, (d) multilateral banks and institutions that directly invest in Turkey, (e) special purpose companies established by the foregoing institutions for collection of receivables and/or (f) investment funds established as per the Capital Markets Law ("Creditor Institutions").

The Banking Law was amended after the entry into force of the Restructuring Regulation to regulate financial restructuring. On 19 July 2019, a provisional article related to financial restructuring (the "**Provisional Article**") in the Banking Law has entered into force. The Provisional Article will be in force for two years from the date of its publication, which can be extended by the president for another two years. The Provisional Article aims to incentivise financial restructuring by providing various tax exemptions, as well as a provision which states that reduction of collateral pool, write-off of principal or other receivables or such other actions taken by banks to effectuate the restructuring of loans shall not constitute embezzlement offence set out under Article 160 of the Banking Law.

The Provisional Article and the Restructuring Regulation sets forth the procedures and principles on financial restructuring and also on framework agreement(s) (a "**Framework Agreement**") to be executed amongst the Creditor Institutions and on the respective financial restructuring agreements to be entered into by and between each respective debtor and the relevant Creditor Institutions within the scope of such Framework Agreement(s).

Accordingly, some Creditor Institutions (including most of the Turkish banks) have initially executed a Framework Agreement dated 11 September 2018 (as amended and restated with two respective amendment protocols, the "**First Framework Agreement**") prepared by the Banks Association of Turkey, which entered into force on 19 September 2018. The Banks Association of Turkey then divided the First Framework Agreement into two different framework agreements (i.e., a Large Scale Framework Agreement (the "**Large Scale FA**"), applicable to debtors with an aggregate principal debt equal to, or more than, TL 25 million, and a Small Scale Framework Agreement (the "**Small Scale FA**"), applicable to other debtors who have less debt).The Large Scale FA and the Small Scale FA (together, the "**Framework Agreements**") have been executed by a majority of Turkish banks and other financial institutions and entered into force.

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 three months ended 31 March 2020 and 2019 and as at and for the years ended 31 December 2019, 2018 and 2017, derived from the Akbank BRSA Financial Statements incorporated by reference herein. The following discussion should be read in conjunction with the Akbank BRSA Financial Statements and notes thereto. The Akbank BRSA Financial Statements have been prepared in accordance with BRSA Principles and TFRS for the matters not regulated by the aforementioned legislation, as described in "Presentation Of Financial And Other Information". Certain information herein is derived from Akbank's unaudited underlying 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" in this Prospectus.

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 Economy

The majority of Akbank's operations are in Turkey and its business and results of operations are affected by general economic conditions in Turkey. As at 31 March 2020, 92% of Akbank's total assets were located in Turkey. Accordingly, Akbank's results of operations and financial condition have been 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 and interest rates, as well as wages, and consumer spending which particularly impacts its retail business. See *"Risk Factors—General Risks— Risks Related to Turkey and Other Related Risks— Turkey's economy has been undergoing a significant transformation and remains subject to ongoing structural and macroeconomic risks" and "Risk Factors—General Risks— Risks Related to Turkey and Other Related Risks—Political developments in Turkey may have a material adverse effect on Akbank's business, financial condition, results of operations and prospects"*.

Global and emerging market uncertainties have continued for the past several years, driven by U.S. and global monetary policies, high inflation and low growth risk in emerging markets, low commodity prices, concerns about slowdown of global growth rates, particularly in China, global trade tensions, particularly between the United States and China and geopolitical tensions, particularly in the Middle East. Turkey's GDP grew by 7.4% in 2017, 2.8% in 2018 and increased by 0.9% in 2019 and increased 4.5% in the three months ended 31 March 2020 according to TurkStat.

In 2017, private consumption and investments increased, and in the last quarter of 2017 falling net exports decelerated growth by 3.2%. In 2018, capital formation had a negative impact on GDP, whereas external demand provided the only strong positive impact. Private consumption had no impact. The GDP growth rate was 0.9% for the full year of 2019. On a quarter-on-quarter basis, after dipping in the fourth quarter of 2018, GDP growth rates were positive in each quarter of 2019, implying the continuation of economic acceleration. Exports had the highest contribution to 0.9% annual growth in 2019, with 2.3% growth. The contributions of private and public consumption were 0.4% and 0.6%, respectively. Investments, which declined by 12.4% on a year-on-year basis, depressed overall GDP by 3.6%. Annual GDP growth, which was as high as 6.0% in the three months ended 31 December 2019, slowed to 4.5% in the three months ended 31 March 2020 due to the loss in momentum since mid-March stemming from the COVID-19 pandemic and the ensuing lockdowns. Private consumption grew by 5.1% and made the most significant contribution to growth, with around 3.0 ppts. The impact of COVID-19 has been widespread to date and on sectoral basis, the sharpest declines were observed in the sectors which are highly dependent on export demand. Initial data for May indicates some recovery as lockdown measures are being loosened, especially in Europe. The ultimate impact remains difficult to predict, but management expects some degree of recovery in the absence of a "second wave" if economies are able to progressively relax lockdown measures.

The current account deficit increased to 4.8% of GDP in 2017, then decreased to 2.6% of GDP in 2018, and turned into a current account surplus of 1.2% of GDP in 2019, with a surplus of U.S.$8.7 billion and 0.2% for the three months ended 31 March 2020, with a surplus of U.S.$1.3 billion because of the slowdown in Turkish domestic demand and lower commodity prices. Various events, including any deterioration in economic conditions in Turkey's primary export customers due to COVID-19 or other factors and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey) as well as an increase in energy prices could result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues. CPI reached 11.9%, 20.3%, 11.8%, 11.9% and 11.4% in the years ended 31 December 2017, 31 December 2018 and 31 December 2019 and in 31 March 2020 and 31 May 2020 respectively, mainly due to the pass-through effect from the depreciation of the Turkish Lira and rising food prices. See *"Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks—Turkey's economy is subject to inflation and risks relating to its current account deficit"*.

Growth in 2017 was mainly driven by private consumption and investments. Although the trend of strong growth continued into the first half of 2018 as a result of strong domestic demand, in the second half of 2018 economic growth slowed as deteriorating financial conditions weighed on the real sector, on investment, and on consumer confidence. Headline inflation was 11.9% as at 31 March 2019 compared to 11.8% as at 31 December 2019, 20.3% as at 31 December 2018 and 11.9% as at 31 December 2017. Core inflation (C Index) was 10.32%, 10.49% and 6.67% as at 31 May 2020, 31 March 2020 and 31 October 2019, compared to 19.5% year-on-year as at 31 December 2018 and 12.3% year-on-year as at 31 December 2017. See *"Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks—The profitability and profitability growth of Turkish banks in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector." and "Risk Factors—General Risks— Risks Related to Turkey and Other Related Risks—Turkey's economy is subject to inflation and risks relating to its current account deficit"*.

Further ratings action has continued in the past several months, following the downgrades in the aftermath of the July 2016 failed coup attempt. On 14 June 2019, Moody's downgraded Turkey's long-term issuer and senior unsecured bond ratings to "B1" from "Ba3" and maintained the negative outlook, on the back of its view that the risk of a balance of payments crisis continues to rise, and with it the risk of a government default, which Moody's mainly attributes to the Turkey's high reliance on external capital across all sectors of the economy. On 12 July 2019, Fitch downgraded Turkey's sovereign rating to "BB-" from "BB", mainly based on (i) the dismissal of the Central Bank governor on 6 July 2019, which heightened doubts over the Turkish authorities' tolerance for a period of sustained below-trend growth and deflation according to Fitch and (ii) the risk of U.S. sanctions triggered by the delivery of S-400 missile components from Russia, which Fitch expects to be of a "relatively mild form with minimal direct economic effect" but which might have a significant impact on sentiment according to Fitch. On 1 November 2019, Fitch revised the outlook on Turkey's sovereign rating to stable from negative, and affirmed at "BB-", citing continued progress in rebalancing and stabilisation of the Turkish economy with an improved current account balance, however noting Turkey's gross external financing requirement as a source of vulnerability. On 12 November 2019, following its revision of Turkey's long-term foreign-currency issuer default rating, Fitch revised the rating outlooks for 20 Turkish banks to stable, including that of Akbank. On 21 February 2020, Fitch affirmed Turkey's long-term foreign currency issuer default rating at "BB+" with a stable outlook. On 5 March 2020, Fitch placed the ratings of 19 emerging market banks in Europe, the Middle East and Africa under Criteria Observation, including Akbank. On 19 May 2020, Fitch affirmed Akbank at 'B+', stating that the affirmation reflects Akbank's still significant capital and foreign currency capital liquidity buffers but at the same time, the increase in the standalone credit profile as a result of the economic downturn and financial market volatility.

As at the date of this Prospectus, investigations with respect to the attempted coup are ongoing. There might still be further arrests and actions taken by the Turkish Government in relation to these investigations, including changes in policies and laws. Any future investigations may include customers of Akbank, which could impact such customers' ability to meet their obligations and may in turn result in an adverse impact on Akbank's loan portfolio. The ongoing investigations following the failed coup attempt and state of emergency have contributed to uncertainty surrounding the Turkish political environment.

Despite signs of political unity in the immediate aftermath of the coup attempt, tensions between political parties remain high. In addition, it remains unclear what impact the amendments to the Turkish Constitution approved by the referendum in April 2017 will have on the consolidation of political power, political checks and balances or the structure and independence of government institutions. As such, political uncertainty is likely to continue. See *"Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks"*.

A slowdown in global economic activity (and in particular in the United States and China), weaker economic conditions across EU markets, the impact of any post-Brexit agreement, post-transition agreement, or lack thereof, a sell-off in emerging markets, central bank actions (including the pace of rises in U.S. interest rates), U.S. foreign, monetary and trade policy or even uncertainty over the anticipation of these events, are potential sources of volatility and fragility for the Turkish economy. In addition, although the short-term impact of the COVID-19 pandemic may lead to an increase in demand for certain Turkish exports given the disruption of supply chains, any material negative impact on the growth of Turkey's trade and investment partners is likely to negatively affect the Turkish economy's growth rate. Moreover, any disruption in the Turkish domestic economy as a result of the spread of coronavirus in Turkey cannot currently be predicted. See also *"Risk Factors—The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Akbank and/or its clients."*.

On 20 September 2018, the Turkish Treasury and Finance Minister announced the Turkish Government's Medium Term Program, renamed the New Economic Programme ("**NEP**") for the period 2019 to 2021. The objectives of the NEP are rebuilding financial and price stability, ensuring budget discipline and economic rebalancing and achieving sustainable economic growth via transformation in manufacturing and exports. As part of the rebalancing objective, the Turkish Government targeted 2.3% GDP growth in 2019. The NEP contemplated for the ratio of the budget deficit to GDP to be 1.9% in 2018 and 1.8% in 2019. The Turkish Government also expected inflation to reach 20.8% by the end of 2018 and to decrease to 15.9% by the end of 2019. The NEP was updated in October 2019. The updated NEP set GDP growth estimates at 0.5% for 2019 and 5.0% for each of 2020, 2021 and 2022. Further, the inflation rate was forecast to be 12.0%, 8.5%, 6.0% and 4.9% for 2019, 2020, 2021 and 2022, respectively. CPI increased to 25.2% in October 2018, and the 12-month moving average of inflation in October 2018 was 14.9%, compared to 10.4% in October 2017, with inflation continuing to remain a policy concern. On 9 October 2018, in an effort to counter increasing inflation, the Turkish Government announced measures to combat inflation with the support of the private sector. These measures include a programme for participants in the private sector to apply a 10% discount on some products until end of 2018. A number of private companies have joined the programme to date. Moreover, the Turkish Government announced that there would be no more price increases to electricity and natural gas until the end of 2018. In addition, in order to tackle inflation and tighten monetary policy, the Central Bank increased the policy rate by 625 bps to 24% in September 2018. On 26 April 2017, the average cost of funding for banks using the late liquidity facility (the TL borrowing facility provided by the Central Bank for banks to meet temporary liquidity needs) increased from 11.75% to 12.25%, and on 14 December 2017 to 12.75%. The average cost of funding for banks using the late liquidity facility remained at 12.75% until 25 April 2018. From 25 April 2018 to date the average cost of funding for banks using the late liquidity facility fluctuated depending on changing macro economic developments. It stands at 11.25% as at June 2020. After September 2018, the Central Bank kept the interest rate stable at an elevated level of 24% in order to combat inflation, until July 2019. Furthermore, the Turkish Government's action plan, announced in April 2019, was aimed at controlling food inflation. Accordingly, agricultural products were regulated and subsidised through the wholesale market, and greenhouses were regulated through the establishment of SERA A.Ş. With the impact of the appreciation of the Turkish Lira, a decline in food prices and suppressed domestic demand, inflation declined to 15.7% in June 2019. In addition to declining inflation, the global environment improved for emerging economies, helping the Central Bank to ease monetary policy. The Central Bank decreased the one-week repo rate by 425 bps to 19.75% in July 2019. Further, the Central Bank continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019 and by 200 bps to 12.00% in December 2019 by 75 bps to 11.25% in January 2020 and by 50 bps to 10.75% in February 2020. Economic activity started to weaken in mid-March due to the ongoing adverse impact of the COVID-19 outbreak. In response, the Central Bank cut the one-week repo rate by 100 bps to 9.75% in March 2020, by 100 bps to 8.75% in April 2020 and by 50 bps to 8.25% in May 2020. The Central Bank decided to retain the one week repo-rate at 8.25% in June 2020 and July 2020.

The following table sets forth key Turkish economic indicators as at and for the three-month period ended 31 March 2020 and as at and for each of the years 2019, 2018 and 2017 (unless otherwise indicated).

	As at 31 March	As at 31 December		
	2020	2019	2018	2017
GDP *(TL billions)*	4.429	4.280	3.724	3.111
GDP *(U.S$ billions)*	758	754	789	853
GDP growth *(%)*	4.5	0.9	2.8	7.5
GDP per capita *(U.S.$)*	-	9.127	9.693	10.616
Unemployment *(%)*	13.6	13.30	11.0	10.9
Central Bank policy rate *(%)*	9.75	12.00	24	12.75
Benchmark yield *(%)*	11.22	11.78	19.73	13.4
Inflation (Consumer prices) *(%)*	11.86	11.84	20.30	11.92
Exports *(U.S$ billions)*[(1)]	179.0	181.8	177.2	164.5
Imports *(U.S$ billions)*[(1)]	215.5	210.3	231.1	233.7
Trade deficit *(U.S$ billions)*[(1)]	(36.5)	(29.5)	(54.0)	(74.2)
Current account deficit *(U.S$ billions)*	1.3	8.7	(20.7)	(40.6)
Budget deficit *(TL billions)*	(117.1)	(123.7)	(72.8)	(47.8)

Note:

(1) Foreign trade by years (general trade system).

Sources of macro-economic data: Central Bank, TurkStat, Turkish Treasury, Turkish State Planning Organisation (DPT), IMF and other public sources.

Loan Portfolio Growth and Asset Quality

The tables below set forth Akbank's total loans, total securities, and total deposits in Turkish Lira and foreign currency as at 31 March 2020 and as at and for the years 31 December 2019, 2018 and 2017.

	As at 31 March 2020		
	TL	Foreign currency	Total
		(TL billions)	
Total Loans	145.9	86.3	232.2
Total Securities	51.1	38.2	89.3
Total Deposits	106.0	164.8	270.8

	As at 31 December					
	2019			2018		
	TL	Foreign currency	Total	TL	Foreign currency	Total
			(TL billions)			
Total Loans	144.8	82.0	226.8	127.3	82.0	209.3
Total Securities	48.2	35.2	83.4	30.6	26.0	56.6
Total Deposits	95.9	148.9	244.7	81.4	127.2	208.6

As at 31 December 2017

	TL	Foreign currency	Total
		(TL billions)	
Total Loans	134.4	75.0	209.5
Total Securities	29.5	32.2	61.6
Total Deposits	92.8	108.7	201.5

Akbank's total loans were TL 232.2 billion as at 31 March 2020 and TL 226.8 billion as at 31 December 2019, which represented a 2.4% increase, due primarily to an increase in consumer loan growth led by general purpose loans.

Akbank's total loans were TL 226.8 billion as at 31 December 2019 and TL 209.3 billion as at 31 December 2018, which represented an 8.4% increase, due primarily to accelerated consumer and corporate loan demand during the second half of the year, driven by affordable loan rates and improving economic outlook.

Akbank's total loans were TL 209.3 billion as at 31 December 2018 and TL 209.5 billion as at 31 December 2017, remaining relatively stable due primarily to increased loan rates amid challenging macroeconomic outlook.

The share of loans as a percentage of Akbank's total assets remained relatively flat at 59% as at 31 March 2020 and as at 31 December 2019 and 31 December 2018.

Total loan growth of the Turkish banking sector was approximately TL 260 million in the year ended 31 December 2019 and TL 250 million in the first three months of 2020 (source: BRSA).

Asset Quality

Akbank's NPL ratio was 6.7%, 3.8%, and 2.1% as at 31 December 2019, 2018 and 2017, respectively and 6.9% as at 31 March 2020. As at the same dates, the NPL ratio of the Turkish banking sector was 5.4%, 3.9%, 3.0% and 5.0%, respectively. There were no NPL sales or write-offs during the quarter to 31 March 2020. The share of Stage 2 and Stage 3 loans in total loans started to improve, with the impact of COVID-19 yet to be seen. In the three-month period ended 31 March 2020, NPL formation slowed considerably compared to the three months ended 31 December 2019. There have been sector-wide payment holidays, as well as regulatory forbearances of Stage 2 and Stage 3 recognitions extended to 90 and 180 days, respectively, which started towards end of March 2020. These had almost no impact as at 31 March 2020. Therefore, the negative impact of COVID-19 on asset quality may not be reflected in Stage 2 and Stage 3 loans until the third quarter of 2020. However, in line with TFRS 9, Akbank intends to continue recording provisions for expected credit losses, although such amounts may not be sufficient depending on the ultimate economic impact.

Akbank believes that it is well-positioned to manage asset quality as a result of its prudent risk management and provisioning policies described above. However, fluctuations in market conditions may lead to deterioration in asset quality. In particular, a syndicate of Turkish and international banks, including Akbank, entered into a USD 4.75 billion syndicated loan with OTAŞ in 2013. OTAŞ is the owner of 55% of the shares in Türk Telekomünikasyon A.Ş. (Turkey's largest telecommunications company) ("**Türk Telekom**"). Approximately 30% of Türk Telekom's outstanding shares are owned by the Turkish government.

An agreement was made in December 2018 for the restructuring of the syndicated loan extended to Ojer Telekomünikasyon A.Ş ("**OTAŞ**"), the main shareholder of Türk Telekom, among all creditors, including Akbank. 1,925,000,000 Class A Shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities, were taken over on 21 December 2018 by a special purpose vehicle (Levent Yapılandırma Yönetimi A.Ş.) ("**LYY**") owned directly or indirectly by the creditors with the intention of transferring Türk Telekom shares to an outside investor as soon as possible. Akbank received a 35.56% share in LYY for its share of receivables owed by OTAŞ. Within the scope of the acquisition of Türk Telekom shares by LYY and related agreements, the amount of credit extended to LYY by Akbank for the acquisition of shares (constituting the security for the OTAŞ loans) was U.S.$1.272 million (6.990 million TL) as at 31 December 2018 in the form of a one-year extendable loan. This loan was reclassified under "Loans" under "Fair Value through Profit or Loss". It was anticipated in the loan agreement that a portion of the loan would serve to increase LYY's capital in the future by way of a capital increase. The shares of Türk Telekom are pledged for this loan.

At the Ordinary General Assembly Meeting of LYY which was held on 23 September 2019, it was decided to convert some of the abovementioned loan into capital and add it to the capital of LYY. The nominal value of Akbank's shares in LYY increased from TL 18 to TL 1,416,090. This amount is classified in the Akbank BRSA Financial Statements under "Assets for Sale and Discontinued Operations". As at 31 December 2019, the value of the part classified as a loan is TL 6.723.419, and it is classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit or Loss". The total fair value decrease accounted for the total amount turned into credit and capital is TL 938,822, and the entire amount is classified under the item "Assets Held for Sale and Discontinued Operations".

As at 31 March 2020, the value of the portion classified as a loan is TL 7,594,385, and it is classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit Loss". The total fair value impairment accounted for the total amount turned into credit and capital is TL 1,809,806. TL 1,416,090 of this amount is accounted for under "Assets Held for Sale and Discontinued Operations" and TL 393,716 is accounted under "Other Financial Assets" which is a sub-item of "Financial Assets at Fair Value through Profit or Loss".

In addition, on 17 September 2019, the BRSA issued a press release on the financial structure review and impact analysis it conducted which revealed that TL 46 billion worth of loans (mostly due from energy and construction companies) should be classified as NPLs. In this respect, the banks which are notified by the BRSA will need to reclassify these loans and set aside the required reserves by the end of 2019. In its analysis, the BRSA further stated that Turkish financial institutions' global capital adequacy ratio fell from 18.2% to 17.7%, whereas the rate of NPLs increased from 4.60% to 6.3%. Lastly, the BRSA stated that the total amount of Common Equity Tier 1, Additional Tier 1 and Tier 2 (except earnings contributions) in the banking sector increased to TL 49 billion in the last twelve months.

In the event that any material loans become non-performing or there is a slowdown in economic conditions, this could have a material adverse effect on the asset quality of Turkish banks, including Akbank. See *"Risk Factors—Risks Related To Akbank—Credit risks, including risks arising from exposure to clients and the Turkish Government, have materially adversely affected and could continue to have a material adverse effect on Akbank's business, financial condition, results of operations and prospects."*.

Interest Rate Environment in Turkey

There have been and are expected to be significant changes in interest rates in Turkey reflecting both macroeconomic factors and conventional and unconventional action by the Central Bank. In general, increases in interest rates allow Akbank to increase its income from loans due to higher rates that Akbank is able to charge. However, such an increase may adversely affect Akbank's results of operations as a result of reduced overall demand for loans and greater risk of default by Akbank's customers. In addition, increased interest rates affect Akbank's funding costs and can adversely affect Akbank's net income if Akbank is unable to pass on the increased funding costs to its customers. On the other hand, a decrease in interest rates can reduce Akbank's revenue from loans as a result of lower rates on Akbank's loans. This reduction of revenue may however be offset in whole or in part by an increase in the volume of Akbank's loans resulting from increased demand for loans, less risk of default by Akbank's customers and by a decrease in Akbank's funding costs.

On average, principally due to the short-term nature of the majority of Akbank's customers' time deposits, Akbank's interest-bearing liabilities are generally repriced faster than its interest-earning assets. Reductions in interest rates are repriced into Akbank's liabilities after approximately 250 days as at 31 December 2019. At the same time, the repricing of its loans and securities is slower, at between 424 and 990 days as at 31 December 2019, due to their longer maturities, resulting in a widening of the net interest margin earned by Akbank. Accordingly, an increase in interest rates results in narrowing margins in the short term.

Since the beginning of 2016 through to mid-2019, the Central Bank has generally tightened monetary policy in order to cope with significant deterioration in the Turkish Lira and the resulting pressure on inflation, including a number of large rate hikes of which the most notable was the increase in the policy rate by 625 bps to 24% in September 2018, following a number of earlier increases in 2018 with CPI hitting 25.2% in October 2018. The policy rate was 7.50% in early 2016 and peaked at 24% in September 2018. Most recently, however, the Governor of the Central Bank was replaced on 6 July 2019 and the Central Bank cut interest rates by 425 bps on 25 July 2019 on the back of weaker global economic activity and reduced inflationary pressure. More recently, the Central Bank has continued its rate-cutting cycle and cut the one week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019 by 200 bps to 12.00% in December 2019 and by 75 bps to 11.25% in January 2020. In the context of the COVID-19 outbreak, the Central Bank took further steps to loosen monetary policy. On 17 March 2020, it cut rates by 100 bps to 9.75% and by 100 bps to 8.75% in April 2020 and by 50 bps to 8.25% in May 2020, which was retained in June 2020 and July 2020. See *"Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks—The value of the Turkish Lira has fluctuated significantly against other currencies"*.

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 indicated periods from 1 January 2017 to 31 March 2020:

First Half 2017	3.67%
Second Half 2017	3.80%
First Half 2018	4.36%
Second Half 2018	4.62%
First Half 2019	4.56%
Second Half 2019	4.93%
First Quarter 2020	5.62%

In 2017, in addition to the increase in the cost of funding from the Central Bank of the Republic of Turkey (particularly in the first half of 2017), TL deposit rates increased as banks sought to raise deposit funding to support accelerated credit growth (especially in TL commercial loans) driven by the Credit Guarantee Fund, or KGF scheme. The KGF scheme has accelerated credit activity especially in TL loans granted to medium-sized firms. An additional impact of this trend has been somewhat higher levels of TL loan-to-deposit ratios and a tighter TL deposit market. Since the beginning of 2020, the average TL deposit rate increased from 10.5% to 13.3% and average commercial loan rates rose from 14.2% to 16.9%. However, due to increasing loan spreads, Akbank's strategic lending mix and the positive impact of CPI-linked securities, Akbank's net interest margin improved in the last quarter of 2017.

In 2018, in response to market volatility and accelerating inflation, the Central Bank tightened monetary conditions and raised the average funding rate from 12.75% at the start of the year to 24% in the last quarter of 2018. Banking sector rates accordingly adjusted to higher levels, with TL deposit rates increasing to 22.25% while TL commercial loan rates closed the year at 28.26% after peaking at 34.48% in September 2018.

In 2019, given the continued relatively high levels of inflation, the Central Bank kept the average funding rate at 24% and even increased the rate to 25.5% in two instances (in late March/early April and again in mid-May). Following a sharply declining trend in domestic inflation and in line with accommodative monetary policies pursued by central banks in developed countries, the Central Bank began cutting its policy rate in July. With the support of rate cuts totaling 1200 basis points, its overall funding rate decreased to 11.43% by 2019 year-end. This pronounced decline in the Central Bank's funding rate also resulted in decreasing trends in deposit and loan rates, with TL deposit rates decreasing to 10.57% and TL commercial loan rates decreasing to 13.68% by the end of the year 2019.

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

Exchange Rates

A significant portion of Akbank's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As at 31 March 2020, 47.5% of Akbank's total assets and 54.2% of its total liabilities were denominated in foreign currencies. As at 31 December 2019, 47% of Akbank's total assets and 55% of its total liabilities were denominated in foreign currencies. As at 31 December 2018, 49% of Akbank's total assets and 56% of its total liabilities were denominated in foreign currencies. As at 31 December 2017, 45.0% of Akbank's total assets and 53.2% of its total liabilities were denominated in foreign currencies. Akbank monitors its net open position in foreign currencies and historically has sought to be fully hedged in terms of foreign currency exposure through entering into derivative foreign exchange transactions.

In addition, according to the applicable regulatory limits, Turkish banks can carry a maximum of 20% net open position relative to their capital base.

Akbank's foreign currency net open position ratio was 7.2% as at 31 March 2020 and 8.1% as at 31 December 2019, compared to 6.7% as at 31 December 2018 and 2017.

Akbank converts foreign currency assets and liabilities and interest earned from and paid on those assets and liabilities into Turkish Lira in preparing its financial statements. As a result, Akbank's financial results are impacted by changes in foreign exchange rates. For the three months ended 31 March 2020, Akbank recorded a net foreign exchange loss of TL 830.9 million. For the years ended 31 December 2019, 2018 and 2017, Akbank recorded a net foreign exchange loss of TL 2,565.7 million, a loss of TL 4,178.8 million and a gain of TL 388.3 million, respectively.

Exchange rate movements also affect the Turkish Lira-equivalent value of Akbank's foreign currency-denominated assets and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Exchange rates may also impact Akbank's asset quality, particularly when there is significant depreciation of the Turkish Lira, as some of Akbank's corporate and commercial customers borrow in foreign currencies and may not have sufficient foreign currency income or reserves to service higher relative costs.

Securities Portfolio

The share of Akbank's securities portfolio, which comprises primarily Turkish government securities and smaller holdings of other securities such as corporate debt securities, in its total assets increased to 12% as at 31 December 2019 and 31 March 2020 from 8% as at 31 December 2018 in line with Akbank's overall strategy.

The share of total interest income from Akbank's marketable securities decreased to 17.6% in the year ended 31 December 2019 and increased to 24.6% in the three months ended 31 March 2020, as compared to 16.9% in the three months ended 31 March 2019 and 19.6% and 17.3% in the years ended 31 December 2018 and 2017, respectively. In 2019, interest income from marketable securities was TL 6.4 billion and interest income on loans was TL 28.1 billion. In the three months ended 31 March 2020, interest income on marketable securities was TL 2.1 billion and interest income on loans was TL 6.1 billion.

As at 31 December 2019, Akbank's total securities comprised 68% fixed rate securities, 5% floating rate securities (excluding CPI-linked securities) and 27% CPI-linked securities, compared to 60%, 7% and 32%, respectively, as at 31 December 2018, and 69%, 7% and 24%, respectively, as at 31 December 2017. As at 31 March 2020, Akbank's total securities comprised 69% fixed rate securities, 4% floating rate securities (excluding CPI-linked securities) and 26% CPI-linked securities.

As Akbank's securities portfolio is comprised largely of Turkish government debt, it does not expect any significant credit losses on its securities portfolio. Its trading portfolio and available-for-sale investment securities portfolio are marked-to-market with the mark-to-market losses or gains being included in income (for the trading portfolio and where there is a permanent impairment of available-for-sale securities) or shareholders' equity (for the available-for-sale portfolio) as appropriate. In case of permanent impairments of held-to-maturity securities, such impairment losses are also recognised in income.

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Securities Portfolio"*.

Akbank's Provisioning Policy for Impaired Loans

Akbank applies the TFRS methodology for its NPL and Stage 2 provisions. As at 31 December 2019 and 31 March 2020, Akbank has set aside provisions of 56.2% and 58.8%, respectively, of its NPLs through Stage 3 provisioning for its non-performing loans. This percentage exceeds the minimum required Stage 3 provisions set forth in the relevant BRSA regulations, which among other factors take into account a loan's level of collateralisation. Together with general provisioning, Akbank's total provisions equalled 82.8% of its NPLs as at 31 December 2019 and 84.5% as at 31 March 2020.

The independent auditor's reports in respect of the Akbank 2019 BRSA Annual Financial Statements, Akbank 2018 BRSA Annual Financial Statements and the Akbank 2017 BRSA Annual Financial Statements and the auditor's review report in respect of the Akbank BRSA Interim Financial Statements included a qualification relating to the general reserve allocated by Akbank's management for the possible effects of changes in the economy and market conditions. This free provision may be reversed or re-allocated by management in future periods, which may cause Akbank's net profit to be higher in future periods than it otherwise, would be in the absence of such reversal or re allocation.

See *"Accounting Policy Changes"* and *"Risk Management—Identification and Remediation of Problem Loans"* for further discussion.

Critical Accounting Policies

The accounting policies adopted by Akbank are critical to understanding its financial condition, results of operations and the Akbank BRSA Financial Statements and the notes thereto. These accounting policies are described in detail in the notes to the Akbank 2019 Annual BRSA Financial Statements incorporated by reference herein under *"Section Three—Accounting Policies"*. Certain of Akbank's accounting policies require significant managerial judgement 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 Akbank's management. Akbank 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 Akbank's current accounting policies that require significant managerial judgement or otherwise are critical to the results of operations and financial condition presented in the Akbank BRSA Financial Statements.

Interest Income and Expense

Interest income and expenses are recognised using the "Effective interest method". Akbank ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

Fees and Commission Income and Expense

Fees and commission income/expenses are primarily recognised on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract-based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognised as income at the time of collection.

Financial Assets

Akbank categorises its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortised Cost". Such financial assets are recognised or derecognised according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the POA. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

Classification and measurement of financial assets

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Akbank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, Akbank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

Akbank fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss, amortised cost or fair value through other comprehensive income.

Akbank recognise a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Akbank's management and the nature of contractual cash flows of the financial asset are taken into consideration.

When the business model determined by management is changed, all financial assets affected by this change are reclassified and the reclassification is applied in the future. In this case, no adjustment is made for the gain, loss or interest rates previously recognised in the financial statements.

Financial assets at the fair value through profit or loss

Akbank's "Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognised at fair value and re-measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Financial Assets at Fair Value Through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognised by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are re-measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortised cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition Akbank can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortised cost.

Financial assets measured at amortised cost are initially recognised at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognised at amortised cost by using effective interest rate method. Interest income obtained from financial assets measured at amortised cost is accounted in income statement.

"Fair value through other comprehensive income" and "measured at amortised cost" securities portfolio of Akbank include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Bank also sets the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year. At the end of the year, the real inflation rate is used.

Derivative Financial Assets

The major derivative instruments utilised by Akbank are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

Derivative financial instruments of Akbank are classified under "TFRS 9 Financial Instruments" ("**TFRS 9**"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss".

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognised in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model. When inactive market conditions exist, observable inputs used in the determination of fair values are adjusted using appropriate assumptions and considering the volume and level of activity in the markets.

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognised at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortised cost using the "Effective Interest Rate (internal rate of return) Method".

Loans measured at amortised cost. These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

- Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

- Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised.

Loans measured at fair value through profit or loss. Loans at fair value through profit and loss, terms of the contract for loans, if at certain dates it does not result in cash flows involving interest payments arising from the principal and principal balances, it is recorded at fair value and is subject to fair value assessment following the recognition. Gains and losses resulting from the valuation are included in profit/loss accounts.

In certain circumstances, restructuring or altering the contractual cash flows of a financial instrument may result in the disposal of the existing financial asset in accordance with TFRS 9. A revised financial asset is considered as a new financial asset when the change in the financial asset is once excluded from the financial statement and the revised financial asset is recognised in accordance with TFRS 9.

Akbank assesses whether the new financial asset contains solely payments of principal and interest when the new conditions for the instrument have determined that there are significant changes compared to the initial conditions in the relevant contracts.

In the event that the contractual conditions for the financial asset do not result in cash flows that include solely payments of principal and interest on certain dates, the related financial asset is recognised with its fair value and is subject to valuation.

Significant increase in credit risk. If the credit risk of financial assets determined to be significantly increasing, afore-mentioned assets are transferred to the stage II. For stage I loans expected loss (provision) amounts are calculated for 1-year and for stage II loans expected loss (provision) is calculated for the remaining life of the loan.

In addition, the key considerations in determining whether a significant increase in the credit risk of financial asset and transferring it to stage 2, but are not limited with these, the following;

- past due date is 30 or more;

- restructuring of loans;

- if the loan classified as under follow-up; and

- assessment of significant increase in the probability of impairment based on rating notes.

Definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from Akbank's internal rating-based credit rating models and probability of default on reporting date. If the loan's estimated probability of default on reporting date exceeds the threshold values determined, it is considered to be worsening of the probability of default.

Definition of Default. Akbank considers that there is a default on the relevant debt in the following two cases:

- *Objective Default Definition*: the debt is overdue by more than 90 days. The definition of default, which is applicable to the Bank and its consolidated financial institutions, is based on the criteria that the debt is overdue by more than 90 days.

- *Subjective Default Definition*: it is determined the debt will not be paid off. If the borrower is deemed to be unable to fulfill the debt obligations, the borrower should be considered as defaulted no matter how many days the payment is overdue.

Write-off Policy. Akbank writes off financial assets where there is no expectation that it will be recovered, in cases where these expectations are documented by legal means or are not classified under the "fifth group" (uncollectable loans and other receivables) and do not have reasonable expectations for recovery. This policy is applied to all 100% fraud and fraud-based follow-up accounts.

Akbank applies a partial write-off policy where the financial asset will be reimbursed at a certain rate by the debtor, with the amount remaining after the payment of the amount in question or the part that is classified under the "fifth group" (uncollectable loans and other receivables) and which does not have reasonable expectations to be recovered is to be written off.

Explanations on Expected Credit Loss. Akbank allocates impairment for expected loss on financial assets measured at amortised cost and measured at fair value through other comprehensive income.

As at 1 January 2018, Akbank recognise provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as at 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Expected Credit Loss (ECL) Calculation – Input and Forecasting Methodologies. Expected Credit Loss (ECL) is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

- *Exposure at Default*: Specifies the amount of risk that the borrower should pay in case of default. It is constantly calculated until the maturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable commitment products.

- *Probability of Default (PD)*: PD indicates the probability of default due to inability of the borrower to meet its debt obligations. Whether it has been calculated for 12 months or lifetime depends on the increase of the borrower's credit risk.

- *Loss Given Default (LGD)*: In case of default of the borrower, Loss Given Default is been calculated as dividing Expected Credit Loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure, customer repayment performance. Calculated LGD remains constant until its overdue.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. The expected credit loss value is calculated for all customers over the maturity period. However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Within the scope of TFRS 9, models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) have been developed. The models used by the IRB "Internal Rating Based Approach" are taken into account when creating these models. The models developed under TFRS 9 have a detailed segment structure. Loans that have similar characteristics are segmented in order to reflect the expected credit losses collectively in financial reports. When creating the segmentation structure, the following information of the loans is taken into consideration.

- Customer type (retail or corporate / commercial);
- Product type;
- IRB rating notes /scores;
- Customer credit performance;
- Collateral type;
- Collection Period; and
- Exposure at default;

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

The risk parameters used in the IFRS 9 calculations include prospective macroeconomic information. While macroeconomic information is included, models and estimates reflecting the relationships between model risk parameters and macroeconomic variables are taken into consideration. The main macroeconomic indicators of these estimation models are the Gross Domestic Product (GDP) growth rate and the policy interest rate. Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

There has been no change in the assumptions in forecasting techniques.

Model risk parameters and macroeconomic forecast models have been updated with recent data.

The 2-scenario structure consisting of base-case scenario and negative scenario has been increased to 3 with the updated model. The expected credit loss calculation is made through these 3 scenarios.

Within the scope IFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Loss-ECL). Related impact is realized when the default ratio of Akbank moves the default rate calculated for each maturity up or down. The main parameters of default ratio model are "Growth Rate" and "Policy Interest". Therefore, the calculated provisions can change when macroeconomic expectations are taken into consideration.

The PD values subject to the ECL calculation have been obtained for the following portfolios.

Consumer/Commercial	**Portfolio**
Retail	Consumer
Retail	Automotive
Retail	Mortgage
Retail	Credit Card
Retail	Overdraft Account

Commercial	Micro
Commercial	Company
Commercial	Commercial
Commercial	Corporate

In forward-looking expectations, three scenarios are being used: the base scenario, the bad scenario and the good scenario. Each scenario has predetermined weights. Final allowances are calculated by weighting the probability given to the scenarios.

Provisions and Contingent Liabilities

Provisions are recognised when Akbank has a present legal or contingent obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the periodicity principle. When the amount of the obligation cannot be reliably estimated and/or there is no possibility of an outflow of resources from Akbank, it is considered that a contingent liability is disclosed in the related notes to the financial statements.

Taxation

Current tax

In Turkey, the corporate tax rate is 22% for the years 2018 through 2020. Corporate tax is calculated on Akbank's total income after adjusting for certain disallowable expenses, tax-exempt income and other allowances. No further tax is payable unless the profit is distributed. A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt if such gains are added to paid-in capital or held in a special fund account under liability for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies must file their tax returns by the 30th day of the fourth month following the closing of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year following the date of filing during which time period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Current tax, related to items recognised directly in equity, is also credited or charged directly to equity.

Deferred tax

Akbank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("**TAS 12**") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as at the balance sheet date. A Law amending the Certain Tax Laws and other Laws ("**Law No. 7061**") was approved in The Grand National Assembly of Turkey on 28 November 2017 and subsequently published in the Official Gazette on 5 December 2017. The law increased the corporate income tax rate from 20% to 22% for the years 2018, 2019 and 2020. The Law means that deferred tax on assets and liabilities shall be measured at the tax rate of 22% for those assets which are realised or the liability is settled in 2018, 2019 or 2020. From 2021 onwards deferred tax assets and liabilities will be subject to a 20% tax rate.

Information on taxation in foreign associates

Akbank AG (Germany). German-resident corporations (i.e. corporations with legal or business centres located in Germany) are subject to corporate taxation in Germany over their total income. Regardless of any profit distribution corporate tax is levied at 15% over total income. The effective corporate tax rate is 15.825% since an additional solidarity tax of 5.5% is applied over the calculated corporate tax. In addition to that, trade income tax at an approximate rate of 16% is levied by the local city governance. Accordingly, the total tax burden including all types of tax (corporate tax, solidarity tax and trade income tax) is approximately 32%.

Accounting Policy Changes

Leasing Transactions

With the "TFRS 16 Leases" standard which became effective as at 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions started to be recognised under "Tangible Fixed Assets" as an asset (tenure) and under "Liabilities from Leasing" as a liability.

Akbank performs financial leasing operations as a "Lessor" through Ak Finansal Kiralama A.Ş. which is a consolidated subsidiary. The asset subject to the financial leasing is presented in the balance sheet as receivable equal to the net leasing amount. Interest income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return and the unearned portion is followed under unearned interest income account.

Transactions regarding operational agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

Akbank has implemented accounting policy changes resulting from the initial implementation of the "TFRS 16 Leases" standard from the new standard, amendments and interpretations effective from 1 January 2019 in accordance with the transitional provisions of the relevant standard.

Akbank assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. Akbank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right to use assets are first recognised by the cost method and include:

- the initial measurement amount of the lease obligation;
- the amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease; and
- all initial direct costs incurred by Akbank.

When Akbank applies the cost method:

- accumulated depreciation and accumulated impairment losses are deducted; and
- the restatement of the lease obligation is measured at the restated cost.

Akbank applies the provisions of depreciation regulated under the TMS 16 Tangible Assets Standards, while depreciating the rights of use assets.

At the effective date of the lease, Akbank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using Akbank's average borrowing interest rates.

The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, Akbank measures the leasing liability as follows:

- increase the book value to reflect the interest on the lease obligation;
- reduce the book value to reflect the lease payments made; and
- the book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as at revised nature.

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability.

The "TFRS 16 Leasing" Standard was promulgated in Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting period starting on 31 December 2018. Akbank applied TFRS 16 "Leasing" standard, which replaced TAS 17 "Leasing", as at 1 January 2019, the date of first implementation. The impact of this transition on equities were classified under "Other Capital Reserves" in expense equities amounting to TL 118,848. Within this scope, a deferred tax asset amounting TL 26,168 was reflected in the financial figures as at 1 January 2019 and classified under "Other Capital Reserves" in equities. Akbank re-arranged the comparable amounts for the previous year by using a retrospective mixed transition practice. With this method, all tenure assets were measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period. Rights and liabilities to use the asset pertaining to the lease, which were previously classified as financial leasing, were measured based on the carrying amount of the said assets before the transition.

During the first implementation, Akbank recognised lease liability concerning leases which were previously recognised as operational leasing as per TAS 17. These liabilities were measured based on the discounted current value by using the average borrowing rate of interest of the remaining lease payments on 1 January 2019.

Disclosures of IFRS 9 Financial Instruments

As at 1 January 2018 Akbank started to recognise provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). TFRS 9 is a new and complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortised cost. In addition, the operation of the models require large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account management's best estimate at the balance sheet date and historical losses incurred.

Analysis of Results of Operations and Financial Condition

The tables below set out Akbank's summary income statement for the three-month periods ended 31 March 2020 and 31 March 2019 and for each of the years ended 31 December 2019, 2018, and 2017.

	For the three-month period ended 31 March		
	2020	**2020/2019 Change**	**2019**
	(TL thousands)	*(%)*	*(TL thousands)*
Interest income	8,460,481	(7.4)%	9,133,187
Interest expense	3,219,355	(41.1)%	5,467,579
Net interest income	**5,241,126**	**43.0%**	**3,665,608**
Net fee and commission income	1,263,983	6.0%	1,192,810
Dividend income	235	(94.1)%	3,993
Trading income/(loss) (net)	(485,684)	(342.2)%	200,532
Other operating income	393,246	74.3%	225,592
Total operating income	**6,412,906**	**21.3%**	**5,288,535**
Provision for loan losses and other receivables	2,583,975	46.8%	1,759,690
Other operating expenses[(1)]	2,055,007	22.4%	1,678,937
Net operating income/(loss)	**1,773,924**	**(4.1)%**	**1,849,908**
Tax provision for continuing operations	471,253	6.6%	442,168
Net income/(loss)	**1,302,671**	**(7.5)%**	**1,407,740**

Note:

(1) Includes personnel expenses.

	For the year ended 31 December			
	2019	**2019/ 2018 Change**	**2018**	**2018/ 2017 Change**
	(TL thousands)	*(%)*	*(TL thousands)*	*(%)*
Interest income	36,498,492	3.0%	35,445,105	45.3%
Interest expense	19,560,065	(1.5)%	19,849,235	51.6%
Net interest income	**16,938,427**	**8.6%**	**15,595,870**	**38.1%**
Net fee and commission income	4,958,293	33.4%	3,718,214	25.5%
Dividend income	6,743	2.7%	6,567	147.1%
Trading income/(loss) (net)	(1,145,675)	79.7%	(637,489)	20.3%
Other operating income	855,488	(15.8)%	1,015,593	(18.6)%
Total operating income	**21,613,276**	**9.7%**	**19,698,755**	**31.5%**
Provision for loan losses and other receivables	7,804,142	15.4%	6,759,974	176.8%
Other operating expenses[(1)]	6,882,308	18.6%	5,802,347	18.9%
Net operating income/(loss)	**6,926,826**	**(2.9)%**	**7,136,434**	**(6.8)%**
Tax provision for continuing operations	1,574,487	10.3%	1,427,281	(12.6)%
Net income/(loss)	**5,352,339**	**(6.2)%**	**5,709,153**	**(5.2)%**

Note:

(1) Includes personnel expenses.

	For the year ended 31 December 2017
	(TL thousands)
Interest income	24,389,468
Interest expense	13,096,669
Net interest income	**11,292,799**
Net fee and commission income	2,961,964
Dividend income	2,658
Trading income/(loss) (net)	(529,945)
Other operating income	1,247,964
Total operating income	**14,975,440**
Provision for loan losses and other receivables	2,441,912
Other operating expenses	4,879,293
Net operating income/(loss)	**7,654,235**

Tax provision for continuing operations	1,633,953
Net income/(loss)	**6,020,282**

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

	For the three-month period ended 31 March	
	2020	**2019**
Net interest income	81.7%	69.3%
Net fee and commission income	19.7%	22.6%
Dividend income	0.0%	0.1%
Trading income/(loss) (net)	(7.6)%	3.8%
Other operating income	6.1%	4.3%
Total operating income	**100.0%**	**100.0%**

	For the year ended 31 December		
	2019	**2018**	**2017**
Net interest income	78.4%	79.2%	75.4%
Net fee and commission income	22.9%	18.9%	19.8%
Dividend income	0.0%	0.0%	0.0%
Trading income/(loss) (net)	(5.3)%	(3.2)%	(3.5)%
Other operating income	4.0%	5.2%	8.3%
Total operating income	**100.0%**	**100.0%**	**100.0%**

On 23 March 2020, Akbank announced that the Board of Directors had proposed to the General Assembly not to distribute the net profit of TL 5,417,467,861.42 resulting from operations conducted in 2019, and to allocate all of the net profit to "Extraordinary Reserves" after the allocation of TL 240,000,000 to general legal reserves. The General Assembly approved the Board of Director's proposal with the Ordinary General Assembly Meeting held on 23 March 2020.

Net Income

The following tables set out the principal components of Akbank's net income for the three-month period ended 31 March 2020 and 31 March 2019 and for each of the years ended 31 December 2019, 2018 and 2017.

	For the three-month period ended 31 March		
	2020	**2019**	**% change**
	(TL thousands, except percentages)		
Interest and similar income	8,460,481	9,133,187	(7.4)%
Interest expense and similar charges	3,219,355	5,467,579	(41.1)%
Non-interest income[(1)]	1,171,780	1,622,927	(27.8)%
Provision for loan losses and other receivables	2,583,975	1,759,690	46.8%
Other operating expenses	2,055,007	1,678,937	22.4%
Tax provision for continuing operations	471,253	442,168	6.0%
Income/(loss) from the group	1.302.666	1,407,736	(7.5)%
Income/(loss) from minority interest	5	4	25.0%
Net income	**1,302,671**	**1,407,740**	**(7.5)%**

	For the year ended 31 December		% change	
	2019	**2018**	**2019/2018**	**2018/2017**
	(TL thousands, except percentages)			
Interest and similar income	36,498,492	35,445,105	3.0%	45.3%
Interest expense and similar charges	19,560,065	19,849,235	(1.5)%	51.6%
Non-interest income[(1)]	4,674,849	4,102,885	13.9%	11.4%

Provision for loan losses and other receivables	7,804,142	6,759,974	15.4%	176.8%
Other operating expenses	6,882,308	5,802,347	18.6%	18.9%
Tax provision for continuing operations	1,574,487	1,427,281	10.3%	12.6%
Income/(loss) from the group	5,352,325	5,709,166	(6.3)%	(5.2)%
Income/(loss) from minority interest	14	(13)	(207.7)%	(244.4)%
Net income	**5,352,339**	**5,709,153**	**(6.2)%**	**(5.2)%**

	For the year ended 31 December 2017
	(TL thousands)
Interest and similar income	24,389,468
Interest expense and similar charges	13,096,669
Non-interest income(1)	3,682,641
Provision for loan losses and other receivables	2,441,912
Other operating expenses	4,879,293
Tax provision for continuing operations	(1,633,953)
Income/(loss) from the group	6,020,282
Income/(loss) from minority interest	9
Net income	**6,020,282**

Note:

(1) Non-interest income comprises net fee and commission income, dividend income, trading income/(loss) (net) and other operating income.

Akbank's net income for the year ended 31 December 2019 and the three months ended 31 March 2020 was TL 5.4 billion and TL 1.3 billion, respectively, a 6.3% decrease compared to TL 5.7 billion for the year ended 31 December 2018 and a 7.5% decrease compared to TL 1.4 billion for the three months ended 31 March 2019, respectively. Akbank's net income for the year ended 31 December 2018 was TL 5.7 billion, a 5.2% decrease compared to TL 6.0 billion for the year ended 31 December 2017. Return on average total assets was 1.4% for the year ended 31 December 2019 and 1.3% for the three months ended 31 March 2020, compared to 1.6% and 1.9% for the years ended 31 December 2018 and 31 December 2017 and 1.5% for the three months ended 31 March 2019, respectively. Return on average shareholders' equity (excluding non-controlling interest) was 10.9% for the year ended 31 December 2019 and 9.6% for the three months ended 31 March 2020 compared to 13.6% and 16.2% for the years ended 31 December 2018 and 2017 and 12.3% for the three months ended 31 March 2019, respectively. The sector average return on average shareholders' equity was 10.9% for the year ended 31 December 2019 and 12.6% for the three months ended 31 March 2020 on a standalone basis (source: BRSA monthly data).

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 loans and interest on marketable securities (principally Turkish government securities denominated in Turkish Lira).

The tables below set out the principal components of Akbank's net interest income for the three-month periods ended 31 March 2020 and 31 March 2019 and the years ended 31 December 2019, 2018 and 2017.

	For the three-month period ended 31 March			**For the year ended 31 December**			
	2020	**Change (%)**	**2019**	**2019**	**Change (%)**	**2018**	**Change (%)**
	(TL thousands, except percentages)						
Interest Income – Interest Expense:							
Interest on loans	6,099,429	(14.2)%	7,111,206	28,136,339	6.6%	26,383,644	37.5%
Interest from reserve requirements	13,689	(88.6)%	120,363	364,578	(22.8)%	472,136	84.1%

Interest from banks	98,403	(49.5)%	194,827	754,821	(4.9)%	793,556	212.3%
Interest from money market transactions	48,775	9297.9%	519	226,360	(0.4)%	227,286	626.9%
Interest from marketable securities	2,081,498	34.6%	1,546,016	6,411,341	(8.1)%	6,974,975	65.3%
Financial lease income	105,532	(14.3)%	123,137	460,232	(9.4)%	508,121	23.3%
Other interest income	13,155	(64.6)%	37,119	144,821	69.6%	85,387	152.2%
Total interest income	**8,460,481**	**(7.4)%**	**9,133,187**	**36,498,492**	**3.0%**	**35,445,105**	**45.3%**
Interest on deposits	2,281,394	(43.4)%	4,030,165	14,599,127	(1.8)%	14,864,744	43.8%
Interest on funds borrowed	340,071	(27.2)%	467,138	1,650,489	(1.0)%	1,667,243	94.8%
Interest on money market transactions	158,109	(64.9)%	450,076	1,071,788	(36.7)%	1,692,320	115.1%
Interest on securities issued	331,098	(32.8)%	493,052	2,135,409	31.6%	1,623,025	51.5%
Other interest expense	108,683	300.3%	27,148	103,252	5325.7%	1,903	(95.8)%
Total interest expense	**3,219,355**	**(41.1)%**	**5,467,579**	**19,560,065**	**(1.5)%**	**19,849,235**	**51.6%**
Net interest income	**5,241,126**	**43.0%**	**3,665,608**	**16,938,427**	**8.6%**	**15,595,870**	**38.1%**

	For the year ended 31 December 2017
	(TL thousands)
Interest Income – Interest Expense:	
Interest on loans	19,181,610
Interest from reserve requirements	256,456
Interest from banks	254,073
Interest from money market transactions	31,266
Interest from marketable securities	4,220,083
Financial lease income	412,127
Other interest income	33,853
Total interest income	**24,389,468**
Interest on deposits	10,337,683
Interest on funds borrowed	856,081
Interest on money market transactions	786,677
Interest on securities issued	1,071,253
Other interest expense	44,975
Total interest expense	**13,096,669**
Net interest income	**11,292,799**

Net interest income increased by 43.0% for the three months ended 31 March 2020, from TL 3.7 billion for the three months ended 31 March 2019 to TL 5.2 billion, mainly driven by the decrease in interest on deposits exceeding the decrease in interest income on loans due to a declining rate environment. Akbank's total interest expense decreased by 41.1% between the three-month periods ended 31 March 2020 and 2019 while interest income decreased by 7.4% during the same period. The decrease in interest expense was primarily driven by a decrease in interest on deposits due to declines in interest rates, offset by an increase in deposit volumes. Akbank's total deposits increased by 10.7 % in line with its strategy to maintain a prudent and well diversified funding base. For the same period, total loans increased by 2.4% and total investment securities increased by 6.3%. Akbank's net interest margin (unadjusted for swap costs) increased to 5.62% in the three months ended 31 March 2020 from 4.37% for the three months ended 31 March 2019.

Net interest income increased by 8.6% for the year ended 31 December 2019, from TL 15.6 billion for the year ended 31 December 2018 to TL 16.9 billion, mainly driven by broad- based TL loan growth which especially gained pace in the fourth quarter of 2019 and higher income from securities excluding negative CPI-linked securities impact due to lower inflation in 2019. This was offset by weak demand for foreign currency loans, which decreased in 2019. Akbank's total interest expense decreased by 1.8% between the year ended 31 December 2018 and 2019 while interest income increased by 2.8% during the same period. The decrease in the cost of funding was primarily driven by easing in deposit costs especially in the second half of 2019. Akbank's total deposits increased by 17.3% in-line with the overall loan growth to maintain its prudent funding strategy. Akbank actively sought to grow its source of deposits as part of its funding mix compared to money market transactions with the aim of achieving a more stable and sustainable funding base. For the same period, total loans increased by 8.4% and total investment securities increased by 47.3%. Akbank's net interest margin (unadjusted for swap costs) increased to 4.93% in the year ended 31 December 2019 from 4.62% as at 31 December 2018.

Akbank has inflation-indexed (CPI) government bonds in its available-for-sale and held-to-maturity portfolios with semi-annual fixed real coupon rates and maturities of 5 to 10 years. These securities are valued using an index which is calculated by considering the estimated inflation rate as at the balance sheet date. This estimated inflation rate is updated during the year when necessary. As at 31 December 2019 and 31 March 2020, the valuation index of the related securities was based on actual coupon rates and the change between the reference inflation rate at the issue date and the inflation index as at the reporting date.

Net interest income increased by 38.1% for the year ended 31 December 2018, from TL 11.3 billion for the year ended 31 December 2017 to TL 15.6 billion, mainly driven by increasing loan yields and higher income from marketable securities including positive CPI impact Akbank's total interest expense increased by 52.1% between the year ended 31 December 2017 and 2018 while interest income increased by 45.6% during the same period. The increase in cost of funding was primarily driven by increasing deposit costs. Akbank's total deposits increased by 3.5%, in line with overall loan growth. Akbank actively sought to grow deposits as part of its funding mix compared to money market transactions in order to have a more stable and sustainable funding base. For the same period, total loans remained constant and total investment securities decreased by 8.1%. Akbank's net interest margin increased to 4.62% in the year ended 31 December 2018 compared to 3.80% as at 31 December 2017.

The tables below set out certain additional information about Akbank's net interest margin for the periods indicated:

	For the three-month period ended 31 March	
	2020	**2019**
	(%)	
TL Loans	14.16	18.68
TL Deposits (blended)	7.60	16.17
TL Time Deposits	9.59	20.24
FX Loans	5.29	5.78
FX Deposits (blended)	0.82	2.12
FX Time Deposits	1.07	2.72
Loan-Deposit impact		
TL Securities	13.20	16.24
FX Securities	3.84	3.74
Securities Impact	—	—
Repo and other impact	—	—
Net Interest Margin[(1)]	**5.62**	**4.37**

	For the year ended 31 December	
	2019	**2018**
	(%)	
TL Loans	15.78	18.2
TL Deposits (blended)	9.99	17.5
TL Time Deposits	12.65	21.6
FX Loans	5.66	5.6
FX Deposits (blended)	1.29	3.4
FX Time Deposits	1.65	4.2
Loan-Deposit impact		
TL Securities	11.38	34.5
FX Securities	3.91	3.9
Securities Impact	—	—
Repo and other impact	—	—

Net Interest Margin[(1)]	**4.93**	**4.62**

	For the year ended 31 December 2017
	(%)
TL Loans	13.25
TL Deposits (blended)	10.23
TL Time Deposits	12.78
FX Loans	4.98
FX Deposits (blended)	2.04
FX Time Deposits	2.50
Loan-Deposit impact	—
TL Securities	11.79
FX Securities	3.83
Securities Impact	—
Repo and other impact	—
Net Interest Margin[(1)]	**3.80**

Note:

(1) The net interest margin figures presented above have been calculated on a quarterly basis and have been derived from Akbank's unaudited management accounting records and are not directly comparable to Akbank's net interest margin figures presented elsewhere in this prospectus or the financial statements.

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

Interest income is a function of both volume of, and yield earned on, Akbank's interest-earning assets, mainly from loans and debt securities.

Interest income was TL 8.5 billion for the three months ended 31 March 2020, a decrease of 7.4% compared to TL 9.1 billion for the three months ended 31 March 2019. The increase in interest income was principally due to a decrease in interest on loans in-line with the declining interest rate environment. Total assets increased by 9.2% as at 31 March 2020 to TL 421.4 billion from TL 386.0 billion as at 31 March 2019 driven by proactive positioning in securities. Investment securities increased by 7.1% from TL 83.4 billion as at 31 December 2019 to TL 89.3 billion as at 31 March 2020 and total loans increased by 2.4% from TL 226.8 billion as at 31 December 2019 to TL232.2 billion as at 31 March 2020. See *"—Significant Factors Affecting Akbank's Results of Operations—Loan Portfolio Growth and Asset Quality"*.

Interest income was TL 36.5 billion for the year ended 31 December 2019, an increase of 2.8% compared to TL 35.5 billion for the year ended 31 December 2018. For the year ended 31 December 2019, the increase in interest income was principally due to a 6.6% increase in interest income from loans primarily driven by broad-based TL loan growth which especially gained pace in the fourth quarter of 2019 and foreign currency loan growth. Total assets increased by 9.1% as at 31 December 2019 to TL 387.1 billion from TL 354.7 billion as at 31 December 2018. Investment securities increased by 47% from TL 56.8 billion as at 31 December 2018 to TL 83.6 billion as at 31 December 2019 due to Akbank being active in the investment securities market during a slow loan growth period and ahead of the rate cut cycle (in particular in relation to fixed rate bonds) and total loans increased by 8.34% from TL 209.3 billion as at 31 December 2018 to TL 226.8 billion as at 31 December 2019. See *"—Significant Factors Affecting Akbank's Results of Operations—Loan Portfolio Growth and Asset Quality"*.

Interest income was TL 35.4 billion for the year ended 31 December 2018, an increase of 45.3% compared to TL 24.4 billion for the year ended 31 December 2017. For the year ended 31 December 2018, the increase in interest income was principally due to increasing loan yields and higher income from marketable securities including positive CPI impact. Total assets increased by 3.8% as at 31 December 2018 to TL 354.7 billion from TL 341.6 billion as at 31 December 2017. Investment securities decreased by 8.8% from TL 61.6 billion as at 31 December 2017 to TL 56.8 billion as at 31 December 2018 and total loans decreased by 2.26% from TL 209.5 billion as at 31 December 2017 to TL 204.8 billion as at 31 December 2018. See *"—Significant Factors Affecting Akbank's Results of Operations—Loan Portfolio Growth and Asset Quality"*.

Interest Income from Loans. The tables below set out certain key components of Akbank's total loans for the three-month period ended 31 March 2020 and the years ended 31 December 2019, 2018 and 2017.

	For the three-month period ended 31 March		For the year ended 31 December			
	2020	**Change %**	**2019**	**Change %**	**2018**	**Change %**
	(TL thousands, except percentages)					
Consumer loans	35,556	10.7%	32,114	10.2%	29,142	(9.3)%
Commercial and small and micro loans	78,425	(1.8)%	79,882	(3.1)%	82,445	(5.5)%
Credit cards	16,091	(0.2)%	16,120	9.2%	14,733	5.2%
Corporate loans	86,556	3.3%	83,802	11.6%	75,116	(1.0)%
Performing loans	**216,628**	2.2%	**211,918**	**5.2%**	**201,476**	**(3.8)%**
Non-performing loans	15,584	4.9%	14,857	89.5%	7,839	72.9%
Total loans and advances to customers(1)	**232,212**	2.4%	**226,775**	**8.3%**	**209,288**	**(2.1)%**
Allowance for loan losses(2)	9,166	9.8%	8,347	82.9%	4,563	4.2%
Net loans and advances to customers	**223,046**	2.1%	**218,428**	**6.7%**	**204,752**	**(2.3)%**

Notes:

(1) The balances of loans at fair value thorugh profit or loss are not included.
(2) Stage 3 provisions are not included.

	For the year ended 31 December 2017
	(TL thousands, except percentages)
Consumer loans	32,125
Commercial and small and micro loans	87,277
Credit cards	14,049
Corporate loans	75,875
Performing loans	**209,326**
Non-performing loans	4,533
Total loans and advances to customers	**213,859**
Allowance for loan losses	4,380
Net loans and advances to customers	**209,479**

As at 31 March 2020, Akbank's loan portfolio comprised 37% corporate clients (both Turkish Lira and foreign currency), 34% small and micro and commercial businesses, 15.3% consumer and 6.9% credit card loans. Interest income from loans was TL 6.1 billion in the three months ended 31 March 2020, a decrease of 14.2% compared to TL 7.1 billion in the three months ended 31 March 2019 primarily due to the declining interest rate environment.

As at 31 December 2019, Akbank's loan portfolio comprised 37% corporate clients and commercial businesses (both Turkish Lira and foreign currency), 35% small and micro, 14% consumer and 7% credit card loans. Interest income from loans was TL 28.1 billion in the year ended 31 December 2019, an increase of 6.3% compared to TL 26.5 billion in the year ended 31 December 2018 primarily due to increasing loan yields and higher income from marketable securities including positive CPI impact.

As at 31 December 2018, Akbank's loan portfolio comprised 36% corporate clients and commercial businesses (both Turkish Lira and foreign currency), 39% small and micro, 115% consumer and 7% credit card loans.

Interest income from loans was TL 26.5 billion in the year ended 31 December 2018, an increase of 37.9% compared to TL 19.1 billion in the year ended 31 December 2017, primarily due to higher loan yields as well as growth in loans.

As at 31 December 2017, Akbank's loan portfolio comprised 35% corporate clients and commercial businesses (both Turkish Lira and foreign currency), 41% small and micro, 15% consumer and 7% credit card loans.

In the three months ended 31 March 2020, small and micro and commercial loans decreased by 1.8%, credit card loans decreased by 0.2%, consumer loans increased by 10.7% (principally driven by an increase in general purpose loans driven driven by an increase in general purpose loans supported by a significant contribution from digital channels and corporate loans increased by 3.3%. As at 31 March 2020, Akbank had a 7.0% market share in total loans (standalone) in Turkey (7.2 % in TL loans and 6.8% in foreign currency loans) (source: Weekly BRSA).

In the year ended 31 December 2019, small and micro and commercial loans decreased by 3.1%, credit card loans increased by 9.1%, consumer loans increased by 10.2% (principally driven by increased consumer demand especially in the fourth quarter) and corporate loans increased by 11.6%. As at 31 December 2019, Akbank had a 7.4% market share in total loans (standalone) in Turkey (7.8 % in TL loans and 6.8% in foreign currency loans) (source: Weekly BRSA).

In the year ended 31 December 2018, small and micro and commercial loans decreased by 5.5%, credit card loans increased by 5.5%, consumer loans decreased by 9.3% and corporate loans decreased by 1.0%. The decrease loans was due to muted loan growth environment As at 31 December 2018, Akbank had a 7.8% market share in total loans (standalone) in Turkey (8.2% in TL loans and 7.3% in foreign currency loans) (source: Weekly BRSA).

Interest Income from Marketable Securities. Akbank's interest income from marketable securities amounted to TL 2.1 billion in the three months ended 31 March 2020, which was an increase of 34.6% compared to TL 1.5 billion in the three months ended 31 March 2019. This increase was primarily due to an increase in income from fixed rate TL securities.

Akbank's interest income from marketable securities amounted to TL 6.1 billion in the year ended 31 December 2019, which was a decrease of 8.1% compared to TL 6.9 billion in the year ended 31 December 2018. This decrease was primarily due to a negative impact from CPI-linked securities due to lower inflation rates compared to 2018.

Akbank's interest income from marketable securities amounted to TL 6.9 billion in the year ended 31 December 2018, an increase of 65.3% compared to TL 4.2 billion in the year ended 31 December 2017. This increase was primarily due to positive CPI impact.

For an analysis of changes in Akbank's interest income between 31 December 2019 and 31 December 2017 and between 31 March 2019 and 31 March 2018, see *"Selected Statistical and Other Information—Analysis of Changes in Net Interest Income and Interest Expense"*.

Interest Expense

Akbank's liabilities predominantly consist of short-term deposits from retail and corporate customers, as well as debt from securities issuances, funds provided under repurchase agreements and borrowings from other banks.

Total liabilities excluding shareholders' equity increased by 10.4% from TL 332.8 billion as at 31 December 2019 to TL 367.5 billion as at 31 March 2020. Deposits increased by 10.7% from TL 244.7 billion as at 31 December 2019 to TL 270.8 billion as at 31 March 2020. Funds borrowed increased by 2.9% from TL 34.8

billion as at 31 December 2019 to TL 35.8 billion as at 31 March 2020. Debt securities increased by 0.4% from TL 67.1 billion as at 31 December 2019 to TL 67.4 as at 31 March 2020.

Interest expense for the three months ended 31 March 2020 decreased by 41.1% to TL 3.2 billion from TL 5.5 billion in the three months ended 31 March 2019. The decrease in interest expense was principally due to a decline in interest on deposits due to lower deposit costs.

Outstanding average TL deposits increased by 10.6% in the three months ended 31 March 2020 as compared to the three months ended 31 December 2019. The average volume of foreign currency denominated deposits increased by 12.1% in the three months ended 31 March 2020 as compared to 31 December 2019. In U.S. Dollar terms, there was an increase in foreign currency deposits of 7.2% from TL 81,655,611 to TL 87,533,671 over the same period driven by a continued preference for dollar deposits.

In terms of outstanding deposits, TL 63.2 billion were demand deposits and TL 207.5 billion were time deposits as at 31 March 2020, compared to TL 53.3 billion demand deposits and TL 191.4 billion time deposits as at 31 December 2019.

The annual average cost of TL time deposits decreased to 9.83% in the three months ended 31 March 2020 from 19.69% in the three months ended 31 March 2019 due to interest rate declines following the Central Bank's rate cuts.

Interest expense on funds borrowed decreased to TL 340.1 billion in the three months ended 31 March 2020 from TL 467.1 billion in the three months ended 31 March 2019. Foreign currency funds borrowed were 2.4% higher as at 31 March 2020 compared to 31 December 2019.

Total liabilities excluding shareholders' equity increased by 7% in 2019, from TL 310.9 billion as at 31 December 2018 to TL 332.8 billion as at 31 December 2019. Deposits increased by 17% in 2019, from TL 208.6 billion as at 31 December 2018 to TL 244.7 billion as at 31 December 2019 (source: Weekly BRSA statistics). Funds borrowed decreased by 20% in 2019, from TL 43.7 billion as at 31 December 2018 to TL 34.3 billion as at 31 December 2019, mainly due to the decrease in funds borrowed from foreign banks and institutions. Debt securities decreased by 12.6% in 2019, from TL 61.5 million as at 31 December 2018 to TL 53.8 million as at 31 December 2019.

Interest expense for the year ended 31 December 2019 decreased by 1.5% to TL 19.6 billion from TL 19.9 billion in the year ended 31 December 2018. The decrease in interest expense in 2019 was principally due to easing in deposit costs, especially in the second half of 2019 with lower market interest rates.

Outstanding average TL deposits increased by 18% in the year ended 31 December 2019 as compared to the year ended 31 December 2018. The average volume of foreign currency denominated deposits increased by 17% in the year ended 31 December 2019 as compared to the year ended 31 December 2018, mainly due to a depreciation of the Turkish Lira. In U.S. Dollar terms, there was an increase in foreign currency deposits of 4% from TL 24.2 billion to TL 25.1 billion over the same period.

In terms of outstanding deposits, TL 53.3 billion were demand deposits and TL 191.4 billion were time deposits as at 31 December 2019, compared to TL 42.1 billion demand deposits and TL 166.5 billion time deposits as at 31 December 2018.

The annual average cost of TL time deposits decreased to 8.42% in the year ended 31 December 2019 from 17.18% in the year ended 31 December 2018 due to changes in interest rates.

Interest expense on funds borrowed decreased to TL 1.65 billion in the year ended 31 December 2019 from TL 1.67 billion in the year ended 31 December 2018. Foreign currency funds borrowed were 18% lower as at 31 December 2019 compared to 31 December 2018.

Total liabilities excluding shareholders' equity increased by 3% in 2018, from TL 301.0 billion as at 31 December 2017 to TL 310.9 billion as at 31 December 2018, with deposits increasing by 4% in 2018, from TL 201.5 billion as at 31 December 2017 to TL 208 billion as at 31 December 2018.

Funds borrowed increased by 30% in 2018, from TL 33.6 billion as at 31 December 2017 to TL 43.7 billion as at 31 December 2018. Debt securities decrease by 17.6% in 2018, from TL 15.9 billion in 2017 to TL 13.1 billion in 2018.

Interest expense for the year ended 31 December 2018 increased by 51.6% to TL 19.9 billion from TL 13.1 billion in the year ended 31 December 2017. The increase in interest expense in 2018 was principally due to increasing deposit costs.

Outstanding average TL-denominated deposits decreased by 12% in the year ended 31 December 2018 as compared to the year ended 31 December 2017. The average volume of foreign currency denominated deposits denominated increased by 17% in the year ended 31 December 2018 as compared to the year ended 31 December 2017, mainly due to depreciation of the Turkish Lira. However, in U.S. Dollar terms, there was a decrease in foreign currency deposits of 17% from TL 29 billion to TL 24 billion over the same period.

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 2019 and 31 December 2017 and between 31 March 2020 and 31 March 2019, see *"Selected Statistical and Other Information—Analysis of Changes in Net Interest Income and Interest Expense"*.

Provision for Loan Losses

Prior to the introduction of TFRS 9, Akbank had historically maintained a general policy of taking 100% provision for loan losses (irrespective of collateral) unless management believed collections from collateral would be likely. Akbank's NPLs (i.e. over 90 days past due) had been fully provisioned in accordance with BRSA regulations, except for a few instances, where management believed collections from collateral would be sufficient for recovering the loan amount. When management decided to allocate less than 100% provisions for any NPL, the nature of collateral and the group in which the collateral was classified was considered. Collateral is classified into different groups and each group of collateral had a different rate of consideration in the calculation of special provisions. In the few cases where Akbank has decided not to allocate 100% provision, collateral and special provisions have been valued and calculated within the legal framework and in accordance with BRSA regulations.

Akbank's provisions for loan losses increased by 46.8% to TL 2.6 billion as at 31 March 2020 from TL 1.8 billion as at 31 March 2019, compared with the 2.4% growth in its loan portfolio over the same period. The significant increase in provisions was driven by expectations of worsening asset quality due to the negative impact of COVID-19, with provisions expected to further increase in the second quarter of 2020. Akbank's provisions for loan losses increased by 15.4% to TL 7.8 billion in the year ended 31 December 2019 from TL 6.8 billion in the year ended 31 December 2018, compared with the 8.4% growth in its loan portfolio over the same period. Akbank's provisions for loan losses increased by 183.3% to TL 6.8 billion in the year ended 31 December 2018 from TL 2.4 billion in the year ended 31 December 2017 principally driven by implementation of IFRS 9 at the beginning of 2018 and also due to overall macro-economic volatility.

Akbank's NPL ratio increased to 6.9% as at 31 March 2020 compared to 6.7% as at 31 December 2019 and 3.8% and 2.2% as at 31 December 2018 and 2017, respectively. Turkish sector averages for the same periods were 5.0%, 5.4%, 3.9%, and 3.0% respectively (source: BRSA), with Akbank's percentage being above sectoral averages in 2019 due to Akbank's proactively acting on NPL classifications and adverse effects caused by loan growth pace. As noted above, due to the BRSA's regulatory changes in relation to loan classification, the negative impact of COVID-19 on asset quality is expected to be reflected later in 2020.

Akbank's segment NPL breakdown as at 31 March 2020 consisted of an NPL ratio of 7.2% for business loans, 4.5% for consumer loans and 6.3% for credit cards. The banking sector's breakdown in the respective segments were 5.5%, 2.5% and 5.2% (source: BRSA).

Akbank's segment NPL breakdown as at 31 December 2019 consisted of an NPL ratio of 7.1% for business loans, 4.8% for consumer loans and 6.0% for credit cards. The banking sector's breakdown in the respective segments were 5.5%, 2.8% and 5.3% (source: Banking Regulation and Supervision Agency).

Akbank's segment NPL breakdown for the year ended 31 December 2018 consisted of an NPL ratio of 3.5% for business loans, 3.9% for consumer loans and 5.1% for credit cards. The banking sector's breakdown in the respective segments over the same period were 3.5%, 2.8% and 5.7% (source: BRSA).

Akbank's total NPL coverage ratio as at 31 December 2019 was 56.2% and as at 31 March 2020 was 58.8%.

For additional information on Akbank's loan losses, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Akbank's Provisioning Policy 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 three-month periods ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017.

	For the three-month period ended 31 March				
	2020	**% of Total non-interest income**	**% Change y-o-y**	**2019**	**% of Total non-interest income**
	(TL thousands, except percentages)				
Net fee and commission income	1,263,983	107.9%	5.6%	1,192,810	73.5%
Dividend income	235	0.0%	(94.1)%	3,993	0.2%
Trading income/(loss)	(485,684)	(41.4)%	(342.2)%	200,532	12.4%
Other operating income	393,246	33.6%	74.3%	225,592	13.9%
Total non-interest income	**1,171,780**	**100.0%**	**(27.8)**	**1,622,927**	**100.0%**

	For the year ended 31 December				
	2019	**% of Total non-interest income**	**% Change y-o-y**	**2018**	**% of Total non-interest income**
	(TL thousands, except percentages)				
Net fee and commission income	4,958,293	106%	33.4%	3,718,214	91%
Dividend income	6,743	0%	2.7%	6,567	0%
Trading income/(loss)	(1,145,675)	(25)%	79.7%	(637,489)	(16)%
Other operating income	855,488	18%	(15.8)%	1,015,593	25%
Total non-interest income	**4,674,849**	**100%**	**13.9%**	**4,102,885**	**100%**

	For the year ended 31 December	
	2017	**% of Total non-interest income**
	(TL thousands, except percentages)	
Net fee and commission income	2,961,964	80.4%
Dividend income	2,658	0.1%
Trading income/(loss)	(529,945)	(14.4)%
Other operating income	1,247,964	33.9%

Total non-interest income	**3,682,641**	**100.0%**

Akbank earns fee and commission income mainly from credit cards, bancassurance, asset management, consumer and commercial loans, including mortgage loans and project finance loans. The principal drivers for fee and commission income are credit cards and consumer and business banking products. Net fee and commission income increased by 5.6% in the three months ended 31 March 2020 compared to the three months ended 31 March 2019. Net fee and commission income increased by 33.3% in 2019 compared to 2018 and increased by 25.5% in 2018 compared to 2017. Although such fees potentially grow in parallel to the growth in consumer banking, changes in regulation have imposed limits or prohibition on fees and commissions that a bank may charge for banking services and such regulations have had and may in the future have an adverse impact on fee and commission income. In particular, regulatory changes in the beginning of 2020 are likely to limit growth of fee and commission income in 2020.

Total non-interest income decreased by 27.7% in the three months ended 31 March 2020 to TL 1.2 billion from TL 1.6 billion in the three months ended 31 March 2019, primarily due to a decline in net fee and commission income mainly impacted by regulatory changes, decline in interest rates and lower business activity.

Total non-interest income increased by 14.6% in 2019 to TL 4.7 billion from TL 4.1 billion in 2018, primarily due to an increase on fees and commission received.

Total non-interest income increased by 10.8% in 2018 to TL 4.1 billion from TL 3.7 billion in 2017, primarily due to an increase on fees and commission received.

Total Non-interest Expense

The following tables show the components of Akbank's non-interest expense for the three-month periods ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017.

	For the year ended 31 March				
	2020	**% of Total non-interest income**	**% Change y-o-y**	**2019**	**% of Total non-interest income**
	(TL thousands, except percentages)				
Personnel expenses	812,372[(1)]	39.5%	18.6%	685,078[(2)]	40.8%
Depreciation expenses	156,178	7.6%	24.7%	125,243	7.5%
Operational leasing expenses	28,446	1.4%	4.8%	27,131	1.6%
Maintenance expenses	11,230	0.5%	(31.8)%	16,476	1.0%
Advertisement expenses	32,927	1.6%	12.5	29,262	1.7%
Other expenses	1,013,854	49.3%	27.4	795,747	47.4%
Total non-interest expense	**2,055,007**	**100.0%**	**22.4**	**1,678,937**	**100.0%**

Notes:

(1) Includes severance payment of TL 4,474 thousand.

(2) Includes severance payment of TL 5,427 thousand.

	For the year ended 31 December				
	2019	**% of Total non-interest expense**	**% Change y-o-y**	**2018**	**% of Total non-interest expense**
	(TL thousands, except percentages)				
Personnel expenses	2,778,055	40.4%	22.2%	2,273,545	39.2%
Depreciation expenses	528,520	7.7%	47.6%	358,014	6.2%
Operational leasing expenses	111,643	1.6%	(53.6)%	240,461	4.1%
Maintenance expenses	55,221	0.8%	(9.3)%	60,861	1.0%
Advertisement expenses	143,359	2.1%	14.1%	125,642	2.2%
Other expenses	3,265,510	47.4%	19.0%	2,743,824	47.3%
Total non-interest expense	**6,882,308**	**100.0%**	**18.6%**	**5,802,347**	**100.0%**

	For the year ended 31 December	
	2017	% of Total non-interest expense
	(TL thousands, except percentages)	
Personnel expenses	1,979,489	40.6%
Depreciation expenses	275,779	5.7%
Operational leasing expenses	205,539	4.2%
Maintenance expenses	31,173	0.6%
Advertisement expenses	139,861	2.9%
Other expenses	2,247,452	46.1%
Total non-interest expense	**4,879,293**	**100.0%**

Total non-interest expense increased by 22.4% in the three months ended 31 March 2020 to TL 2.1 billion from TL 1.7 billion in the three months ended 31 March 2019 due to certain one-off items such as an increase in SDIF premiums and insurance penalties.

Total non-interest expense increased by 18.9% in 2019 to TL 6.9 billion from TL 5.8 billion in 2018 due to an increase in operational expenses and annual inflation.

Total non-interest expense increased by 18.3% in 2018 to TL 5.8 billion from TL 4.9 billion in 2017 due to operational expenses and annual inflation.

Akbank was inspected by the Department of Guidance and Investigation of the Ministry of Trade regarding the compliance of its customer agreements and applications with the Consumer Protection Law and related regulations from January 2015 to May 2016 in accordance with Consumer Protection Law - No: 6502. As a result of this inspection, an administrative fine of TL 116.3 million was imposed on Akbank due to non-compliance with the Consumer Protection Law and related regulations with respect to Akbank's practices regarding calculation of annual costs, expertise fees, mortgage release fees, prepayment interest discounts and commissions relating to consumer loans. Benefiting from the statutory discount for due payment of administrative fines, three-fourths of the administrative fine (TL 87,191 thousand) was paid, after which Akbank filed a lawsuit for the cancellation of this administrative fine and the lawsuit is still pending. The Ministry of Trade has also conducted inspections and imposed administrative fines on other Turkish banks on or about the same dates on the grounds that their practices with respect to the calculation of annual costs and the fees received from the customers do not comply with the Consumer Protection Law and related regulations. The lawsuits filed by other banks are also pending. Part of this fine, amounting to TL 87.2 million, is included as "non-interest expense" as a result of a 25% cash allowance according to the Misdemeanour Law - No: 5326 Provisional Article 17/6. Specifically, the Custom Ministry officials reviewed the content of Akbank's standard loan agreements executed with the consumers (e.g., housing loans, auto loans, overdraft loans, general purpose loans and credit card agreements) and fees and commissions that are charged to consumers. Akbank has filed a lawsuit at the administrative courts for nullification of the fine and return of the paid amount. The case against the Ministry of Trade for the monetary fines imposed is dismissed by the court of first instance and subsequently appealed by Akbank. The appeal case is still pending and currently the file is being evaluated by an expert appointed by the court.

Akbank has taken a number of initiatives to increase operational efficiency and reduce the growth of non-interest expenses. These initiatives have included centralising back office operations. Akbank also made improvements in processes, for example reducing the time and the number of personnel needed to finalise processes, while increasing Akbank's capacity to handle such processes. Moreover, as part of Akbank's digitalisation strategy, Akbank was able to optimise its branch network in 2017, 2018 and 2019 and decrease the number of branches from 800 in 2017 to 781 in 2018 and 771 in 2019 while continuing to increase its assets and the number of customers during the same period.

Income Taxes

Income tax expense was TL 1.6 billion and Akbank's effective tax rate was 22.7% in the year ended 31 December 2019 as compared to TL 1.4 billion income tax expense and a 20.0 % effective tax rate in the year ended 31 December 2018 and TL 1.6 billion income tax expense and a 21.3% effective tax rate in the year ended 31 December 2017. Akbank's income tax expense was TL 0.5 billion and its effective tax rate was 26.6% in the three months ended 31 March 2020, compared to TL 0.4 billion and 23.9% in the three months ended 31 March 2019. The variations in effective tax rate were primarily due to differences in BRSA and Ministry of Finance Regulations. The difference arising from regulations has temporary effect and it will be eliminated over the years.

In addition to the general provisions required by the BRSA, Akbank may take additional prudential provisions for adverse circumstances that may arise from any changes in the economy or market conditions. Turkish tax laws do not recognise changes related to general provisions from its taxable income. Accordingly, Akbank's effective tax rate may vary depending on the additional general provisions taken by Akbank.

Liquidity and Funding

Akbank's principal sources of funding are short-term deposits from retail and corporate customers, as well as other banks. Currently, Akbank's strategy is to utilise deposits from its extensive customer base as the main funding source, while opportunistically using repurchase transactions, borrowings from international banks and securities issuances particularly for the medium-term or long-term funding needs although this approach is subject to change depending on market opportunities and changes in prevailing rates for deposits and other funding sources. Although deposits are typically short-term in nature in the Turkish market, Akbank has historically benefited from a high degree of stickiness in its deposits, although competition can be fierce from time to time. In recent years, Akbank has typically deployed excess liquidity from growth in its deposit base and shareholders' equity to fund loans, given the attractive yields compared to marketable securities in the form of Turkish government bonds, with an emphasis on higher yielding loans. In recent years, Akbank's capital adequacy ratio has increased from 16.8 as at 31 December 2017 to 19.7 as at 31 December 2019 and 18.8 as at 31 March 2020 excluding forbearance measures announced by the BRSA. See *"Selected Statistical and Other Information—Capital Adequacy"* below.

Akbank's customer deposits constituted in aggregate 61%, 57% and 54% of its total liabilities as at 31 December 2019, 2018 and 2017, respectively and 61.3% as at 31 March 2020. As at 31 December 2019, Akbank's customer deposits amounted to TL 237.9 billion, an increase of TL 35.4 billion from TL 200.6 billion as at 31 December 2018, which was a TL 12.0 billion increase from TL 186.1 billion as at 31 December 2017. As at 31 March 2020, Akbank's customer deposits amounted to TL 258.2 billion, an increase of 10.9% from TL 233.4 billion as at 31 December 2019. For more information on Akbank's deposits, see *"Selected Statistical and Other Information—Deposits"*.

The remaining major sources of funds are shareholder's equity, funds borrowed under repurchase transactions and borrowings. Such funds represented 26%, 29% and 30% of Akbank's total liabilities as at 31 December 2019, 2018 and 2017, respectively and 26% as at 31 March 2020. Akbank maintains an opportunistic borrowing mix, including repo transactions, syndicated loans, Eurobonds, private placements and securitisations, and covered bonds, based on market conditions and expected growth.

A principal source of liquidity has been Akbank's syndicated loan facilities, which Akbank typically offers on a one year terms, with regular rollovers at maturity. On 22 March 2017, Akbank signed a syndicated dual currency term loan facility consisting of three tranches (2 tranches with maturities of 367 days and the remaining tranche with a maturity of two years plus one day), for the equivalent of U.S.$1.2 billion. On 15 August 2017, Akbank signed a syndicated dual currency term loan facility, of U.S.$1.15 billion equivalent. The transaction consisted of four 367-day tranches and a single two years plus one day tranche, denominated in Euros and U.S. Dollars. Akbank signed a USD 1.1 billion equivalent of syndicated loan agreement in March

2018. The facilities are comprised of a USD denominated 367 day term facility, a EUR denominated 367 day term facility and a 2 year plus 1 business day USD denominated facility. Akbank signed 367 day syndicated loan agreements of: USD 980 million equivalent in September 2018; USD 700 million in March 2019; USD 810 million equivalent in October 2019 and USD 560 million equivalent in April 2020. As a general policy Akbank has been reducing the sizes of its syndicated term loan borrowings due to its strong liquidity position and lower need for foreign exchange liquidity.

Akbank future flow securitisation program was established in 1999 and 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. As at 31 December 2019, the total issuance under this programme had reached over USD 10 billion equivalent, and the principal amount outstanding under this programme was USD 2.9 billion equivalent.

On 23 December 2013, Akbank also established a GMTN Programme and as at 31 December 2019, the total amount raised under this programme was approximately USD 2.5 billion, of which EUR 10 million (approximately USD 11 million) was outstanding. On 23 December 2014, Akbank established a €1 billion mortgage-covered bond programme and has since issued TL 1.8 billion in mortgage-covered bonds under that programme of which approximately TL 1.4 billion was outstanding.

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 Akbank's balance sheet.

The tables below set forth Akbank's total off-balance sheet arrangements as at the dates presented.

	As at 31 March 2020	As at 31 December	
		2019	2018
	(TL thousands)		
Letters of guarantee	31,839,847	31,137,117	34,942,643
Acceptance credits	54,751	50,678	2,740,341
Letter of credit	4,544,034	4,404,510	6,532,762
Other guarantees	6,655,335	7,106,720	8,579,625
Total	**43,093,967**	**42,699,025**	**52,795,371**

	As at 31 December 2017
	(TL thousands)
Letters of guarantee	34,933,208
Acceptance credits	3,758,102
Letter of credit	6,934,325
Other guarantees	6,338,160
Total	**51,963,795**

As at 31 March 2020, Akbank had forward, swap, futures, options, purchases and sales contracts, amounting to TL 528.1 billion on a net basis compared to TL 536.5 billion as at 31 December 2019. As at 31 December 2019, Akbank had forward, swap, futures, options, purchases and sales contracts, amounting to TL 536.5 billion on a net basis compared to TL 613.7 billion as at 31 December 2018. Akbank enters into forward and swap contracts to provide hedging services for itself and its clients.

The tables below set forth Akbank's total derivative transactions as at 31 March 2020 and as at 31 December 2019, 2018 and 2017.

As at 31 March 2020

	(TL thousands)
Trading Derivative Financial Instruments:	
Forward foreign currency buy/sell transactions	19,344,137
Swap transactions	210,763,670
Foreign currency, interest rate and securities options	186,061,452
Foreign currency futures	0
Other	39,323,383
Hedging Derivatives Financial Instruments:	**72,579,629**
Fair Value Hedge	26,979,400
Cash Flow Hedge	45,600,229
Total derivative transactions[(1)]	**528,072,271**

	As at 31 December	
	2019	**2018**
	(TL thousands)	
Trading Derivative Financial Instruments:		
Forward foreign currency buy/sell transactions	20,850,732	28,251,475
Swap transactions	243,036,385	285,000,395
Foreign currency, interest rate and securities options	174,645,064	157,184,043
Foreign currency futures	-	-
Other	33,301,767	81,123,826
Hedging Derivatives Financial Instruments:	**64,659,015**	**62,174,245**
Fair Value Hedge	26,813,770	21,278,727
Cash Flow Hedge	37,845,245	40,895,518
Total derivative transactions[(1)]	**536,492,963**	**613,733,984**

	As at 31 December 2017
	(TL thousands)
Derivatives held for trading:	
Forward foreign currency buy/sell transactions	29,917,943
Swap transactions	221,864,659
Foreign currency, interest rate and securities options	155,022,992
Foreign currency futures	-
Other	54,619,623
Derivatives held for hedging:	**29,509,555**
Interest Rate Swaps	15,156,543
Currency Rate Swaps	14,353,012
Total derivative transactions[(1)]	**490,934,772**

Note:

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

Akbank has seen varying levels of derivatives activity in the past three years. Most of Akbank's derivatives or off-balance sheet transactions are option and swap arrangements with counterparts and customers the risks of which are managed on a portfolio basis or transferred to third parties.

Akbank holds Turkish Lira and foreign currency interest swaps mainly for hedging its balance sheet and for interest rate risk management. Akbank also uses foreign currency secured swaps for liquidity management.

Guarantees represent irrevocable assurances that Akbank 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 Akbank on behalf of a corporate customer authorising a third party to draw drafts on Akbank 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 tables below set forth the components of Akbank's plant, property and equipment as at 31 March 2020 and as at 31 December 2019, 2018 and 2017.

	As at 31 March 2020	As at 31 December 2019	As at 31 December 2018
		(TL thousands)	
Land and Buildings	4,276,082	4,261,023	2,965,882
Equipment and vehicles	2,337,595	2,159,285	1,623,833
Constructions in progress	11,064	7,069	347,795
Leasehold improvements	145,187	144,864	129,851
Total	6,769,928	6,572,241	5,067,362
Depreciation	(1,709,784)	(1,652,544)	(1,108,309)
Net book value	**5,060,144**	**4,919,697**	**3,959,052**

	As at 31 December 2017
	(TL thousands)
Land and Buildings	2,954,805
Equipment and vehicles	1,301,915
Constructions in progress	46,101
Leasehold improvements	111,606
Total	4,414,427
Depreciation	(988,511)
Net book value	**3,425,916**

Akbank's property, plant and equipment comprise expenditure 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).

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 Akbank BRSA Financial Statements, and the information included in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*. All Turkish Lira amounts in this section, unless otherwise indicated, are stated in thousand Turkish Lira.

Average Balances and Interest Rates

Assets

The tables below (derived from Akbank's management accounts) show Akbank's consolidated average balances and interest rates for the three-month period ended 31 March 2020 and for the years ended 31 December 2019, 2018 and 2017. 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.

	For the three-month period ended 31 March 2020			
	Average Balance	**Share of Total %**	**Interest**	**Average Rate %**
	(TL thousands, except percentages)			
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market:(1)				
TL	5,691,033	1.50	104,088	7.32
Foreign currency	48,821,596	12.89	56,780	0.47
Total	**54,512,629**	**14.39**	**160,867**	**1.18**
Marketable securities:(2)				
TL	41,818,029	11.04	1,657,481	15.85
Foreign currency	36,430,614	9.62	424,016	4.66
Total	**78,248,643**	**20.66**	**2,081,498**	**10.64**
Loans:				
TL	128,128,885	33.82	4,879,991	15.23
Foreign currency	86,082,241	22.72	1,219,438	5.67
Total	**214,211,126**	**56.54**	**6,099,429**	**11.39**
Leasing receivables:				
TL	1,325,428	0.35	51,315	15.49
Foreign currency	3,964,107	1.05	54,217	5.47
Total	**5,289,535**	**1.40**	**105,532**	**7.98**
Total interest-earning assets:				
TL	176,963,375	46.71	6,692,875	15.13
Foreign currency	175,298,558	46.28	1,754,451	4.00
Total	**352,261,933**	**92,99**	**8,447,326**	**9.59**
Investments in affiliated companies:				
TL	6,971	0.00	0	0.00
Foreign currency	0	0.00	0	0.00
Total	6,971	0.00	0	0.00
Total earnings assets:				
TL	176,970,346	46.71	6,692,875	15.13
Foreign currency	175,298,558	46.28	1,754,451	4.00
Total	**352,268,904**	**92.99**	**8,447,326**	**9.59**
Cash and due from banks:				
TL	1,646,325	0.43	0	0.00
Foreign currency	1,968,727	0.52	0	0.00
Total	**3,615,052**	**0.95**	**0**	**0.00**
Allowance for possible loan losses:				
TL	(8,756,391)	(-2.31)	0	0.00
Foreign currency	0	0.00	0	0.00
Total	**(8,756,391)**	**(2.31)**	**0**	**0.00**
Premises and equipment (TL):	**5.949.512**	**1.57**	**0**	**0.00**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	12.580.293	3.32	0	0.00
Foreign currency	5.590.339	1.48	0	0.00
Total	**18.170.632**	**4.80**	**0**	**0.00**
Deferred taxes (TL)	**113,700**	**0.03**	**0**	**0.00**
Other assets and prepayments				
TL	3,115,986	0.82	0	0.00
Foreign currency	4,350,834	1.15	0	0.00
Total	**7,466,820**	**1.97**	**0**	**0.00**
Other interest income:		**0.00**	**13,155**	**0.00**
Total average assets:				
TL	191,619,771	50.57	6,706,030	14.00
Foreign currency	187,208,458	49.43	1,754,451	3.75
Total	**378,828,229**	**100.00**	**8,460,481**	**8.93**

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 Akbank.

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

	For the year ended 31 December 2019			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market:[(1)]				
TL	4,884,944	1.37	687,869	14.08
Foreign currency	47,241,950	13.28	657,890	1.39
Total	**52,126,894**	**14.65**	**1,345,759**	**2.58**
Marketable securities:[(2)]				
TL	30,949,794	8.70	4,940,334	15.96
Foreign currency	33,122,913	9.31	1,471,007	4.44
Total	**64,072,707**	**18.01**	**6,411,341**	**10.01**
Loans:				
TL	122,846,957	34.53	22,788,087	18.55
Foreign currency	85,367,190	23.99	5,348,252	6.26
Total	**208,214,147**	**58.52**	**28,136,339**	**13.51**
Leasing receivables:				
TL	1,366,754	0.38	199,698	14.61
Foreign currency	3,935,260	1.11	260,534	6.62
Total	**5,302,014**	**1.49**	**460,232**	**8.68**
Total interest-earning assets:				
TL	160,048,449	44.98	28,615,988	17.88
Foreign currency	169,667,313	47.69	7,737,683	4.56
Total	**329,715,762**	**92.67**	**36,353,671**	**11.03**
Investments in affiliated companies:				
TL	4,722	0.00	0	0.00
Foreign currency	0	0.00	0	0.00
Total	4,722	0.00	0	0.00
Total earnings assets:				
TL	160,053,171	44.98	28,615,988	17.88
Foreign currency	169,667,313	47.69	7,737,683	4.56
Total	**329,720,484**	**92.67**	**36,353,671**	**11.03**
Cash and due from banks:				
TL	3,010,337	0.85	0	0.00
Foreign currency	1,425,181	0.40	0	0.00
Total	**4,435,518**	**1.25**	**0**	**0.00**
Allowance for possible loan losses:				
TL	(1,983,372)	(0.56)	0	0.00
Foreign currency	0	0.00	0	0.00
Total	**(1,983,372)**	**(0.56)**	**0**	**0.00**
Premises and equipment (TL):	**4,888,671**	**1.37**	**0**	**0.00**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	9,010,583	2.53	0	0.00
Foreign currency	4,024,976	1.13	0	0.00
Total	**13,035,559**	**3.66**	**0**	**0.00**
Deferred taxes (TL)	**91,735**	**0.03**	**0**	**0.00**
Other assets and prepayments				
TL	2,541,411	0.71	0	0.00
Foreign currency	3,074,014	0.86	0	0.00
Total	**5,615,425**	**1.58**	**0**	**0.00**
Other interest income:	**0**	**0.00**	**144,821**	**0.00**
Total average assets:				
TL	177,612,536	49.91	28,760,809	16.19
Foreign currency	178,191,484	50.08	7,737,683	4.34
Total	**355,804,020**	**100.00**	**36,498,492**	**10.26**

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 Akbank.

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

	For the year ended 31 December 2018			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market:[(1)]				
TL	2,959,428	0.88	686,800	23.21
Foreign currency	49,735,595	14.72	806,178	1.62
Total	**52,695,023**	**15.60**	**1,492,978**	**2.83**
Marketable securities:[(2)]				
TL	1,866,995	0.55	5,776,125	309.38
Foreign currency	32,453,833	9.61	1,198,850	3.69
Total	**34,320,828**	**10.16**	**6,974,975**	**20.32**
Loans:				
TL	128,603,055	38.07	21,600,195	16.85
Foreign currency	85,821,410	25.41	4,783,449	5.57
Total	**214,424,465**	**63.48**	**26,383,644**	**12.34**
Leasing receivables:				
TL	1,488,077	0.44	222,180	14.93
Foreign currency	4,401,809	1.30	285,941	6.50
Total	**5,889,886**	**1.74**	**508,121**	**8.63**
Total interest-earning assets:				
TL	134,917,555	39.94	28,285,300	21.02
Foreign currency	172,412,647	51.04	7,074,418	4.10
Total	**307,330,202**	**90.98**	**35,359,718**	**11.53**
Investments in affiliated companies:				
TL	4,722	0.00	0	0.00
Foreign currency	0	0.00	0	0.00
Total	**4,722**	**0.00**	**0**	**0.00**
Total earnings assets:				
TL	134,922,277	39.94	28,285,300	21.02
Foreign currency	172,412,647	51.04	7,074,418	4.10
Total	**307,334,924**	**90.98**	**35,359,718**	**11.53**
Cash and due from banks:				
TL	3,150,199	0.93	0	0.00
Foreign currency	1,445,952	0.43	0	0.00
Total	**4,596,151**	**1.36**	**0**	**0.00**
Allowance for possible loan losses:				
TL	(91,378)	(0.03)	0	0.00
Foreign currency	0	0.00	0	0.00
Total	**(91,378)**	**(0.03)**	**0**	**0.00**
Premises and equipment (TL):	**4,254,851**	**1.26**	**0**	**0.00**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	11,672,156	3.46	0	0.00
Foreign currency	4,356,962	1.29	0	0.00
Total	**16,029,118**	**4.75**	**0**	**0.00**
Deferred taxes (TL)	**243,684**	**0.07**	**0**	**0.00**
Other assets and prepayments				
TL	2,464,970	0.73	0	0.00
Foreign currency	2,959,073	0.88	0	0.00
Total	**5,424,043**	**1.61**	**0**	**0.00**
Other interest income:	**0**	**0.00**	**85,387**	**0.00**
Total average assets:				
TL	156,616,759	46.36	28,370,687	18.16
Foreign currency	181,174,634	53.64	7,074,418	3.90
Total	**337,791,393**	**100.00**	**35,445,105**	**10.52**

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 Akbank.

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

	For the year ended 31 December 2017			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market:[1]				
TL	2,733,214	0.86	257,661	9.43
Foreign currency	39,101,107	12.35	284,134	0.73
Total	**41,834,321**	**13.21**	**541,795**	**1.30**
Marketable securities:[2]				
TL	23,664,198	7.47	3,072,418	12.98
Foreign currency	32,104,318	10.14	1,147,665	3.57
Total	**55,768,516**	**17.61**	**4,220,083**	**7.57**
Loans:				
TL	120,241,861	37.98	15,817,145	13.15
Foreign currency	70,381,228	22.23	3,364,465	4.78
Total	**190,623,089**	**60.21**	**19,181,610**	**10.06**
Leasing receivables:				
TL	1,366,740	0.43	190,448	13.93
Foreign currency	4,070,269	1.29	221,679	5.45
Total	**5,437,009**	**1.72**	**412,127**	**7.58**
Total interest-earning assets:				
TL	148,006,013	46.74	19,337,672	13.07
Foreign currency	145,656,922	46.01	5,017,943	3.45
Total	**293,662,935**	**92.75**	**24,355,615**	**8.29**
Investments in affiliated companies:				
TL	3,923	0.00	0	0.00
Foreign currency	0	0.00	0	0.00
Total	**3,923**	**0.00**	**0**	**0.00**
Total earnings assets:				
TL	148,009,936	46.74	19,337,672	13.07
Foreign currency	145,656,922	46.01	5,017,943	3.45
Total	**293,666,858**	**92.75**	**24,355,615**	**8.29**
Cash and due from banks:				
TL	2,820,374	0.89	0	0.00
Foreign currency	920,864	0.29	0	0.00
Total	**3,741,238**	**1.18**	**0**	**0.00**
Allowance for possible loan losses:				
TL	4,246,157	1.34	0	0.00
Foreign currency	0	0.00	0	0.00
Total	**4,246,157**	**1.34**	**0**	**0.00**
Premises and equipment (TL):	**2,573,672**	**0.81**	**0**	**0.00**
Other non-interest-earning assets:				
Derivative financial instruments				
TL	5,625,828	1.78	0	0.00
Foreign currency	3,314,744	**1.05**	0	0.00
Total	**8,940,572**	**2.83**	**0**	**0.00**
Deferred taxes (TL)	**31,930**	**0.01**	**0**	**0.00**
Other assets and prepayments				
TL	1,574,573	0.50	0	0.00
Foreign currency	1,835,744	0.58	0	0.00
Total	**3,410,317**	**1.08**	**0**	**0.00**
Other interest income:	**0**	**0.00**	**33,853**	**0.00**
Total average assets:				
TL	164,882,470	52.07	19,355,748	11.74
Foreign currency	151,728,274	47.93	5,033,720	3.32
Total	**316,610,744**	**100.00**	**24,389,468**	**7.70**

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 Akbank.

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

Liabilities and Stockholders' Equity

The tables below (derived from Akbank's management accounts) show Akbank's consolidated liabilities and stockholders' equity and interest rates for the three-month period ended 31 March 2020 and for the years ended 31 December 2019, 2018 and 2017. 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.

	For the three-month period ended 31 March 2020			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
TL saving deposits:				
Time	52,536,429	12.93	1,262,541	9.61
Demand	10,912,893	2.69	0	0.00
Total	**63,449,322**	**15.62**	**1,262,541**	**7.96**
TL other deposits:				
Time	24,618,252	6.06	633,574	10.29
Demand	11,463,154	2.82	1	0.00
Total	**36,081,406**	**8.88**	**633,575**	**7.02**
TL deposits:				
Time	77,154,681	18.99	1,896,115	9.83
Demand	22,376,047	5.51	1	0.00
Total	**99,530,728**	**24.50**	**1,896,116**	**7.62**
Foreign currency saving deposits:				
Time	65,684,310	16.17	189,209	1.15
Demand	21,539,139	5.30	1,606	0.03
Total	**87,223,449**	**21.47**	**190,815**	**0.88**
Other foreign currency deposits:				
Time	49,119,446	12.09	136,263	1.11
Demand	14,631,936	3,60	1	0.00
Total	**63,751,382**	**15.69**	**136,264**	**0.85**
Foreign currency deposits:				
Time	114,803,756	28.26	325,472	1.13
Demand	36,171,075	8.90	1,607	0.02
Total	**150,974,831**	**37.16**	**327,079**	**0.87**
Bank deposits:				
TL	1,939,556	0.48	51,060	10.53
Foreign currency	5,584,533	1.37	7,138	0.51
Total	**7,524,089**	**1.85**	**58,198**	**3.09**
Funds provided under repurchase agreements:				
TL	3,842,625	0.95	94,962	9.89
Foreign currency	9,898,909	2.44	58,357	2.36
Total	**13,741,534**	**3.39**	**153,319**	**4.46**
Borrowings:				
TL	809,618	0.20	22,938	11.33
Foreign currency	36,139,604	8.90	321,923	3.56
Total	**36,949,222**	**9.10**	**344,861**	**3.73**
Securities Issued:				
TL	5,448,911	1.34	146,040	10.72
Foreign currency	12,711,044	3.13	185,058	5.82
Total	**18,159,955**	**4.47**	**331,098**	**7.29**
Total interest-bearing liabilities:				
TL	111,571,438	27.47	2,211,116	7.93
Foreign currency	215,308,921	53.00	899,555	1.67
Total	**326,880,359**	**80.47**	**3,110,671**	**3.81**
Other liabilities:				
Derivative financial instruments:				

	For the three-month period ended 31 March 2020			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
TL	7,449,993	1.83	0	0.00
Foreign currency	2,456,756	0.60	0	0.00
Total	**9,906,749**	**2.43**	**0**	**0.00**
Income taxes payable (TL)	545,489	0.13	0	0.00
Deferred tax liabilities (TL)	767,231	0.19	0	0.00
Other liabilities:				
TL	8,668,904	2.13	0	0.00
Foreign currency	4,792,024	1.18	0	0.00
Total	**13,460,928**	**3.31**	**0**	**0.00**
Reserve for emp. termination benefits (TL)	462,576	0.11	0	0.00
Shareholders' equity	54,134,430	13.33	0	0.00
Profit	1,302,671	0.32	0	0.00
Other interest income:	0	0.00	108,683	0.00
Total average liabilities and shareholders:				
TL	183,600,061	45.19	2,319,799	5.05
Foreign currency	222,557,701	54.78	899,555	1.62
Total	**406,157,762**	**99.97**	**3,219,354**	**3.17**

	For the year ended 31 December 2019			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
TL saving deposits:				
Time	46,917,200	12.07	8,106,575	17.28
Demand	10,912,893	2.81	0	0.00
Total	**57,830,093**	**14.88**	**8,106,575**	**14.02**
TL other deposits:				
Time	19,666,409	5.06	3,645,725	18.54
Demand	11,473,383	2.95	1	0.00
Total	**31,139,792**	**8.01**	**3,645,726**	**11.71**
TL deposits:				
Time	66,583,609	17.13	11,752,300	17.65
Demand	22,386,276	5.76	1	0.00
Total	**88,969,885**	**22.89**	**11,752,301**	**13.21**
Foreign currency saving deposits:				
Time	62,387,740	16.06	1,504,417	2.41
Demand	21,483,638	5.53	12,910	0.06
Total	**83,871,378**	**21.59**	**1,517,327**	**1.81**
Other foreign currency deposits:				
Time	45,007,484	11.58	989,730	2.20
Demand	14,618,113	3.76	0	0.00
Total	**59,625,597**	**15.34**	**989,730**	**1.66**
Foreign currency deposits:				
Time	107,395,224	27.64	2,494,147	2.32
Demand	36,101,751	9.29	12,910	0.04
Total	**143,496,975**	**36.93**	**2,507,057**	**1.75**
Bank deposits:				
TL	1,130,873	0.29	193,348	17.10
Foreign currency	7,059,703	1.82	146,422	2.07
Total	**8,190,576**	**2.11**	**339,770**	**4.15**
Funds provided under repurchase agreements:				
TL	2,927,474	0.75	633,109	21.63
Foreign currency	9,616,382	2.47	302,402	3.14
Total	**12,543,856**	**3.22**	**935,511**	**7.46**
Borrowings:				
TL	820,962	0.21	219,546	26.74
Foreign currency	38,880,440	10.01	1,567,220	4.03

	For the year ended 31 December 2019			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
Total	**39,701,402**	**10.22**	**1,786,766**	**4.50**
Securities Issued:				
TL	7,010,178	1.80	1,358,055	19.37
Foreign currency	13,944,744	3.59	777,354	5.57
Total	**20,954,922**	**5.39**	**2,135,409**	**10.19**
Total interest-bearing liabilities:				
TL	100,859,372	25.94	14,156,359	14.04
Foreign currency	212,998,244	54.82	5,300,455	2.49
Total	**313,857,616**	**80.76**	**19,456,814**	**6.20**
Other liabilities:				
Derivative financial instruments:				
TL	9,284,518	2.39	0	0.00
Foreign currency	1,600,835	0.41	0	0.00
Total	**10,885,353**	**2.80**	**0**	**0.00**
Income taxes payable (TL)	624,938	0.16	0	0.00
Deferred tax liabilities (TL)	681,121	0.18	0	0.00
Other liabilities:				
TL	8,938,885	2.30	0	0.00
Foreign currency	4,099,131	1.05	0	0.00
Total	**13,038,016**	**3.35**	**0**	**0.00**
Reserve for emp. termination benefits (TL)	388,067	0.10	0	0.00
Shareholders' equity	49,074,683	12.63	0	0.00
Profit	5,352,339	1.38	0	0.00
Other interest income:	0	0.00	103,252	0.00
Total average liabilities and shareholders:				
TL	169,851,584	43.70	14,259,611	8.40
Foreign currency	218,698,210	56.28	5,300,455	2.42
Total	**388,549,794**	**99.98**	**19,560,065**	**5.03**

	For the year ended 31 December 2018			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
TL saving deposits:				
Time	48,985,978	12.77	7,652,575	15.62
Demand	10,938,923	2.85	0	0.00
Total	**59,924,901**	**15.62**	**7,652,575**	**12.77**
TL other deposits:				
Time	19,254,605	5.02	3,478,678	18.07
Demand	11,389,261	2.97	1	0.00
Total	**30,643,866**	**7.99**	**3,478,679**	**11.35**
TL deposits:				
Time	68,240,583	17.79	11,131,253	16.31
Demand	22,328,184	5.82	1	0.00
Total	**90,568,767**	**23.61**	**11,131,254**	**12.29**
Foreign currency saving deposits:				
Time	49,847,512	13.00	1,517,933	3.05
Demand	15,337,129	4.00	11,206	0.07
Total	**65,184,641**	**17.00**	**1,529,139**	**2.35**
Other foreign currency deposits:				
Time	52,404,475	13.66	1,687,878	3.22
Demand	11,511,032	3.00	0	0.00
Total	**63,915,507**	**16.66**	**1,687,878**	**2.64**
Foreign currency deposits:				
Time	102,251,987	26.66	3,205,811	3.14
Demand	26,848,161	7.00	11,206	0.04
Total	**129,100,148**	**33.66**	**3,217,017**	**2.49**
Bank deposits:				
TL	1,946,625	0.51	297,023	15.26
Foreign currency	9,940,582	2.59	219,450	2.21

	For the year ended 31 December 2018			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
Total	**11,887,207**	**3.1**	**516,473**	**4.34**
Funds provided under repurchase agreements:				
TL	4,425,514	1.15	876,557	19.81
Foreign currency	18,743,493	4.89	598,417	3.19
Total	**23,169,007**	**6.04**	**1,474,974**	**6.37**
Borrowings:				
TL	906,660	0.24	301,363	33.24
Foreign currency	44,802,891	11.68	1,583,225	3.53
Total	**45,709,551**	**11.92**	**1,884,588**	**4.12**
Securities Issued:				
TL	5,765,889	1.50	933,183	16.18
Foreign currency	12,486,135	3.26	689,842	5.52
Total	**18,252,024**	**4.76**	**1,623,025**	**8.89**
Total interest-bearing liabilities:				
TL	103,613,455	27.01	13,539,380	13.07
Foreign currency	215,073,249	56.08	6,307,951	2.93
Total	**318,686,704**	**83.09**	**19,847,331**	**6.23**
Other liabilities:				
Derivative financial instruments:				
TL	7,747,102	2.02	0	0.00
Foreign currency	1,414,770	0.37	0	0.00
Total	**9,161,872**	**2.39**	**0**	**0.00**
Income taxes payable (TL)	447,750	0.12	0	0.00
Deferred tax liabilities (TL)	834,104	0.22	0	0.00
Other liabilities:				
TL	8,485,715	2.21	0	0.00
Foreign currency	3,407,045	0.89	0	0.00
Total	**11,892,760**	**3.10**	**0**	**0.00**
Reserve for emp. termination benefits (TL)	313,101	0.08	0	0.00
Shareholders' equity	42,200,172	11.00	0	0.00
Profit	5,709,153	1.49	0	0.00
Other interest income:	0	0.00	1,903	0.00
Total average liabilities and shareholders:				
TL	163,641,399	42.66	13,541,283	8.27
Foreign currency	219,895,064	57.34	6,307,951	2.87
Total	**383,536,463**	**100.00**	**19,849,234**	**5.18**

	For the year ended 31 December 2017			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
TL saving deposits:				
Time	45,504,085	14.44	5,236,714	11.51
Demand	7,480,662	2.37	0	0.00
Total	**52,984,747**	**16.81**	**5,236,714**	**9.88**
TL other deposits:				
Time	23,262,646	7.38	3,022,865	12.99
Demand	8,246,874	2.62	1	0.00
Total	**31,509,520**	**10.00**	**3,022,866**	**9.59**
TL deposits:				
Time	68,766,731	21.82	8,259,579	12.01
Demand	15,727,536	4.99	1	0.00
Total	**84,494,267**	**26.81**	**8,259,580**	**9.78**
Foreign currency saving deposits:				
Time	38,176,216	12.11	907,424	2.38
Demand	8,220,831	2.61	7,493	0.09
Total	**46,397,047**	**14.72**	**914,917**	**1.97**
Other foreign currency deposits:				
Time	39,096,423	12.41	798,378	2.04

	For the year ended 31 December 2017			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
Demand	6,602,306	2.10	0	0.00
Total	**45,698,729**	**14.51**	**798,378**	**1.75**
Foreign currency deposits:				
Time	77,272,639	24.52	1,705,802	2.21
Demand	14,823,137	4.71	7,493	0.05
Total	**92,095,776**	**29.23**	**1,713,295**	**1.86**
Bank deposits:				
TL	2,201,412	0.70	244,572	11.11
Foreign currency	8,392,661	2.66	120,236	1.43
Total	**10,594,073**	**3.36**	**364,808**	**3.44**
Funds provided under repurchase agreements:				
TL	2,319,895	0.74	131,087	5.65
Foreign currency	21,734,602	6.90	522,024	2.40
Total	**24,054,497**	**7.64**	**653,111**	**2.72**
Borrowings:				
TL	770,095	0.24	170,838	22.18
Foreign currency	34,285,576	10.88	818,810	2.39
Total	**35,055,671**	**11.12**	**989,648**	**2.82**
Securities Issued:				
TL	3,908,903	1.24	502,136	12.85
Foreign currency	11,321,102	3.59	569,117	5.03
Total	**15,230,005**	**4.83**	**1,071,253**	**7.03**
Total interest-bearing liabilities:				
TL	93,694,572	29.73	9,308,213	9.93
Foreign currency	167,829,717	53.26	3,743,482	2.23
Total	**261,524,289**	**82.99**	**13,051,695**	**4.99**
Other liabilities:				
Derivative financial instruments:				
TL	3,909,752	1.24	0	0.00
Foreign currency	1,189,037	0.38	0	0.00
Total	**5,098,789**	**1.62**	**0**	**0.00**
Income taxes payable (TL)	355,277	0.11	0	0.00
Deferred tax liabilities (TL)	859,981	0.27	0	0.00
Other liabilities:				
TL	7,737,064	2.46	0	0.00
Foreign currency	2,748,001	0.87	0	0.00
Total	**10,485,065**	**3.33**	**0**	**0.00**
Reserve for emp. termination benefits (TL)	264,518	0.08	0	0.00
Shareholders' equity	36,552,784	11.60	0	0.00
Profit	6,020,282	1.91	0	0.00
Other interest income:	0	0.00	44,975	0.00
Total average liabilities and shareholders:				
TL	143,373,948	45.49	9,346,837	6.52
Foreign currency	171,766,755	54.51	3,749,833	2.18
Total	**315,140,703**	**100.00**	**13,096,669**	**4.16**

Interest Earning Assets: Yield, Margin and Spread

The following tables (derived from Akbank's management accounts) show Akbank's net interest income (excluding other interest income/expense and profit/loss), yield, margin and spread for the three-month periods ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017.

	For the three-month period ended 31 March	
	2020	**2019**

	(TL thousands, except percentages)	
Net Interest Income:		
TL	4,481,759	3,199,765
Foreign currency	854,895	455,871
Total	**5,336,654**	**3,655,637**
Yield on interest-earning assets[1]**:**		
TL	15.13%	19.16%
Foreign currency	4.00%	4.70%
Total	**9.59%**	**11.61%**
Yield on interest-bearing liabilities[1]**:**		
TL	7.93%	15.63%
Foreign currency	1.67%	2.81%
Total	**3.81%**	**7.01%**
Margin[2]**:**		
TL	2.53%	2.14%
Foreign currency	0.49%	0.28%
Total	**1.51%**	**1.17%**
Spread[3]**:**		
TL	7.20%	3.53%
Foreign currency	2.33%	1.88%
Total	**5.79%**	**4.59%**

	For the year ended 31 December	
	2019	**2018**
	(TL thousands, except percentages)	
Net Interest Income:		
TL	14,459,629	14,820,355
Foreign currency	2,437,229	766,466
Total	**16,896,858**	**15,586,821**
Yield on interest-earning assets[1]**:**		
TL	17.88%	21.02%
Foreign currency	4.56%	4.10%
Total	**11.03%**	**11.53%**
Yield on interest-bearing liabilities[1]**:**		
TL	14.04%	13.07%
Foreign currency	2.49%	2.93%
Total	**6.20%**	**6.23%**
Margin[2]**:**		
TL	9.03%	10.98%
Foreign currency	1.44%	0.44%
Total	**5.12%**	**5.07%**
Spread[3]**:**		
TL	3.84%	7.95%
Foreign currency	2.07%	1.17%
Total	**4.83%**	**5.30%**

	For the year ended 31 December 2017
	(TL thousands, except percentages)

Net Interest Income:	
TL	10,029,462
Foreign currency	1,274,459
Total	**11,303,921**
Yield on interest-earning assets(1):	
TL	13.07%
Foreign currency	3.45%
Total	**8.29%**
Yield on interest-bearing liabilities(1):	
TL	9.93%
Foreign currency	2.23%
Total	**4.99%**
Margin(2):	
TL	6.78%
Foreign currency	0.87%
Total	**3.85%**
Spread(3):	
TL	3.13%
Foreign currency	1.21%
Total	**3.30%**

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 tables provide a comparative analysis of changes in net interest income and interest expense by reference to changes in average volume and rates for the three-month periods ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017. 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. Akbank does not separately track short-term and long-term interest expense for purposes of calculating net interest income and interest expense.

	31 March 2020/2019 Increase/(decrease) due to changes in			
	Volume	Rate	Net Change	Change %
	(TL thousands, except percentages)			
Interest Income				
Interest-earning deposits in banks & reserve requirements & interbank money market:				
TL	108,045	(92,101)	15,944	18.00
Foreign currency	28,995	(199,781)	(170,786)	(75.00)
Total	**59,559**	**(214,400)**	**(154,841)**	**(49.00)**
Marketable securities:				**0.00**
TL	767,720	(346,483)	421,237	34.00
Foreign currency	56,001	58,244	114,245	37.00
Total	**589,422**	**(53,941)**	**535,481**	**35.00**
Loans:				0.00
TL	399,337	(1,318,172)	(918,835)	(16.00)
Foreign currency	13,110	(106,052)	(92,942)	(7.00)
Total	**315,733**	**(1,327,510)**	**(1,011,777)**	**(14.00)**
Leasing receivables:				0.00
TL	(7,067)	6,642	(425)	(1.00)
Foreign currency	(5,252)	(11,929)	(17,181)	(24.00)
Total	**(11,107)**	**(6,498)**	**(17,605)**	**(14.00)**
Total interest-earning assets:				
TL	1,303,122	(1,785,200)	(482,078)	(7.00)
Foreign currency	136,534	(303,198)	(166,664)	(9.00)
Total	**1,126,944**	**(1,775,686)**	**(6,488,742)**	**(7.00)**
Interest Expense				
TL deposits:				
Time	607,208	(1,901,727)	(1,294,519)	(41.00)
Demand				0.00
Total	**450,848**	**(1,745,367)**	**(1,294,519)**	**(41.00)**
Foreign currency deposits:				
Time	108,602	(498,043)	(389,441)	(54.00)
Demand	24	(1,729)	(1,705)	(51.00)
Total	**81,600**	**(472,746)**	**(391,146)**	**(54.00)**
Bank deposits:				
TL	6,987	(37,582)	(30,595)	(37.00)
Foreign currency	(8,036)	(24,475)	(32,511)	(82.00)
Total	**(17,480)**	**(45,626)**	**(63,106)**	**(52.00)**
Funds provided under repurchase agreements:				
TL	(93,976)	(129,566)	(223,542)	(70.00)
Foreign currency	7,027	(30,717)	(23,690)	(29.00)
Total	**(22,747)**	**(224,485)**	**(247,232)**	**(62.00)**
Borrowings:				
TL	(20,014)	(35,383)	(55,397)	(71.00)
Foreign currency	(73,091)	(43,314)	(116,405)	(27.00)
Total	**(87,275)**	**(84,527)**	**(17,.802)**	**(33.00)**
Total interest-bearing liabilities:				
TL	385,046	(2,149,118)	(1,764,072)	(44.00)
Foreign currency	479,30	(613,218)	(565,688)	(39.00)
Total	**291,386**	**(2,621,146)**	**(2,329,760)**	**(43.00)**

	31 December 2019/2018 Increase/(decrease) due to changes in				31 December 2018/2017 Increase/(decrease) due to changes in				31 December 2017/2016 Increase/(decrease) due to changes in			
	Volume	Rate	Net Chang e	Change %	Volume	Rate	Net Change	Change %	Volume	Rate	Net Change	Change %
						(TL thousands, except percentages)						
Interest Income												
Interest-earning deposits in banks & reserve requirements & interbank money market:												
TL	446,858	(445,788)	1,070	0.00	21,325	407,813	429,138	167.00	(64,314)	11,896	(52,418)	(17.00)
Foreign currency	(40,420)	(107,868)	(148,288)	(18.00)	77,277	444,768	522,045	184.00	16,615	224,903	241,518	567.00
Total	**(16,096)**	**(131,122)**	**(147,218)**	**(10.00)**	**140,657**	**810,526**	**951,183**	**176.00**	**114,506**	**74,594**	**189,100**	**54.00**
Marketable securities:												
TL	1.409.947	(2,245,739)	(835,792)	(14.00)	157,498	2,546,210	2,703,708	88.00	127,760	736,644	864,404	39.00
Foreign currency	24.716	247,441	272,157	23.00	12,494	38,690	51,184	4.00	117,809	47,890	165,699	17.00
Total	**820.192**	**(1,383,826)**	**(563,634)**	**(8.00)**	**118,243**	**2,636,649**	**2,754,892**	**65.00**	**295,864**	**734,239**	**1,030,103**	**32.00**
Loans:												
TL	(970,127)	2,083,583	1,113,456	5.00	1,099,869	4,683,178	5,783,047	37.00	2,571,943	936,635	3,508,578	29.00
Foreign currency	(25,317)	590,120	564,803	12.00	738,093	680,893	1,418,986	42.00	380,325	239,298	619,623	23.00
Total	**(766,298)**	**2,444,557**	**1,678,259**	**6.00**	**2,395,034**	**4,806,999**	**7,202,033**	**38.00**	**2,739,318**	**1,388,883**	**4,128,201**	**27.00**
Leasing receivables:												
TL	(18,114)	(4,367)	(22,481)	(10.00)	16,908	14,824	31,732	17.00	32,950	22,440	55,390	41.00
Foreign currency	(30,307)	4,900	(25,407)	(9.00)	18,057	46,205	64,262	29.00	37,403	(3,274)	34,129	18.00
Total	**(50,716)**	**2,827**	**(47,889)**	**(9.00)**	**34,328**	**61,665**	**95,993**	**23.00**	**67,852**	**21,668**	**89,520**	**28.00**
Total interest-earning assets:												
TL	380,808	(124,555)	256,253	1.00	1,296,332	7,651,292	8,947,624	46.00	2,560,749	1,815,206	4,375,955	29.00
Foreign currency	(112,646)	775,911	663,265	9.00	921,746	1,134,731	2,056,477	41.00	767,005	293,965	1,060,970	27.00
Total	**(67,011)**	**986,528**	**919,517**	**3.00**	**3,041,937**	**7,962,164**	**11,004,101**	**45.00**	**3,448,790**	**1,988,135**	**5,436,925**	**29.00**
Interest Expense												
TL deposits:												
Time	(270,282)	891,329	621,047	6.00	(5,879)	2,877,553	2,871,674	35.00	71,244	1,610,955	1,682,199	26.00
Demand				**0.00**	-	-	-	0.00	-	-	-	-
Total	(196,509)	817,556	621,047	6.00	**55,237**	**2,816,437**	**2,871,674**	**35.00**	**81,795**	**1,600,404**	**1,682,199**	**26.00**
Foreign currency deposits:												
Time	161,251	(872,917)	(711,666)	(22.00)	551,422	948,588	1,500,010	88.00	281,832	241,282	523,114	44.00
Demand	**3.,62**	**(2,158)**	**1,704**	**15.00**	6,079	(2,367)	3,712	50.00	1,354	3,035	4,389	141.00
Total	358,751	(1,068,712)	(709,961)	(22.00)	**688,407**	**815,315**	**1,503,722**	**88.00**	**315,851**	**211,652**	**527,503**	**44.00**
Bank deposits:												
TL	(124,470)	20,795	(103,675)	(35.00)	(28,306)	80,757	52,451	21.00	54,938	12,922	67,860	38.00
Foreign currency	**(63,599)**	**(9,429)**	**(73,028)**	**(33.00)**	22,176	77,038	99,214	83.00	(9,930)	22,580	12,650	12.00
Total	(160,610)	(16,093)	(176,703)	(34.00)	**44,529**	**107,136**	**151,665**	**42.00**	**(8,621)**	**89,131**	**80,510**	**28.00**
Funds provided under repurchase agreements:												
TL	(296,715)	53,268	(243,447)	(28.00)	118,979	626,492	745,471	569.00	(407,410)	(54,925)	(462,335)	(78.00)
Foreign currency	**(291,398)**	**(4,617)**	**(296,015)**	**(49.00)**	(71,841)	148,234	76,393	15.00	81,822	118,038	199,860	62.00
Total	(676,413)	136,950	(539,463)	(37.00)	**(24,042)**	**845,907**	**821,865**	**126.00**	**(25,138)**	**(237,336)**	**(262,474)**	**(29.00)**
Borrowings:												
TL	(28,485)	(53,332)	(81,817)	(27.00)	30,296	100,229	130,525	76.00	59,468	(12,890)	46,578	37.00
Foreign currency	**(209,285)**	**193,280**	**(16,005)**	**(1.00)**	251,175	513,240	764,415	93.00	95,849	164,230	260,079	47.00
Total	(247,714)	149,892	(97,822)	(5.00)	**300,767**	**594,173**	**894,940**	**90.00**	**120,833**	**185,825**	**306,658**	**45.00**
Total interest-bearing liabilities:												
TL	(359,882)	976,861	616,979	5.00	985,405	3,245,763	4,231,168	45.00	565,175	902,030	1,467,205	19.00
Foreign currency	**(60,858)**	**(946,640)**	**(1,007,498)**	**(16.00)**	1,053,778	1,510,692	2,564,470	69.00	575,819	571,442	1,147,261	44.00
Total	(300,748)	(89,771)	(390.519)	(2,0)	**2,852,761**	**3,942,876**	**6,795,637**	**52.00**	**1,707,293**	**907,173**	**2,614,466**	**25.00**

Return on Assets and Equity

The following tables (derived from the Akbank BRSA Financial Statements) present certain selected financial ratios of Akbank for the three-month period ended 31 March 2020 and for the years ended 31 December 2019, 2018 and 2017.

	As at and for the three-month period ended 31	As at and for the year ended 31 December	
		2019	2018

	March 2020		
	(TL thousands, except percentages)		
Net profit (attributable to Equity Holders of Akbank)	1,302,671	5,352,339	5,709,153
Average total assets	404,283,349	376,590,225	367,805,985
Average shareholders' equity (attributable to equity holders of Akbank)	54,134,430	49,296,083	42,118,115
Net income as a percentage of:	0		
Average total assets	1.3%	1.4%	1.6%
Average shareholders' equity	9.6%	10.9%	13.6%
Average shareholders' equity as a percentage of average total assets	13.4%	13.1%	11.5%
Dividend pay-out ratio	0.0%	N/A	N/A

	As at and for the year ended 31 December 2017
	(TL thousands, except percentages)
Net profit (attributable to Equity Holders of Akbank)	6,020,282
Average total assets	314,558,664
Average shareholders' equity (attributable to equity holders of Akbank)	37,196,580
Net income as a percentage of:	
Average total assets	1.9%
Average shareholders' equity	16.2%
Average shareholders' equity as a percentage of average total assets	11.8%
Dividend pay-out ratio	N/A

Securities

Investment Securities

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

Financial Assets at fair value through other comprehensive income

The following tables (derived from the Akbank BRSA Financial Statements) show a breakdown of Akbank's financial assets at fair value through other comprehensive income as at 31 March 2020 and 31 December 2019 and 31 December 2018; and available-for-sale securities as at 31 December 2017.

The percentage of fixed compared to floating financial assets at fair value through other comprehensive income securities (excluding equity securities) held by Akbank was 72.9% fixed and 27.1% floating as at 31 March 2020, 69% fixed and 31% floating as at 31 December 2019, 60% fixed and 40% floating as at 31 December 2018; and 65% fixed and 35% floating as at 31 December 2017.

	As at 31 March 2020		As at 31 December			
			2019		2018	
	Amount	%	Amount	%	Amount	%
	(TL percentages, except percentages)					
Debt Securities[(1)]						
Government bonds	33,944,685	50.1%	35,534,282	53.8%	23,928,005	54.0%
Treasury bills	-	0.0%	-	0.0%	-	0.0%
Eurobonds	16,157,301	23.8%	14,721,907	22.3%	12,574,559	28.4%
Mutual funds	349,588	0.5%	424,665	0.6%	237,585	0.5%
Other bonds	17,300,049	25.5%	15,374,313	23.3%	7,586,273	17.1%

Equity securities						
Listed	-	0.0%	-	0.0%	-	0.0%
Unlisted	16,384	0.0%	16,384	0.0%	19,141	0.0%
Total	**67,768,007**	**100%**	**66,071,551**	**100%**	**44,345,563**	**100%**

	As at 31 December 2017	
	Amount	**%**
	(TL percentages, except percentages)	
Debt Securities[2]		
Government bonds	23,159,176	54.1%
Treasury bills	-	0.0%
Eurobonds	13,657,443	31.9%
Mutual funds	277,987	0.6%
Other bonds	5,637,142	13.2%
Equity securities		
Listed	-	0.0%
Unlisted	98,040	0.2%
Total	**42,829,788**	**100%**

Notes:

(1) All of Akbank's financial assets measured at fair value through other comprehensive income; 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 and Turkish corporate bonds.

(2) 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 and Turkish corporate bonds.

The following tables (derived from the Akbank BRSA Financial Statements) set forth Akbank's financial assets measured at fair value through other comprehensive income and their effective average interest rates on a currency basis, excluding equity securities and mutual funds, by maturity as at 31 March 2020 and as at 31 December 2019 and 31 December 2018.

	As at 31 March 2020				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					
Government bonds	2,234,563	6,889,933	20,267,150	4,553,039	**33,944,685**
Treasury bills	-	-	-	-	**-**
Eurobonds	3,520,164	2,791,242	5,075,250	4,770,645	**16,157,301**
Other bonds	987,161	438,002	14,270,429	1,604,624	**17,300,216**
Total	**6,741,888**	**10,119,177**	**39,612,829**	**10,928,308**	**67,402,202**

	As at 31 December 2019				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					
Government bonds	629,297	9,237,729	20,415,110	5,252,146	**35,534,282**
Treasury bills	-	-	-	-	**-**
Eurobonds	30,325	3,618,755	6,954,371	5,565,345	**16,168,796**
Other bonds	1,911,072	898,905	11,484,507	1,079,830	**15,374,314**
Total	**2,570,694**	**13,755,389**	**38,853,988**	**11,897,321**	**67,077,392**

	As at 31 December 2018				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					

Government bonds	906,173	720,008	17,315,083	4,986,741	**23,928,005**
Treasury bills	-	-	-	-	-
Eurobonds	306,399	1,721,515	6,590,282	3,956,363	**12,574,559**
Other bonds	2,854	1,555,563	5,468,363	559,327	**7,586,107**
Total	**1,215,426**	**3,997,563**	**29,373,728**	**9,502,431**	**44,088,671**

	As at 31 March 2020 Average Interest Rates			**As at 31 December 2019 Average Interest Rates**			**As at 31 December 2018 Average Interest Rates**		
Debt Securities	**TL**	**U.S.$**	**Euro**	**TL**	**U.S.$**	**Euro**	**TL**	**U.S.$**	**Euro**
Government bonds	14.29	0.00	0.00	14.16	-	-	20.98	-	-
Treasury bills	0.00	0.00	0.00	-	-	-	-	-	-
Eurobonds	0.00	4.52	2.80	-	4.51	2.84	-	4.29	2.48
Other bonds	16.47	5.95	3.88	16.40	0.00	0.00	31.06	5.01	2.08

Financial Assets at amortised cost

The following tables (derived from the Akbank BRSA Financial Statements) show a breakdown of Akbank's financial assets measured at amortised cost as at 31 March 2020, 31 December 2019 and 2018; and held-to-maturity securities as at 31 December 2017.

	As at 31 March 2020		**As at 31 December**			
			2019		**2018**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(TL thousands, except percentages)					
Debt Securities[(1)]						
Government bonds	16,178,441	76.2%	11,479,840	73.7%	5,942,844	48.5%
Treasury bills	-	-	-	-	-	-
Eurobonds	3,531,493	16.6%	2,379,418	15.3%	3,811,339	31.1%
Other bonds	1,517,366	7.1%	1,715,600	11.0%	2,509,298	20.5%
Total	**21,227,300**	**100%**	**15,574,858**	**100%**	**12,263,481**	**100%**

	As at 31 December 2017	
	Amount	**%**
	(TL thousands, except percentages)	
Debt Securities[(2)]		
Government bonds	5,995,041	31.7%
Treasury bills	-	-
Eurobonds	10,148,338	53.7%
Other bonds	2,739,653	14.5%
Total	**18,883,032**	**100%**

Notes:

(1) All of Akbank's Financial Assets measured at amortised cost treasury bills and most of its Eurobonds are Turkish government securities, apart from a relatively small amount of Turkish and Dutch corporate bonds and Turkish corporate bonds.

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

The following tables (derived from the Akbank BRSA Financial Statements) set forth Akbank's amortised cost securities and their effective average interest rates on a currency basis, by maturity as at 31 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

	As at 31 March 2020				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					
Government bonds	-	2,479,555	10,659,123	3,039,763	16,178,441

Eurobonds	182,771	897,938	1,713,569	737,215	3,531,493
Other bonds	581,689	359,662	576,015	-	1,517,366
Total	**764,460**	**3,737,155**	**12,948,707**	**3,776,978**	**21,227,300**

	As at 31 December 2019				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					
Government bonds	93,450	2,959,897	8,426,493	-	11,479,840
Eurobonds	-	164,653	1,555,207	659,558	2,379,418
Other bonds	334,024	627,736	753,840	-	1,715,600
Total	**427,474**	**3,752,286**	**10,735,540**	**659,588**	**15,574,858**

	As at 31 December 2018				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					
Government bonds	-	533,304	5,409,540	-	5,942,844
Eurobonds	678,441	1,008,965	1,032,918	1,091,015	3,811,339
Other bonds	-	1,297,903	1,198,254	13,141	2,509,298
Total	**678,441**	**2,840,172**	**7,640,712**	**1,104,156**	**12,263,481**

	As at 31 December 2017				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Debt Securities					
Government bonds	1,562,162	-	3,771,459	661,420	5,995,041
Eurobonds	1,647,736	1,087,247	6,454,367	958,988	10,148,338
Other bonds	-	296,541	2,443,112	-	2,739,653
Total	**3,209,898**	**1,383,788**	**12,668,938**	**1,620,408**	**18,883,032**

	Three-month period ended 31 March 2020 Average Interest Rates			**Year ended 31 December 2019 Average Interest Rates**			**Year ended 31 December 2018 Average Interest Rates**		
	TL	**U.S.$**	**EUR**	**TL**	**U.S.$**	**EUR**	**TL**	**U.S.$**	**EUR**
Debt Securities									
Government bonds(1)	13.72	0.00	0.00	14.73	-	-	26.70	-	-
Eurobonds	0.00	4.50	1.58	-	4.50	3.46	-	4.16	3.57
Other bonds	15.11	6.73	0.00	15.19	6.49	0.00	0.0	5.55	3.64

	Year ended 31 December 2017 Average Interest Rates		
	TL	**U.S.$**	**EUR**
Debt Securities			
Government bonds(2)	13.22	-	-
Eurobonds	-	3.90	3.69
Other bonds	0.00	4.78	3.12

Notes:

(1) All of Akbank's amortised cost government bonds, treasury bills and Eurobonds are Turkish government securities.

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

As at 31 March 2020, the size of Akbank's investment portfolio increased by 7% to TL 89.6 billion from TL 83.6 billion as at 31 December 2019. As at 31 December 2019, the size of Akbank's investment portfolio increased by 59% to TL 90.4 billion from TL 56.8 billion as at 31 December 2018. As at 31 December 2018, the size of Akbank's investment portfolio decreased by 8% to TL 56.8 billion from TL 61.8 billion as at 31 December 2017.

Financial Assets Measured At Fair Value

The following tables (derived from the Akbank BRSA Financial Statements) show a breakdown of Akbank's trading securities as 31 March 2020 and as at 31 December 2019, 2018 and 2017.

	As at 31 March 2020		As at 31 December 2019		As at 31 December 2018	
	Amount	%	Amount	%	Amount	%
	(TL thousands, except percentages)					
Government bonds	70,841	12.7%	182,344	33.7%	10,113	5.7%
Eurobonds	198,248	35.6%	92,378	17.1%	-	0.0%
Treasury bills	-	0.0%	-	0.0%	-	0.0%
Listed equities	213,656	38.4%	232,764	43.0%	150,684	84.3%
Other	74,170	13.3%	33,934	6.3%	18,019	10.1%
Total	**556,915**	**100.0%**	**541,420**	**100.0%**	**178,816**	**100.0%**

	As at 31 December 2017	
	Amount	%
	(TL thousands, except percentages)	
Government bonds	9,525	14.9%
Eurobonds	-	0.0%
Treasury bills	-	0.0%
Listed equities	23,431	36.7%
Other	6,934	10.8%
Total	**39,890**	**100.0%**

The following tables (derived from the Akbank BRSA Financial Statements) set forth Akbank's trading securities and their effective average interest rates on a currency basis, excluding equity securities, by maturity as at 31 March 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

	As at 31 March 2020				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(TL thousands)		
Government bonds	26,543	23,532	19,909	857	**70,841**
Eurobonds	103,615	786	50,055	43,792	**198,248**
Treasury bills	-	-	-	-	-
Other	44,555	2,868	10,692	-	**58,115**
Total	**174,713**	**27,186**	**80,656**	**44,649**	**327,204**

	As at 31 December 2019				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(TL thousands)		
Government bonds	10,454	73,093	91,920	6,877	182,344
Eurobonds	-	69,635	2,499	20,244	92,378
Treasury bills	-	-	-	-	-
Total	**10,454**	**142,728**	**94,419**	**27,121**	**274,722**

	As at 31 December 2018				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Government bonds	-	10,113	-	-	**10,113**
Eurobonds	-	-	-	-	**-**
Treasury bills	-	-	-	-	**-**
Total	**-**	**10,113**	**-**	**-**	**10,113**

	As at 31 December 2017				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
Government bonds	-	9,525	-	-	**9,525**
Eurobonds	-	-	-	-	**-**
Treasury bills	-	-	-	-	**-**
Total	**-**	**9,525**	**-**	**-**	**9,525**

	As at 31 March 2020 Average Interest Rates		
	TL	**U.S.$**	**Euro**
Government bonds	10.24	-	-
Treasury bills	-	-	-
Eurobonds	-	5.64	0.89
Other	-	5.06	-

	As at 31 December 2019 Average Interest Rates			As at 31 December 2018 Average Interest Rates		
	TL	*U.S.$*	*Euro*	*TL*	*U.S.$*	*Euro*
Government bonds	11.20	-	-	16.13	-	-
Treasury bills	-	5.48	-	-	-	-
Eurobonds	-	5.94	0.90	-	-	-

	As at 31 December 2017 Average Interest Rates		
	TL	*U.S.$*	*Euro*
Government bonds	16.16	-	-
Treasury bills	-	-	-
Eurobonds	-	-	-

Loan and Guarantee Portfolio

As at 31 March 2020, Akbank's total loans net of allowance for loan losses equalled TL 216.6 billion, or 51% of total assets. In addition to loans, Akbank had outstanding as at 31 March 2020 guarantees amounting to TL 31.8 billion, acceptances amounting to TL 55 million and letters of credit amounting to TL 4.5 billion. As at 31 December 2019, Akbank's total loans net of allowance for loan losses equalled TL 211.9 billion, or 55% of total assets. In addition to loans, Akbank had outstanding as at 31 December 2019 guarantees amounting to TL 31.1 billion, acceptances amounting to TL 51 million and letters of credit amounting to TL 4.4 billion.

The tables below (derived from the Akbank BRSA Financial Statements) set forth the composition of Akbank's cash and non-cash credit exposure as at 31 March 2020, 31 December 2019, 2018 and 2017, respectively.

As at 31 December

	As at 31 March	As at 31 December	
	2020	2019	2018
	(TL thousands)		
Cash loans[(1)]	216,626,986	211,919,219	201,474,825
Non-cash loans	-	-	-
Letters of guarantee[(2)]	31,839,847	31,137,117	34,942,643
Acceptance credits[(2)]	54,751	50,678	2,740,341
Letters of credit	4,544,034	4,404,510	6,532,762
Other guarantees	6,655,335	7,106,720	8,579,625
Total	**259,720,953**	**254,618,244**	**254,270,196**

	As at 31 December 2017
	(TL thousands)
Cash loans[(1)]	206,791,518
Non-cash loans	-
Letters of guarantee[(2)]	34,933,208
Acceptance credits[(2)]	3,758,102
Letters of credit	6,934,325
Other guarantees	6,338,160
Total	**258,755,313**

Notes:

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

(2) Includes TL 1.6 billion of guarantee and acceptance credits issued to related parties as at 31 March 2020, TL 1 billion as at 31 December 2019, TL 1 billion as at 31 December 2018 and TL 0.9 billion as at 31 December 2017.

Foreign Currency Exposure

The tables below (derived from the Akbank BRSA Financial Statements) show a breakdown of Akbank's loan and guarantee portfolios by currency exposure as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March	As at 31 December	
	2020	2019	2018
	(TL thousands)		
Loans			
TL	145,903,823	144,802,842	127,299,268
Foreign Currency	86,307,208	81,973,456	82,014,178
U.S.$	34,273,968	35,341,895	34,582,432
EUR	51,952,035	46,531,926	47,390,528
Other	81,205	99,635	41,218
Total	**232,211,031**	**226,776,298**	**209,313,446**
Non-cash loans			
Letters of guarantee			
TL	16,739,609	16,949,962	19,262,070
FC	15,100,238	14,187,155	15,680,573
Acceptance credits			
TL	-	-	-
FC	54,751	50,678	2,740,341
Letters of credit			
TL	13,336	8,409	47,035
FC	4,530,698	4,396,101	6,485,727
Other guarantees			
TL	2,924,251	2,947,402	2,812,915
FC	3,731,084	4,159,318	5,766,710
Total	**43,093,967**	**42,699,025**	**52,795,371**

	As at 31 December 2017
	(TL thousands)
Loans	
TL	134,438,198
Foreign Currency	75,040,191
U.S.$	35,240,161
EUR	39,720,323
Other	79,707
Total	**209,478,389**
Non-cash loans	
Letters of guarantee	
TL	18,791,169
FC	16,142,039
Acceptance credits	
TL	198
FC	3,757,904
Letters of credit	
TL	7,257
FC	6,927,068
Other guarantees	
TL	2,849,230
FC	3,488,930
Total	**51,963,795**

Distribution of Loans by Type of Borrower

The following tables (derived from the Akbank BRSA Financial Statements) set 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 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March		As at 31 December			
	2020	%	2019	%	2018	%
	(TL thousands, except percentages)					
Public Sector Loans	2.097.014	0.9%	3,079,818	1.3%	1,508,632	0.7%
Private Sector Loans	230,114,017	99.1%	228,836,799	98.7%	214,220,350	99.3%
Total Loans	**232,211,031**	**100.0%**	**231,916,617**	**100.0%**	**215,728,982**	**100.0%**

	As at 31 December	
	2017	%
	(TL thousands, except percentages)	
Public Sector Loans	1,607,968	0.8%
Private Sector Loans	207,717,802	99.2%
Total Loans	**209,325,770**	**100.0%**

As at 31 March 2020, Akbank's loan portfolio comprised 39.9% corporate, 36.2% commercial and small and micro, 16.4% consumer and 7.4% credit card loans.

As at 31 December 2019, Akbank's loan portfolio comprised 39.5% corporate, 37.6% commercial and small and micro, 15.2% consumer and 7.6% 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 Undersecretariat of the Turkish Treasury.

Akbank's strategy in lending is balanced loan growth with keeping its strong presence in the corporate, commercial and consumer banking market, maintaining its customer-focused approach and improving its customer service by continuing to increase its operational efficiency. See "*Information About Akbank—Business—Strategy*" in the Prospectus, which is incorporated herein by reference.

Akbank is as at the date of this Prospectus 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 "*Information About Akbank—Remuneration and Related Party Transactions*" in the Prospectus, which is incorporated herein by reference. 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 tables (derived from the Akbank BRSA Financial Statements) show the breakdown of the loan portfolio by sector as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March		As at 31 December			
	2020	%	2019	%	2018	%
	(TL thousands, except percentages)					
Consumer loans and credit cards	49,151,473	22.6%	45,658,569	21.5%	41,202,272	20.5%
Mortgage	9,555,285	4.4%	9,309,219	4.4%	10,805,847	5.4%
Automobile	139,377	0.1%	137,471	0.1%	137,982	0.1%

	As at 31 March		As at 31 December			
	2020	%	2019	%	2018	%
	(TL thousands, except percentages)					
General Purpose	25,860,906	11.9%	22,667,642	10.7%	18,198,263	9.0%
Retail Credit Cards	13,595,905	6.3%	13,544,237	6.4%	12,060,180	6.0%
Financial institutions	10,049,424	4.6%	16,025,627	7.6%	24,666,717	12.2%
Wholesaling	13,342,250	6.1%	14,555,443	6.9%	11,601,948	5.8%
Retailers	11,697,865	5.4%	13,137,255	6.2%	13,942,887	6.9%
Other manufacturing	7,977,804	3.7%	5,996,870	2.8%	7,466,841	3.7%
Automotive	4,780,363	2.2%	4,244,575	2.0%	4,620,457	2.3%
Steel and mining	5,747,057	2.6%	7,195,015	3.4%	6,146,889	3.1%
Food and beverage	3,753,657	1.7%	4,504,319	2.1%	3,898,244	1.9%
Chemicals	10,020,193	4.6%	3,754,635	1.8%	4,546,764	2.3%
Textile	6,313,899	2.9%	5,958,235	2.8%	5,876,387	2.9%
Telecommunication	322,314	0.1%	1,330,934	0.6%	6,979,230	3.5%
Construction	33,849,237	15.6%	30,329,158	14.3%	32,873,513	16.3%
Agriculture and forestry	2,075,238	1.0%	2,612,639	1.2%	1,694,429	0.8%
Electronics	758,903	0.3%	706,731	0.3%	1,255,651	0.6%
Tourism	2,312,356	1.1%	2,152,088	1.0%	1,885,006	0.9%
Health care and social services	1,501,086	0.7%	1,838,413	0.9%	1,582,486	0.8%
Other	53,367,584	24.6%	51,918,712	24.5%	31,235,105	15.5%
Performing loans	**217,020,703**	**100%**	**211,919,218**	**100%**	**201,474,826**	**100%**
Non-performing loans	15,584,045		14,857,080		7,838,621	
Total loans and advances to customers	**232,604,748**		**226,776,298**		**209,313,447**	
Allowance for loan losses	**(13,557,927)**		**(12,305,366)**		**(7,981,264)**	
Net loans and advances to customers	**219,046,821**		**214,470,932**		**201,332,183**	

	As at 31 December	
	2017	%
	(TL thousands, except percentages)	
Consumer loans and credit cards	43,580,803	20.8%
Mortgage	13,232,484	6.3%
Automobile	254,678	0.1%
General Purpose	18,638,022	8.9%
Retail Credit Cards	11,455,619	5.5%
Financial institutions	28,276,585	13.5%
Wholesaling	13,047,971	6.2%
Retailers	16,707,948	8.0%
Other manufacturing	6,489,663	3.1%
Automotive	3,724,903	1.8%
Steel and mining	6,683,332	3.2%
Food and beverage	4,792,220	2.3%
Chemicals	4,061,923	1.9%
Textile	5,208,567	2.5%
Telecommunication	6,801,796	3.2%
Construction	28,929,557	13.8%
Agriculture and forestry	1,194,108	0.6%
Electronics	1,067,217	0.5%
Tourism	2,010,877	1.0%
Health care and social services	2,568,214	1.2%
Other	34,180,086	16.3%
Performing loans	**209,325,770**	**100%**
Non-performing loans	4,532,711	
Total loans and advances to customers	**213,858,481**	
Allowance for loan losses	**(7,066,963)**	
Net loans and advances to customers	**206,791,518**	

The aggregate share of consumer and retail credit card loans in total performing loans has both decreased and increased again in the past three years from 20.8% to 20.5% in 2017 and 2018 respectively, and increased in 2019 to 21.5% and 22.6% in the three months ending 31 March 2020 corresponding to Akbank's lending strategy. Growth in consumer lending and credit card loans was up by 8.7% in 2017, decreased by 5.5% in 2018 and increased by 10.8% in 2019 and increased 7.7% in the three months ending 31 March 2020.

Corporate, commercial and small business loans decreased by 5.5% and 3.1%, respectively, in 2018 and in 2019 and decreased 1.8% in the three months ended 31 March 2020. Corporate loans decreased by 1% and increased by 11.6% in 2018 and in 2019, respectively, and increased 3.3% in the three months ended 31 March 2020 while small business loans decreased by 5.5% and 3.1% in 2018 and in 2019, respectively and decreased 1.8% in the three months ended 31 March 2020.

As at 31 December 2019, 2018 and 2017 and 31 March 2020, the share in total loans of domestic Turkish loans was between 95.9% and 96.0% 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 Akbank BRSA Financial Statements) set forth a breakdown of the maturity profile of Akbank's loan and guarantee portfolios as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	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 %
Loans	*(TL thousands, except percentages)*							
31 March 2020	*64,702,469*	*47,215,026*	*86,862,347*	*22,264,842*	*16,276,183*	*237,320,86 7*		
31 December 2019	74,650,882	42,137,606	78,158,642	21,538,942	15,430,545	231,916,617	-	-
31 December 2018	62,053,436	50,028,752	78,223,864	23,674,110	(43,418)	222,419,190	-	-

Guarantees(1)	*Up to 1 year*	*Over 1 year*	*Total*
31 March 2020	9,881,403	33,212,564	43,093,967
31 December 2019	9,158,096	33,540,928	42,699,024
31 December 2018	25,795,417	26,999,954	52,795,371

	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 %
Loans	*(TL thousands, except percentages)*							
31 December 2017	52,361,916	44,906,086	88,009,406	24,048,362	152,619	213,858,481	70.2%	29.8%

Guarantees(1)	*Up to 1 year*	*Over 1 year*	*Total*
31 December 2017	26,453,055	25,510,740	51,963,795

Note:

(1) Includes acceptance credits and export commitments.

Distribution of Loans by Size

The following tables (derived from the management accounts) present the distribution of Akbank's loan portfolio by size as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March		As at 31 December			
	2020	**%**	**2019**	**%**	**2018**	**%**
	(TL thousands, except percentages)					
Over TL 1,000,000	156,901,391	72.4%	155,394,814	73.3%	148,433,078	73.7%

TL 500,000 – 1,000,000	3,913,845	1.8%	4,036,298	1.9%	4,334,048	2.2%
TL 100,000 – 500,000	10,636,058	4.9%	9,909,774	4.7%	10,480,180	5.2%
TL 50,000 – 100,000	10,321,658	4.8%	8,957,624	4.2%	7,038,689	3.5%
Less than TL 50,000	34,854,034	16.1%	33,620,708	15.9%	31,188,831	15.5%
Performing loans	**216,626,986**	**100.0%**	**211,919,218**	**100.0%**	**201,474,826**	**100.0%**
Non-performing loans	15,584,045		14,857,080		7,838,621	
Allowance for loan losses	(13,164,210)		(12,305,366)		(7,981,264)	
Net loans and advances to customers	**219,046,821**		**214,470,932**		**201,332,183**	

	As at 31 December	
	2017	**%**
	(TL thousands, except percentages)	
Over TL 1,000,000	152,175,826	72.7%
TL 500,000 – 1,000,000	5,363,161	2.6%
TL 100,000 – 500,000	13,118,149	6.3%
TL 50,000 – 100,000	7,956,546	3.8%
Less than TL 50,000	30,712,088	14.7%
Performing loans	**209,325,770**	**100.0%**
Non-performing loans	4,532,711	
Allowance for loan losses	(4,380,092)	
Net loans and advances to customers	**209,478,389**	

Distribution of Loans by Type

The following tables show a breakdown of Akbank's corporate, commercial and small and micro, consumer and credit card loans by type, derived from the Akbank BRSA Financial Statements as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March 2020		**As at 31 December**			
	2020	**y-o-y**	**2019**	**y-o-y**	**2018**	**y-o-y**
	(TL millions, except percentages)					
TL Corporate	30,057	(8)%	32,542	33%	24,531	(7%)
FX Corporate (USD)	8,639	0%	8,659	(4%)	9,001	(32%)
TL Commercial and small	47,808	(1)%	48,264	1%	47,979	(16%)
FX Commercial and small (USD)	4,681	(12)%	5,341	(13%)	6,133	(23%)
Consumer	35,556	(11)%	32,114	11%	29,142	(6%)
Credit Cards	16,091	0%	16,120	9%	14,773	11%

	As at 31 December 2017
	(TL millions)
TL Corporate	26,267
FX Corporate (USD)	13,264
TL Commercial and small	57,359
FX Commercial and small (USD)	7,999
Consumer	32,125
Credit Cards	14,049

Geographic Distribution of Loans

The following tables show the geographic distribution of Akbank's loan portfolio (by location of the branch) as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively. As noted above, only approximately 2-3% of Akbank's total loans for the periods shown were made to borrowers outside Turkey. Accordingly, loans shown below as booked by Akbank'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 March		As at 31 December			
	2020	%	2019	%	2018	%
	(TL thousands, except percentages)					
Istanbul Region	100,795,265	46.5%	98,334,277	46.4%	91,805,500	45.6%
Trakya Region	2,334,312	1.1%	2,424,920	1.1%	2,362,406	1.2%
Ankara Region	21,464,981	9.9%	21,579,169	10.2%	19,431,951	9.6%
Bursa Region	6,943,128	3.2%	7,212,034	3.4%	6,684,225	3.3%
Çukurova Region	14,804,521	6.8%	14,079,940	6.6%	13,007,105	6.5%
Eastern Black Sea Region	3,864,909	1.8%	3,824,813	1.8%	3,594,169	1.8%
Aegean Region	15,568,611	7.2%	15,019,789	7.1%	14,734,027	7.3%
Eskişehir Region	689,553	0.3%	686,361	0.3%	775,889	0.4%
South-eastern Anatolia Region	6,866,978	3.2%	6,686,676	3.2%	6,927,960	3.4%
Samsun Region	4,001,990	1.8%	3,848,384	1.8%	3,787,907	1.9%
Denizli Region	2,531,841	1.2%	2,494,190	1.2%	2,161,438	1.1%
Foreign Branch and Subsidiaries	36,760,896	17.0%	35,728,665	16.9%	36,202,249	18.0%
Total Performing Loans	**216,626,986**	**100%**	**211,919,218**	**100.0%**	**201,474,826**	**100.0%**
Non-Performing Loans	15,584,045		14,857,080		7,838,621	
Total Loans	**232,211,031**		**226,776,298**		**209,313,447**	
Allowance for Loan Losses	(13,164,210)		(12,305,366)		(7,981,264)	
Total Net Loans	**219,046,821**		**214,470,932**		**201,332,183**	

	As at 31 December	
	2017	%
	(TL thousands, except percentages)	
Istanbul Region	100,978,431	48.2%
Trakya Region	2,527,129	1.2%
Ankara Region	24,596,375	11.8%
Bursa Region	6,998,529	3.3%
Çukurova Region	15,202,945	7.3%
Eastern Black Sea Region	3,952,648	1.9%
Aegean Region	16,222,906	7.8%
Eskişehir Region	944,975	0.5%
South-eastern Anatolia Region	6,937,189	3.3%
Samsun Region	4,468,020	2.1%
Denizli Region	2,006,121	1.0%
Foreign Branch and Subsidiaries	24,490,503	11.7%
Total Performing Loans	**209,325,770**	**100.0%**
Non-Performing Loans	4,532,711	
Total Loans	**213,858,481**	
Allowance for Loan Losses	(4,380,092)	
Total Net Loans	**209,478,389**	

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 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 applicable general provision requirements in the relevant financial year were (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. As a result of the regulation published in the Official Gazette on 27 September 2016 and numbered 29840, the previous requirement that was in force from 8 October 2013 and which required all banks with consumer lending portfolios exceeding 25% of their overall loan bank, or with non-performing consumer loans (classified as illiquid claims (*donuk alacaklar*), excluding mortgage loans) ratios greater than 8% of their total consumer loans, to set aside higher general provisioning of 4% for the outstanding standard loans and 8% for the outstanding closely monitored loans no longer applies.

Akbank has adopted a more conservative policy regarding provisions for NPLs than that required by BRSA. Akbank has set aside 156% 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 cannot 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.

The following tables (derived from the management accounts) show the geographic distribution of the non-performing loan loss portfolio (by location) as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March		**As at 31 December**			
	2020	**%**	**2019**	**%**	**2018**	**%**
	(TL thousands, except percentages)					
Istanbul Region	8,171,696	52.4%	7,575,197	51.0%	3,413,746	43.6%
Trakya Region	196,299	1.3%	202,796	1.4%	101,025	1.3%
Ankara Region	949,901	6.1%	947,069	6.4%	786,152	10.0%
Bursa Region	444,191	2.9%	408,448	2.7%	274,079	3.5%
Çukurova Region	1,520,530	9.8%	1,497,810	10.1%	925,715	11.8%
Eastern Black Sea Region	335,277	2.2%	331,664	2.2%	188,657	2.4%
Aegean Region	1,728,881	11.1%	1,688,545	11.4%	717,317	9.2%
Eskişehir Region	84,970	0.5%	84,167	0.6%	91,302	1.2%
South-eastern Anatolia Region	1,183,152	7.6%	1,166,041	7.8%	514,433	6.6%
Samsun Region	308,367	2.0%	304,977	2.1%	210,844	2.7%
Denizli Region	75,220	0.5%	74,488	0.5%	53,197	0.7%
Other	585,561	3.8%	575,876	3.9%	562,153	7.2%
Total	**15,584,045**	**100.0%**	**14,857,080**	**100.0%**	**7,838,621**	**100.0%**

	As at 31 December	
	2017	**%**
	(TL thousands, except percentages)	
Istanbul Region	1,519,480	33.5%
Trakya Region	69,966	1.5%
Ankara Region	663,074	14.6%
Bursa Region	234,452	5.2%
Çukurova Region	625,601	13.8%
Eastern Black Sea Region	134,756	3.0%
Aegean Region	554,783	12.2%
Eskişehir Region	68,531	1.5%
South-eastern Anatolia Region	393,462	8.7%
Samsun Region	219,726	4.8%
Denizli Region	47,681	1.1%
Other	1,199	0.0%
Total	**4,532,711**	**100.0%**

For a discussion of Akbank's NPLs, see "*Risk Management—Identification and Remediation of Problem Loans" and "Provision for Loan Losses*".

Non-Performing Loan Ratios

Akbank's non-performing loan ratios as at 31 March 2020 and 31 December 2019, 2018 and 2017 were 6.9%, 6.7%, 3.8% and 2.1%, respectively, as compared to the Turkish banking sector's non-performing loans ratios of 5.0%, 5.36%, 3.87% and 2.95%, respectively, as at the same dates (source: BRSA).

Breakdown of Non-Performing Loan Performance

The following tables show a breakdown of new non-performing loans, collections and NPL sale revenue, derived from the Akbank BRSA Financial Statements for the three-month period ended 31 March 2020 and for the years for the years ended 31 December 2019, 2018 and 2017:

		For the year ended 31 December	
	As at 31 March 2020	**2019**	**2018**
	(TL thousands)		
New NPLs	1,403,719	10,714,814	9,885,572
Collections	(555,462)	(1,824,705)	(1,789,838)
NPL Sale Revenue	0	(32.9)	(55.4)

	As at 31 December 2017
	(TL thousands)
New NPLs	1,914,609
Collections	(921,936)
NPL Sale Revenue	(39.0)

Akbank also periodically engages in sales of non-performing loans. In December 2019, Akbank sold a non-performing loan portfolio of TL 714.5 million for TL 32.9 million to İstanbul Varlık Yönetim A.Ş. and Gelecek Varlık Yönetimi A.Ş. In December 2018, Akbank sold a non-performing loan portfolio of TL 446 million for TL 19.4 million to Arsan Varlık Yönetimi A.Ş., İstanbul Varlık Yönetim A.Ş. and Sümer Varlık Yönetimi A.Ş. In January 2018, Akbank sold a non-performing loan portfolio of TL 774 million for TL 36 million to Güven Varlık Yönetimi A.Ş., Efes Varlık Yönetim A.Ş. and Hayat Varlık Yönetimi A.Ş. In June 2017, Akbank sold a non-performing loan portfolio of TL 709 million for TL 39 million to İstanbul Varlık Yönetim A.Ş., Efes Varlık Yönetim A.Ş., Hayat Varlık Yönetimi A.Ş. and Final Varlık Yönetimi A.Ş.

Allowance for Loan Losses

The following tables (derived from the Akbank BRSA Financial Statements) show movements in Akbank's allowance for loan losses including Stage 1, Stage 2 and Stage 3 loan losses as at 31 March 2020 and 31 December 2019, 2018 and 2017, 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.

		As at 31 December	
	As at 31 March 2020	**2019**	**2018**
	(TL thousands)		
Balance at beginning of year	15,430,545	8,439,028	4,532,711
Additions	1,403,719	10,714,814	9,885,572
Collections	555,462	1,824,705	1,789,838
Write-offs	2,619	1,230,345	3,398,657
NPL Sale	-	668,247	1,218,371
Exchange differences	-	-	-
Balance at end of year	**16,276,183**	**15,430,545**	**8,011,417**

	As at 31 December 2017
	(TL thousands)
Balance at beginning of year	4,267,191
Additions	1,914,609
Collections	921,936
Write-offs	727,153
Exchange differences	-
Balance at end of year	**4,532,711**

Sources of Funds

Historically, short-term 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 and retain customer deposits is supported by its extensive branch network. With the expansion of its deposit base and growth of the share of its demand deposits among Akbank's top priorities, saving deposits constituted 26.7% of Akbank's total customer deposits as at 31 December 2019 and 19.9% as at 31 March 2020.

Between 31 December 2019 and 31 March 2020, Akbank's deposits increased by 10.9% and reached TL 336.2 billion as at 31 March 2020. Over the same period Akbank demand deposits increased by 19% year on year, making up 23% of total deposits at the end of the period. The currency mix has remained stable with 39% in TL and 61% in other currencies.

Between 31 December 2018 and 31 December 2019, Akbank's deposits increased by 8.4% and reached TL 303.1 billion as at 31 December 2019. Over the same period Akbank saw growth in both retail and corporate deposits due to Akbank's focus on broadening its deposit funding base and TL deposits increased by 17.3%.

The following table (derived from the Akbank BRSA Financial Statements) sets forth the principal sources of funds for Akbank's operations as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March		As at 31 December			
	2020	**%**	**2019**	**%**	**2018**	**%**
	(TL thousands, except percentages)					
Customer Deposits	258,216,564	76.8%	233,444,933	77.0%	198,094,116	70.8%
Saving Deposits	66,949,591	19.9%	62,432,633	20.6%	55,868,082	20.0%
Foreign Currency Deposits	153,422,841	45.6%	138,540,015	45.7%	118,456,548	42.4%
Public Sector Deposits	1,151,666	0.3%	1,183,421	0.4%	1,118,222	0.4%
Commercial Deposits	32,888,494	9.8%	27,955,920	9.2%	19,776,579	7.1%
Other Institutions Deposits	3,803,972	1.1%	3,332,944	1.1%	2,874,685	1.0%
Gold Vault	6,984,883	2.1%	4,491,847	1.5%	2,484,399	0.9%
Bank Deposits	5,578,873	1.7%	6,775,553	2.2%	8,051,385	2.9%
Money Markets	17,874,109	5.3%	10,106,550	3.3%	14,275,016	5.1%
Funds Borrowed	35,844,407	10.7%	34,836,481	11.5%	43,649,883	15.6%
Securities Issued (Net)	11,695,005	3.5%	13,536,945	4.5%	13,071,447	4.7%
Total	**336,193,841**	**100.0%**	**303,192,309**	**100.0%**	**279,626,246**	**100.0%**

	As at 31 December	
	2017	**%**
	(TL thousands, except percentages)	
Customer Deposits	186,075,061	66.4%
Saving Deposits	57,708,207	20.6%
Foreign Currency Deposits	94,749,637	33.8%
Public Sector Deposits	341,451	0.1%
Commercial Deposits	30,063,402	10.7%
Other Institutions Deposits	3,212,364	1.1%
Gold Vault	1,451,430	0.5%
Bank Deposits	13,929,037	5.0%
Money Markets	29,357,798	10.5%
Funds Borrowed	33,627,199	12.0%
Securities Issued (Net)	15,855,225	5.7%
Total	**280,295,750**	**100.0%**

Deposits

As at 31 March 2020, total deposits were TL 270.8 billion, compared to TL 244.7 billion as at 31 December 2019, TL 208.6 billion as at 31 December 2018 and TL 201.5 billion as at 31 December 2017.

The tables below (derived from the Akbank BRSA Financial Statements) give the breakdown of the total deposit base by type as at 31 March 2020 and as at 31 December 2019, 2018 and 2017.

	As at 31 March 2020			
	Demand	Time	Total	%
	(TL thousands, except percentages)			
Saving deposits	**11,726,006**	**55,223,585**	**66,949,591**	**24.7**
Located in Turkey	11,726,006	55,223,585	66,949,591	-
Located in foreign countries and foreign countries	0	0	0	-
Foreign Currency Deposits	**34,524,066**	**118,898,775**	**153,422,841**	**56.7**
Located in Turkey	29,442,547	97,609,869	127,052,416	-
Located in foreign countries and foreign countries	5,081,519	21,288,906	26,370,425	-
Public Sector Deposits	**1,099,638**	**52,028**	**1,151,666**	**0.4**
Located in Turkey	1,099,638	52,028	1,151,666	-
Located in foreign countries and foreign countries	0	0	0	-
Commercial Deposits	**8,423,500**	**24,464,994**	**32,888,494**	**12.1**
Located in Turkey	8,423,500	24,385,935	32,809,435	-
Located in foreign countries and foreign countries	0	79,059	79,059	-
Other Institutions Deposits	**264,128**	**3,539,844**	**3,803,972**	**1.4**
Located in Turkey	264,128	3,539,844	3,803,972	-
Located in foreign countries and foreign countries	0	0	0	-
Gold Vault	**6,492,745**	**492,138**	**6,984,883**	**2.6**
Located in Turkey	6,492,745	492,138	6,984,883	-
Located in foreign countries and foreign countries	0	0	0	-
Bank Deposits	**714,499**	**4,864,374**	**5,578,873**	**2.1**
Located in Turkey	405,031	698,405	1,103,436	-
Located in foreign countries and foreign countries	309,468	4,165,969	4,475,437	-
Total	**63,244,582**	**207,535,738**	**270,780,320**	**100.0**

	As at 31 December 2019				As at 31 December 2018			
	Demand	Time	Total	%	Demand	Time	Total	%
	(TL thousands, except percentages)							
Saving deposits	**10,127,048**	**52,305,585**	**62,432,633**	**25.5%**	**6,822,980**	**49,045,102**	**55,868,082**	**26.8%**
Located in Turkey	10,127,048	52,305,585	62,432,633	-	6,822,980	49,045,102	55,868,082	-
Located in foreign countries and foreign countries	-	-	-	-	-	-	-	-
Foreign Currency Deposits	**27,509,477**	**111,030,538**	**138,540,015**	**56.6%**	**23,465,232**	**94,991,316**	**118,456,548**	**56.8%**
Located in Turkey	22,472,756	90,373,535	112,846,291	-	19,626,445	70,724,263	90,350,708	-
Located in foreign countries and foreign countries	5,036721	20,657,003	25,693,724	-	3,838,787	24,267,053	28,105,840	-
Public Sector Deposits	**1,137,518**	**45,903**	**1,183,421**	**0.5%**	**1,071,679**	**46,543**	**1,118,222**	**0.5%**
Located in Turkey	1,137,518	45,903	1,183,421	-	1,071,679	46,543	1,118,222	-
Located in foreign countries and foreign countries	-	-	-	-	-	-	-	-
Commercial Deposits	**8,514,974**	**19,440,946**	**27,955,920**	**11.4%**	**6,762,192**	**13,014,387**	**19,776,579**	**9.5%**
Located in Turkey	8,514,974	19,380,815	27,895,789	-	6,762,192	13,014,387	19,776,579	-
Located in foreign countries and foreign countries	-	60,131,	60,131	-	-	-	-	-
Other Institutions Deposits	**272,527**	**3,060,417**	**3,332,944**	**1.4%**	**250,105**	**2,624,580**	**2,874,685**	**1.4%**
Located in Turkey	272,527	3,060,417	3,332,944	-	250,105	2,624,580	2,874,685	-
Located in foreign countries and foreign countries	-	-	-	-	-	-	-	-
Gold Vault	**4,151,698**	**340,149**	**4,491,847**	**1.8%**	**2,274,974**	**209,425**	**2,484,399**	**1.2%**
Located in Turkey	4,151,698	340,149	4,491,847	-	2,274,974	209,425	2,484,399	-
Located in foreign countries and foreign countries	-	-	-	-	-	-	-	-
Bank Deposits	**1,555,546**	**5,220,007**	-	**0.0%**	**1,487,220**	**6,564,165**	**8,051,385**	**3.9%**
Located in Turkey	1,308,910	725,421	-	-	1,364,018	2,131,827	3,495,845	-
Located in foreign countries	246,363	4,494,586	-	-	123,202	4,432,338	4,555,540	-
Total	**53,268,788**	**191,443,545**	**244,712,333**	**97.2%**	**42,134,382**	**166,495,518**	**208,629,900**	**100.1%**

	As at 31 December 2017			
	Demand	Time	Total	%
	(TL thousands, except percentages)			
Saving deposits	**8,420,445**	**49,287,762**	**57,708,207**	**28.6%**
Located in Turkey	8,420,445	49,287,762	57,708,207	-
Located in foreign countries and foreign countries	-	-	-	-
Foreign Currency Deposits	**16,199,712**	**78,549,925**	**94,749,637**	**47.0%**
Located in Turkey	13,484,283	55,285,455	68,769,738	-
Located in foreign countries and foreign countries	2,715,429	23,264,470	25,979,899	-
Public Sector Deposits	**309,841**	**31,610**	**341,451**	**0.2%**
Located in Turkey	309,841	31,610	341,451	-
Located in foreign countries and foreign countries	-	-	-	-
Commercial Deposits	**9,223,734**	**20,839,668**	**30,063,402**	**14.9%**
Located in Turkey	9,223,734	20,437,612	29,661,346	-
Located in foreign countries and foreign countries	-	402,056	402,056	-
Other Institutions Deposits	**236,231**	**2,976,133**	**3,212,364**	**1.6%**
Located in Turkey	236,231	2,976,133	3,212,364	-
Located in foreign countries and foreign countries	-	-	-	-
Gold Vault	**1,332,683**	**118,747**	**1,451,430**	**0.7%**
Located in Turkey	1,332,683	118,747	1,451,430	-
Located in foreign countries and foreign countries	-	-	-	-
Bank Deposits	**1,187,569**	**12,741,468**	**13,929,037**	**6.9%**
Located in Turkey	809,486	4,152,777	4,962,263	-
Located in foreign countries and foreign countries	378,083	8,588,691	8,966,774	-
Total	**36,910,215**	**164,545,313**	**201,455,528**	**99.9%**

As at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively, 32.0%, 33.8%, 37.6%% and 30.1% of Akbank's total deposits were denominated in U.S. Dollars (60.9%, 55.6%, 61.7% and 55.7% of total foreign currency deposits) and 20.0%, 23.0%, 20.1% and 21.8% of total deposits were denominated in Euro (35.0%, 37.8%, 33.0% and 40.4% of total foreign currency deposits).

The following tables (derived from the Akbank BRSA Financial Statements) show the maturities of deposits as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(TL thousands)		
31 March 2020	249,246,500	11,590,006	8,772,726	1,171,088	270,780,320
31 December 2019	224,658,085	11,580,147	7,493,410	980,691	244,712,333
31 December 2018	184,146,068	18,436,748	5,511,751	535,332	208,629,899

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(TL thousands)		
31 December 2017	179,226,305	14,939,725	6,693,448	596,050	201,455,528

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 tables show the breakdown of the business transactions with related parties as at 31 March 2020 and 31 December 2019, 2018 and 2017, respectively.

	As at 31 March		As at 31 December			
	2020	% of Related Item	2019	% of Related Item	2018	% of Related Item
	(TL thousands, except percentages)					
Cash loans	7,340,234	3.2%	6,723,184	3.0%	5,476,437	2.6%
Non-cash loans	1,621,020	3.8%	1,048,264	2.5%	1,073,121	2.0%
Cash and due from banks			-	-	-	-
Finance lease receivables	24,670	0.5%	29,421	0.6%	44,520	0.7%
Deposits	7,043,576	2.6%	5,975,949	2.4%	6,240,268	3.0%
Derivatives[(1)]	11,811,366	2.2%	11,408,705	2.1%	10,451,000	1.7%

	As at 31 December	
	2017	% of Related Item
	(TL thousands, except percentages)	
Cash loans	5,605,978	2.7%
Non-cash loans	923,453	1.8%
Cash and due from banks	-	-
Finance lease receivables	64,362	1.1%
Deposits	5,386,120	2.7%
Derivatives[(1)]	13,638,708	2.8%

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 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 March 2020 and 31 December 2019, 2018 and 2017, Akbank's total risk-based capital ratio (consisting principally of Tier 1 capital) on consolidated basis was 20.36%, 19.66%, 16.77% and 15.79%, respectively. As at 31 March 2020, the sector's average capital adequacy ratio on an unconsolidated basis was 17.90% (Akbank's unconsolidated capital adequacy ratio as at that date was 21.52%) and average Tier 1 ratio was 13.73% core capital ratio (Akbank's unconsolidated Tier 1 ratio as at that date was 18.49%). As at 31 December 2019, the sector's average capital adequacy ratio on an unconsolidated basis was 18.20% (Akbank's unconsolidated capital adequacy ratio as at that date was 19.66%) and average Tier 1 ratio was 14.20% core capital ratio (Akbank's unconsolidated Tier 1 ratio as at that date was 16.9%). Akbank reports its capital adequacy ratio according to the Standard Method under the Basel II and Basel III Guidelines. Akbank intends to maintain capital ratios in excess of those required by Turkish law and the Basel Guidelines. See also "*Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks*", "*Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks— Akbank's credit ratings may not reflect all risks, and changes to Turkey's or its credit ratings may affect its ability to obtain funding*", and "*Risk Factors—Risks Related To Akbank* " and "*Turkish Regulatory Environment For Banks—Basel III*".

The following tables show the risk-weighted assets and qualifying capital of Akbank for the three months ended 31 March 2020 and the years ended 31 December 2019, 2018 and 2017, respectively.

	As at 31 March 2020	As at 31 December 2019	2018
		(TL thousands)	
Tier 1			
Share capital	10,520,613	10,520,613	7,607,551
Legal reserves	1,882,950	1,626,891	1,621,374
Extraordinary reserves	38,235,013	32,949,515	27,340,023
Other reserves	5,389,888	5,122,290	4,537,131
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	3,895	3,895	3,895
Retained earnings	1,894,239	6,120,251	6,382,004
Deductions	(1,774,959)	(2,099,565)	(4,639,445)
Total Tier 1 capital	**56,151,639**	**54,243,890**	**42,852,533**
Tier 2			
General loans loss reserves	3,543,046	3,540,059	2,650,648
Subordinated loans	5,872,992	5,328,000	4,734,000
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-	-	-
Other reserves	-	-	-
Deductions	1.311	(1,649)	(3,508)
Total qualifying capital	**65,566,366**	**63,110,300**	**50,233,673**
Risk-weighted assets			
With 2% risk	20,440	21,208	22,790
With 20% risk	4,353,626	4,105,342	4,732,560
With 35% risk	2,996,611	2,878,316	3,943,177
With 50% risk	13,200,143	14,962,563	13,863,350
With 75% risk	46,386,706	44,649,515	38,344,835
With 100% risk	208,934,037	212,594,944	202,145,038
With 150% risk	1,669,803	1,389,068	2,069,999
With 200% risk	-	-	-
With 250% risk	-	-	-
With CVA risk	5,882,274	5,225,746	6,739,551
Total risk-weighted assets	**283,443,640**	**285,826,701**	**271,861,300**
Market risk	4,196,359	6,256,135	5,087,744
Operational risk	34,367,848	28,892,666	22,665,719
Total risk-weighted assets and market risk	**322,007,846**	**320,975,502**	**299,614,763**
Risk-adjusted capital ratio	**20.36%**	**19.66%**	**16.77%**

	As at 31 December 2017
	(TL thousands)
Tier 1	
Share capital	8,095,872
Legal reserves	1,469,241
Extraordinary reserves	24,275,152
Other reserves	2,349,101
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	3,895
Retained earnings	6,773,168
Deductions	(1,909,667)
Total Tier 1 capital	**41,056,762**
Tier 2	
General loans loss reserves	2,686,871
Subordinated loans	1,870,000
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-
Other reserves	-
Deductions	(6,521)

Total qualifying capital	**44,617,132**
Risk-weighted assets	-
With 2% risk	7,822
With 20% risk	2,380,289
With 35% risk	4,570,820
With 50% risk	13,822,711
With 75% risk	38,982,809
With 100% risk	194,476,788
With 150% risk	8,532
With 200% risk	-
With 250% risk	-
With CVA risk	4,191,575
Total risk-weighted assets	**258,441,347**
Market risk	4,699,434
Operational risk	19,470,254
Total risk-weighted assets and market risk	**282,611,034**
Risk-adjusted capital ratio	**15.79%**

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 TL 20,912,094 (thousands) as at 31 March 2020 and TL 22,763,679 (thousands) as at 31 December 2019.

FORM OF THE NOTES

Global Notes

The Notes will initially be represented by a global note in registered form (the "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes, the Regulation S Notes or beneficial interests therein may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and such beneficial interests in the Regulation S Global Note may not be held otherwise than through Euroclear or Clearstream, Luxembourg and the Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Regulation S Global Note will be deposited on or about the Issue Date with the Common Depositary, and will be registered in the name of a nominee for the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect account holders in Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in the Regulation S Global Note will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Regulation S Global Note will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.2) as the registered holder of the Regulation S Global Note on the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Regulation S Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of the Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.2) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Regulation S Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in the Regulation S Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which (except for the paragraphs in italics) will be incorporated by reference into the Regulation S Global Note (as defined below) and endorsed on or attached to each definitive Note.

The U.S.$50,000,000 6.05 per cent. Notes due 2024 (the "**Notes**" which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) are issued by Akbank T.A.Ş. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note"**), units of each Specified Denomination in U.S. Dollars;

(b) the Regulation S Global Note; and

(c) any definitive Notes in registered form (whether or not issued in exchange for a Global Note in registered form).

The Notes are issued subject to and with the benefit of an Agency Agreement dated 8 July 2020 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), and as transfer agent (together with the Registrar, as defined below, the "**Transfer Agents**", which expression shall include any additional or successor transfer agent) and Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor registrar).

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

The Noteholders are entitled to the benefit of a deed of covenant dated 5 August 2020 (such deed of covenant as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Transfer Agents (such agents and the Registrar being together referred to as the "**Agents**"). The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant which are applicable to them. The statements in these Terms and Conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and these Conditions, these Conditions will prevail.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in registered form and, in the case of definitive Notes, serially numbered, and are issued in the amounts of U.S.$200,000 and integral multiples of U.S.$1,000 thereafter (each, a "**Specified Denomination**"). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

The Notes are issued pursuant to the Turkish Commercial Code (No. 6102), the Capital Markets Law (No. 6362) of Turkey and its related legislation.

1.2 Title

Subject as set out below, title to the Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next two succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note deposited with and registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the registered holder of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may be approved by the Issuer and the Fiscal Agent.

2. TRANSFERS OF NOTES

2.1 Transfers of interests in Global Notes

Transfers of beneficial interests in Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in the Specified Denominations and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in the Specified Denominations). In order to effect any such transfer (a) the holder or holders must (i) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Note in definitive form of a like aggregate nominal amount to the Note (or the relevant part of the Note) being transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or Agent may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3. STATUS OF THE NOTES

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 of the Notes remain outstanding, 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 the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such Security Interest is terminated; or

(c) such other Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 4.1 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 by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such instrument, a "**Covered Bond**"), (ii) any securitisation of receivables, payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) 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 then-existing balance sheet value of assets or revenues subject to any Security Interest created in respect of an issuance of (A) Covered Bonds (that are Relevant Indebtedness) and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities), when added to the nominal amount of any outstanding Direct Recourse Securities (that are Relevant Indebtedness), does not, at the time of the incurrence thereof, exceed 15 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with BRSA Accounting and Financial Reporting Legislation).

4.2 Definitions

For the purposes of these Conditions:

"**Direct Recourse Securities**" means securities (other than Covered Bonds) issued in connection with any securitisation of receivables, other payment rights, 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;

"**IFRS**" means the requirements of International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (the "**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time); and

"**Relevant Indebtedness**" means (a) 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 organised 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 (b) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary actions 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 Piyasası Kurulu*) (the "**CMB**") and the Banking Regulatory and Supervisory Authority (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (the "**BRSA**")) for (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the

Notes or for the validity or enforceability thereof, or (b) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings which are immaterial in the conduct by the Issuer of the Permitted Business.

5.2 Financial Reporting

For so long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent:

(a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied and BRSA Accounting and Financial Reporting Legislation, together with the corresponding financial statements for the preceding period, and such financial statements of the Issuer shall be accompanied by the reports of the auditors thereon; and

(b) not later than 120 days after the end of the first six months of the Issuer's financial years, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied and BRSA Accounting and Financial Reporting Legislation, together with the corresponding financial statements for the preceding period.

5.3 Interpretation

For the purposes of this Condition 5, "**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 in Condition 6.1).

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 5 August 2020 (the "**Issue Date**") at the rate of 6.05 per cent. per annum (the "**Rate of Interest**"), payable semi-annually in arrear on 15 May and 15 November in each year (each an "**Interest Payment Date**"). There will be a short first interest period with the first payment (for the period from and including 5 August 2020 to but excluding 15 November 2020 and amounting to U.S.$ 16.80556 per U.S.$1,000 in principal amount of each Note) being made on 15 November 2020.

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 principal in respect of the Note is improperly withheld or refused. 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 14.

Interest shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by the relevant Global Note or relevant Notes in definitive form and, in each case, multiplying such sum by 30/360 and rounding the resultant figure to the nearest U.S.$0.01 (with U.S.$0.005 being rounded upwards).

6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six-month interest period, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

7.1 Method of payment

Subject as provided below, payments will be made by credit or transfer to an account in U.S. Dollars (or any account to which U.S. Dollars may be credited or transferred) maintained by the payee.

Payments will be subject in all cases to: (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach thereto.

7.2 Payments in respect of Notes

Payments of principal in respect of each Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Note at the specified office of the Registrar or any of the Paying Agents. Payments in respect of both principal and interest in respect of each Note (whether or not in global form) will be made by transfer on the due date to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar outside of the United Kingdom (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which Euroclear, Clearstream Luxembourg, as the case may be, are open for business)before the relevant due date.. For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank which processes payments in U.S. Dollars.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

Neither the Issuer nor the Agents 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 Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.3 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.4 Payment Day

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (i) Istanbul, London and New York City; and (ii) in the case of Notes in definitive form only, the relevant place of presentation.

7.5 Interpretation of principal and interest

Any reference in these Conditions to principal or interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to such principal or interest under Condition 9.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, the Notes will be redeemed by the Issuer at their principal amount on the Maturity Date.

8.2 Redemption for tax 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 or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change, clarification or amendment becomes effective after 8 July 2020, on the next Interest Payment Date, the Issuer would be required to pay additional amounts as provided or referred to in Condition 9; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may, at its option, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding any time at their principal amount together with interest accrued to (but excluding) the date of redemption provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in subparagraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) 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, amendment or clarification.

8.3 Purchases

The Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire Notes in any manner and at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.4 Cancellation

All Notes which are redeemed pursuant to this Condition 8 will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.3 shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer will 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 any Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment with respect to any Note:

(a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of such Note; or

(b) presented for payment in Turkey; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.4).

Notwithstanding any other provision of these Conditions, in no event will the Issuer, Paying Agent or any other person 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 thereto.

For the purposes of these Conditions:

"**Relevant Date**" means with respect to any payment, the date on which such payment first becomes due, except that, if the full amount of the money payable has not been duly received by the Fiscal Agent or the Registrar, as the case may be, on or prior to the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

"**Relevant Jurisdiction**" means 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.

9.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10. PRESCRIPTION

The Notes will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 9) therefor.

11. EVENTS OF DEFAULT

11.1 Events of Default

The holder of any Note may give notice to the Issuer that such Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to (but excluding) the date of repayment, if any of the following events (each, an "**Event of Default**") shall have occurred and be continuing:

(a) if default is made by the Issuer 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 seven days in the case of principal and 14 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 (other than an Excluded Subsidiary) becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries (other than an Excluded Subsidiary) 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 (other than an Excluded Subsidiary) for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries (other than an Excluded Subsidiary) 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 provided that the aggregate principal amount of (I) any such Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of (i), (ii) and/or (iii) above, and/or (II) the maximum amount payable by the Issuer or such Material Subsidiary under such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of (iv) above, exceeds U.S.$75,000,000 (or its equivalent in any other currency or currencies); 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 (other than an Excluded Subsidiary) ; or

the Issuer ceases or threatens to cease to carry on the whole or a substantial part or any Material Subsidiary (other than an Excluded Subsidiary) ceases or threatens to cease to carry on the whole or substantially the whole, in each case, 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 (other than an Excluded Subsidiary) 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 by a competent authority bankrupt or insolvent; or

the Issuer or any of its Material Subsidiaries (other than an Excluded Subsidiary) commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or

the Issuer or any of its Material Subsidiaries (other than an Excluded Subsidiary) 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) (in each case, save for those that are conducted while solvent upon terms approved by an Extraordinary Resolution of Noteholders) 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)

save for, in each case in sub-paragraphs (i) to (iv) above, the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or the transfer of all or substantially all of its business and/or assets of any Material Subsidiary to, the Issuer or one or more other Subsidiaries of the Issuer;

(e) if the banking licence of Akbank is temporarily or permanently revoked or Akbank is transferred to the Savings and Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

11.2 Interpretation

For the purposes of this Condition:

"**Excluded Subsidiary**" means (i) any Person which becomes a Subsidiary following enforcement of any security interest granted in favour of the Issuer in the context of the Issuer's ordinary course lending activities in respect of that Person's share capital and (ii) the Issuer's holding in such Subsidiary is required only to resolve a defaulted or non-performing loan granted as part of the Issuer's ordinary course of lending activities and such holding shall thereafter be promptly disposed of as soon as reasonably practicable and (iii) the Issuer or any Material Subsidiary (as defined in this Condition 11.2) shall not grant any guarantee, indemnity, security over its assets or other credit support in respect of any Indebtedness for Borrowed Money of such Subsidiary.

"**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.

"**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 BRSA Accounting and Financial Reporting Legislation financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer and its Subsidiaries, taken as a whole, all as calculated respectively by reference to the then latest audited BRSA Accounting and Financial Reporting Legislation 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 BRSA Accounting and Financial Reporting Legislation financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated BRSA Accounting and Financial Reporting Legislation 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 BRSA Accounting and Financial Reporting Legislation financial statements unless it would then be a Material Subsidiary under subparagraph (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 BRSA Accounting and Financial Reporting Legislation financial statements of the Issuer and its Subsidiaries relate, represent) not less than 15 per cent. 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 15 per cent., 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 of the publication of its next audited BRSA Accounting and Financial Reporting Legislation 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.

"**Person**" means (a) any individual, company, unincorporated association, government, state agency, international organisation or other entity and (b) its successors and assigns.

"**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 NOTES

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Transfer Agent (which may be the Fiscal Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

For so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice to Euroclear and/or Clearstream, Luxembourg shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as applicable.

Notices to be given by any Noteholder shall be in writing and given by lodging the same with the Registrar. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. of the then nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the Maturity Date or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds of the nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all the Noteholders, whether or not they are present at the meeting.

The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed on behalf of the Noteholders of not less than 75 per cent. of the nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing systems (in a form satisfactory to the Fiscal Agent) by or on behalf of Noteholders of not less than 75 the nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

15.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, 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) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders.

Any such modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. 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 in all respects save for the amount and date of the first payment of interest thereon, which may be consolidated and form a single Series with the outstanding Notes, provided that such further notes will be fungible with the original Notes for U.S. federal income tax purposes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Notes, are and shall be governed by, and construed in accordance with, English law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).

The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Notes (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) 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, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against such Issuer, pursuant to the provisions of the first paragraph 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).

18.4 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent for service of process in respect of any Proceedings before the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and agrees that, in the event of such process agent ceasing so to act, it will appoint another person as its agent for service of process for that purpose.

18.5 Other documents

The Issuer has, in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent for service of process, in terms substantially similar to those set out above.

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 and such information has been accurately reproduced. As far as Issuer is aware and is able to ascertain from information published by the Clearing Systems, no facts have been omitted that would render reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

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.

*The Issuer is required to notify the Central Securities Depository (Merkezi Kayıt Kuruluşu) (the "**CSD**") regarding the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian, currency of the Notes, the country of issuance and any change to this information, if any, including an early redemption within three Istanbul business days from the date of issue of the Notes or, in the case of any change to this information, the relevant change.*

Book-entry Systems

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depositary. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg account holders.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its account holders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

Book-entry Ownership of and Payments in respect of Global Notes

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have the Notes represented by the Regulation S Global Note accepted in its book-entry settlement system. Upon the issue of the Regulation S Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by the Regulation S Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of HSBC. Interests in the Regulation S Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to account holders of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in the Regulation S Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of Euroclear and/or Clearstream, Luxembourg account holders).

Payments with respect to interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited to cash accounts of Euroclear and Clearstream, Luxembourg account holders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, respectively, to the extent received by each of them.

Ownership of beneficial interests in the Global Notes will be limited to Direct Participants or Indirect Participants, including the Common Depositary for Euroclear and Clearstream, Luxembourg.

Transfers of Notes Represented by Global Notes

Transfers of any interests in Notes represented by a Global Note within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in the Global Notes among participants and account holders of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or HSBC will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as at the date of this Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

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 worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered 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 or apportioned from the profits of the payer or the person on whose behalf the payment is made in 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 required. 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 paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 7 per cent. withholding tax for notes with an original maturity of less than one year,

- 3 per cent. withholding tax for notes with an original maturity of at least one year and less than three years, and
- 0 per cent. withholding tax for notes with an original maturity of three years and more.

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 is required to be declared if the interest income derived exceeds TL 49,000 for 2020 together with the gains from other marketable securities and 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 sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the 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 in respect of capital gains from the Notes and no declaration is required. The Provisional Article 67 is valid until end of 2020.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realised by a resident corporation or individual on the sale or redemption of the Notes (or beneficial interests therein) are subject to income tax or corporate income tax. Provisional Article 10 of the Corporate Tax Law (introduced with the amendment dated 28 November 2017) states that corporate tax will be levied at the rate of 22% for the accounting periods of 2018, 2019 and 2020. The current rate for individuals ranges from 15% to 40% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 7%. and 0%. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding tax at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding tax. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

Bond issuances and interest payments over the bonds are exempt from the Value Added Tax ("**VAT**") pursuant to the Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended with the Turkish Tax Bill

Regarding Improvement of the Investment Environment (Law No. 6728), published in the Official Gazette dated 9 August 2016 and numbered 29796.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" ("**FFI**", as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. Akbank is listed on the FFI list as a foreign financial institution for these purposes (U.S. Internal Revenue Service assigned GIIN No. 08G46B.00000.LE.792). A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

On 29 July 2015, the governments of Turkey and the United States signed an Agreement to Improve International Tax Compliance Through Enhanced Exchange of Information (the "**Turkish IGA**"). Under the Turkish IGA, an entity classified as an FFI that is treated as resident in Turkey is expected to provide the Turkish tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The Issuer is an FFI and provided it complies with the requirements of the Turkish IGA and the Turkish legislation implementing the Turkish IGA, it should not be subject to FATCA withholding on any payments it receives and it should not be required to withhold tax on any "foreign passthru payments" that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Turkish IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts ("**IRAs**"), Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a "**Plan**").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA and prohibit certain transactions involving the assets of a Plan subject to Title I of ERISA or Section 4975 of the Code (each, a "**Benefit Plan Investor**") and its fiduciaries or other interested parties.

In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Employee benefit plans that are U.S. governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; however, such plans may be subject to similar restrictions under applicable state, local, other federal or non-U.S. law ("**Similar Law**").

Accordingly, in considering an investment in the Notes that are assets of any Plan, the fiduciary or trustee of the applicable Plan should determine whether the investment in the Notes is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to the Plan and such person's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor 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 Investor. 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 such Benefit Plan Investor.

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if Akbank is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers". 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 investors that are Benefit Plan Investors and other Plans should consult with their legal advisers regarding the applicability of any such exemption and other applicable legal requirements.

Because of the foregoing, Notes should not be acquired or held by any person investing "plan assets" of any Plan, unless such acquisition, holding and disposition of such Notes will not constitute a non-exempt prohibited transaction under ERISA or the Code or a violation of any applicable Similar Laws.

Representations

By acquiring a Note (or a beneficial interest therein), each investor (and if the investor is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the Note (or a beneficial interest therein) with the assets of any Plan, or (b) the acquisition, holding and disposition of the Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Prospective investors are advised to consult their advisers with respect to the consequences under ERISA and similar laws of the acquisition, ownership or disposition of the Notes (or a beneficial interests therein).

PLAN OF DISTRIBUTION

Akbank intends to offer the Notes through HSBC. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes entered into on 3 August 2020 between the Issuer and HSBC (the "**Subscription Agreement**"), HSBC has agreed to procure subscribers for or failing which to subscribe, and the Issuer has agreed to sell, the entire principal amount of the Notes. The Subscription Agreement provides that the obligations of HSBC thereunder are subject to certain conditions.

The Notes have not been registered under the Securities Act or the securities laws of any state of the U.S. or other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Subscription and Sale and Transfer and Selling Restrictions*" below.

HSBC and its 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. HSBC and its affiliates may have performed investment banking and advisory services for Akbank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. HSBC and its affiliates may, from time to time, engage in transactions with and perform advisory and other services for Akbank and its affiliates in the ordinary course of their business. HSBC and its affiliates have acted and expect in the future to act as a lender to Akbank and/or other members of the Akbank Group and/or otherwise participate in transactions with the Akbank Group.

In the ordinary course of their various business activities, HSBC and its 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 Akbank's securities and instruments. In addition, HSBC and its affiliates hedge their credit exposure to Akbank pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby.

HSBC and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Akbank has agreed to indemnify HSBC against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that HSBC may be required to make because of those liabilities.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Transfer Restrictions

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

Akbank has not registered the Notes under the Securities Act or the laws of any U.S. State securities commission and, therefore, the Notes may not be offered or sold within the United States 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 to non-U.S. persons in offshore transactions in reliance upon Regulation S under the Securities Act.

Each purchaser of Notes (other than a person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Global Note to another or from global to definitive form will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(a) that it is outside the United States and is not a U.S. person;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the U.S. or other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(c) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions, if then applicable;

(d) if it holds an interest in the Regulation S Global Note, that if it should resell or otherwise transfer such interest in the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act and (ii) in accordance with all applicable U.S. federal and State securities laws; and it acknowledges that the Regulation S Global Note will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT

ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW."; and

(e) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser and transferee of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a U.S. governmental plan, church plan or non-U.S. plan that is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer funds for the purchase of such securities abroad through licensed banks or licensed brokerage institutions authorised pursuant to Banking Law and/or Capital Markets Law and their related legislation.

Selling Restrictions

Turkey

The offering of the Notes has been authorised by the CMB on 24 January 2020 through the approval of the issuance certificate (*ihraç belgesi*) only for the purpose of the sale of the notes outside of Turkey in accordance with article 11 of the Capital Markets Law, Article 15(b) of Decree 32 and the Communiqué. The notes (or beneficial interests therein) have to be offered or sold outside of Turkey and 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 private placement or public offering may be engaged in.

Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Article 15(d)(ii) of Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) in both the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; provided that (for each of clauses (a) and (b)) such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the U.S. or other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Prohibition of Sales to EEA and UK Retail Investors

HSBC has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

HSBC 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 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 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

HSBC has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. The Issuer shall not have any responsibility therefor.

None of the Issuer or HSBC represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The issue and sale of the Notes by the Issuer and the execution and delivery by the Issuer of the transaction documents has been duly authorised by a resolution of the Board of Directors dated 16 December 2019 and numbered 10783.

Listing of Notes

An application has been made to Euronext Dublin to admit the Notes to listing on the Official List and to trading on the Euronext Dublin Regulated Market; *however*, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and trading on the Euronext Dublin Regulated Market will be granted on or around the Issue Date, subject only to the issue of the Notes.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for Akbank in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Euronext Dublin Regulated Market for the purposes of the Prospectus Regulation.

Documents Available

For the life of the Prospectus, copies of the following documents will, when published, be available in electronic form for inspection from https://www.akbankinvestorrelations.com/en/whosale-funding/detail/Eurobond-Senior-Unsecured/234/435/0 :

(a) the articles of association (with a certified English translation thereof) of the Issuer;

(b) the Agency Agreement and the Deed of Covenant and the forms of the Global Notes and the Notes in definitive form; and

(c) a copy of this Prospectus.

Clearing Systems

The Regulation S Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN: XS2211119313 and Common Code: 221111931).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

Save as disclosed in this Prospectus at "*Risk Factors— Risks Related to Akbank—The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Akbank and/or its clients.*" there has been no significant change in the financial performance or position of either Akbank or the Akbank Group since 30 June 2020, and no material adverse change in the financial position or prospects of either Akbank or the Akbank Group since 30 June 2020.

Litigation

Neither Akbank nor any other member of the Akbank Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Akbank is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of Akbank or the Akbank Group.

Independent Auditors

Akbank's annual financial statements, convenience translations of which are incorporated by reference herein, have been audited by PwC, independent certified accountants in Turkey, located at BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat 9 Akaretler Beşiktaş 34357, Istanbul, Turkey as stated in the convenience translations of PwC's audit report incorporated by reference herein, in accordance with the communiqué "Independent Audit of Banks" as published by the BRSA in the Official Gazette No.29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the POA.

PwC are an institution authorised by BRSA, CMB, Turkish Treasury, Energy Market Regulatory Authority and POA to conduct independent audits of companies, including 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.

Foreign Text

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

APPENDIX 1 - OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

BRSA Principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (e.g., IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34. Among the differences in accounting policies some of the most important are:

Consolidation and Equity Accounting

Only subsidiaries and associates in the financial sector are consolidated and equity accounted, respectively, under BRSA Principles, others are carried at cost or fair value. The definition of control under BRSA Principles is based on the power to appoint or remove the decision-making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital, whereas in IFRS 10 an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates

The threshold for "significant influence" for associates differs. Under BRSA Principles, if the parent bank has qualified shares (i.e. shares that represent directly or indirectly 10% or more of the capital or voting rights in the associate or that give the privilege to appoint members to the associate's board of directors even though such rate is below 10%) in the invested entity, unless otherwise proved, it is accepted that the parent bank has significant influence in that associate. In IAS 28 such a threshold is set as 20%.

Assets Held for Sale

Under BRSA Principles, depreciation of assets held for sale is taken into account for assets with probability of disposal within one year, whereas pursuant to IFRS 5, non-current assets held for sale are classified to this category only if their sale is highly probable and is expected to be completed within one year and they are carried at lower of cost or fair value less cost to sell.

For 2017

Specific Provisioning for Loan Losses

BRSA provisioning for loan losses is different from IAS 39 and is based on minimum percentages related to number of days overdue prescribed by relevant regulations, whereas in IFRS, provision for loan loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Furthermore, according to BRSA, collaterals are included in the calculation of specific reserves using the percentages provided in the regulation by type of collateral; in IAS 39, the calculation of the present value of the estimated future cash flows of a collateralised financial asset is based on the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

General Loan Loss Provisioning

BRSA requires general loan loss provisions to be calculated over on and off balance sheet financial instruments that carry credit risk using specific percentages as defined in the regulation. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

Akbank's major derivative instruments consists of foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank classifies its derivative instruments as "Derivative Financial Assets Measured at Fair Value Through Profit and Loss" in accordance with "TFRS 9 Financial Instruments" (TFRS 9).

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are re-measured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Derivative Financial Assets Measured at Fair Value Through Profit and Loss" or "Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income"; if the fair value difference is negative, it is disclosed in "Derivative Financial Liabilities Measured at Fair Value Through Profit and Loss" or "Derivative Financial Liabilities Measured at Fair Value Through Other Comprehensive Income". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Embedded derivatives have not been separated from its host contract and accounted under host contracts' accounting standards. As at 31 December 2019, Akbank has no embedded derivative instruments.

I. EXPLANATIONS ON FINANCIAL ASSETS:

Akbank categorises its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortised Cost". Such financial assets are recognised or derecognised according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

Classification and measurement of financial assets

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Akbank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, Akbank consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Akbank fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss, amortised cost or fair value through other comprehensive income.

Akbank recognises a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

When the business model determined by Akbank management is changed, all financial assets affected by this change are reclassified and the reclassification is applied in the future. In this case, no adjustment is made for the gain, loss or interest rates previously recognised in the financial statements.

a. Financial assets at the fair value through profit or loss:

Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognised at fair value and re-measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

b. Financial Assets at Fair Value Through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognised by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are re-measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortised cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition the Bank can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

c. Financial Assets Measured at Amortised Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortised cost.

Financial assets measured at amortised cost are initially recognised at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognised at amortised cost by using effective interest rate method. Interest income obtained from financial assets measured at amortised cost is accounted in income statement.

"Fair value through other comprehensive income" and "measured at amortised cost" securities portfolio of Akbank include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Bank also sets the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year. At the end of the year, the real inflation rate is used.

d. Derivative Financial Assets:

The major derivative instruments utilised by Akbank are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

Derivative financial instruments of Akbank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss".

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognised in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model. When inactive market conditions exist, observable inputs used in the determination of fair values are adjusted using appropriate assumptions and considering the volume and level of activity in the markets.

e. Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognised at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortised cost using the "Effective Interest Rate (internal rate of return) Method".

1. Loans measured at amortised cost:

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised.

2. Loans measured at fair value through profit or loss:

Loans at fair value through profit and loss, terms of the contract for loans, if at certain dates it does not result in cash flows involving interest payments arising from the principal and principal balances, it is recorded at fair value and is subject to fair value assessment following the recognition. Gains and losses resulting from the valuation are included in profit/loss accounts.

In certain circumstances, restructuring or altering the contractual cash flows of a financial instrument may result in the disposal of the existing financial asset in accordance with TFRS 9. A revised financial asset is considered as a new financial asset when the change in the financial asset is once excluded from the financial statement and the revised financial asset is recognised in accordance with TFRS 9.

The Bank assesses whether the new financial asset contains solely payments of principal and interest when the new conditions for the instrument have determined that there are significant changes compared to the initial conditions in the relevant contracts.

In the event that the contractual conditions for the financial asset do not result in cash flows that include solely payments of principal and interest on certain dates, the related financial asset is recognised with its fair value and is subject to valuation.

Significant increase in credit risk:

If the credit risk of financial assets determined to be significantly increasing, afore-mentioned assets are transferred to the stage II. For stage I loans expected loss (provision) amounts are calculated for 1-year and for stage II loans expected loss (provision) is calculated for the remaining life of the loan.

In addition, the key considerations in determining whether a significant increase in the credit risk of financial asset and transferring it to stage 2, but are not limited with these, the following;

- Past due date is 30 or more

- Restructuring of loans

- If the loan classified as under follow-up – As per the related legislation of BRSA dated 23 March 2020 and numbered 8970, it was decided to limit for entry to close monitoring due to delay days has been moved from the end of the 30th delay day to the end of the 90th delay day as of 17 March 2020. This amendment does not include loans that were delayed by 90 days before 17 March 2020.

- Assessment of significant increase in the probability of impairment based on rating notes.

Definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from bank's internal rating-based credit rating models and probability of default on reporting date. If the loan's estimated probability of default on reporting date exceeds the threshold values determined, it is considered to be worsening of the probability of default.

Definition of Default:

The Bank considers that there is a default on the relevant debt in the following two cases:

1. Objective Default Definition: It means that the debt is overdue by more than 90 days. The definition of default, which is applicable to the Bank and its consolidated financial institutions, is based on the criteria that the debt is overdue by more than 90 days. However, due to COVID-19, the "more than 90 days past due" condition used in the definition of default for the classification of loans has started to be applied as "more than 180 days past due" as of 17 March 2020 in accordance with the decision of BRSA.

This application will be valid until December 31, 2020. In accordance with the related amendment, the Bank has made provision in accordance with its risk policies..

2. Subjective Default Definition: It means that it is determined the debt will not be paid off. If the borrower deemed to be unable to fulfill the debt obligations, borrower should be considered as defaulted whether there is a overdue payment or number of days.

Write-off Policy:

Loans and provision ratio of a financial asset in the Bank, which have been completely write-off, do not have any expectation that it will be recovered, are applied in cases where these expectations are documented by legal means or are not classified under the 5th group and do not have reasonable expectations for recovery. It is a transaction applied to all 100% fraud and fraud-based follow-up accounts.

Partial write-off transactions mean that the financial asset will be reimbursed at a certain rate by the debtor, and the amount remaining after the payment of the amount in question or the part of the bank that is classified under group 5 and which does not have reasonable expectations to be recovered from the financial statements.

II. EXPLANATIONS ON EXPECTED CREDIT LOSS:

Akbank allocates impairment for expected loss on financial assets measured at amortised cost and measured at fair value through other comprehensive income.

As at 1 January 2018, Akbank recognise provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as at 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Expected Credit Loss (ECL) Calculation – Input and Forecasting Methodologies

Expected Credit Loss (ECL) is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

- Exposure at Default: Specifies the amount of risk that the borrower should pay in case of default. It is kept in the system by constantly calculated until the maturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable commitment products.

- Probability of Default (PD): PD indicates the probability of default due to inability of the borrower to meet its debt obligations. It has been calculated for 12 months or lifetime depends on increase on borrower's credit risk.

- Loss Given Default (LGD): In case of default of the borrower, Loss Given Default has been calculated as dividing Expected Credit Loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure, customer repayment performance. Calculated LGD remains constant until its overdue.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. The expected credit loss value is calculated for all customers over the maturity period. However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Within the scope of TFRS 9, models of Probability of default (PD), Lost given default (LGD) and Exposure at default (EAD) have been developed. The models used by the IRB "(Internal Rating Based Approach)" are taken into account when creating these models. The models developed under TFRS 9 have a detailed segment structure. Loans that have similar characteristics are segmented in order to reflect the expected credit losses collectively in financial reports. When creating the segmentation structure, the following information of the loans is taken into consideration.

1. Customer type (retail or corporate / commercial)

2. Product type

3. IRB rating notes /scores

4. Customer credit performance

5. Collateral type

6. Collection Period

7. Exposure at default

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

The risk parameters used in the IFRS 9 calculations include prospective macroeconomic information. While macroeconomic information is included, models and estimates reflecting the relationships between model risk parameters and macroeconomic variables are taken into consideration. The main macroeconomic indicators of these estimation models are the Gross Domestic Product (GDP) growth rate and the policy interest rate. Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The ECL calculations are reviewed once a year. After the last review during the reporting period ;

- There has been no change in the assumptions in forecasting techniques.

- Model risk parameters and macroeconomic forecast models have been updated with recent data.

- The 2-scenario structure consisting of base-case scenario and negative scenario has been increased to 3 with the updated model. The expected credit loss calculation is made through these 3 scenarios.

Within the scope IFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Loss-ECL). Related impact is realized when the default ratio of the Bank moves the default rate calculated for each maturity up or down.The main parameters of default ratio model are "Growth Rate" and "Policy Interest". Therefore, the calculated provisions can change when the macroeconomic expectations are taken into consideration.

The PD values subject to the ECL calculation have been obtained for the following portfolios.

Consumer/Commercial	**Portfolio**
Retail	Consumer
Retail	Automotive
Retail	Mortgage
Retail	Credit Card
Retail	Overdraft Account
Commercial	Micro
Commercial	Company
Commercial	Commercial

Commercial	Corporate

In forward-looking expectations, 3 scenarios are being used: the base scenario, the bad scenario and the good scenario. Each scenario has predetermined weights. Final allowances are calculated by weighting the probability given to the scenarios. Within the scope of COVID-19 impact to the ECL, since the macroeconomic data used in the scenarios are not clearly predictable as of 31 March 2020, the weight of the negative scenario was increased by reducing the weights of the base and positive scenarios from the 3 scenarios used in line with the estimates of the Economic Research Unit of Akbank.

Deferred Taxation

Certain differences exist in this area. According to IAS 12, income taxes' deferred taxation is calculated based 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 issuer, whereas under BRSA Principles, it is not permitted to recognise deferred tax on general loan loss provisions.

Akbank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 and the related decrees of the BRSA concerning income taxes.

In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as at the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in The Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to this law, deferred tax asset and liabilities shall be measured at the tax rates that are expected to apply to these periods when the assets is realised or the liability is settled. For the periods 2021 and after deferred tax assets and liabilities were measured by 20% tax rate.

Deferred tax liabilities are recognised for all resulting temporary differences whereas deferred 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 tax assets can be utilised.

Deferred tax asset had not been provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004. Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018. Deferred tax calculation is not made for free provisions.

Calculated deferred tax receivables and deferred tax liabilities have shown in net balances in the financial statements separately for domestic and international branches and for different subsidiaries subject to consolidation. Net balances of deferred tax assets and liabilities from companies are shown separately in assets and liabilities.

Deferred tax related to items recognised directly in equity is also credited or charged directly to equity.

Application Period for Hyperinflationary Accounting

Under 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.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on "risk group" as defined in the Banking Law.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing leasing services which are subject to specific BRSA policies/requirements.

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